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

(Stock Code: 0576)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO FORMATION OF THE JOINT VENTURE FOR THE
ACQUISITION**

FORMATION OF THE JOINT VENTURE AND THE ACQUISITION

On November 24, 2023 (after trading hours), the Company and China Merchants Expressway, a connected person of the Company at the subsidiary level, entered into the JV Agreement, pursuant to which the parties agree to form the Joint Venture in the PRC for the purpose of Acquisition. On the same date, among other parties, the Company and China Merchants Expressway entered into the Equity Acquisition Agreement in relation to the Acquisition. Upon establishment, the Joint Venture shall act as the acquiring entity in the Acquisition and thus shall assume all the rights and obligations as the transferee under the Equity Acquisition Agreement. Upon completion of the Acquisition, the Joint Venture will hold 60% of equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the percentage ratios applicable to the formation of the Joint Venture exceed 5% and are less than 25%, formation of the Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, China Merchants Expressway is a substantial shareholder of Shangsang Co which is a subsidiary of the Company. Therefore, China Merchants Expressway is a connected person of the Company at subsidiary level and as a result, formation of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, as (i) China Merchants Expressway is a connected person of the Company at subsidiary level; (ii) the Board has approved formation of the Joint Venture under the JV Agreement; and (iii) the independent non-executive Directors have confirmed that terms of the JV Agreement are fair and reasonable, the JV Agreement is on normal commercial terms or better and in the interests of the Company and Shareholders as a whole, the JV Agreement and formation of the Joint Venture contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Joint Venture will not be a subsidiary of the Company, the accounts of the Target Company and that of the Joint Venture will not be consolidated into the accounts of the Company. As such, the Acquisition will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

On November 24, 2023 (after trading hours), the Company and China Merchants Expressway, a connected person of the Company at the subsidiary level, entered into the JV Agreement, pursuant to which the parties agree to form the Joint Venture in the PRC for the purpose of Acquisition. On the same date, among other parties, the Company and China Merchants Expressway entered into the Equity Acquisition Agreement in relation to the Acquisition. Upon establishment, the Joint Venture shall act as the acquiring entity in the Acquisition and thus shall assume all the rights and obligations as the transferee under the Equity Acquisition Agreement. Upon completion of the Acquisition, the Joint Venture will hold 60% of equity interest in the Target Company.

FORMATION OF THE JOINT VENTURE

The principal terms of the JV Agreement are summarized below:

Date

November 24, 2023

Parties

- (1) the Company; and
- (2) China Merchants Expressway.

Establishment of the Joint Venture

The Company and China Merchants Expressway will jointly establish the Joint Venture to engage in enterprise headquarters management, equity investment, road management and maintenance, expressway investment.

Effectiveness of the JV Agreement

The JV Agreement shall come into effect upon (i) formal signing by both parties; and (ii) all necessary approval for formation of the Joint Venture contemplated under the JV Agreement by the authorized approving authority having been obtained by the Company and China Merchants Expressway.

Registered Capital and Capital Contribution

Pursuant to the JV Agreement, each of the Company and China Merchants Expressway agreed to make a capital contribution of RMB1,341.6 million, each representing 50% of the total capital contribution of the Joint Venture.

The total capital contribution of the Joint Venture shall be RMB2,683.2 million where the registered capital of the Joint Venture shall be RMB100 million and the remaining of the capital contribution by the parties shall be included in the capital reserve. The total amount of capital contribution of the Joint Venture was determined after arm's length negotiation between the parties and was based on the funding requirements of the Joint Venture for the Acquisition. The Company will finance its portion of capital contribution from its internal resources.

Financial Effect of Formation of the Joint Venture

As the Joint Venture will be owned as to 50% each by the Company and China Merchants Expressway upon establishment, it will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Management of the Joint Venture

The board of directors of the Joint Venture shall consist of five directors, one of which shall be a director representing the employees. The Company and China Merchants Expressway each shall nominate two directors.

