



浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

STOCK CODE: 0576.HK

*Striving
For Excellence*

2023 Interim Results

Agenda

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- 02 Review of Operations
- 03 Outlook & Growth Strategies
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- 05 Rights Issue
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Result Highlights

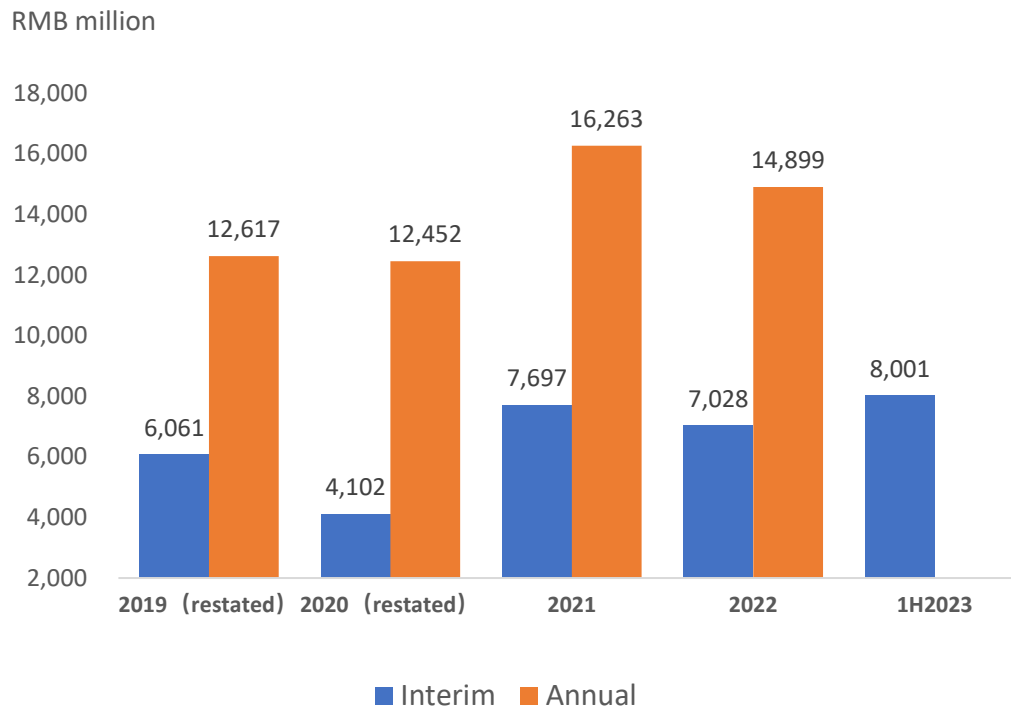


Result Highlights

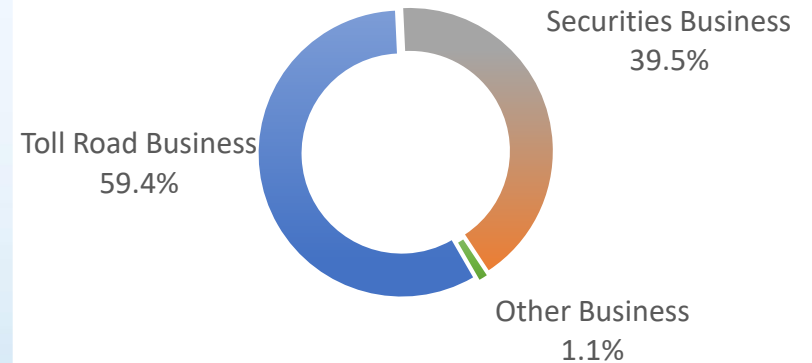
Results (unaudited) Rmb'000	1H2023	1H2022	%Change
Revenue	8,000,657	7,028,121	13.8%
- Including: Interest income under effective interest method	1,184,455	1,174,844	0.8%
Operating costs	(4,535,477)	(4,216,527)	7.6%
Gross profit	3,465,180	2,811,594	23.2%
Securities investment gains	885,857	370,616	139.0%
Other income and gains and losses	78,200	41,642	87.8%
Administrative expenses	(65,624)	(58,800)	11.6%
Other expenses	(42,256)	(22,966)	84.0%
Impairment losses under expected credit loss model, net of reversal	(60,415)	(3,861)	1464.8%
Share of profit of associates	577,254	408,580	41.3%
Share of profit of a joint venture	32,876	19,573	68.0%
Finance costs	(866,802)	(904,990)	-4.2%
Profit before tax	4,004,270	2,661,388	50.5%
Income tax expense	(625,906)	(614,158)	1.9%
Profit for the Period	3,378,364	2,047,230	65.0%
- Attributable to owners of the Company	2,663,096	1,586,274	67.9%
- Attributable to non-controlling interests	715,268	460,956	55.2%
EPS (basic) (RMB cents)	61.32	36.52	67.9%
EPS (diluted) (RMB cents)	58.67	36.52	60.6%

