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

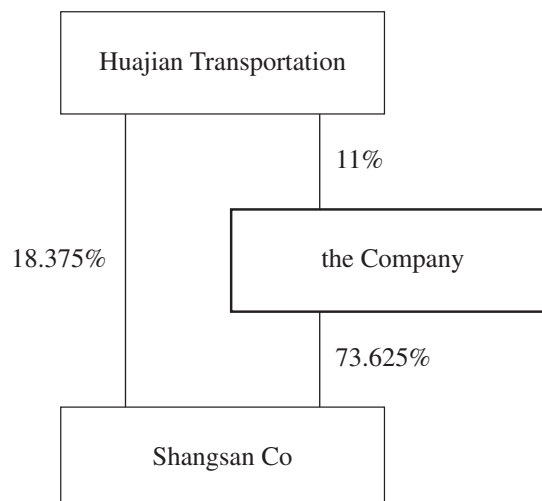
**Connected Transaction**  
**Financial Assistance offered to Shangsans Co**

On 28 May 2007, the Company entered into the Loan Agreement with Shangsans Co and the Bank whereby the Company agreed to provide a loan of a principal amount of RMB370 million (approximately HK\$377 million) with a maturity period of one year to Shangsans Co through the Bank.

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 provision of the Loan under the Loan Agreement by the Company to Shangsans Co thus constitutes a connected transaction for the Company under Rule 14A.13(2)(a)(i) of the Listing Rules.

As the value of the Loan provided under the Loan Agreement represents less than 2.5% of the applicable percentage ratio, and the Loan Agreement is on normal commercial terms, the provision of the Loan is exempt from the approval of the independent shareholders of the Company but subject to the requirements under Rule 14A.66(2) of the Listing Rules to disclose such transaction in this announcement and in the next published annual report and accounts of the Company.

**Group structure (simplified):**



## **Background**

On 28 May 2007, the Company entered into the Loan Agreement with Shangsans Co and the Bank. Pursuant to the Loan Agreement, the Company will advance the Loan to the Bank, which will in turn advance the Loan to Shangsans Co. Interest will be payable by Shangsans Co to the Company at a rate of 8.01% per annum. All handling fees payable to the Bank in connection with the Loan will be paid by Shangsans Co.

The Loan was advanced in a single payment on 28 May 2007, and will be repayable in a single payment on 28 May 2008.

Pursuant to PRC laws, only authorised banks are permitted to advance loans. Inter-company loan is typically made through back-to-back arrangement with an authorised bank. The arrangement with the Bank was made to comply with such legal requirements. The Bank was providing the loan services as part of its ordinary course of business.

## **Reasons of the transaction**

The purpose of the Loan is to facilitate an intended investment activity of Shangsans Co, details of which will be set out in a separate announcement later.

On the basis of the foregoing paragraph, the Board, including the independent non-executive Directors, believes that the terms of the Loan Agreement are fair and reasonable, are on normal commercial terms, and in the best interests of the Group and the 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 provision of the Loan under the Loan Agreement by the Company to Shangsans Co thus constitutes a connected transaction for the Company under Rule 14A.13(2)(a)(i) of the Listing Rules.

As the aggregate value of the Loan provided under the Loan Agreement represents less than 2.5% of the applicable percentage ratio, and the Loan Agreement is on normal commercial terms, the provision of the Loan is exempt from the approval of the independent shareholders of the Company but subject to the requirements under Rule 14A.66(2) 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 Group and Shangsans Co**

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 (approximately HK\$4,429,976,790) 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.

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

## Definitions

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

“Bank”	a PRC incorporated bank;
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司);
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region;
“Huajian”	Huajian Transportation Economic Development Center (華建交通經濟開發中心), a State-owned enterprise;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Loan”	a loan of a principal amount of RMB370 million (approximately HK\$377 million), made pursuant to the Loan Agreement;
“Loan Agreement”	a loan agreement dated 28 May 2007 entered into between the Company, Shangsan Co and the Bank whereby the Company agreed to provide the Loan to Shangsan Co;
“percentage ratio”	has the meaning as ascribed to it under the Listing Rules, as applicable to the transaction pursuant to the Loan Agreement;
“PRC”	the People's Republic of China;
“RMB”	renminbi, the lawful currency of the PRC;
“Shangsan Co”	Zhejiang Shangsan Expressway Co., Ltd, (浙江上三高速公路有限公司), a PRC-incorporated company;
“Shareholders”	the shareholders of the Company;

The exchange rate used for reference purpose in this announcement is HK\$1.02 to RMB1.00.

By Order of the Board  
**Zhang Jingzhong**  
Company Secretary

Hangzhou, 30 May 2007

*As at the date of this announcement, the executive Directors are: Messrs. Geng Xiaoping, Fang Yunti, Zhang Jingzhong and Jiang Wenyao; 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.*

Please also refer to the published version of this announcement in South China Morning Post.