The director representing the employees shall be elected by the employee representative assembly, general employee assembly or by other forms of democratic elections.

Directors (other than the director representing the employees) shall be nominated by the shareholders and shall subsequently be elected by the shareholders' meeting.

The term of office for all directors is three years. At the expiry of the term, the directors may be re-elected. The board shall have one chairman who shall be one of the directors nominated by China Merchants Expressway and elected by the board of directors. The chairman shall also serve as the legal representative of the Joint Venture.

The Joint Venture shall have two supervisors, one of which nominated by the Company and the other nominated by China Merchants Expressway and elected by the shareholders' meeting. The Joint Venture shall have one general manager appointed by the board of directors.

THE ACQUISITION

On November 24, 2023, the Company and China Merchants Expressway, among others, entered into the Equity Acquisition Agreement in relation to the Acquisition. Pursuant to the Equity Acquisition Agreement, upon establishment, the Joint Venture shall act as the acquiring entity in the Acquisition and thus shall assume all the rights and obligations as the transferee under the Equity Acquisition Agreement.

Pursuant to the Equity Acquisition Agreement and subsequent arrangements, upon completion of the Acquisition, the Joint Venture will hold 60% equity interest in the Target Company. The consideration for 60% equity interest in the Target Company amounted to RMB3,472.19 million. Meanwhile, as at September 30, 2023, the outstanding balance of accounts receivable owed by Liantai Communications to the Target Company amounted to RMB1,332.37 million, where the Joint Venture has agreed to assume 60% of the outstanding balance at the amount of RMB799.42 million. Therefore, the total amount payable by the Joint Venture for the Acquisition amounts to RMB2,672.77 million, being the consideration for 60% equity interest in the Target Company adjusted by deducting 60% of the outstanding balance as assumed from Liantai Communications.

The consideration under the Equity Acquisition Agreement was determined based on arm's length negotiations among the parties. A number of factors were considered by the parties when determining the consideration, including, among others, the net asset value of 60% equity interest in the Target Company as set out in the audited report prepared by Pan-China Certified Public Accountants and the valuation report issued by Wanbang Asset Appraisal Co., Ltd. adopting an income approach.

Information of the Target Company

The Target Company is a limited liability company established in the PRC on January 19, 2006. The Target Company is principally engaged in operation management of Yongzhou-Lanshan Expressway in Hunan Province. As at the date of this announcement, the Target Company is owned as to approximately 79.52% by Liantai Communications and approximately 20.48% by the remaining shareholders. As at the date of this announcement, Liantai Communications and the remaining shareholders and their ultimate beneficial owners are Independent Third Parties.

According to the audited financial information of the Target Company for the nine months ended September 30, 2023 prepared with reference to generally accepted accounting principles in the PRC by the PRC auditor, as at September 30, 2023 the total assets of the Target Company was approximately RMB12,060.47 million and the net asset value of the Target Company was approximately RMB5,871.30 million.

Effect of the Acquisition

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Joint Venture and the accounts of the Target Company will be consolidated into that of the Joint Venture. As the Joint Venture will not be a subsidiary of the Company, the accounts of the Target Company and that of the Joint Venture will not be consolidated into the accounts of the Company.

REASONS FOR AND BENEFITS OF FORMATION OF THE JOINT VENTURE AND THE ACQUISITION

China Merchants Expressway focuses on investment and operation of expressways. The formation of Joint Venture with China Merchants Expressway will facilitate joint control by the Company and the China Merchants Expressway over the Target Company. The Directors (including the independent non-executive Directors) are of the view that the terms of the JV Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The investment, operation and management of tolled expressway are in the ordinary and usual course of business of the Company. Yongzhou-Lanshan Expressway serves as a critical transportation artery, promoting regional development. The Acquisition will contribute to optimizing the Group's regional and strategic business layout, enhancing its overall competitive strength. The Target Company's expressway projects are mature and operational, with superior geographical locations and strong profitability, which will improve the Group's operating performance and have a meaningful impact on the healthy development of its core business.