Result Highlights – Revenue

Revenue



Revenue Breakdown

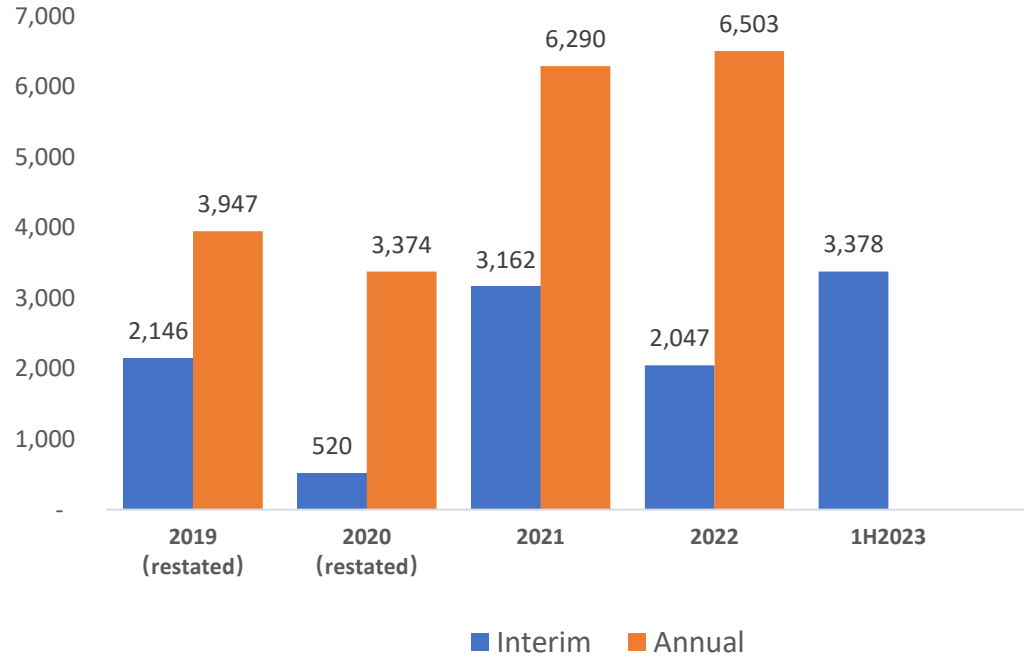


Overall Revenue for the Group increased 13.8% y-o-y to RMB 8,001 million

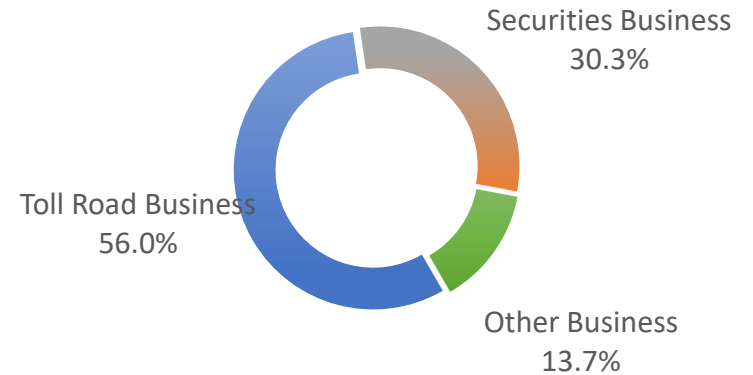
Result Highlights – Net Profit

Net Profit

RMB million



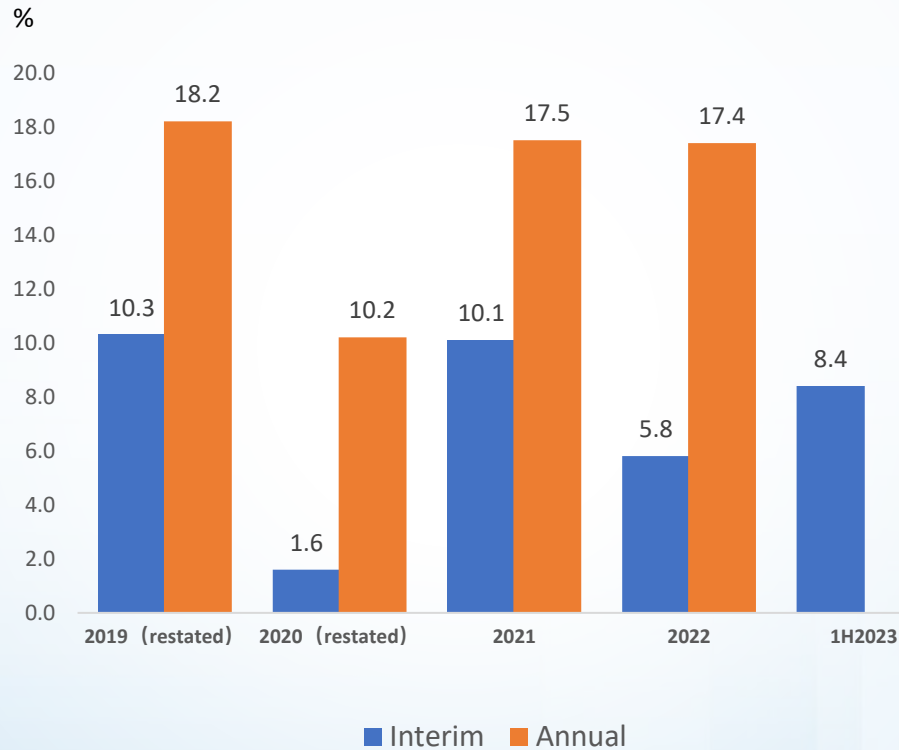
Net Profit Breakdown



1H2023 EPS (basic/diluted): RMB 61.32 cents / RMB 58.67cents

Result Highlights – ROE

ROE



The reasons for low ROE in 2020

- The **outbreak of the COVID-19 pandemic in 2020** and the subsequent **toll-free policy** for toll roads resulted in a substantial reduction in toll revenue and net profit attributable to owners of the Company.
- On January 19, 2021, the Company acquired 100% equity in LongLiLiLong Co from the Communications Group. According to Merger Accounting Guideline, the comparative financial statements will be restated from the date when they fell under common control. In 2020, the RoE for interim and annual was 3.3% and 12.4%, under the application of Merger Accounting Guideline, RoE was restated to 1.6% and 10.2%, respectively.

To provide shareholders with stable return in the long run



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Review of Operations



1H2023 Market Review



Economy

- China GDP growth: 5.5%
- Zhejiang GDP growth: 6.8%. Zhejiang's economic recovery has accelerated, a growth rate higher than the national average.

1H2023 Market Review



Capital Market

- In 2023H1, The domestic economy has stabilized and rebounded, and full implementation of the registration-based IPO system has been officially launched, gradually boosting the recovery of the capital market.

Toll Road Business

