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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 THE PROPOSED
ACQUISITION OF 15% INTEREST IN YONGTAIWEN CO
AND
CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE
INTEREST IN HUANGQUNAN CO**

YongTaiWen Equity Purchase Agreement

On September 28, 2023 (after trading hours), the Company and Communications Group entered into the YongTaiWen Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire 15% equity interest in YongTaiWen Co at the consideration of RMB816,150,000.

HuangQuNan Equity Purchase Agreement

On September 28, 2023 (after trading hours), LongLiLiLong Co (a wholly owned subsidiary of the Company) and Communications Group entered into the HuangQuNan Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and LongLiLiLong Co conditionally agreed to acquire the entire equity interest in HuangQuNan Co at the consideration of RMB16,700,000.

Listing Rules Implications

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company and is a controlling shareholder of the Company. Therefore, Communications Group is a connected person of the Company and as a result, each of the YongTaiWen Acquisition and the HuangQuNan Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement but is exempted from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Among the existing Directors, each of Mr. Yuan Yingjie, Mr. Fan Ye and Mr. Huang Jianzhang holds a position in Communications Group, so they have abstained from voting on the board resolutions with respect to the approval of each of the YongTaiWen Equity Purchase Agreement, the HuangQuNan Equity Purchase Agreement and the transactions contemplated thereunder, respectively. Save for the Directors mentioned above, none of the existing Directors has any material interest in the transactions contemplated under each of the YongTaiWen Equity Purchase Agreement and the HuangQuNan Equity Purchase Agreement or is required to abstain from voting on the relevant resolutions of the Board.

CONNECTED TRANSACTION IN RELATION TO THE YONGTAIWEN ACQUISITION

The Board is pleased to announce that on September 28, 2023 (after trading hours), the Company and Communications Group entered into the YongTaiWen Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire 15% equity interest in YongTaiWen Co at the consideration of RMB816,150,000.

YongTaiWen Equity Purchase Agreement

Date

September 28, 2023 (after trading hours)

Parties

Vendor: Communications Group

Purchaser: the Company

Assets to be acquired

15% equity interest in YongTaiWen Co

Consideration and payment terms

The consideration for the 15% equity interest in YongTaiWen Co is RMB816,150,000, which will be payable by the Company in cash within five business days from the effective date of the YongTaiWen Equity Purchase Agreement. The consideration will be funded by the Company's internal resources.

Basis of Consideration

The consideration of RMB816,150,000 under the YongTaiWen Equity Purchase Agreement was determined based on arm's length negotiations between the Company and Communications Group. A number of factors were considered by the parties when determining the consideration, including, among others, (i) the YongTaiWen Valuation Report prepared by Tianyuan Appraisal, pursuant to which the appraised value of the 15% equity interest of YongTaiWen Co as at December 31, 2022 was RMB816,150,000; and (ii) the toll collection rights period of Wenzhou Section of YongTaiWen Expressway has been fixed at 28 years and 9 months from January 1, 2002 to September 30, 2030.

Consideration adjustment

The General Office of the People's Government of Zhejiang Province has agreed on YongTaiWen Co's entitlement to 28 years and 9 months toll collection rights to Wenzhou Section of YongTaiWen Expressway on April 2, 2010 pursuant to People's Government of Zhejiang Province's Reply Regarding the Toll Collection Rights Period of Wenzhou Section of YongTaiWen Expressway* (《浙江省人民政府辦公廳關於甬台溫高速公路溫州段收費期限的復函》). In the event that the actual toll collection rights period of the above expressway is less than or more than 28 years and 9 months, the Company and the Communications Group agreed to enter into a supplemental agreement to adjust downward or upward the consideration with reference to re-valuation of YongTaiWen Co as at such time. For the avoidance of doubts, obtaining the approval of toll collection rights period of 28 years and 9 months for the above mentioned expressway does not constitute a condition precedent for the YongTaiWen Equity Purchase Agreement to become effective.

In addition, pursuant to the Notice on Waiving Fees for Toll Roads during the Prevention and Control of COVID-19* (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》) issued by the Ministry of Transport of the PRC, the above mentioned expressway was subject to a toll free period of 79 days from February 17, 2020 to May 5, 2020 (the "Toll Free Period"). The Company and the Communications Group agreed to enter into a supplemental agreement to adjust upwards the consideration in the event that (i) the toll collection rights period of YongTaiWen Expressway is extended in accordance with the Toll Free Period as confirmed by the relevant competent authorities or, (ii) the relevant competent authorities decide to compensate YongTaiWen Co in cash for the Toll Free Period.

