

Hong Kong 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 TRANSACTIONS ENTRUSTED MANAGEMENT AGREEMENTS

ENTRUSTED MANAGEMENT AGREEMENTS

On December 13, 2021, the Company entered into the Entrusted Management Agreements with branch and subsidiaries of the Communications Group, pursuant to which each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co shall entrust the Company to take over the operation and management of (i) Zhejiang Section of the Shensuzhewan Expressway, (ii) Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway; and (iii) South Connection of Qianjiang Channel, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, (i) Shensuzhewan Branch is a branch of Communications Group; (ii) Ningbo Yongtaiwen Co is a non-wholly owned subsidiary of Communications Group; and (iii) Santongdao South Connection Co is an indirect non-wholly owned subsidiary of Communications Group. Therefore, each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co is a connected person of the Company and as a result, the respective transactions contemplated under the Entrusted Management Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Entrusted Management Agreements are required to be aggregated with the respective transactions contemplated under the Previous Agreements.

As the highest applicable percentage ratio in respect of the aggregated annual cap for transactions contemplated under the Entrusted Management Agreements and the Previous Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Entrusted Management Agreements and the Previous Agreements 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 AGREEMENTS

Principal terms of the Entrusted Management Agreements are summarised as below:

Date: December 13, 2021

Parties: *In relation to Zhejiang Section of the Shensuzhewan Expressway:*

- (i) Shensuzhewan Branch (as the principal); and
- (ii) the Company (as the trustee)

In relation to Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway:

- (i) Ningbo Yongtaiwen Co (as the principal); and
- (ii) the Company (as the trustee)

In relation to South Connection of Qianjiang Channel:

- (i) Santongdao South Connection Co (as the principal); and
- (ii) the Company (as the trustee)

Scope of entrusted operation and management:

The Company is entrusted to take charge of the management of the relevant expressways and all of the operation and management of its supporting facilities, including but not limited to toll collection, maintenance management, mechanical and electrical facilities management and maintenance, expressway property and right of way protection, expressway overhaul and medium repair, wrecker rescue and cleaning of expressways, safety management, operational management of service areas, work safety matters, maintenance and appreciation of state-owned assets, financial operation and management, legal and risk management, organizational management, performance appraisal and personnel management.

Terms: Three years from July 1, 2021 to June 30, 2024, which may be early terminated upon agreement by the parties. Parties shall negotiate whether to extend the terms three months before the Entrusted Management Agreements expire and shall execute separate agreements to effect the extension if necessary.

Entrusted management service fees and payment method: The aggregate annual entrusted management service fees receivable under the Entrusted Management Agreements shall amount to RMB10,000,000, comprising:-

- (i) RMB4,500,000 payable by Shensuzhewan Branch;
- (ii) RMB3,500,000 payable by Ningbo Yongtaiwen Co;
- (iii) RMB2,000,000 payable by Santongdao South Connection Co.

The annual entrusted management service fees 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 Agreements.

Pricing policy: The entrusted management service fees are expressed as a fair and reasonable proportion of the Company's total annual management service fee with regard to the lengths of all the roads and expressways managed by the Company and the toll revenues derived therefrom. The maximum annual entrusted management service fees payable are determined after arm's length negotiations between the parties with reference to the Company's operation and management experience of toll expressway and estimation of potential revenue, cost and expenses arising from operation and management of (i) Zhejiang Section of the Shensuzhewan Expressway, (ii) Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway; and (iii) South Connection of Qianjiang Channel and all the other expressways which are operated and managed by the Company. Same standards have been applied with respect to the estimations for the relevant expressways and all other expressways operated and managed by the Company.

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 Agreements receivable by the Company.

The proposed annual cap on the aggregate entrusted management service fees of the Entrusted Management Agreements for the each of the three years from July 1, 2021 to June 30, 2024 shall not exceed RMB10,000,000.

If the actual total amount of the entrusted management service fees to be received by the Company under the Entrusted Management Agreements shall exceed the abovementioned annual cap, the Company will re-comply with all applicable requirements under the Listing Rules.

