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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 ASSET MANAGEMENT AGREEMENTS**

### **THE ASSET MANAGEMENT AGREEMENTS**

On 20 September 2016, Zheshang Securities AM, an indirect non wholly-owned subsidiary of the Company, entered into the Asset Management Agreement I with Zhejiang Communications Finance, a subsidiary of the controlling shareholder of the Company, pursuant to which Zheshang Securities AM agreed to sell 69,000,000 units (equivalent to RMB69,000,000) of the Specific Asset Management Scheme to Zhejiang Communications Finance. The Asset Management Agreement I was terminated on 1 March 2017.

On 18 August 2017, Zheshang Securities AM entered into the Asset Management Agreement II with Zhejiang Communications Finance, pursuant to which Zheshang Securities AM agreed to sell 100,000,000 units (equivalent to RMB100,000,000) of the Collective Asset Management Scheme to Zhejiang Communications Finance.

### **LISTING RULES IMPLICATIONS**

Communications Group is a controlling shareholder of the Company. Zhejiang Communications Finance is a non wholly-owned subsidiary of Communication Group. Therefore, Zhejiang Communications Finance is a connected person of the Company and as a result, the transactions under the Asset Management Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

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

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

Although the Asset Management Agreement I and the Asset Management Agreement II are entered into by the Group with the same party within a 12-month period and are similar in nature, no aggregation in accordance with Rule 14A.81 of the Listing Rules is required as the Asset Management Agreement I was terminated on 1 March 2017.

## THE ASSET MANAGEMENT AGREEMENT I

Principal terms of the Asset Management Agreement I are set out below:

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|---|--|
| <b>Date:</b>                                    | 20 September 2016  |
| <b>Parties:</b>                                 | (1) Zhejiang Communications Finance, as the principal;<br>(2) Zheshang Securities AM, as the manager; and<br>(3) Everbright Bank Hangzhou Branch, as the custodian   |
| <b>Asset Management Scheme</b>                  | “Zheshang Juyin No.1 Connection Interaction Stocks Income Rights No.3” Specific Asset Management Scheme  |
| <b>Term:</b>                                    | 6 months   |
| <b>Investment amount/<br/>entrusted assets:</b> | RMB69,000,000 (69,000,000 units)   |
| <b>Investment scope:</b>                        | Invest in the target stock income rights held by the financing party.  |
| <b>Benchmark rate of<br/>returns:</b>           | 5.5% per annum   |
| <b>Fees:</b>                                    | (1) Management fee: 0.3% per annum of the net value of entrusted assets as at the establishment date of the Specific Asset Management Scheme.<br>(2) Performance fee: the manager is entitled to collect all the returns in excess of the benchmark rate of returns as the performance fee at the expiration date of the Specific Asset Management Scheme. |

**Governing law:** PRC law

**Withdrawal of entrusted assets:** The principal is not entitled to withdraw its entrusted assets during the term of the Specific Asset Management Scheme.

On 1 March 2017, the financing party repurchased all of the stock income rights before the expiration of the Specific Asset Management Scheme in accordance with the Asset Management Agreement I. As a result, the Specific Asset Management Scheme was terminated on the same date.

Due to the inadvertence of the management, the Asset Management Agreement I was discovered only during the review process of the Asset Management Agreement II. As the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Asset Management Agreement I are more than 0.1% but less than 5%, thus, such transaction is subject to the reporting, annual review and announcement requirements, but exempt from independent shareholders’ approval requirements.

Failure to disclose this transaction constitutes a breach of the Listing Rules. The Company will take steps to strengthen its internal control measures in relation to the monitoring connected transactions going forward, in order to avoid repeating similar breach. In this regard, the Company will seek external legal advice on the relevant requirements under the Listing Rules and review the internal communication and reporting system and practice with the relevant departments and staff, particularly over the reporting of potential connected transactions.