Furthermore, in the event that YongTaiWen Co has paid for, in connection to events that occurred prior to December 31, 2022, (i) any tax, late payment or penalty as determined by competent authorities in relation to YongTaiWen Expressway; and (ii) any material indebtedness incurred prior to December 31, 2022 which however was not included in the YongTaiWen Valuation Report, Communications Group shall compensate the Company with an amount of 15% of the payment made by YongTaiWen Co within 30 business days of YongTaiWen Co's payment.

Conditions precedent

The YongTaiWen Equity Purchase Agreement is conditional upon:

- (i) approval by YongTaiWen Co's shareholders having been obtained in connection with the YongTaiWen Acquisition, and shareholders except Communications Group having confirmed and agreed to waive the pre-emptive rights of this equity purchase;
- (ii) approval by the board of directors of Communications Group having been obtained in connection with the YongTaiWen Acquisition; and
- (iii) approval by the Company's independent Directors having been obtained in connection with the YongTaiWen Acquisition.

As at the date of this announcement, all of the above conditions have been satisfied.

Completion

Within 20 business days after the Company has fully paid the consideration, the parties shall cooperate to apply with the relevant governmental authorities to alter the registration for industrial and commercial administration for completion.

Original cost of the 15% equity interest in YongTaiWen Co to Communications Group

The original cost incurred by Communications Group for the 15% equity interest in YongTaiWen Co is RMB502,244,962.27. The Company believes that the appraised value of 15% equity interest in YongTaiWen Co set out in the YongTaiWen Valuation Report reflects its fair and reasonable value.

Information of YongTaiWen Co

YongTaiWen Co is a limited liability company established in the PRC on May 28, 2003 with a registered capital of RMB1,000 million. YongTaiWen Co is principally engaged in the operation and management of toll rights of Wenzhou Section of the YongTaiWen Expressway with a total length of 138.828 kilometres, a two-way four-lane expressway with designed speed limit of 120/100 kilometres per hour. Wenzhou Section of the YongTaiWen Expressway was completed and opened to traffic as early as January 1, 2002.

As at the date of this announcement, YongTaiWen Co is owned as to 15% by Communications Group, 51% by China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網路科技控股股份有限公司) and 34% by Wenzhou Expressway Investment Limited Company* (溫州市高速公路投資有限公司).

According to the audited financial information of YongTaiWen Co for the financial years ended December 31, 2021 and 2022 prepared with reference to generally accepted accounting principles in the PRC, a summary of which is set out below:

	As at December 31	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	Audited	Audited
Revenue	1,633,534,264.84	1,222,536,360.21
Net profit before taxation	1,069,012,840.88	725,833,880.80
Net profit after taxation	801,645,737.27	543,888,286.19

The audited net asset value of YongTaiWen Co as at December 31, 2022 was RMB4,044,216,255.24.

Effect of the YongTaiWen Acquisition

Upon completion of the YongTaiWen Acquisition, YongTaiWen Co will not become a subsidiary of the Company and the accounts of YongTaiWen Co will not be consolidated into the accounts of the Company.

Reasons for and Benefits of the YongTaiWen Acquisition

The investment, operation and management of tolled expressway are in the ordinary and usual course of business of the Company. The YongTaiWen Expressway is located in the southeastern coastal region of the PRC, enjoying a strategic geographic position and experiencing high traffic volume. It passes through the cities of Ningbo, Taizhou, and Wenzhou, all of which are economically developed areas in Zhejiang Province. The Wenzhou Section of the YongTaiWen Expressway runs through the Wenzhou City and connects with Fujian Province, serving as a vital transportation artery between Zhejiang Province and Fujian Province. The acquisition of 15% equity interest of YongTaiWen Co will further enhance the overall asset quality of the Company's expressway portfolio and contribute to expanding its market share in Zhejiang Province and in the coastal region as well. The Directors thus are convinced that the YongTaiWen Acquisition is in line with the Company's development strategy.

