浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO CONTRACTING OUT OPERATION OF SERVICE STATIONS

CONTRACTING OUT OPERATION OF SERVICE STATIONS

Reference is made to the Company's announcement dated 28 January 2016 (the "28 January Announcement"), pursuant to which it was disclosed that it is the intention of the Company that the operation of certain service stations will be contracted out to Petroleum Co, pursuant to which Petroleum Co will operate these service stations, be entitled to the revenue generated and bear the costs and expenses arising from its operation of the service stations. On the other hand, Development Co, being the owner of the service stations, will receive a fee on an annual basis to be determined based on the petroleum sales volume of the service stations.

On 27 May 2016, Development Co (a wholly-owned subsidiary of the Company) and Petroleum Co entered into a series of lease agreements, pursuant to which for a term expiring on 31 December 2018, Development Co has agreed to (i) contract out the operation of the Target Service Stations to Petroleum Co and (ii) lease the relevant buildings, facilities and equipment in connection with the Target Service Stations to Petroleum Co. As a consideration for the contracting out arrangement, Petroleum Co has agreed to pay the Rental to Development Co on an annual basis.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Petroleum Co is a 50:50 joint venture incorporated in the PRC, jointly held by Zhejiang Communications Investment (a wholly-owned subsidiary of Communications Group) and Sinopec. Therefore, Petroleum Co, as an associate of Communications Group, is a connected person of the Company and as a result, under the Chapter 14A of the Listing Rules, the transactions under the Lease Agreements constitute continuing connected transactions for the Company.

As the relevant percentage ratios in respect of the fees payable by the Company pursuant to the Lease Agreements are over 0.1% but less than 5%, the Lease Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

LEASE AGREEMENTS

Principal terms of the Lease Agreements are set out below:

Date: 27 May 2016

Parties:

(1) Development Co; and

(2) Petroleum Co (a connected person of the Company).

Term:

G60 Jiaxing service station (嘉興服務區)	From 12 April 2016 to 31 December 2018
G92 Shaoxing service station (紹興服務區)	From 18 April 2016 to 31 December 2018
G15W Tiantai service station (天台服務區)	From 26 April 2016 to 31 December 2018
G92 Yuyao service station (余姚服務區)	From 28 April 2016 to 31 December 2018
G60 Changan service station (長安服務區)	From 22 April 2016 to 31 December 2018
G15W Xinchang service station (新昌服務區)	From 22 April 2016 to 31 December 2018
G15W Shengzhou service station (嵊州服務區)	From 14 April 2016 to 31 December 2018

Subject matter: Development Co has agreed to (i) contract out the operation of the Target Service Stations to Petroleum Co and (ii) lease the relevant buildings, facilities and equipment in connection with the Target Service Stations to Petroleum Co.

Pursuant to the arrangements as contemplated under the Lease Agreements, Petroleum Co will operate the Target Service Stations, be entitled to the revenue generated and bear the costs and expenses arising from its operation of the Target Service Stations. On the other hand, Development Co, being the owner of the Target Service stations, will receive a fee on an annual basis to be determined based on the petroleum sales volume of the Target Service Stations.

Price and pricing basis:

As a consideration for the contracting out arrangement, Petroleum Co has agreed to pay the Rental to Development Co on an annual basis. The Rental shall be determined in accordance with the formula set out below:

Rental = A x B

Where:

A = *annual petroleum sales volume of the Target Service Stations*

B = *RMB260 per ton*

In determining the Rental and to ensure that the transactions thereunder will be conducted on normal commercial terms, the following factors were considered by Development Co:

(1) as disclosed in the announcement of the Company dated 4 February 2016, according to the historical data of Development Co, during the year of 2015, the average gross profit derived by Development Co from the sale of petroleum supplied by Petroleum Co was approximately RMB260 per ton. In order to maintain Development Co's profit margin from the sale of petroleum, the price of petroleum to be supplied by Petroleum Co under the Petroleum Supply Agreement (as defined in the 28 January Announcement) was fixed at a discount of no less than RMB260 per ton to the highest benchmark retail price as determined by the NDRC. Therefore, Development Co expects the amount of the Rental would allow it to maintain the profit margin as if it were to sell the petroleum supplied by Petroleum Co had the Lease Agreements not been entered into;

(2) prior to entering into the Lease Agreements and with a view to finding alternatives to the Petroleum Supply Agreement (as defined in 28 January Announcement), Development Co had on multiple occasions consulted the price of petroleum charged by the three largest petroleum suppliers in the PRC, namely China National Petroleum Corporation, Sinopec Group and CNOOC Limited, which offered discount ranging from RMB200 to RMB280 per ton to the highest benchmark retail price as determined by the NDRC; and

(3) Petroleum Co is willing to enter into such contracting out arrangement with Development Co and two parties maintain a long-standing business relationship.