Various factors affected

Positive factors:

- China's economic recovery led to a significant y-o-y increase in the overall traffic volume and toll revenue.
- Relaxation of epidemic control policies, free admission to most tourist attractions and subsequent increased travel demand led to a 58% y-o-y increase in passenger vehicle traffic volume.
- A policy by government to pay tolls for specific ETC passenger vehicles travelling on certain sections of Hanghui Expressway attracted traffic volume.

Negative factors:

- Less growth in truck traffic volume compared to that of passenger vehicles due to a sluggish global economic recovery, reduced external demand, and a decline in China's manufacturing in 2023Q2.
- Opening of Hangzhou-Taizhou High-speed Railway and Hangzhou-Shaoxing-Taizhou Expressway led to a sizable diversion of traffic volume on Shangsans Expressway.

	Daily traffic volume (full-trip equivalent)	y-o-y change	Toll revenue (Rmb million)	y-o-y change
Shanghai-Hangzhou-Ningbo Expressway	86,816	46.58%	2,356.22	30.2%
Shangsans Expressway	32,658	23.49%	526.99	8.7%
Ningbo-Jinhua Expressway (Jinhua Section)	33,099	24.43%	264.26	13.7%
Hanghui Expressway	28,977	28.02%	353.00	23.5%
Huihang Expressway	14,094	49.44%	101.70	42.3%
Zhoushan Bay Bridge	28,293	72.63%	550.60	61.9%
LongLiLiLong Expressways	15,748	17.50%	376.29	10.2%
Zhajiasu Expressway	40,301	48.17%	226.40	28.3%

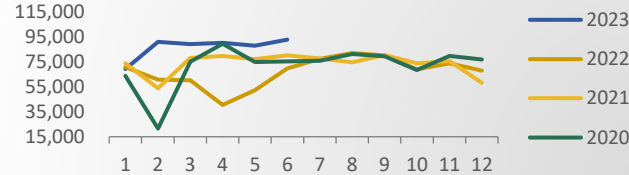
Revenue from toll operation increased 17.5% to RMB 4,755.46 million

Toll Road Business— Daily Traffic Volume

46.58%

Shanghai-Hangzhou-Ningbo Expressway

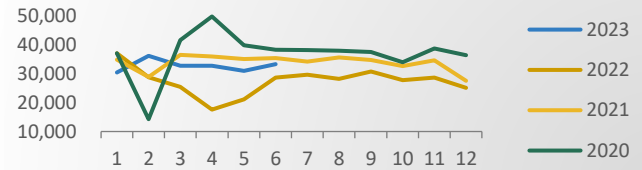
Average Full-trip Equivalents/day: **86,816**