YongTaiWen Co possesses high-quality expressway assets with no interest-bearing leverage which are expected to generate stable and considerable cash flows. YongTaiWen Co has a track record of continuous stable high dividends payout. It has distributed all net profits to its shareholders in the latest three financial years ended 31 December 2022. The Company thus expects sustainable financial returns generated from the YongTaiWen Acquisition.

The terms of the YongTaiWen Equity Purchase Agreement were arrived at after arm's length negotiations between the Company and Communications Group, and are on normal commercial terms or better, taking into account various factors and with reference to the YongTaiWen Valuation Report.

The Directors (including the independent non-executive Directors) consider that the terms of the YongTaiWen Acquisition are fair and reasonable and are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTION IN RELATION TO THE HUANGQUNAN ACQUISITION

The Board is pleased to announce that on September 28, 2023 (after trading hours), LongLiLiLong Co, a wholly-owned subsidiary of the Company, and Communications Group entered into the HuangQuNan Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and the LongLiLiLong Co conditionally agreed to acquire the entire equity interest in HuangQuNan Co at the consideration of RMB16,700,000. Upon completion of the HuangQuNan Acquisition, HuangQuNan Co will become a wholly owned subsidiary of LongLiLiLong Co and thus a wholly owned subsidiary of the Group.

HuangQuNan Equity Purchase Agreement

Date

September 28, 2023 (after trading hours)

Parties

Vendor: Communications Group

Purchaser: LongLiLiLong Co

Assets to be acquired

Entire equity interest in HuangQuNan Co

Consideration and payment terms

The consideration for the entire equity interest of HuangQuNan Co is RMB16,700,000, which will be payable by LongLiLiLong Co in cash within five business days from the effective date of the HuangQuNan Equity Purchase Agreement. The consideration will be funded by the LongLiLiLong Co's internal resources.

Basis of consideration

The consideration of RMB16,700,000 under the HuangQuNan Equity Purchase Agreement was determined based on arm's length negotiations between the Group and Communications Group. A number of factors were considered by the parties when determining the consideration, including, among others, (i) the HuangQuNan Valuation Report prepared by Jones Lang LaSalle, pursuant to which the appraised value of the entire equity interest of HuangQuNan Co as at April 30, 2023 was RMB17,027,000; (ii) the HuangQuNan PRC Valuation Report prepared by Tianyuan Appraisal as required by Zhejiang State-Owned Assets Supervision and Administration Commission and relevant PRC laws and regulations, pursuant to which the appraised value of the entire equity interest of HuangQuNan Co as at April 30, 2023 was RMB16,700,000; (iii) the toll collection rights period of Zhejiang Section of HuangQuNan Expressway being assumed to be 25 years; and (iv) the extended toll collection rights period of the Zhejiang Section of HuangQuNan Expressway being assumed to be 79 days in accordance with the Toll Free Period.

When assessing the reasonableness of the valuation of HuangQuNan Co, the Board has considered the basis of the valuation methodology and the experts' competence. Jones Lang LaSalle has considered three valuation methods, including income approach, market approach and cost approach and concluded that the discounted cash flow approach is the appropriate methodology for valuing HuangQuNan Co which the Board concurred. The valuation of the HuangQuNan PRC Valuation Report was conducted by income approach. The difference between the appraised values under HuangQuNan Valuation Report and HuangQuNan PRC Valuation Report was the result of the difference in valuation standards. The Company believes that the appraised value of the entire equity interest in HuangQuNan Co set out in the HuangQuNan Valuation Report and HuangQuNan PRC Valuation Report reflects its fair and reasonable value.

Consideration adjustment

Pursuant to the Notice on Waiving Fees for Toll Roads during the Prevention and Control of COVID-19, the above mentioned expressway was subject to a Toll Free Period. The toll collection rights period of the relevant expressways is expected to be extended in accordance with the Toll Free Period, therefore being assumed to be 25 years and 79 days (collectively, the "Toll Collection Period"). The relevant competent authorities have not yet promulgated any supporting policies on the compensation in respect to the Toll Free Period.

