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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 TERMINATION AGREEMENT OF HOTEL ENTRUSTED MANAGEMENT AGREEMENT

Reference is made to the announcement of Zhejiang Expressway Co., Ltd. (the “**Company**”) dated March 31, 2023 (the “**Announcement**”) in relation to the Hotel Entrusted Management Agreement as supplemented and amended from time to time (the “**Hotel Entrusted Management Agreement**”) with Communication Holding. Unless otherwise defined in this announcement, the capitalized terms used herein shall have the same meanings as those defined in the Announcement.

Pursuant to the Hotel Entrusted Management Agreement, the Company and Zhejiang Grand Hotel entrusted Communication Holding to take over the operation and management of the Hotel for an agreed term. The transaction amount under the Hotel Entrusted Management Agreement is subject to the attainment of performance commitment by Communication Holding. Communication Holding will receive from the Company/Zhejiang Grand Hotel the relevant amount if it satisfies the performance commitment. On the contrary, if Communication Holding fails to satisfy the performance commitment, it shall undertake the compensation obligations to the Company/Zhejiang Grand Hotel. In addition, either party thereof is entitled to terminate the agreement if the compensation obligation is triggered, pursuant to which Communication Holding initiated the termination of the Hotel Entrusted Management Agreement.

TERMINATION AGREEMENT

On September 9, 2024, the Company, Communication Holding and Zhejiang Grand Hotel entered into an agreement (the “**Termination Agreement**”) to terminate the Hotel Entrusted Management Agreement and agreed with the following terms:

1. **Transfer of the management rights and termination of “commercial part” renovation**

The Hotel Entrusted Management Agreement ceased to be effective from May 31, 2024. Communication Holding shall transfer the management rights of Zhejiang Grand Hotel to the Company on the same date. The renovation project for the “commercial part” of the Hotel, including the corridor, was also terminated.

2. **Management fees**

The management fee payable by Zhejiang Grand Hotel to Communication Holding under the Termination Agreement is calculated as 5% of the revenue of Zhejiang Grand Hotel for the relevant year.

For the year of 2023, the revenue of Zhejiang Grand Hotel was RMB41,759,004.90, and consequently management fee was RMB2,087,950.25. The management fee for the year of 2024 will be based on the revenue of Zhejiang Grand Hotel from January to May 2024 verified by a special audit.

3. **GOP compensation**

According to the Hotel Entrusted Management Agreement, if Communication Holding fails to satisfy the performance commitment, it shall undertake the compensation obligations to the Company/Zhejiang Grand Hotel. The GOP compensation is determined by the difference between the actual gross operating profit (“**GOP**”) value of Zhejiang Grand Hotel and the agreed GOP commitment value. The actual GOP shall be ascertained by a special audit conducted by an accounting firm that is mutually acknowledged and accepted by all parties involved. This ensures that the calculation of GOP compensation is grounded on an objective and authoritative financial assessment, thereby providing a transparent and equitable basis for compensation determination.

(i) GOP compensation for 2023

For the year of 2023, the agreed GOP commitment value was RMB21.06 million, while the actual GOP value was RMB-2,208,724.32. As adjusted after taking into account the management fee, the impact of renovations and the performance of Qianjiang Branch Company of Zhejiang Grand Hotel, the management of which has not been entrusted to Communication Holding, the GOP compensation payable by Communication Holding to Zhejiang Grand Hotel amounts to RMB17,433,387.05.

The Company will procure Zhejiang Grand Hotel to provide a receipt relating to the above GOP compensation to Communication Holding within 10 working days after signing of the Termination Agreement; Communication Holding shall complete the payment within 15 working days after receipt of the same.

(ii) GOP compensation for 2024

For the year of 2024, the agreed GOP commitment value was RMB24.97 million, which was further reduced by RMB2.5 million for the commercial part not in operation, resulting in the final agreed GOP commitment of RMB22.47 million and the proportionate final agreed GOP commitment of RMB9,331,803.28 for the period of January to May 2024. The GOP compensation payable by Communication Holding to Zhejiang Grand Hotel for the period of January to May 2024 will be based on the actual GOP value for that period verified by a special audit, after deducting the management fee.

Zhejiang Grand Hotel will provide a receipt relating to the above GOP compensation to Communication Holding within 10 working days after the report of special audit on operating status for the period from January to May 2024 is issued and confirmed by both parties; Communication Holding shall complete the payment within 15 working days after receipt of the same.

The Company considers that the Termination Agreement is in the best interests of the Company and its shareholders as a whole, as it will enable the Company to resume full control and operation of Zhejiang Grand Hotel and to seek other opportunities for its development and improvement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Communication Holding, being a wholly-owned subsidiary of Communications Group, is a connected person of the Company. As a result, the receipt of GOP compensation from Communication Holding and the transaction contemplated under the Termination Agreement constitute connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

As one or more of the highest applicable percentage ratios in respect of entering into the Termination Agreement and the transaction contemplated thereunder are more than 0.1% but less than 5%, entering into the Termination Agreement and the transaction contemplated thereunder constitute connected transactions of the Company under the Listing Rules, and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

Hangzhou, the PRC, September 9, 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.