**THE ASSET MANAGEMENT AGREEMENT II**

Principal terms of the Asset Management Agreement II are set out below:

**Date:** 18 August 2017

- Parties:**
- (1) Zhejiang Communications Finance, as the principal;
  - (2) Zheshang Securities AM, as the manager; and
  - (3) Everbright Bank, as the custodian

**Asset Management Scheme** “Zheshang Huijin Enhanced Earnings” Collective Asset Management Scheme

**Term:** No fixed term

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|---|---|
| <b>Investment amount/<br/>entrusted assets:</b> | RMB100,000,000 (100,000,000 units)  |
| <b>Investment scope:</b>                        | Mainly invest in the following financial products legally issued within the PRC: (i) bonds; (ii) repurchase of pledged stocks; (iii) commercial banks' financial management plans with guaranteed proceeds or with guaranteed principal but floating proceeds; (iv) cash; (v) bank deposit; (vi) money market fund; (vii) reverse repurchase of bonds; (viii) repurchase of bonds; (ix) inter-bank deposit certificates; (x) negotiable certificates of deposits. |
| <b>Benchmark rate of returns:</b>               | Benchmark rate of returns for the period will be announced before the redemption date of the corresponding period   |
| <b>Fees:</b>                                    | <p>(1) Management fee: 0.6% per annum of the net value of entrusted assets. The management fee is calculated and accrued daily.</p> <p>(2) Performance fee: the manager is entitled to collect the funds no more than the balance of the risk reserve capital (as calculated in the agreement) as the performance fee every quarter.</p>  |
| <b>Governing law:</b>                           | PRC law   |
| <b>Withdrawal of entrusted<br/>assets:</b>      | Open to redemption on the Monday and Tuesday of the second week of each month after a closed period of two months   |

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Asset management is the major business of Zheshang Securities AM. The income generated from asset management has been increased steadily in the past few years. By entering into the Asset Management Agreements, Zheshang Securities AM is able to expand its asset management business and earn the management fees and performance fees, thus beneficial to the Company and Shareholders as a whole. Further, Zhejiang Communications Finance is able to increase its capital gain of idle funds and manage the Communications Group's capital effectively, as such improving the synergy of the Company and Communications Group.

The Group has internal control measures to ensure that the connected transactions contemplated under the Asset Management Agreements are in accordance with the investment policies and the terms and conditions of the agreement, and that the terms and conditions of the Asset Management Agreements are no less favourable than those terms offered to the independent third parties for similar services.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Assets Management 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**

Communications Group is a controlling shareholder of the Company. Zhejiang Communications Finance is a non wholly-owned subsidiary of Communications Group. Therefore, Zhejiang Communications Finance is a connected person of the Company and as a result, the transactions under the Asset Management Agreements constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

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

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

Although the Asset Management Agreement I and the Asset Management Agreement II are entered into by the Group with the same party within a 12-month period and are similar in nature, no aggregation in accordance with Rule 14A.81 of the Listing Rules is required as the Asset Management Agreement I was terminated on 1 March 2017.

## **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 securities brokerage, investment banking, asset management and margin financing through Zheshang Securities.

Zheshang Securities AM is an indirect non wholly-owned subsidiary of the Company which is incorporated under the laws of the PRC on 18 April 2013. Zheshang Securities AM is principally engaged in securities asset management and public securities investment funds management.

Zhejiang Communications Finance is a controlling subsidiary of Communications Group which is incorporated under the laws of the PRC on 9 November 2012 and approved by CBRC as a non-banking financial institution on 17 October 2012. As at the date of this announcement, Zhejiang Communications Finance is owned as to 40% and 35% by Communications Group and the Company, respectively, and Zhejiang Communications Finance is an associate of the Company. Zhejiang Communications Finance is principally engaged in the business of providing financial services to the subsidiaries of Communications Group, including but not limited to advising the subsidiaries of Communications Group in relation to financing, letters of credit and other agency services; authorised insurance agency businesses; providing guarantees, accepting and discounting commercial notes, arranging for loans and financial leases, and receiving deposits of the subsidiaries of Communications Group.

