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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 TRANSACTION CONSTRUCTION AGREEMENT**

### **CONSTRUCTION AGREEMENT**

On November 5, 2024 (after trading hours), Zhajiasu Co, a non-wholly owned subsidiary of the Company, entered into the Construction Agreement with Jiaogong Jinzhu and Jiaogong Underground Construction being the Consortium as the contractor. Pursuant to the Construction Agreement, the Consortium agreed to undertake the reconstruction and expansion of Section SG01 of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jiaogong Jinzhu and Jiaogong Underground Construction are indirect subsidiaries of Communications Group, the controlling shareholder of the Company. Accordingly, Jiaogong Jinzhu and Jiaogong Underground Construction are connected persons of the Company and the transaction contemplated under the Construction Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement exceeds 0.1% but less than 5%, the transaction contemplated under the Construction Agreement is subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of Construction Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration.

## INTRODUCTION

On November 5, 2024 (after trading hours), Zhajiasu Co, a non-wholly owned subsidiary of the Company, entered into the Construction Agreement with Jiaogong Jinzhu and Jiaogong Underground Construction being the Consortium as the contractor. Pursuant to the Construction Agreement, the Consortium agreed to undertake the reconstruction and expansion of Section SG01 of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway.

Principal terms of the Construction Agreement are summarized as below:

- Date:** November 5, 2024 (after trading hours)
- Parties:**
- (i) Zhajiasu Co, as the principal; and
  - (ii) Jiaogong Jinzhu and Jiaogong Underground Construction, being the Consortium as the contractor
- Scope of Services:** The Consortium agreed to provide reconstruction and expansion services, mainly including construction, defect repair during the defect liability period and pavement maintenance and repair of the subgrade, pavement, bridges and culverts, intersection engineering, traffic safety facilities, greenery and environmental protection project, temporary relocation and reconstruction of electromechanical works due to civil engineering construction, reconstruction of the Xincheng Service Area, the newly constructed Xiuhu interchange and Maintenance Work Area for Section SG01 of Nanhu Interchange to the Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway.
- Term:** The planned construction period is 1,186 calendar days (39 months), commencing as per the supervisor's instructions; the defect liability period is 24 months commencing from the actual completion acceptance date, with an additional maintenance period of 96 months commencing from the end of the defect liability period for the pavement works.
- Service Fee:** The service fee payable to the Consortium amounts to RMB1,973,191,741.05, among which the service fee for pavement maintenance amounts to RMB22,605,345.74.

**Basis of Service Fee:** The service fee of the transaction under the Construction Agreement was determined as a result of public tender on the Jiaxing Public Resource Trading Center Platform\* (嘉興市公共資源交易中心平台).

Other than the Consortium and one other service provider who is also a connected person of the Company, there were 15 other independent service providers which made bids for the transaction contemplated under the Construction Agreement.

The factors for assessment included, but were not limited to:

- (a) commercial aspect: the bidders' track record for the similar projects, the capabilities of key personnel to be assigned and the bidders' corporate reputation;
- (b) technical aspect: preparation of construction organization plan and approach to creating a "Safe 100-year Quality Engineering\* (平安百年品質工程)"; and
- (c) the bid price.

The Consortium obtained the highest overall score among all the bidders under the comprehensive assessment approach for the Construction Agreement and therefore won the above tender.

**Terms of payment:** During the interim payment stage, the service fee payable to the Consortium will be paid in accordance with the construction progress fee confirmed by the principal. Within 28 days after completion settlement audit is completed, payment of up to 98.5% of the audited settlement amount shall be made to the contractor (if the quality assurance deposit is in the form of an engineering guarantee, payment will be made up to the entire audited settlement amount).

**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 caps on the total amount of the service fee payable by the Group to the Consortium under Construction Agreement.

The proposed annual caps on the service fee of the Construction Agreement payable by the Group for the financial years ending December 31, 2038 are set out below.

| <b>For the year ending December 31</b> | <b>Annual caps<br/>(RMB)</b> |
|--|------------------------------|
| 2024                                   | 200,000,000                  |
| 2025                                   | 600,000,000                  |
| 2026                                   | 700,000,000                  |
| 2027                                   | 800,000,000                  |
| 2028                                   | 200,000,000                  |
| 2029                                   | 10,000,000                   |
| 2030                                   | 10,000,000                   |
| 2031                                   | 10,000,000                   |
| 2032                                   | 10,000,000                   |
| 2033                                   | 10,000,000                   |
| 2034                                   | 10,000,000                   |
| 2035                                   | 10,000,000                   |
| 2036                                   | 10,000,000                   |
| 2037                                   | 10,000,000                   |
| 2038                                   | 10,000,000                   |

The proposed annual caps on the service fee of the Construction Agreement are determined comprehensively based on the following factors, including but not limited to the expected project progress, estimated quantities and payment arrangement from 2024 to 2028 as well as quality and price evaluation rewards, final settlement and subsequent pavement maintenance services from 2029 to 2038, and a reasonable buffer amount.

