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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 TRANSACTION
IN RELATION TO
CAPITAL INCREASE IN ZHEJIANG COMMUNICATIONS
INVESTMENT GROUP FINANCE CO., LTD.**

THE CAPITAL CONTRIBUTION AGREEMENT

On 14 October 2016, the Company entered into the Capital Contribution Agreement with Zhejiang Communications Finance and the Existing Shareholders, pursuant to which the Company agreed to contribute an amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance, an associate of the Company.

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 of the Company. As at the date of this announcement, Communications Group also directly and indirectly, through Ningbo Expressway Co and Taizhou Expressway Co, holds 65% of the issued share capital of Zhejiang Communications Finance. Therefore, Zhejiang Communications Finance, being a subsidiary of Communications Group, is a connected person of the Company and as a result, the transaction under the Capital Contribution Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Capital Contribution Agreement are more than 0.1% but less than 5%, the Capital Contribution Agreement is 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 CAPITAL CONTRIBUTION AGREEMENT

On 14 October 2016, the Company entered into the Capital Contribution Agreement with Zhejiang Communications Finance and the Existing Shareholders, pursuant to which the Company agreed to contribute an amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance, an associate of the Company.

The principal terms of the Capital Contribution Agreement are set out below:

Date

14 October 2016

Parties

- (i) Communications Group
- (ii) Ningbo Expressway Co
- (iii) Taizhou Expressway Co
- (iv) the Company
- (v) Zhejiang Communications Finance

Capital Contribution

Pursuant to the Capital Contribution Agreement, the Existing Shareholders and the Company agreed to contribute capital in cash to Zhejiang Communications Finance on a pro rata basis in proportion to their existing shareholding in Zhejiang Communications Finance in the aggregate amount of RMB1 billion, of which the Company agreed to contribute an amount of RMB350,000,000 based on its current shareholding in Zhejiang Communications Finance. The Company intends to satisfy the Capital Contribution by way of its internal resources.

Basis of determination of the Capital Contribution

The amount of capital contributions to be made by the Company and the Existing Shareholders in the aggregate sum of RMB1 billion was determined after arm's length negotiations amongst the parties with reference to the future capital need of Zhejiang Communications Finance.

Timing of the Capital Contribution

Subject to the Capital Contribution Agreement becoming effective, the capital contribution by the Company is expected to be made on or before 20 October 2016.

Conditions precedent and effective date

Completion of the Capital Contribution Agreement is conditional upon the approval of CBRC having been obtained in connection with the Capital Contribution Agreement, and the Capital Contribution Agreement will become effective on the date on which it is approved by CBRC.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Directors expect that Zhejiang Communications Finance will play a larger role as a fund management platform for the Communications Group following the merger of the Communications Group and Zhejiang Railway Investment Group in August 2016. The operation scale of Zhejiang Communications Finance is, however, constrained by the size of its capital and the existing capital level of Zhejiang Communications Finance is no longer sufficient to support its expansion and satisfy the business needs of the Communications Group (including the Company).

As a non-bank financial institution, the operations of Zhejiang Communications Finance are subject to various capital requirements imposed by the People's Bank of China and CBRC. For instance, the amount of financial debts that Zhejiang Communications Finance may issue must not exceed its total capital, the amount of short term securities investments it may hold (including short term currency funds and fixed income products) must not exceed 40% of its total capital, the amount of long term investments it may hold must not exceed 30% of its total capital, and the amount of guarantee it may provide to Communications Group and its subsidiaries must not exceed its total capital. The Capital Contribution is therefore necessary for the progressive development of Zhejiang Communications Finance. The Capital Contribution would also enable Zhejiang Communications Finance to cope with the enhanced regulatory requirements on capital sufficiency and capital management by non-bank financial institutions imposed by regulators such as the People's Bank of China and the CBRC.

It is important for Zhejiang Communications Finance to continue expanding its business scope in order to serve the subsidiaries of the Communications Group (including the Company), and the level of capital is an important criteria to be considered by the regulators when applying for the operation of new businesses. The Capital Contribution will enable Zhejiang Communications Finance to expand its business scope, operate new business and maintain its status in the industry.

Zhejiang Communications Finance has shown a strong growth in income and profitability since its establishment in December 2012, with an average return on net assets at approximately 14% in the past three years. The Directors consider that the Capital Contribution will provide a satisfactory return to the Company.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Contribution Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON ZHEJIANG COMMUNICATIONS FINANCE

Zhejiang Communications Finance is a limited liability company incorporated in the PRC on 9 November 2012 and approved by CBRC as a non-banking financial institution on 17 October 2012 with a registered capital of RMB1 billion as at the date of this announcement. As at the date of this announcement, Zhejiang Communications Finance is owned as to 40%, 35%, 15.625% and 9.375% by Communications Group, the Company, Ningbo Expressway Co and Taizhou Expressway Co, respectively, and Zhejiang Communications Finance is an associate of the Company.