## DEFINITIONS

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

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|--|---|
| <b>“Asset Management Agreements”</b>   | collectively, Asset Management Agreement I and Asset Management Agreement II  |
| <b>“Asset Management Agreement I”</b>  | the agreement dated 20 September 2016 entered into between Zheshang Securities AM, Zhejiang Communications Finance and Everbright Bank Hangzhou Branch in relation to the Specific Asset Management Scheme in the amount of RMB69,000,000 |
| <b>“Asset Management Agreement II”</b> | the agreement dated 18 August 2017 entered into among Zheshang Securities AM, Zhejiang Communications Finance and Everbright Bank in relation to the Collective Asset Management Scheme in the amount of RMB100,000,000                   |
| <b>“Asset Management Schemes”</b>      | collectively, Collective Asset Management Scheme and Specific Asset Management Scheme   |
| <b>“associate”</b>                     | has the meaning ascribed to it under the Listing Rule   |
| <b>“Board”</b>                         | the board of Directors  |
| <b>“CBRC”</b>                          | China Banking Regulatory Commission of the PRC (中國銀行業監督管理委員會)   |

|   |   |
|---|---|
| <b>“Collective Asset Management Scheme”</b> | “Zheshang Huijin Enhanced Earnings” Collective Asset Management Scheme* (“浙商匯金增強聚利”集合資產管理計劃), an asset management scheme operated by Zheshang Securities AM under the Asset Management Agreement II |
| <b>“Communications Group”</b>               | Zhejiang Communications Investment Group Co., Ltd.* (浙江省交通投資集團有限公司), a wholly state-owned enterprise established in the PRC, and the controlling shareholder of the Company                         |
| <b>“Company”</b>                            | 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   |
| <b>“connected person”</b>                   | has the meaning ascribed to it under the Listing Rules  |
| <b>“controlling shareholder”</b>            | has the meaning ascribed to it under the Listing Rule   |
| <b>“Director(s)”</b>                        | the directors of the Company  |
| <b>“Everbright Bank”</b>                    | China Everbright Bank Co., Ltd (中國光大銀行股份有限公司), the custodian of the Asset Management Schemes  |
| <b>“Group”</b>                              | the Company and its subsidiaries  |
| <b>“H Shares”</b>                           | 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                                 |
| <b>“Hong Kong”</b>                          | the Hong Kong Special Administrative Region of the PRC  |
| <b>“Listing Rules”</b>                      | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| <b>“percentage ratio”</b>                   | has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules   |
| <b>“PRC”</b>                                | the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)   |
| <b>“RMB”</b>                                | Renminbi, the lawful currency of the PRC  |



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|------------------------------------|--|
| “Shareholder(s)”                   | holder(s) of the share(s) of the Company   |
| “Specific Asset Management Scheme” | “Zheshang Juyin No.1 Connection Interaction Stocks Income Rights No.3” Specific Asset Management Scheme* (“浙商聚銀1號聯絡互動股票收益權3號”專項資產管理計劃), an asset management scheme operated by Zheshang Securities AM under the Asset Management Agreement I                 |
| “Stock Exchange”                   | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”                  | has the meaning ascribed to it under the Listing Rules   |
| “%”                                | per cent.  |
| “Zhejiang Communications Finance”  | Zhejiang Communications Investment Group Finance Co., Ltd.* (浙江省交通投資集團財務有限責任公司), a limited liability company incorporated in the PRC and owned as to 40% and 35% by Communications Group and the Company, respectively, as at the date of this announcement. |
| “Zheshang Securities”              | Zhejiang Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a limited liability company incorporated in the PRC and a direct non wholly-owned subsidiary of the Company   |
| “Zheshang Securities AM”           | Zhejiang Zheshang Securities Asset Management Co., Ltd.* (浙江浙商證券資產管理有限公司), a limited liability company incorporated in the PRC and an indirect non wholly-owned subsidiary of the Company  |

\* *English names for reference only*

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

Hangzhou, the PRC, 18 August 2017

*As at 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.*