If the actual annual amount of the service fee payable by the Group for the relevant year under the Construction Agreement shall exceed the abovementioned annual caps, the Company will re-comply with all applicable requirements under the Listing Rules in due course.

## OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the analysis mentioned below, the Independent Financial Adviser is of the view and confirms that (i) a term of longer than three years is required for the Construction Agreement; and (ii) it is a normal business practice for this type of construction services agreement to be of such duration.

### Reasons for a term exceeding three years

#### (i) *Scale of the Project*

The total length of the Project is about 25.243 km. Among which, the main structures for the reconstruction and expansion of Section SG01 include: a new general interchange (Xiuhu Interchange\* (秀湖互通)), reconstruction and expansion of a hub interchange (Guanyin Bridge\* (觀音橋) hub); two extra-large bridges (the new Xiuzhou Viaduct No. 1 Extra-Large Bridge\* (秀洲高架1號特大橋) and the reconstruction of Heguan Port Extra-Large Bridge\* (合觀港特大橋)), with a total length of 3,041m; 1.5 bridges (the new Xiuhu Interchange Main Line Bridge\* (秀湖互通主線大橋) and the reconstruction of Maxi Port Bridge\* (麻溪港大橋)), with a total length of 599m; the reconstruction of approximately 572m/13 small and medium-sized bridges; the reconstruction of a pair of Xincheng\* (新塍) service areas; and new Xiuhu\* (秀湖) interchange and maintenance work area, and other structural projects.

Taking into account the scale and the construction plan of Section SG01 of the Project, the planned construction phase of the Project is estimated to take up to approximately 39 months. The Independent Financial Adviser noted that on November 28, 2023, Zhejiang Provincial Transportation Department\* (浙江省交通運輸廳) published “Implementation Plan for Zhejiang Province’s Transportation Construction Project to Promote Safe and 100-Year Quality Engineering Construction” (《浙江省交通建設工程推進平安百年品質工程建設實施方案》) (the “**Safe 100-year Quality Engineering Initiative**”), pursuant to which, by 2025, all expressways construction projects in Zhejiang Province with a total investment exceeding RMB500 million must achieve full coverage of the “Safe 100-year Quality Engineering” standards; the asphalt pavements of the newly constructed expressways shall not have any major repairment within 15 years and any moderate repairment within 10 years. In order to meet the requirements of the Zhejiang Provincial Government for the “Safe 100-year Quality Engineering”, contractors for newly constructed expressways in Zhejiang Province are expected to provide pavement maintenance services for at least 10 years (i.e. 120 months).

***(ii) Scope of services under the Construction Agreement***

The Construction Agreement has catered to cover the entire estimated construction phase of Section SG01 of the Project as discussed in the sub-paragraph headed “Scale of the Project” above and the follow up works related thereto during the pavement maintenance period.

The Independent Financial Adviser considers that it is reasonable and commercially justifiable for Zhajiasu Co, Jiaogong Jinzhu and Jiaogong Underground Construction to enter into the Construction Agreement with a term that covers the duration of the entire construction phase of the Project and the follow up works related thereto during the pavement maintenance period as the term of the agreement is sufficient to ensure all the necessary services are duly performed during the contract term.

Taking into account (i) the scale of the Project; and (ii) it is reasonable and commercially justifiable for the term of the Construction Agreement to cover the duration of the entire construction phase and the duration of the pavement maintenance follow-up services phase of Section SG01 of the Project respectively, the Independent Financial Adviser is of the view that a term of longer than three years is necessary for the Construction Agreement.

**Whether a term exceeding three years is a normal business practice**

Having considered the following principal factors and reasons, the Independent Financial Adviser considers that the contract period of over three years of continuing connected transaction under the Construction Agreement is necessary and it is normal business practice for agreements of such type to be of such duration.

The Independent Financial Adviser identified 11 listed issuers on the Main Board of the Stock Exchange which are principally engaged in operating expressways in the PRC. The Independent Financial Adviser has reviewed their announcements during the period of two years from November 6, 2022 to the date of this announcement and identified 10 transactions involving construction projects, supervision projects and/or maintenance projects related to expressway construction in the PRC (“**Comparable Transactions**”). The contract terms of the Comparable Transactions ranged from 12 months to 85 months, typically covered the entire duration of the construction phase of the projects and the relevant maintenance period. The Independent Financial Adviser noted that 8 out of the 10 Comparable Transactions had contract terms of over three years. The term of the Construction Agreement, which is catered to cover the entire duration of the construction phase and the pavement maintenance follow-up services phase of Section SG01 of the Project, is therefore consistent with the observations from the Comparable Transactions.