In the event that the actual toll collection rights period of the above mentioned expressway is less than or more than the Toll Collection Period, LongLiLiLong Co and the Communications Group agreed to enter into a supplemental agreement to adjust downwards or upwards the consideration with reference to re-valuation of HuangQuNan Co as at such time. The cash compensation to HuangQuNan Co for the Toll Free Period from the relevant competent authorities should also be deemed as an extension of the toll collection rights period and the consideration should not be re-valuated.

Furthermore, in the event that HuangQuNan Co has paid for, in connection to events that occurred prior to April 30, 2023, (i) any tax, late payment or penalty as determined by competent authorities in relation to HuangQuNan Expressway; and (ii) any material indebtedness incurred prior to April 30, 2023 which however was not included in the HuangQuNan Valuation Report, Communications Group shall compensate LongLiLiLong Co with an full amount of the payment made by HuangQuNan Co within 30 business days of HuangQuNan Co's payment.

For the avoidance of doubts, obtaining the approval of toll collection rights period of the Toll Collection Period for the above mentioned expressway does not constitute a condition precedent for the HuangQuNan Equity Purchase Agreement to become effective.

Conditions precedent

The HuangQuNan Equity Purchase Agreement is conditional upon:

- (i) approval by the HuangQuNan Co's sole shareholder having been obtained in connection with the HuangQuNan Acquisition;
- (ii) approval by the board of directors of the Communications Group having been obtained in connection with the HuangQuNan Acquisition;
- (iii) approval by the LongLiLiLong Co's sole shareholder having been obtained in connection with the HuangQuNan Acquisition; and
- (iv) approval by the Company's independent Directors having been obtained in connection with the HuangQuNan Acquisition.

As at the date of this announcement, all of the above conditions have been satisfied.

Completion

Within 20 business days after LongLiLiLong Co has fully paid the consideration, the parties shall cooperate to apply with the relevant governmental authorities to alter the registration for industrial and commercial administration for completion.

Principal assumptions for the income approach adopted for the HuangQuNan Valuation Report

The appraised value of the entire equity interest of HuangQuNan Co under the HuangQuNan Valuation Report was prepared using the income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. As HuangQuNan Co will become a subsidiary of the Company upon completion of the HuangQuNan Acquisition, this announcement is subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

As required under Rule 14.62(1) of the Listing Rules, details of the key assumptions used in determining the value of the entire equity interest in HuangQuNan Co upon which the HuangQuNan Valuation Report was issued are set out in Appendix I to this announcement:

Original cost of the entire equity interest in HuangQuNan Co to Communications Group

The original cost incurred by Communications Group for the entire equity interest in HuangQuNan Co is RMB100,000,000.

Information of HuangQuNan Co

HuangQuNan Co is a limited liability company established in the PRC on December 29, 2022 and wholly owned by Communications Group as at the date of this announcement. The registered capital and paid up capital of HuangQuNan Co is RMB100 million as at the date of this announcement. HuangQuNan Co is principally engaged in the operation and management of the Zhejiang Section of HuangQuNan Expressway, the toll collection rights and related liabilities of which have been transferred from Communications Group to HuangQuNan Co in February 2023 as part of the restructuring by Communications Group. HuangQuNan Expressway is located in Zhejiang Province, the PRC, with a total length of 161.005 kilometres, a two-way four-lane expressway with designed speed of 120/100 kilometres per hour. Quzhou-Nanping Section of the HuangQuNan Expressway was completed and opened to traffic on December 24, 2008. Quzhou-Huangshan Section of the HuangQuNan Expressway was completed and opened to traffic on January 28, 2011.

A summary of the audited financial information of HuangQuNan Co for the period since its incorporation on December 29, 2022 until April 30, 2023 is set out below:

	Since incorporate to December 31, 2022	From January 1, 2023 to April 30, 2023
	approximate <i>RMB</i> Audited	approximate <i>RMB</i> Audited
Revenue	0	126,348,522.87
Net profit or (loss) before/after taxation	0	(53,745,407.75)

The net loss incurred in the first four months of 2023 was mainly due to the significant amount of interest expense and expressway depreciation expense but not the profitability of the business. For reference, the audited earnings before interest, tax, depreciation and amortization of HuangQuNan Co for the first four months of 2023 was RMB102,252,357.15, and the audited operating cash flow of HuangQuNan Co for the first four months of 2023 was RMB87,618,694.62. The audited net asset value of HuangQuNan Co as at April 30, 2023 was approximately RMB12,522,420.31.