23.49%

Shangsan Expressway

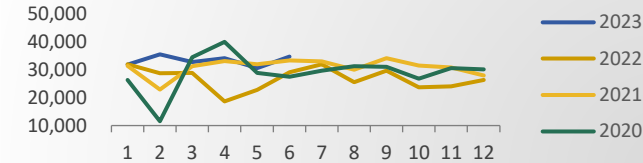
Average Full-trip Equivalents/day: **32,658**



24.43%

Ningbo-Jinhua Expressway (Jinhua Section)

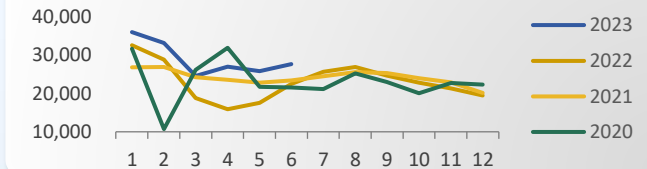
Average Full-trip Equivalents/day: **33,099**



28.02%

Hanghui Expressway

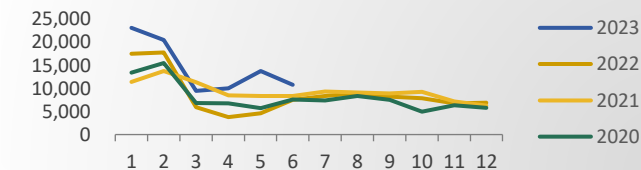
Average Full-trip Equivalents/day: **28,977**



49.44%

Huihang Expressway

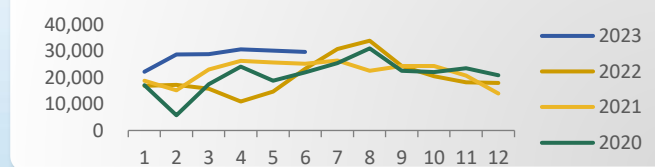
Average Full-trip Equivalents/day: **14,094**



72.63%

Zhoushan Bay Bridge

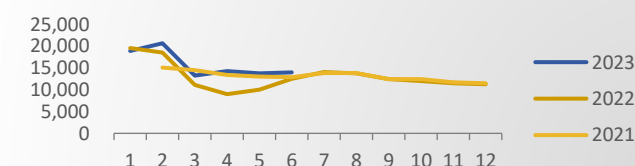
Average Full-trip Equivalents/day: **28,293**



17.50%

LongLiLiLong Expressways

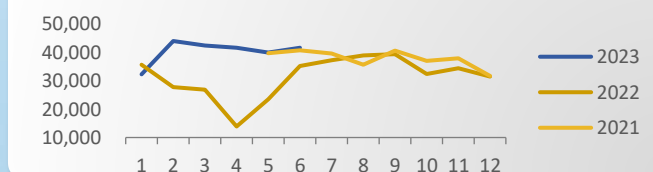
Average Full-trip Equivalents/day: **15,748**



48.17%

Zhajiasu Expressway

Average Full-trip Equivalents/day: **40,301**



Growth Across the Pandemic

Achieved substantial growth compared to 1H2019 before the pandemic

Shanghai-Hangzhou-Ningbo Expressway	1H2023	1H2019	%Change	Average percentage for 4Y
Toll revenue (Rmb'000)	2,356,218	1,997,255	17.97%	4.49%
Daily average traffic volume	86,816	60,737	42.94%	10.74%
Daily average traffic volume of passenger vehicles	63,032	43,370	45.33%	11.33%
Daily average traffic volume of trucks	23,784	17,367	36.95%	9.24%
passenger vehicles : trucks	73:27	71:29	/	/

Securities Business

<i>(RMB million)</i>	1H2023	1H2022	%Change
Commission & fee income	1,976.9	1,738.1	13.7%
Interest income	1,184.5	1,174.8	0.8%
Securities investment gains	885.9	370.6	139.0%

- In 2023H1, with domestic economy's recovery and full implementation of the registration-based IPO system, the capital market began to rebound.
- Zheshang Securities, aligning with its strategy to serve the real economy, capitalized on market opportunities, deepened reforms, and enhanced its competitiveness. Both its securities investment and investment banking business saw marked growth, driving steady performance in 2023H1.