The Independent Financial Adviser identified 3 expressway public tenders in relation to reconstruction and expansion projects in Zhejiang Province (“**Other Tenders**”) in recent 12 months from November 6, 2023 to the date of this announcement. As identified from the Other Tenders, (i) the construction periods of 39 months under the Construction Agreement is within the construction periods of the Other Tenders ranging from 12 months to 46 months; (ii) the defect liability period of 24 months under the Construction Agreement is same as the defect liability period of Other Tenders; and (iii) the maintenance period of 96 months subsequent to the end of the defect liability period under the Construction Agreement is in line with the pavement maintenance period of Other Tenders, and the resulting 120 months in total, combining with the defect liability period of 24 months, is also in line with the target of no moderate repairment within 10 years implied under the Safe 100-year Quality Engineering Initiative.

The Independent Financial Adviser is of the view that the contract term for the Construction Agreement of over three years is necessary given the construction of expressway is large scale infrastructure which takes years to complete. Besides, after taking into account (i) the contract terms of the Comparable Transactions, and (ii) the contract terms of Other Tenders, the Independent Financial Adviser is of the view that it is normal business practice for the Construction Agreement to be of such duration.

## **REASONS FOR AND BENEFITS OF THE CONSTRUCTION AGREEMENT**

The maximum daily traffic volume in full-trip equivalents on Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway has exceeded the designed saturated traffic of the existing four-lane, resulting in significant traffic pressure and urgent need for expansion. Implementing the reconstruction and expansion of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway will enhance the road’s carrying capacity and travel experience, while also extending concession period, benefiting the sustainable development of core expressway businesses of the Group.

Being subsidiaries of Communications Group, Jiaogong Jinzhu and Jiaogong Underground Construction are fully aware of the Group’s business and operating needs and maintains effective communication to provide more quality services to the Group. Jiaogong Jinzhu and Jiaogong Underground Construction have the relevant qualifications and expertise to provide the reconstruction and expansion services to the Group.

In addition, the Group went through a public tender process and obtained the relevant quotations from other independent service providers to select the service providers. The Jiaogong Jinzhu and Jiaogong Underground Construction as the Consortium finally won the tender.

The transaction contemplated under the Construction Agreement is and will be conducted in the ordinary and usual course of business of the Group, and the consideration paid by the Group to the Consortium will not be higher than the average market price and will not be less favorable than those provided by independent third parties to the Group for similar services.

The Directors (including independent non-executive Directors) who are not required to abstain from voting in the relevant Board resolution are of the opinion that, the Construction Agreement is entered into during the usual and ordinary course of business of the Group 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.

## **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..

Jiaogong Jinzhu is a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of Communications Group as at the date of this announcement. Jiaogong Jinzhu is principally engaged in construction of transportation projects including roads, tunnels, bridges, ports, waterways, docks, ship locks and municipal works.

Jiaogong Underground Construction is a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of Communications Group as at the date of this announcement. Jiaogong Underground Construction is principally engaged in construction services for building works, building decoration, environmental protection and municipal works.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jiaogong Jinzhu and Jiaogong Underground Construction are indirect subsidiaries of Communications Group, the controlling shareholder of the Company. Accordingly, Jiaogong Jinzhu and Jiaogong Underground Construction are connected persons of the Company and the transaction contemplated under the Construction Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.



As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement exceeds 0.1% but less than 5%, the transaction contemplated under the Construction Agreement is subject to reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of Construction Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out in the section headed "OPINIONS FROM THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

Among the existing Directors, Mr. Yuan Yingjie, Mr. Fan Ye and Mr. Huang Jianzhang 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 has a material interest in the transaction contemplated under the Construction Agreement, and none is required to abstain from voting on the relevant resolution of the Board.

## **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 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 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  |
| "Consortium"                       | Jiaogong Jinzhu and Jiaogong Underground Construction   |
| "continuing connected transaction" | 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   |
| “Construction Agreement”            | the agreement dated November 5, 2024 entered into between Zhajiasu Co and the Consortium, pursuant to which the Consortium is engaged to undertake the reconstruction and expansion of Section SG01 of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway   |
| “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 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 Financial Adviser”     | Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser of the Company for the purpose of Rule 14A.52 of the Listing Rules in relation to the Construction Agreement |
| “Jiaogong Jinzhu”                   | Zhejiang Jiaogong Jinzhu Communications Construction Co., Ltd.* (浙江交工金築交通建設有限公司), a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of Communications Group as at the date of this announcement   |
| “Jiaogong Underground Construction” | Zhejiang Jiaogong Underground Construction Co., Ltd.* (浙江交工地下工程有限公司), a limited liability company established in the PRC and an indirect non wholly-owned subsidiary of Communications Group as at the date of this announcement   |
| “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 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 |
| “Project”             | the reconstruction and expansion project of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of Zhajiasu Expressway  |
| “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   |
| “%”                   | per cent   |

\* *For identification purposes only*

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

Hangzhou, the PRC, November 5, 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 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. YU Mingyuan.*