Effect of the HuangQuNan Acquisition

Upon completion of the HuangQuNan Acquisition, LongLiLiLong Co will beneficially own the entire equity interest in HuangQuNan Co. As a result, HuangQuNan Co will become a wholly-owned subsidiary of the Group and the accounts of HuangQuNan Co will be consolidated into the accounts of the Group.

Transactions between HuangQuNan Co and Communications Group after completion of the HuangQuNan Acquisition

Upon completion of the HuangQuNan Acquisition, HuangQuNan Co will become a wholly owned subsidiary of the Company. As a result, should HuangQuNan Co enter into any new transactions with the Communications Group and/or its associates after completion of the HuangQuNan Acquisition, such transactions would constitute connected transactions or continuing connected transactions for the Company upon and following completion of the HuangQuNan Acquisition. Also, certain ongoing transactions between HuangQuNan Co and Communications Group will become continuing connected transactions of the Group upon completion of the HuangQuNan Acquisition. Prior to the incorporation of HuangQuNan Co, some of these were entered into by a branch of Communications Group, the execution of which was assumed by HuangQuNan Co after its incorporation. Details of these potential continuing connected transactions are set out as below where, for the avoidance of doubt, HuangQuNan Co refers to the branch of Communications Group and HuangQuNan Co before and after the incorporation of HuangQuNan Co respectively.

Partially-exempt Continuing Connected Transaction

On November 26, 2022, HuangQuNan Co entered into a daily road maintenance agreement (the “Maintenance Agreement”) with Zhejiang Shunchang, a non wholly-owned subsidiary of Communications Group, pursuant to which Zhejiang Shunchang agreed to provide daily maintenance services to the HuangQuNan Expressway. Upon completion of the HuangQuNan Acquisition, HuangQuNan Co will become a subsidiary of the Company, therefore the Maintenance Agreement will become a continuing connected transaction of the Company. The transaction contemplated under the Maintenance Agreement will continue after the completion of the HuangQuNan Acquisition. Details of the Maintenance Agreement are set out as below:

Date:	November 26, 2022
Parties:	HuangQuNan Co Zhejiang Shunchang, a non wholly-owned subsidiary of Communications Group
Term:	Three years
Subject:	Zhejiang Shunchang agreed to provide daily road maintenance services, including road inspection, minor repair works, traffic maintenance and emergency rescue, to the roadbed, pavement, bridges, culverts, tunnels, greening and safety facilities of the HuangQuNan Expressway.
Service Fees:	The total amount of service fee payable by HuangQuNan Co to Zhejiang Shunchang was agreed to be RMB44,804,925.
Basis of Service Fees:	The service fees were determined by public tender procedures which were open to Zhejiang Shunchang and other independent third party service providers. The factors for assessment include, but are not limited to, tender quotation, tenderer’s reputation and qualification and the tenderer’s past performance records. Zhejiang Shunchang successfully won the tender.
Reasons for and benefits of the transaction:	Specific maintenance services including the maintenance services provided under the Maintenance Agreement are necessary for the operation of the HuangQuNan Expressway. Zhejiang Shunchang has the relevant qualifications and expertise to provide such services to HuangQuNan Co.

Information of Zhejiang Shunchang	Zhejiang Shunchang is a subsidiary of Communications Group which was established under the laws of the PRC on November 11, 2003. Zhejiang Shunchang is principally engaged in the road construction projects and toll road maintenance.
Governing Laws:	The laws of the PRC
Listing Rules implications:	<p>Zhejiang Shunchang is an indirect subsidiary of Communications Group. Therefore, Zhejiang Shunchang is a connected person of the Company and as a result, the transactions contemplated under the Maintenance Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.</p> <p>As the highest of all applicable percentage ratios for the transactions contemplated under the Maintenance Agreement, is more than 0.1% but less than 5%, the Maintenance Agreement shall be subject to the reporting, announcement and annual review requirements, but exempt from Independent Shareholders' approval under Chapter 14A of the Listing Rules.</p>

Fully-exempt Continuing Connected Transaction

As at the date of the announcement, HuangQuNan Co entered into the following agreements with Communications Group and its associates. Each of the following agreements will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. It is expected that the highest applicable percentage ratios under the Listing Rules for each of the following agreements is less than 0.1%, so each of them will be exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Entrusted Management Agreement

