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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)

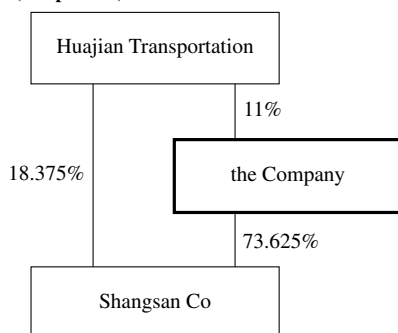
Connected Transaction

This announcement is made pursuant to Rule 14A.66 of the Listing Rules in connection with the provision of financial assistance by the Company to Shangsans Co under the Guarantees in relation to loan facilities of a principal amount of RMB280,000,000 (HK\$264,150,943) and RMB80,000,000 (HK\$75,471,698), respectively, granted to Shangsans Co, under the respective Facility Agreement.

Shangsans Co is a connected person of the Company as Huajian Transportation, a substantial shareholder of the Company, owns more than 10% equity interest in Shangsans Co, which is also owned as to 73.625% by the Company. The Company's provision of financial assistance to Shangsans Co pursuant to each Guarantee thus constitutes a connected transaction for the Company under Rule 14A.13(2)(a) of the Listing Rules.

As the aggregate value of financial assistance provided by the Company under the Guarantees represents less than 2.5% of the percentage ratios, and each Guarantee is on normal commercial terms, the provision of the financial assistance thereunder is exempt from the approval of the independent shareholders of the Company but subject to the disclosure requirements under Rule 14A.66 of the Listing Rules.

Group structure (simplified):



Background

On 16 August 2004, the Board of Directors resolved the Company to enter into two Guarantees to be dated 18 August 2004 in favour of two independent financial institutions in the PRC, namely, Industrial and Commercial Bank of China (Zhejiang Province branch) and Shanghai Pudong Development Bank, in respect of loan facilities of a principal amount of RMB280,000,000 (HK\$264,150,943) and RMB80,000,000 (HK\$75,471,698), respectively, granted to Shangsans Co under the respective Facility Agreement. The loans under the Facility Agreements are unsecured and the interest rates will be subject to the rates applicable to loans with maturity periods within one year as announced by the Bank of China from time to time. Each Guarantee shall take effect until the expiration of two years from the repayment date of each loan to be drawn down under the respective Facility Agreement. No consideration is receivable by the Company for the provision of the financial assistance under each Guarantee.

Benefits to the Group

The purpose of the facilities under the Facility Agreements is to re-finance the existing bank term loans of Shangsans Co of approximately RMB360,000,000 (HK\$339,622,642) in total and with similar interest rates and maturity periods of the new facilities under the Facility Agreements. The new facilities will be applied by Shangsans Co as its general working capital.

On the basis of the foregoing paragraph, the Board of Directors, including the independent non-executive Directors, believes that the terms of each Guarantee are fair and reasonable, are normal commercial terms, and in the best interests of the Group and the Company's shareholders as a whole.

Connected Transaction Implications

Shangsans Co is a connected person of the Company as Huajian Transportation, a substantial shareholder of the Company, owns more than 10% equity interest in Shangsans Co, which is also owned as to 73.625% by the Company. The Company's provision of financial assistance to Shangsans Co pursuant to each Guarantee thus constitutes a connected transaction for the Company under Rule 14A.13(2)(a) of the Listing Rules.

As the aggregate value of financial assistance provided by the Company under the Guarantees represents less than 2.5% of the percentage ratios, and each Guarantee is on normal commercial terms, the provision of the financial assistance thereunder is exempt from the approval of the independent shareholders of the Company but subject to the requirements under Rule 14A.66 of the Listing Rules to disclose such transaction in this announcement and in the next published annual report and accounts of the Company.

Information of the Company

The Company was incorporated on 1 March 1997 in the PRC and is a joint stock limited company with a registered share capital of RMB4,343,114,500 (HK\$4,097,277,830) at present. The main business of the Group is investment in, development, operation, management, and collection of tolls, of the Shanghai-Hangzhou-Ningbo Expressway and the Shangsans Expressway, both in the Zhejiang Province of the PRC, and businesses ancillary to the operation of the expressways, such as billboard advertising and operation of service areas on the expressways.

Shangsans Co owns and operates the Group's business relating to collection of road tolls in respect of the Shangsans Expressway.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Company"	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路有限公司);
"Directors"	the directors of the Company;
"Facility Agreements"	two loan facility agreements each entered into between Shangsans Co and the respective independent financial institution, to be dated 18 August 2004 and for a principal amount of RMB280,000,000 (HK\$264,150,943) and RMB80,000,000 (HK\$75,471,698), respectively;
"Group"	the Company and its subsidiaries;
"Guarantees"	two guarantee agreements each to be dated 18 August 2004 and entered into by the Company in favour of the respective independent financial institution in respect of the Facility Agreements;
"HK\$"	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region;
"Huajian Transportation"	Huajian Transportation Economic Development Center (華建交通經濟開發中心), a state-owned enterprise in the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
"percentage ratios"	has the meaning as ascribed to it under the Listing Rules, as applicable to a transaction;
"PRC"	the People's Republic of China;
"RMB"	renminbi, the lawful currency of the PRC;
"Shangsans Co"	Zhejiang Shangsans Expressway Co., Ltd. (浙江上三高速公路有限公司), a PRC-incorporated company; and

The exchange rate used for reference purpose in this announcement is HK\$1 to RMB1.06.

By Order of the Board
Geng Xiaoping
Chairman

Hangzhou, 16 August 2004

As at the date of this announcement, the executive directors of the Company are: Messrs. Geng Xiaoping, Fang Yunli, Zhang Jingzhong and Xuan Daoguang; the non-executive directors are: Messrs. Zhang Luyun and Zhang Yang; and the independent non-executive directors are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.