Revenue from securities business increased 8.5% to RMB 3,161.36 million

Other Business



Hotel Operations Revenue

- Zhejiang Grand Hotel: RMB 19.18 million, an increase of **124.2%** y-o-y
- Grand New Century Hotel: RMB 40.82 million, an increase of **44.0%** y-o-y

In 2023H1, contact-intensive service industries such as accommodation and catering, have shown a significant recovery. The operating performance of two hotels under our Group has experienced a substantial increase.

Long-term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd.

Joint Venture

- Daily traffic volume: increased 23.15% y-o-y to 29,596 in full-trip equivalents
- Toll revenue: RMB 253.16 million, an increase of 9.4% y-o-y
- Net profit: RMB 65.75 million, an increase of 68.0% y-o-y

50%

Zhejiang Shenjiahuhang Expressway Co., Ltd.

Associate

- Owns the 92.9km Shenjiahuhang Expressway
- The REITs Special Program with Shenjiahuhang Expressway as Underlying Assets recorded a net loss of RMB 40.65 million

30%

Yangtze United Financial Leasing Co., Ltd.

Associate

- Primarily engaged in finance leasing, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the CBIRC
- Net profit: RMB 324.79 million, an increase of 19.8% y-o-y

10.61%

Zhejiang Zheshang Transformation and Upgrading Master Fund Partnership (Limited Partnership)

Associate

- Primarily engaged in equity investments, investment management and investment consultation
- Net profit of the associate attributable to the Company: RMB 48.42 million, an increase of 383.4% y-o-y

24.99%

Zhejiang HangNing Expressway Co., Ltd.

Associate

- Owns the 99km HangNing Expressway
- Net profit: RMB 206.06 million, an increase of 132.1% y-o-y

30%

Zhejiang Communications Investment Group Finance Co., Ltd.

Associate

- Derives income mainly from interest, fees and commissions for providing financial services
- Net profit: RMB 429.30 million, an increase of 52.3% y-o-y

20.08%

Shanghai Rural Commercial Bank Co., Ltd.

Associate

- Listed on the Shanghai Stock Exchange on August 19, 2021
- Net profit attributable to the owners: RMB 6,927.67 million, an increase of 18.5% y-o-y

4.92%



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Outlook & Growth Strategies



Market Outlook



Macro-economic

- Looking ahead to 2023H2, there are still uncertainties and unpredictabilities surrounding global economic development. Domestically, with implementation of various stabilizing policies yielding positive results, it is expected that the Chinese economy will continue to recover in 2023H2.



Growth Prospects

- The traffic volume and toll revenue of expressways of the Group will maintain a stable growth due to general improvement in economy.

Chinese economy is expected to continue to recover

Growth Strategies

A

Direction of development

- The Group will adhere to the principle of market-oriented development and pursue high-quality growth, continuously strengthening its core business in expressways and optimizing its securities and financial business.



Strengthen securities business

- Under the policy orientation of activating capital market and boosting investor confidence, vitality of the capital market is expected to be further stimulated. Zheshang Securities will fully seize market opportunities, expand the scale of core businesses, effectively enhance market competitiveness in various areas, to steadily enter top tier in the industry.

Facilitate the sustainable development of core expressway business

Reconstruction & Expansion Projects



Traffic growth

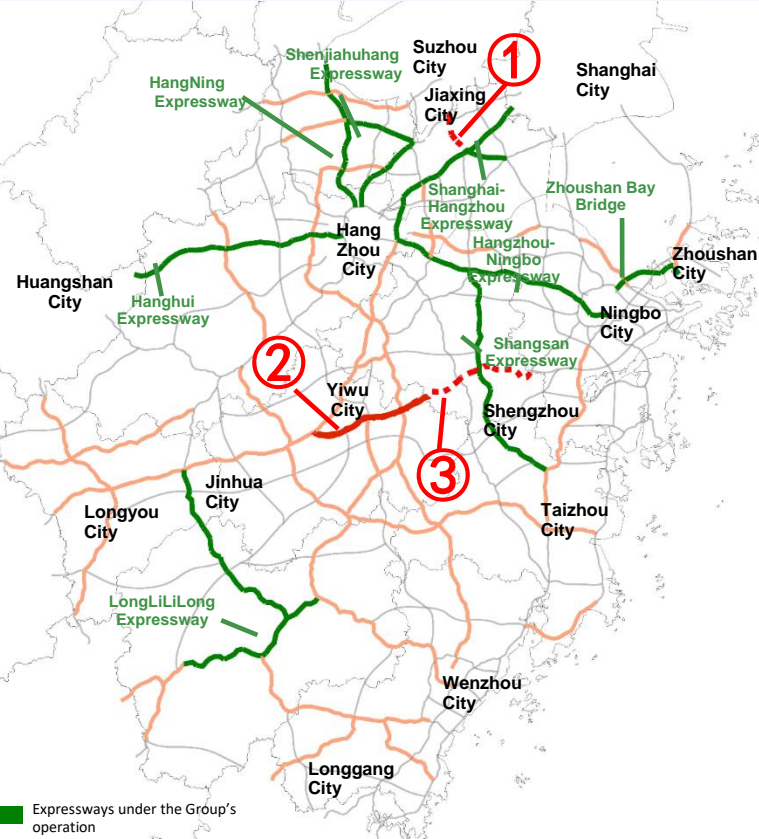
- With recovery of economy, there has been a rapid increase in traffic volume. The average daily traffic volume on the Group's expressways is up to 40,724 in 2023H1, representing an increase of **36.65%** compared to 2019H1 on the same basis, which places higher demands on capacity of the expressways.