HuangQuNan Co entered into an entrusted management agreement with Zhejiang Operating Co, pursuant to which HuangQuNan Co agreed to entrust Zhejiang Communications Investment Operation Management Co., Ltd.* (浙江交投高速公路运营管理有限公司) ("**Zhejiang Operating Co**"), a subsidiary of Communications Group for Zhejiang Operating Co to take over the operation and management of HuangQuNan Expressway for a term of 10 years. The annual fee payable by HuangQuNan Co to Zhejiang Operating Co for the services provided under this agreement is expressed as a fair and reasonable proportion of 50% each with regard to the length of HuangQuNan Expressway to be managed by Zhejiang Operating Co and the toll revenue to be derived therefrom.

2. Service Area Operation Lease Agreement

HuangQuNan Co entered into a service area operation lease agreement with Zhejiang Commercial Group Co., Ltd.* (浙江省商業集團有限公司) (“Zhejiang Commercial”), a subsidiary of Communications Group, pursuant to which HuangQuNan Co agreed to lease to Zhejiang Commercial the operation rights in relation to petrol station services, catering services, supermarket services and vehicle repair services in the service area of the HuangQuNan Expressway. The term of this agreement is the same as the remaining toll collection right period of HuangQuNan Co. The annual fee payable by Zhejiang Commercial to HuangQuNan Co in respect of the lease of the operation rights is determined according to a mechanism based on profit of the service area of the HuangQuNan Expressway with arm’s length negotiation.

3. Service Area Utilities Services Agreement

HuangQuNan Co entered into a service area utilities services agreement with Zhejiang Commercial, pursuant to which HuangQuNan Co agreed to engage Zhejiang Commercial to manage utilities facilities and provide utilities services in the service area of the HuangQuNan Expressway such as washroom, lounge area, safety, cleaning services and utilities system maintenance for a term of three years. The annual fee payable by HuangQuNan Co to Zhejiang Commercial for the services provided under this agreement is RMB4.9 million, determined based on parties’ arm’s length negotiation with reference to the prices of other service area utilities services agreements entered into between Zhejiang Commercial and other expressway operation companies in the market.

Reasons for and Benefits of the Acquisition of HuangQuNan Co

The HuangQuNan Expressway which connects Anhui Province, Zhejiang Province, and Fujian Province, is an important component of the G3 Beijing-Taipei Expressway. Over the past five years, the average compound growth rate of traffic volume of the HuangQuNan Expressway has been approximately 10%, surpassing the average growth rate of the Company’s existing expressways. In the first half of 2023, the traffic volume of the HuangQuNan Expressway recorded a year-on-year growth rate of over 20%. The Company believes that the HuangQuNan Acquisition will increase its market share in the western part of Zhejiang Province, aligning with the Company’s strategy to focus on its principal business and strengthen its leading position in the expressway network in Zhejiang Province.

Upon completion of the HuangQuNan Acquisition, the total length of expressways operated by the Company will increase by 161 kilometers. Together with the YongTaiWen Acquisition, the total length of expressways that the Company has equity interests in will amount to 1,546 kilometers. Calculated based on the Toll Collection Period of 25 years and 79 days, the toll collection rights of HuangQuNan Expressway will expire in April 2036, which is the longest remaining toll collection period of all expressways operated by the Group (excluding extensions of toll collection period due to reconstruction and expansion projects). The HuangQuNan Acquisition will expand the Group's scale of operations and contribute to its sustainable development.

In addition, the loss that may be incurred by HuangQuNan Co implicates a potential to enhance the tax efficiency of the Group as a whole. With proper internal restructuring, it is expected that the potential future loss of HuangQuNan Co can be used to offset taxable profit of the Group, creating tax benefits in an amount which may be greater than the consideration for the HuangQuNan Acquisition.

The terms of the HuangQuNan Equity Purchase Agreement were arrived at after arm's length negotiations between LongLiLiLong Co and the Communications Group, and are on normal commercial terms or better, taking into account various factors provided above.

The Directors (including the independent non-executive Directors) consider that the terms of the HuangQuNan Acquisition are fair and reasonable and are on normal commercial terms or better and in the interests of LongLiLiLong Co and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND COMMUNICATIONS GROUP

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.