INFORMATION ON THE PARTIES OF THE JOINT VENTURE

The Company is a joint stock company established in the PRC 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 is also engaged in the expressway related development and operation, as well as securities business.

China Merchants Expressway is a joint stock company established under the laws of the PRC with limited liability on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange (stock code: 001965). It is principally engaged in expressway investment and operation, transportation technology, intelligent transportation and transportation ecology, covering important segments of the expressway industry chain and has accumulated rich experience in the industry. As at the date of this announcement, China Merchants Expressway is a substantial shareholder of Shangsang Co, which is a subsidiary of the Company and hence, a connected person of the Company at the subsidiary level.

LISTING RULES IMPLICATIONS

As one or more of the percentage ratios applicable to the formation of the Joint Venture exceed 5% and are less than 25%, formation of the Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, China Merchants Expressway is a substantial shareholder of Shangsang Co which is a subsidiary of the Company. Therefore, China Merchants Expressway is a connected person of the Company at subsidiary level and as a result, formation of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, as (i) China Merchants Expressway is a connected person of the Company at subsidiary level; (ii) the Board has approved formation of the Joint Venture under the JV Agreement; and (iii) the independent non-executive Directors have confirmed that terms of the JV Agreement are fair and reasonable, the JV Agreement is on normal commercial terms or better and in the interests of the Company and Shareholders as a whole, the JV Agreement and formation of the Joint Venture contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Joint Venture will not be a subsidiary of the Company, the accounts of the Target Company and that of the Joint Venture will not be consolidated into the accounts of the Company. As such, the Acquisition will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

GENERAL

Other than Mr. Yang Xudong, being a Director nominated by China Merchants Expressway who has abstained from voting on the relevant Board resolutions, none of the Directors has any material interest in each of the JV Agreement, the Equity Acquisition Agreement and the transactions contemplated thereunder and none of the Directors has abstained from voting on the board resolutions approving the JV Agreement and the Equity Acquisition Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Acquisition”	the acquisition of 60% equity interest in the Target Company pursuant to the Equity Acquisition Agreement
“Board”	the board of Directors of the Company
“China Merchants Expressway”	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
“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”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Acquisition Agreement”	the equity acquisition agreement dated November 24, 2023 and entered into, among others, the Company and China Merchants Expressway in relation to the Acquisition

“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
“Independent Third Party(ies)”	an individual or a company which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“Joint Venture”	the joint venture to be established in the PRC with limited liability between the Company and China Merchants Expressway
“JV Agreement”	the joint venture agreement dated November 24, 2023 between the Company and the China Merchants Expressway in relation to formation of the Joint Venture
“Liantai Communications”	Guangdong Liantai Communications Investment Co., Ltd.* (廣東聯泰交通投資有限公司), a limited liability company established in the PRC on May 12, 2000
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“percentage ratio(s)”	has the meaning ascribed to it under 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
“RMB”	Renminbi, the lawful currency of the PRC

“Shangsan Co”	Zhejiang Shangsan Expressway Co., Ltd.* (浙江上三高速公路有限公司), a limited liability company established in the PRC on January 1, 1998 the voting power of which is owned as to 73.624% by the Company and 18.375% by China Merchants Expressway as at the date of this announcement
“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 Company”	Hunan Yonglan Expressway Co., Ltd.* (湖南永藍高速公路有限公司), a limited liability company established in the PRC on January 19, 2006
“%”	per cent

* *In this announcement, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

On behalf of the Board
Zhejiang Expressway Co., Ltd.
YUAN Yingjie
Chairman

Hangzhou, the PRC, November 24, 2023

As at the date of this announcement, the Chairman of the Company is Mr. YUAN Yingjie; the executive Directors of the Company are: Mr. WU Wei and Mr. LI Wei; 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.