High traffic pressure

- In particular, the traffic saturation levels (V/C) for **Zhajiasu Expressway** stood at **1.28**, **Jinhua section** of the Ningbo-Jinhua Expressway at **0.84**, and **Shaoxing section** of the Ningbo-Jinhua Expressway at **0.91**, which exceed their designed capacities, leading to high traffic pressure and a pressing need for expansion.

Concession period will expire

- The concession period of certain expressways of the Group will successively expire before 2030, which will also bring concern on the Group's continuing operation.



■ Expressways under the Group's operation
■ Expressways under Communications Group's operation
■ Expressways under the proposed reconstruction and expansion plan

	① Zhajiasu Expressway	② Ningbo-Jinhua Expressway (Jinhua Section)	③ Ningbo-Jinhua Expressway (Shaoying Section)
Mileage	25.241km	69.736km	73.32km
Concession period	2002-2030	2005-2030	2005-2030
Reconstruction method	Four to eight	Four to eight	Four to eight
Estimated total investment	RMB 6.46 bill.	RMB 15.27 bill.	RMB 13.71 bill.
Company stake & investment	55%; RMB 3.55 bill.	100%; RMB 15.27 bill.	50%; RMB 6.86 bill.
Expected progress	To be approved by: Zhejiang Provincial Development and Reform Commission Start: End of 2023 Construction period: 3.5Y ~ 4Y Complete: Mid ~ end of 2027		

Note: For all information mentioned above, administrative license approved by the Zhejiang Provincial Development and Reform Commission shall prevail.

Benefits of Reconstruction & Expansion

①

Enhance road traffic capacity

After reconstruction and expansion, the traffic capacity and mobility experience will be significantly improved, which will strengthen the long-term profitability of the Group.

②

Extend expressway concession period

After reconstruction and expansion, the concession period of expressway will be extended, which facilitates sustainable development of the Group, while simultaneously bringing long-term stable returns to shareholders.



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Rights Issue



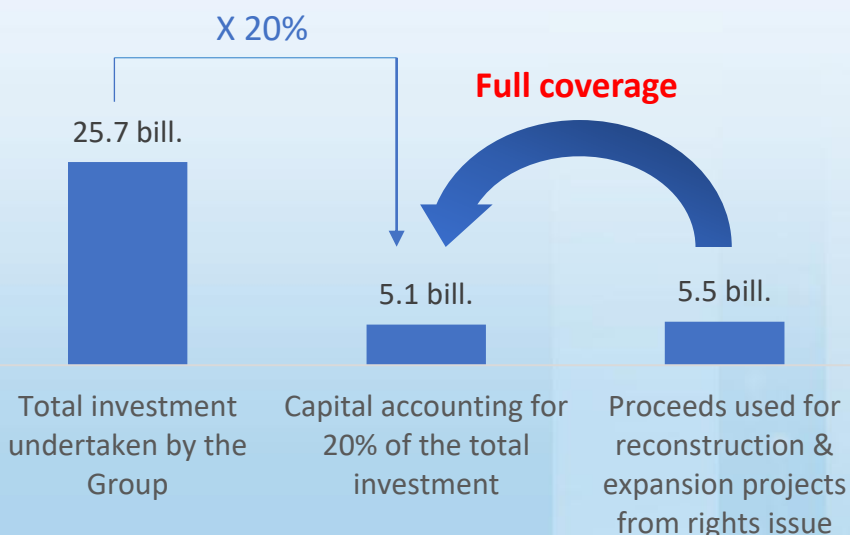
Rights Issue Approved by EGM & HCM

Approved by **more than 96%** at the HCM on July 24, 2023

Use of Proceeds

Amount

1	Reconstruction and expansion projects	no more than RMB 5.5 bill.
2	Daily operating expenses such as replenishment of liquidity and repayment of borrowings	no more than RMB 1.0 bill.
	Total	no more than RMB 6.5 bill.