LongLiLiLong Co is a limited liability company established under the law of PRC on April 8, 2005. LongLiLiLong Co is principally engaged in the operation and management of toll collection business of the LongLiLiLong Expressways located in Zhejiang Province, the PRC. Together with the expressways managed by Jiaxing Branch of LongLiLiLong Co, LongLiLiLong Co operates and manages expressways with a total length of 310.3 kilometres. As at the date of this announcement, LongLiLiLong Co is a wholly owned subsidiary of the Company.

Communications Group is a state-controlled enterprise established in the PRC on December 29, 2001 and is principally engaged in a diverse range of businesses, including investment, construction, operation, maintenance, toll collection and ancillary services of transportation infrastructure projects, as well as logistics services and hotel operations.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company and is a controlling shareholder of the Company. Therefore, Communications Group constitutes a connected person of the Company and as a result, each of the YongTaiWen Acquisition and the HuangQuNan Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement but is exempted from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Among the existing Directors, each of Mr. Yuan Yingjie, Mr. Fan Ye and Mr. Huang Jianzhang holds a position in Communications Group, so they have abstained from voting on the board resolutions with respect to the approval of each of the YongTaiWen Equity Purchase Agreement, the HuangQuNan Equity Purchase Agreement and the transactions contemplated thereunder, respectively. Save for the Directors mentioned above, none of the existing Directors has any material interest in the transactions contemplated under each of the YongTaiWen Equity Purchase Agreement and the HuangQuNan Equity Purchase Agreement or is required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day”	any day other than a Saturday or Sunday or a public holiday in the PRC, on which banks are generally open for business in the PRC
“Communications Group”	Zhejiang Communications Investment Group Co., Ltd.* (浙江省交通投資集團有限公司), a state-controlled 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HuangQuNan Acquisition”	the proposed acquisition of the entire equity interest in HuangQuNan Co by LongLiLiLong Co from the Communications Group pursuant to the HuangQuNan Equity Purchase Agreement
“HuangQuNan Co”	Zhejiang HuangQuNan Expressway Co., Ltd.* (浙江黃衢南高速有限公司), a limited liability company established in the PRC and wholly owned by Communications Group as at the date of this announcement
“HuangQuNan Equity Purchase Agreement”	the equity purchase agreement dated September 28, 2023 entered into between LongLiLiLong Co and Communications Group in relation to the HuangQuNan Acquisition, pursuant to which LongLiLiLong Co conditionally agreed to purchase from Communications Group the entire equity interest in HuangQuNan Co

“HuangQuNan PRC Valuation Report”	the valuation report dated September 5, 2023 prepared by Tianyuan Appraisal in relation to the entire equity interest of HuangQuNan Co
“HuangQuNan Valuation Report”	the valuation report dated September 5, 2023 prepared by Jones Lang LaSalle in relation to the entire equity interest of HuangQuNan Co
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LongLiLiLong Co”	Zhejiang LongLiLiLong Expressway Co., Ltd.* (浙江龍麗麗龍高速公路有限公司), a limited liability company established in the PRC and entirely owned by the Communications Group as at the date of this announcement
“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
“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
“Tianyuan Appraisal”	Tianyuan Appraisal Co., Ltd.* (天源資產評估有限公司), a PRC qualified domestic valuer appointed by Communications Group in relation to the YongTaiWen Acquisition and the HuangQuNan Acquisition
“YongTaiWen Co”	Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd.* (浙江溫州甬台溫高速公路有限公司), a limited liability company established in the PRC and an 15% owned subsidiary of the Communications Group as at the date of this announcement

“YongTaiWen Acquisition”	the proposed acquisition of 15% equity interest in YongTaiWen Co by the Company from Communications Group pursuant to the YongTaiWen Equity Purchase Agreement
“YongTaiWen Equity Purchase Agreement”	the equity purchase agreement dated September 28, 2023 entered into between the Company and Communications Group in relation to the YongTaiWen Acquisition, pursuant to which the Company conditionally agreed to purchase from Communications Group 15% equity interest in YongTaiWen Co
“YongTaiWen Valuation Report”	the valuation report dated June 16, 2023 prepared by Tianyuan Appraisal in relation to the 15% equity interest of YongTaiWen Co
“Zhejiang Shunchang”	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. (浙江順暢高等級公路養護有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of Communications Group
“%”	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, September 28, 2023

As at the date of this announcement, the Chairman of the Company is Mr. YUAN Yingjie; the executive Director of the Company is Mr. WU 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.