Annual Cap for the Lease Agreements

For the purpose of complying with the Chapter 14A of the Listing Rules, the Company has set an annual cap for the Lease Agreements. During the Term, the annual Rental payable by Petroleum Co to Development Co shall not exceed RMB46.0 million, RMB75.5 million and RMB83.0 million, respectively. The Company will re-comply with the announcement and shareholders' approval (if required) requirements under the Chapter 14A of the Listing Rules in event that the annual cap is exceeded (e.g. the amount of Rental payable by Petroleum Co is more than the relevant cap).

The annual cap is determined based on (i) the historical annual supply volume of petroleum by Petroleum Co to Development Co of 263,063 ton and 295,310 ton for the year ended 31 December 2014 and 31 December 2015, respectively; and (ii) the expected sales volume of petroleum of the Target Service Stations during the Term (including the expected increase of such sales during the Term).

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Directors consider that contracting out the operation of the Target Service Stations will enable the Company to outsource the management and operation of the Target Service Stations to Petroleum Co, which could reduce the operating costs of the Company and allow the Company to receive a stable income from Petroleum Co. Besides, the formula to calculate the Rental is to allow Development Co to maintain its previous profit margin from the sale of petroleum before entering into the contracting out arrangement.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of Lease Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Petroleum Co is a 50:50 joint venture incorporated in the PRC, jointly held by Zhejiang Communications Investment (a wholly-owned subsidiary of Communications Group) and Sinopec. Therefore, Petroleum Co, as an associate of Communications Group, is a connected person of the Company and as a result, under the Chapter 14A of the Listing Rules, the transactions under the Lease Agreements constitute continuing connected transactions for the Company.

As the relevant percentage ratios in respect of the fees payable by the Company pursuant to the Lease Agreements are over 0.1% but less than 5%, the Lease Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

Each of Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping holds certain senior position in Communications Group, so they have abstained from voting on the board resolutions with respect to the approval of the Lease Agreements. Save for Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping, none of the Directors has any material interest in the Lease Agreements or is required to abstain from voting on the relevant Board resolutions to approve the same.

INFORMATION ON THE PARTIES

The Company is a joint stock company established under the laws of the PRC with limited liability on 1 March 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 operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

Development Co is a company incorporated in the PRC on 28 May 2003 and a wholly owned subsidiary of the Company, the principal business of which is the operation of service areas and roadside advertising along the expressways operated by the Group.

Petroleum Co is a company incorporated in the PRC jointly held by Zhejiang Communications Investment and Sinopec on a 50:50 basis. The business of Petroleum Co primarily consists of (i) storage and sale of petroleum and petroleum products; (ii) wholesale of gasoline, kerosene and diesel; and (iii) investing in, constructing and operating gas stations along the high grade roads.

DEFINITIONS

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

"Board"	the board of Directors
"Communications Group"	浙江省交通投資集團有限公司 (Zhejiang Communications Investment Group Co., Ltd.*), a wholly State-owned 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 incorporated in the PRC with limited liability
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Development Co"	浙江高速投資發展有限公司(Zhejiang Expressway Investment Development Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Director(s)"	the directors of the Company
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the Main Board of the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Lease Agreements"	a series of lease agreements (including the relevant supplemental agreements) entered into between Petroleum Co and Development Co on 27 May 2016, pursuant to which Development Co has agreed to contract out the operation of the Target Service Stations to Petroleum Co

"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NDRC"	the National Development and Reform Commission of the PRC
"percentage ratio"	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
"Petroleum Co"	浙江高速石油發展有限公司 (Zhejiang Expressway Petroleum Development Co., Ltd.*), a company incorporated in the PRC and is jointly held by Zhejiang Communications Investment and Sinopec on a 50:50 basis
"PRC"	the People's Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)
"Rental"	the annual fee payable by Petroleum Co to Development Co pursuant to the Lease Agreements
"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
"Target Service Stations"	seven service stations owned by Development Co, namely: G60 Jiaxing service station (嘉興服務區), G60 Changan service station (長安服務區), G92 Shaoxing service station (紹興服務區), G92 Yuyao service station (余姚服務區), G15W Shengzhou service station (嵊州服務區), G15W Xinchang service station (新昌服務區) and G15W Tiantai service station (天台服務區)

"Zhejiang Communications Investment"	浙江交通投資集團實業發展有限公司(Zhejiang Communications Investment Group Industrial Development Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Communications Group
"%"	per cent.

* *English names for reference only.*

On behalf of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
ZHAN Xiaozhang
Chairman

Hangzhou, the PRC, 27 May 2016

As of the date of this announcement, the executive directors of the Company are: Mr.ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang Rosa.