

Hong Kong Stock Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 DEDICATED ROAD MAINTENANCE AGREEMENT

THE DEDICATED ROAD MAINTENANCE AGREEMENT

On May 28, 2018, the Company entered into the Dedicated Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide the Dedicated Maintenance Services to the Group's four expressways from May 28, 2018 to November 30, 2018.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Maintenance Co is a non-wholly-owned subsidiary of Communications Group. Therefore, Maintenance Co is a connected person of the Company and as a result, the transactions under the Dedicated Road Maintenance Agreement constitute continuing 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 Dedicated Road Maintenance Agreement and the Previous Transactions were entered into with parties who are connected with one another and within a 12-month period, the Dedicated Road Maintenance Agreement and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

As the applicable percentage ratios in respect of the transactions contemplated under the Dedicated Road Maintenance Agreement after aggregating the Previous Transactions, are more than 0.1% but less than 5%, the Dedicated Road Maintenance 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.

BACKGROUND

On March 1, 2018, the Company organised a public tender in respect of the provision of Dedicated Maintenance Services to the Target Expressways, namely, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway (the “Public Tender”). A tender notice in respect of the Public Tender was published on the website of the Company and www.chinabidding.com.cn on March 1, 2018.

Evaluation of the Public Tender was conducted by a committee consisting of industry experts. The committee considered the following factors when evaluating candidates to the Public Tender: (1) working plan proposed by the tenderers and their technical capability; (2) standard of safety management of the tenderers and their capability of handling emergency events; (3) quality of work and ability to deliver work on a timely manner; (4) experience of the tenderers in similar projects and (5) reputation of tenderers.

After taking into account the above evaluation criteria, the management of the Company decided to accept the committee’s recommendation and awarded a contract to Maintenance Co to provide the Dedicated Maintenance Services. Maintenance Co was amongst four entities (three of which being independent suppliers) who submitted tenders to the Company.

THE DEDICATED ROAD MAINTENANCE AGREEMENT

On May 28, 2018, the Company entered into the Dedicated Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide the Dedicated Maintenance Services to the Group’s four expressways from May 28, 2018 to November 30, 2018.

Principal terms of the Dedicated Road Maintenance Agreement are set out below:

- Date:** May 28, 2018
- Parties:**
 - (1) the Company, as the contract letting party; and
 - (2) Maintenance Co, as the contractor
- Term:** The term of the Dedicated Road Maintenance Agreement is from May 28, 2018 to November 30, 2018.
- Subject matter:** Maintenance Co agreed to provide certain dedicated maintenance services in respect of the Target Expressways, namely Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway, including road work, roadbed work, bridge work, road safety related work and certain specific maintenance services.

Consideration: RMB199,877,381

Basis of consideration: The consideration was determined as a result of the Public Tender of the Dedicated Maintenance Services for the Target Expressways. Maintenance Co was successfully awarded the bid in accordance with terms of the Public Tender.

To ensure that the terms offered by Maintenance Co are fair, reasonable and no less favourable than those provided by independent third parties to the Group, the Company compared prices offered by each of the tenderers for the Dedicated Maintenance Services. In addition, prices offered by independent suppliers are also higher than that offered by Maintenance Co.

Payment: The consideration is paid in two installments: (i) 97% to be paid upon completion of the Dedicated Maintenance Services; and (ii) 3% to be paid within 15 days after acceptance of completion and finalisation of the completion and settlement report.

Governing law: PRC law

Cap for the Dedicated Road Maintenance Agreement

For the purpose of complying with Chapter 14A of the Listing Rules, the Company has set a cap in respect of the aggregate fees payable by the Company to Maintenance Co for the Dedicated Maintenance Services during the term of the Dedicated Road Maintenance Agreement, which shall not exceed RMB199,877,381.

The above cap was determined after taking into account (i) total service fees payable to the Maintenance Co in respect of the Dedicated Road Maintenance Agreement, and (ii) service fees charged by independent third parties offering comparable services.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Specific maintenance services including the Dedicated Maintenance Services are necessary for the operation of the Target Expressways. Maintenance Co has the relevant qualifications and expertise to provide such services to the Company. In addition, the Company has also gone through the Public Tender to select Maintenance Co as the qualified service provider for the Dedicated Maintenance Services. Maintenance Co offered the lowest price amongst all the tenderers, and the terms offered by Maintenance Co are also no less favourable than those provided by independent third parties of the Group.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Dedicated Road Maintenance 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Maintenance Co is a non-wholly-owned subsidiary of Communications Group. Therefore, Maintenance Co is a connected person of the Company and as a result, the transactions under the Dedicated Road Maintenance Agreement constitute continuing 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 Dedicated Road Maintenance Agreement and the Previous Transactions were entered into with parties who are connected with one another and within a 12-month period, the Dedicated Road Maintenance Agreement and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

As the applicable percentage ratios in respect of the transactions contemplated under the Dedicated Road Maintenance Agreement after aggregating the Previous Transactions, are more than 0.1% but less than 5%, the Dedicated Road Maintenance 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.

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 securities brokerage, investment banking, asset management, margin financing and securities lending through Zhejiang Zheshang Securities Co., Ltd..

Maintenance Co is a non wholly-owned subsidiary of Communications Group which was incorporated under the laws of the PRC with limited liability on January 28, 2014. Maintenance Co is principally engaged in the construction of transportation projects and maintenance of toll road.

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
“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 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
“Dedicated Maintenance Services”	dedicated maintenance services including (i) road work such as pavement diseases treatment, bridge deck overlay, pavement overlay; (ii) roadbed work such as slope treatment; (iii) bridge work such as bridge fault maintenance and reinforcement and deck system maintenance; (iv) road safety work such as signs, road markings and fence maintenance and (v) specific maintenance services such as tunneling and greening
“Dedicated Road Maintenance Agreement”	the dedicated road maintenance agreement dated May 28, 2018 entered into between the Company and Maintenance Co, pursuant to which Maintenance Co agreed to provide the Dedicated Maintenance Services to the Target Expressways
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“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

“Maintenance Co”	Zhejiang Expressway Maintenance Co., Ltd.* (浙江滬杭甬養護工程有限公司), a non wholly-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)
“Previous Transactions”	the agreements entered into between or among the Group and Communications Group’s associates within a 12-month period prior to the date of the Dedicated Road Maintenance Agreement between or among the Group and Communications Group’s associates in relation to highway operations and maintenance services. For details, please refer to the announcements issued by the Company dated April 8, 2016 and June 23, 2017 respectively.
“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
“Target Expressways”	the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway
“%”	per cent.

* *English names for reference only*

On behalf of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
YU Zhihong
Chairman

Hangzhou, the PRC, May 28, 2018

As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive directors of the Company include: Mr. CHENG Tao and Ms. LUO Jianhu; the other non-executive directors of the Company include: Mr. DAI Benmeng, Mr. YU Qunli and Mr. YU Ji; and the independent non-executive directors of the Company include: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.