APPENDIX I

Major Assumptions

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

In determining the fair value of the entire equity interest in HuangQuNan Co, the following key assumptions have been made:

- the continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- Jones Lang LaSalle have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of HuangQuNan Co;
- Jones Lang LaSalle have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;
- Jones Lang LaSalle have been provided copies of the operating licenses and incorporation documents of HuangQuNan Co. Jones Lang LaSalle have assumed such information to be reliable and legitimate. Jones Lang LaSalle have relied to a considerable extent on such information provided in arriving at the opinion of value;
- Natural weather can have an impact on toll roads, including flooding and other types of inclement weather. Jones Lang LaSalle have assumed that no extended closure will occur;
- Jones Lang LaSalle have assumed shareholder loan when necessary in the valuation;
- Jones Lang LaSalle have assumed the accuracy of the financial and operational information such as management accounts, contractual agreements and manufacturing capabilities, provided to Jones Lang LaSalle by HuangQuNan Co and the Company relied to a considerable extent on such information in arriving at the opinion of value; and

- Jones Lang LaSalle have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Furthermore, Jones Lang LaSalle assume no responsibility for changes in market conditions after April 30, 2023.

Deloitte, acting as the reporting accountants of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions. Deloitte reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions.

The Directors confirm that the valuation of the entire equity interest of HuangQuNan Co in the HuangQuNan Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

A letter from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules are included in the Appendices II & III to this announcement.

As at the date of this announcement, Deloitte does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors’ knowledge, information and belief, Deloitte is an Independent Third Party.

Deloitte has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

APPENDIX II – LETTER FROM DELOITTE

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN ZHEJIANG HUANGQUNAN EXPRESSWAY CO., LTD. (THE “HUANGQUNAN CO”)

TO THE DIRECTORS OF ZHEJIANG EXPRESSWAY CO., LTD. (THE “COMPANY”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated September 5, 2023, of the entire equity interest in HuangQuNan Co as at 30 April 2023 (the “Valuation”) is based. HuangQuNan Co is a company incorporated in the People’s Republic of China which is principally engaged in the operation and management of toll collection rights of Quhuang Section and Qunan Section of the HuangQuNan Expressway. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated September 28, 2023 to be issued by the Company in connection with the connected transaction in relation to proposed acquisition of the entire equity interest in HuangQuNan Co (the “Announcement”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in “Principal assumptions for the income approach adopted for the HuangQuNan Valuation Report” section of the Announcement (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of HuangQuNan Co.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

September 28, 2023

APPENDIX III – LETTER FROM THE BOARD

Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

September 28, 2023

Dear Sirs

Re: Connected Transaction – Acquisition of the Entire Interest in Zhejiang HuangQuNan Expressway Co., Ltd. (“HuangQuNan Co”)

We refer to the announcement of Zhejiang Expressway Co., Ltd. (the “Company”) dated September 28, 2023 in relation to the captioned matter and the valuation report dated September 5, 2023 (the “HuangQuNan Valuation Report”) prepared by Jones Lang LaSalle in relation to the valuation of the entire equity interest of HuangQuNan Co.

We understand that Jones Lang LaSalle prepared the HuangQuNan Valuation Report based on the discounted cash flow method, and each constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have reviewed and discussed the bases and assumptions upon which the valuation of the entire equity interest of HuangQuNan Co has been made with Jones Lang LaSalle, and reviewed the respective valuation for which Jones Lang LaSalle is responsible.

We have also considered the letter from, Deloitte Touche Tohmatsu, dated September 28, 2023 regarding whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions set out in the HuangQuNan Valuation Report. We have noted that the discounted future estimated cash flows do not involve the adoption of accounting policy.

On the basis of the foregoing, we are satisfied that the forecast included in the forecast included in the HuangQuNan Valuation Report and the valuation therein prepared by Jones Lang LaSalle have been made after due and careful enquiry.

This letter is for the sole purpose of Rule 14.62(3) of the Hong Kong Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with this letter.

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