Zhejiang Communications Finance is principally engaged in the business of providing financial services to the subsidiaries of Communications Group, including but not limited to advising the subsidiaries of Communications Group in relation to financing, letters of credit and other agency services; authorised insurance agency businesses; providing guarantees, accepting and discounting commercial notes, arranging for loans and financial leases, and receiving deposits of the subsidiaries of Communications Group.

According to the audited financial statements of Zhejiang Communications Finance, the total assets of Zhejiang Communications Finance as at 31 December 2015 were approximately RMB6,270,342,000. Zhejiang Communications Finance recorded an operating revenue of approximately RMB270,333,000 and a profit before tax of approximately RMB186,144,000 for the year ended 31 December 2015.

Upon completion of the Capital Contribution, the registered capital of Zhejiang Communications Finance will be increased from RMB1 billion to RMB2 billion, and the shareholding percentage of the Company and the Existing Shareholders in Zhejiang Communications Finance will remain unchanged.

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 of the Company. As at the date of this announcement, Communications Group also directly and indirectly, through Ningbo Expressway Co and Taizhou Expressway Co, holds 65% of the issued share capital of Zhejiang Communications Finance. Therefore, Zhejiang Communications Finance, being a subsidiary of Communications Group, is a connected person of the Company and as a result, the transaction under the Capital Contribution Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Capital Contribution Agreement are more than 0.1% but less than 5%, the Capital Contribution Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping holds certain senior position in Communications Group, so they have abstained from voting on the board resolution with respect to the approval of the Capital Contribution Agreement. Save for Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping, none of the Directors has any material interest in the Capital Contribution Agreement or is required to abstain from voting on the relevant Board resolutions to approve the same.

INFORMATION ON THE PARTIES

The Company is a joint stock company established under the laws of the PRC with limited liability on 1 March 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 operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

Communications Group is a wholly state-owned enterprise established in the PRC on 29 December 2001 and is principally engaged in a diverse range of businesses, including investment, operations, maintenance, toll collection and ancillary services of expressways, construction and building of transportation project, ocean and coastal transport, as well as real estate.

Ningbo Expressway Co. is a limited liability company incorporated in the PRC and a 75% owned subsidiary of Communications Group and is principally engaged in the operation and management of the Ningbo section of the Ningbo-Taizhou-Wenzhou expressway.

Taizhou Expressway Co. is a limited liability company incorporated in the PRC and a 75% owned subsidiary of Communications Group and is principally engaged in the operation and management of the Taizhou section of the Ningbo-Taizhou-Wenzhou expressway.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Contribution”	the proposed capital contribution by the Company in the amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance pursuant to the Capital Contribution Agreement

“Capital Contribution Agreement”	the agreement dated 14 October 2016 entered into between the Company, Zhejiang Communications Finance and the Existing Shareholders in relation to the Capital Contribution
“CBRC”	China Banking Regulatory Commission of the PRC (中國銀行業監督管理委員會)
“Communications Group”	浙江省交通投資集團有限公司 (Zhejiang Communications Investment Group Co., Ltd.*), 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 incorporated in the PRC with limited liability
“connected person”	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 directors of the Company
“Existing Shareholders”	Communications Group, Ningbo Expressway Co. and Taizhou Expressway Co., being the existing shareholders of Zhejiang Communications Finance other than the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningbo Expressway Co”	浙江寧波甬台溫高速公路有限公司 (Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd.*), a limited liability company incorporated in the PRC and a 75% owned subsidiary of Communications Group
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules

“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)
“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
“Taizhou Expressway Co”	浙江台州甬台温高速公路有限公司 (Zhejiang Taizhou Yongtaiwen Expressway Co., Ltd.*), a limited liability company incorporated in the PRC and a 75% owned subsidiary of Communications Group
“Zhejiang Communications Finance”	浙江省交通投資集團財務有限責任公司 (Zhejiang Communications Investment Group Finance Co., Ltd.*), a limited liability company incorporated in the PRC and owned as to 40%, 35%, 15.625% and 9.375% by Communications Group, the Company, Ningbo Expressway Co and Taizhou Expressway Co, respectively, as at the date of this announcement

* *English names for reference only*

On behalf of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
ZHAN Xiaozhang
Chairman

Hangzhou, PRC, 14 October 2016

As of the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang Rosa.