Debt-to-Asset Ratio	Before Rights Issue	After Rights Issue	Change
Consolidated Basis	73.6%	71.2%	2.4ppts
Excluding Zhesang Securities	52.4%	46.5%	5.9ppts

Rights Issue Key Terms

H Shares Rights Issue Key Terms

Basis and Subscription Ratio

- The Rights Issue is proposed to be based on the total number of H Shares and Domestic Shares on the Record Date, and the allotment will be made to all Qualified H Shareholders and Qualified Domestic Shareholders on the basis of **up to 3.8 Rights Shares for every 10 existing Shares**

Rights Issue Price

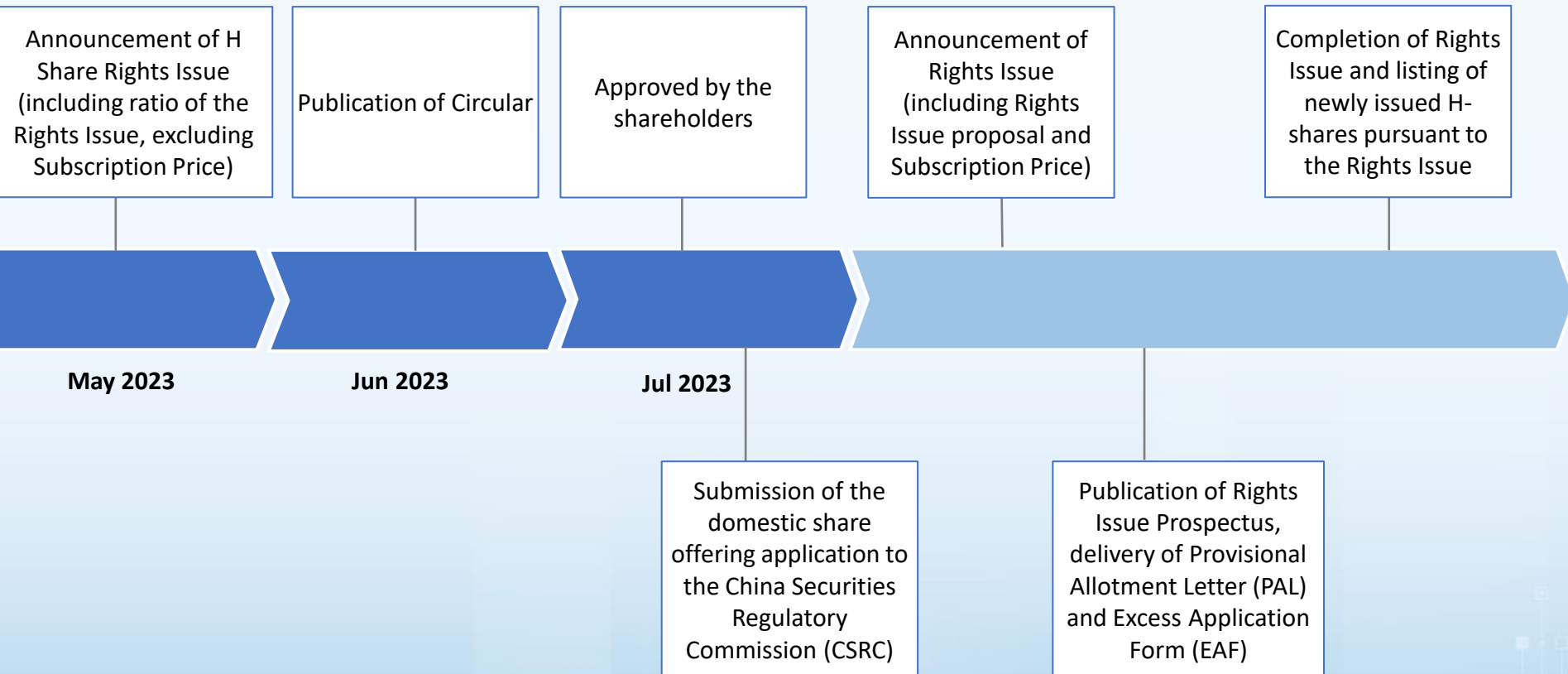
- To make reference to various valuation indicators of the Shares in the secondary market including price and volatility, price-to-book ratio and price-to-earnings ratio, the exchange rate of Renminbi to Hong Kong dollar, and consider the business development of the Company as well as the interests of the Shareholders
- To comply with the principle of price determination according to the negotiation between the Board or its authorized person and the underwriter(s)
- The Rights Issue Prices of Domestic Shares and H Shares shall be consistent after exchange rate adjustment

Controlling Shareholder's Irrevocable Undertaking

- Communications Group, the Controlling Shareholder, has undertaken to fully subscribe in cash for all Rights Shares provisionally allotted to it determined according to the Rights Issue proposal at the determined Rights Issue Price

The annual dividend for 2023Y–2025Y: no less than 75% of the distributable profit

