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(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

CONTINUING CONNECTED TRANSACTIONS THE GUARDRAIL AGREEMENTS

THE GUARDRAIL AGREEMENTS

On June 3, 2024 (after trading hours), the Company and its relevant subsidiaries entered into the Guardrail Agreements with Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co respectively, pursuant to which (i) Jiaogong Maintenance agreed to undertake the guardrail revamp and upgrade projects in respect of certain expressways operated by the Group, namely Hangzhou Section of Shanghai-Hangzhou-Ningbo Expressway, Zhoushan Bay Bridge and Hanghui Expressway; (ii) Zhejiang Shunchang agreed to undertake the guardrail revamp and upgrade projects in respect of certain expressways operated by the Group, namely Shaoxing Section of Shanghai-Hangzhou-Ningbo Expressway, Xintian Section of Shangsang Expressway and Shangsheng Section of Shangsang Expressway; and (iii) Maintenance Co agreed to undertake the guardrail revamp and upgrade projects in respect of Jiaying Section of Shanghai-Hangzhou-Ningbo Expressway, which is operated by the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Each of Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co is an indirect subsidiary of Communications Group. Therefore, each of Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co is a connected person of the Company and as a result, the transactions contemplated under the Guardrail 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 Guardrail Agreements are required to be aggregated, all of which are continuing connected transactions entered into with the associates of the same connected person (i.e. Communications Group) and are with the same nature.

As one or more of the applicable percentage ratios in respect of the aggregated annual cap for transactions contemplated under the Guardrail Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Guardrail 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.

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Principal terms of the Guardrail Agreements are summarised as below:

Date: June 3, 2024

Parties: (1) the Company and its relevant subsidiaries
(2) Jiaogong Maintenance/Zhejiang Shunchang/Maintenance Co

Scope of services: Primarily with respect to the guardrail revamp and ancillary works restoration in accordance with the industry standard of “Design Specifications for Highway Safety Facilities (《公路交通安全設施設計規範》(JTG D81-2017))”,

- (a) Jiaogong Maintenance agreed to undertake the guardrail revamp and upgrade projects in respect of certain expressways operated by the Group, namely Hangzhou Section of Shanghai-Hangzhou-Ningbo Expressway, Zhoushan Bay Bridge and Hanghui Expressway;
- (b) Zhejiang Shunchang agreed to undertake the guardrail revamp and upgrade projects in respect of certain expressways operated by the Group, namely Shaoxing Section of Shanghai-Hangzhou-Ningbo Expressway, Xintian Section of Shangsang Expressway and Shangsheng Section of Shangsang Expressway; and
- (c) Maintenance Co agreed to undertake the guardrail revamp and upgrade projects in respect of Jiaxing Section of Shanghai-Hangzhou-Ningbo Expressway, which is operated by the Group.

Term: For a term commencing from signing of this agreement until November 30, 2024.

Service Fees: The total service fees payable by the Group to Jiaogong Maintenance will be RMB36,159,411.

The total service fees payable by the Group to Zhejiang Shunchang will be RMB58,384,090.

The total service fees payable by the Group to Maintenance Co will be RMB16,668,099.

Basis of Services Fees:

The service fees were determined as a result of public tender. Other than Jiaogong Maintenance, Zhejiang Shunchang, and Maintenance Co, there were three other independent service providers who made a bid for each of the expressway guardrail revamp and upgrade projects.

The tender evaluation committee took into account the following factors when making their decision (including, but not limited to): (a) the tender price; (b) the service provider's overall construction plans, the reasonableness and feasibility of the construction proposal, construction methods and technical measures of major construction projects; (c) the completeness of the service provider's safety production management plan, emergency plan in the event of accidents, system and guarantee measures for ensuring smooth traffic; (d) the quality and duration assurance measures; (e) the qualifications and experience of the service provider's project manager and chief engineer to be appointed; (f) the allocation of major equipment; and (g) the service provider's past performance records and credibility.

According to the evaluation of the assessment committee, Jiaogong Maintenance, Zhejiang Shunchang, and Maintenance Co respectively successfully obtained the highest overall score among all the service providers, and therefore won the above tenders.

Terms of payment:

The projects will be paid in installments based on the minimum limit stated in the progress payment certificate. The contractor may apply for payment upon completion of the work content and after the examination and acceptance by the supervisor.

The payment will be made in installments as follows:

- (a) payment of up to 98.5% of the total settlement price shall be made after the completion acceptance and settlement audit of the project; and
- (b) the remaining 1.5% shall be treated as project retention money and shall be paid after the final acceptance of the project.

As to the increase or decrease in the agreement price (including design changes, change in construction quantity, etc.), it shall be governed by the general terms of the agreement.

PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the amount of the Guardrail Agreements payable by the Group. The proposed annual cap on the aggregate service fees of the Guardrail Agreements payable by the Group for the financial year ending December 31, 2024 is RMB115,000,000, where the annual caps on the service fees payable by the Group to Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co are RMB37,000,000, RMB60,000,000 and RMB18,000,000, respectively.

The proposed annual caps on the aggregate service fees of the Guardrail Agreements are determined based on: (1) the historical guardrail construction cost incurred for the expressways operated by the Group; (2) comparable prices available in the market; and (3) the expected guardrail revamp and upgrade construction services required for the Group under the Guardrail Agreements in 2024 taking into account for a reasonable buffer.

Pursuant to the Guardrail Agreements, the total service fees payable by the Group to Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co are RMB36,159,411, RMB58,384,090 and RMB16,668,099 respectively in 2024. If the actual total amount of the service fees paid by the Group under the Guardrail Agreements exceeds the abovementioned annual caps, the Company will re-comply with all applicable requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF THE GUARDRAIL AGREEMENTS

In recent years, the provincial government has been introducing various policies to improve the road traffic safety and, among the new policies, it specifically stipulated that the guardrails which are beyond or about to reach the design life have to be evaluated and revamped, if appropriate. In order to comply with the existing policies and requirements for guardrails, the Group engaged Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co to revamp and upgrade the guardrail of its expressways.

As subsidiaries of Communications Group, Jiaogong Maintenance, Zhejiang Shunchang, and Maintenance Co fully understand the Group's business and operating needs, and maintain effective communication to provide more quality services to the Group. Each of Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co has the relevant qualifications and experience to provide the expressway guardrail revamp and upgrade construction services to the Group.

In addition, the Group went through a tender process and obtained the relevant quotations from other independent service providers to select the service provider of the expressway guardrail revamp and upgrade construction services. Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co finally won the respective tenders.

The transactions contemplated under the Guardrail Agreements are and will be conducted in the ordinary and usual course of business of the Group, and the consideration paid by the Group to Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co, respectively, will not be higher than the average market price and will not be less favourable than those provided by other independent service providers to the Group for similar services.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Guardrail Agreements 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.

INFORMATION ON THE PARTIES OF THE GUARDRAIL AGREEMENTS

The Company is a joint stock limited 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 also carries on certain other businesses such as securities brokerage, investment banking, asset management, margin financing and securities lending through Zheshang Securities Co., Ltd..

Jiaogong Maintenance is an indirect non-wholly owned subsidiary of Communications Group which was established under the laws of the PRC on January 18, 2006. Jiaogong Maintenance is principally engaged in the road construction projects and toll road maintenance.

Zhejiang Shunchang is an indirect non-wholly owned 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.

Maintenance Co is an indirect non-wholly owned subsidiary of Communications Group which was established under the laws of the PRC on January 28, 2014. Maintenance Co is principally engaged in the road construction projects and toll road maintenance.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Each of Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co is an indirect subsidiary of Communications Group. Therefore, each of Jiaogong Maintenance, Zhejiang Shunchang and Maintenance Co is a connected person of the Company and as a result, the transactions contemplated under the Guardrail 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 Guardrail Agreements are required to be aggregated, all of which are continuing connected transactions entered into with the associates of the same connected person (i.e. Communications Group) and are with the same nature.

As one or more of the applicable percentage ratios in respect of the aggregated annual cap for transactions contemplated under the Guardrail Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Guardrail 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.

Among the existing Directors, Mr. Yuan Yingjie, Mr. Fan Ye and Mr. Huang Jianzhang are deemed to have material interests in the Guardrail Agreements as they are currently also employed by Communications Group and have abstained from voting on the relevant Board resolution. Other than the Directors mentioned above, none of the existing Directors have a material interest in the transactions contemplated under the Guardrail Agreements, and none are 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”	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 state-controlled 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 established in the PRC on March 1, 1997, whose H 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
“Guardrail Agreements”	collectively, a series of agreements dated June 3, 2024 entered into between (i) the Company and its relevant subsidiaries and Jiaogong Maintenance in relation to the provision of the guardrail revamp and upgrade projects; (ii) the Company and its relevant subsidiaries and Zhejiang Shunchang in relation to the provision of the guardrail revamp and upgrade projects; and (iii) the Company and its relevant subsidiaries and Maintenance Co in relation to the provision of the guardrail revamp and upgrade projects, in respect of the expressways operated by the Group
“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 listed on the Stock Exchange and traded in Hong Kong dollars since May 15, 1997

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiaogong Maintenance”	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd.* (浙江交工高等級公路養護有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of Communications Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Maintenance Co”	Zhejiang Expressway Maintenance Co., Ltd.* (浙江滬杭甬養護工程有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of Communications Group
“percentage ratio(s)”	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

“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 company established in the PRC and an indirect non-wholly owned subsidiary of Communications Group

“%” per cent

* *For identifications only.*

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

Hangzhou, the PRC, June 3, 2024

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 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.