The proposed annual cap on the aggregate entrusted management service fees of the Entrusted Management Agreements are determined based on: (i) the Company's operation and management experience of toll expressways and estimation of potential revenue arising from operation of Zhejiang Section of the Shensuzhewan Expressway, Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway and South Connection of Qianjiang Channel; (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) revenues of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co from 2018 to 2020.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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 Agreements shall further expand and diversify 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 centralised 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 Agreements are 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, (i) Shensuzhewan Branch is a branch of Communications Group, (ii) Ningbo Yongtaiwen Co is a non-wholly owned subsidiary of Communications Group; and (iii) Santongdao South Connection Co is an indirect non-wholly owned subsidiary of Communications Group. Therefore, each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co is a connected person of the Company and as a result, the respective transactions contemplated under the Entrusted Management Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Entrusted Management Agreements are required to be aggregated with the respective transactions contemplated under the Previous Agreements.

As the highest applicable percentage ratio in respect of the aggregated annual cap for transactions contemplated under the Entrusted Management Agreements and the Previous Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Entrusted Management Agreements and the Previous Agreements 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. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang, being Directors, are deemed to have material interests in the Entrusted Management Agreements as they are currently also employed by Communications Group and have abstained from voting on the relevant Board resolutions. Other than those Directors mentioned above, none of the Directors have a material interest in the transactions contemplated under the Entrusted Management Agreements, and none are required to abstain from voting on the relevant resolutions of the Board.

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.

Shensuzhewan Branch is a branch of Communications Group which was established under the laws of the PRC. Shensuzhewan Branch is principally engaged in the investment, operation and management of the transportation infrastructure, toll collection, expressway maintenance and management, storage services (excluding hazardous items), tourism projects investment and development, roadside assistance, economic information consultancy (excluding agency services) and wholesale and retail of construction materials and other merchandise.

Ningbo Yongtaiwen Co is a non-wholly owned subsidiary of Communications Group which was established under the laws of the PRC. Ningbo Yongtaiwen Co is principally engaged in investment, construction, operation, management, maintenance, wrecker rescue and cleaning of roads, expressways, tunnels and bridges, toll collection, storage (excluding hazardous chemicals), property management, real estate development, sale of construction materials and engine lubricant, domestic overland freight agency, leasing of properties and equipment, advertising services, tourism projects investment and wholesale and retail of daily necessities.

Santongdao South Connection Co is an indirect non-wholly owned subsidiary of Communications Group which was established under the laws of the PRC. Santongdao South Connection Co is principally engaged in the construction, operation and management of South Connection of Qianjiang Channel, road maintenance, development of road supporting facilities, domestic advertisement design, production, agency and release (excluding online advertising).

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
“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 Agreements”	collectively, three entrusted management agreements dated December 13, 2021 between the Company and (i) Shensuzhewan Branch in relation to the management of the Zhejiang Section of the Shensuzhewan Expressway; (ii) Ningbo Yongtaiwen Co in relation to the management of Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway; and (iii) Santongdao South Connection Co in relation to the management of South Connection of Qianjiang Channel
“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
“Ningbo Yongtaiwen Co”	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd.* (浙江寧波甬台溫高速公路有限公司), an 80.4498% 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 which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Agreements”	The previous entrusted management agreements that the Company has entered into or completed with connected persons in the past 12 months as of the date of this announcement, provided that they are of the same nature as the Entrusted Management Agreements and parties to these previous agreements shall be interrelated with parties to the Entrusted Management Agreements.

“RMB”	Renminbi, the lawful currency of the PRC
“Santongdao South Connection Co”	Hangzhou Santongdao South Connection Engineering Co., Ltd.* (杭州三通道南接線工程有限公司), an indirect non-wholly owned subsidiary of Communications Group
“Shensuzhewan Branch”	Zhejiang Communications Investment Group Co., Ltd., Shensuzhewan Branch* (浙江省交通投資集團有限公司申蘇浙皖分公司), a branch of Communications Group
“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 13, 2021

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 Jianzhong; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.