Indicative Rights Issue Timetable



Q&A



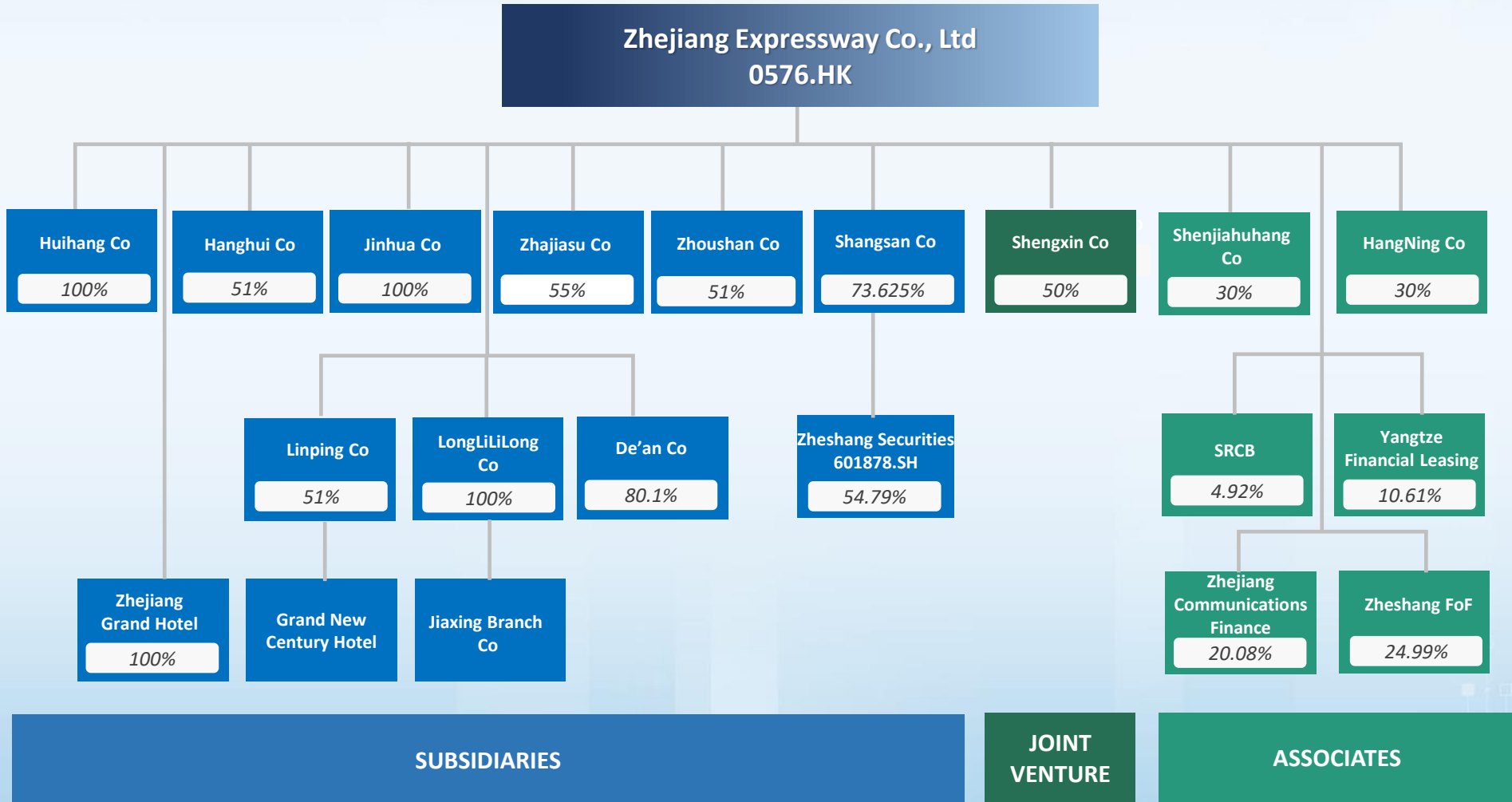
Appendices



<i>(RMB million)</i>	As at 06/30/2023	As at 12/31/2022	%Change
Bank balances, clearing settlement fund, deposits and cash	26,628.20	24,191.05	10.1%
Financial assets at fair value through profit or loss	40,116.64	43,999.38	-8.8%
Total assets	195,641.24	186,405.52	5.0%
Total liabilities	143,905.28	136,195.86	5.7%
Total debt	124,840.07	123,115.72	1.4%
Debt to equity (%)	241.3%	245.2%	-1.6%
Total liabilities to total assets (%)	73.6%	73.1%	0.5ppts

Appendix II– Organization Chart

As of 23 August 2023



Appendix III – Expressway Map of Zhejiang Province

