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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)

2023 INTERIM RESULTS ANNOUNCEMENT

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2023 (the “Period”), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

During the Period, revenue for the Group was Rmb8,000.66 million, representing an increase of 13.8% as compared to the same period in 2022. Profit attributable to owners of the Company was Rmb2,663.10 million, representing a year-on-year increase of 67.9%. Basic earnings per share for the Period was Rmb61.32 cents, representing a year-on-year increase of 67.9%. Diluted earnings per share for the Period was Rmb58.67 cents, representing a year-on-year increase of 60.6%.

The board of Directors (the “Board”) of the Company does not recommend the payment of an interim dividend for 2023.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2023 have not been audited or reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2023, with comparative figures for the corresponding period in 2022 and relevant notes to the condensed consolidated financial statements:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		For the six months ended June 30,	
		2023	2022
	<i>Notes</i>	Rmb'000	Rmb'000
		(Unaudited)	(Unaudited)
Revenue	3	8,000,657	7,028,121
Including: Interest income under effective interest method		1,184,455	1,174,844
Operating costs		(4,535,477)	(4,216,527)
Gross profit		3,465,180	2,811,594
Securities investment gains		885,857	370,616
Other income and gains and losses	4	78,200	41,642
Administrative expenses		(65,624)	(58,800)
Other expenses		(42,256)	(22,966)
Impairment losses under expected credit loss model, net of reversal		(60,415)	(3,861)
Share of profit of associates		577,254	408,580
Share of profit of a joint venture		32,876	19,573
Finance costs		(866,802)	(904,990)
Profit before tax		4,004,270	2,661,388
Income tax expense	5	(625,906)	(614,158)
Profit for the Period		3,378,364	2,047,230
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on debt instruments measured at fair value through other comprehensive income		31,997	–
Impairment loss for debt instruments at fair value through other comprehensive income		215	–
Income tax impact relating to items that may be reclassified subsequently to profit or loss		(8,053)	–
Exchange differences on translation of financial statements of foreign operations		8,502	10,863
Share of other comprehensive income (loss) of an associate, net of related income tax		71,136	(272)
Other comprehensive income for the Period, net of income tax		103,797	10,591
Total comprehensive income for the Period		3,482,161	2,057,821

		For the six months ended June 30,	
		2023	2022
	<i>Notes</i>	Rmb'000	Rmb'000
		(Unaudited)	(Unaudited)
Profit for the Period attributable to:			
Owners of the Company		2,663,096	1,586,274
Non-controlling interests		715,268	460,956
		3,378,364	2,047,230
Total comprehensive income attributable to:			
Owners of the Company		2,747,360	1,590,315
Non-controlling interests		734,801	467,506
		3,482,161	2,057,821
Earnings per share			
Basic (Rmb cents)	6	61.32	36.52
Diluted (Rmb cents)		58.67	36.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2023	As at December 31, 2022
<i>Notes</i>	Rmb'000	Rmb'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	5,352,613	5,419,682
Right-of-use assets	610,569	621,953
Expressway operating rights	18,632,431	19,797,341
Goodwill	86,867	86,867
Other intangible assets	320,819	347,051
Interests in associates	10,553,890	10,059,641
Interest in a joint venture	473,221	440,345
Financial assets at fair value through profit or loss (“FVTPL”)	169,576	209,439
Debt instruments at fair value through other comprehensive income	579,474	570,257
Other receivables and prepayments	996,577	1,118,363
Financial assets held under resale agreements	62,000	189,000
Deferred tax assets	1,577,290	1,416,809
Bank deposits	504,297	–
	39,919,624	40,276,748
CURRENT ASSETS		
Inventories	1,107,066	606,285
Trade receivables	705,875	554,368
Loans to customers arising from margin financing business	19,245,761	17,557,268
Other receivables and prepayments	4,874,817	3,347,368
Dividends receivable	–	44
Derivative financial assets	1,069,957	1,000,756
Financial assets at FVTPL	39,947,068	43,789,944
Debt instruments at fair value through other comprehensive income	5,695,450	250,683
Financial assets held under resale agreements	5,610,323	6,086,210
Bank balances and clearing settlement fund held on behalf of customers	51,341,401	48,744,803
Bank balances, cleaning settlement fund, deposits and cash		
– Restricted bank balances and cash	61,225	70,179
– Time deposits with original maturity over three months	1,213,467	203,632
– Cash and cash equivalents	24,849,208	23,917,236
	155,721,618	146,128,776

		As at June 30, 2023 <i>Rmb'000</i> (Unaudited)	As at December 31, 2022 <i>Rmb'000</i> (Audited)
CURRENT LIABILITIES			
Placements from other financial institutions		1,390,000	700,000
Accounts payable to customers arising from securities business		50,826,181	48,449,595
Trade payables	8	1,188,204	1,159,833
Tax liabilities		522,318	419,684
Other taxes payable		213,040	377,435
Other payables and accruals		13,972,349	8,868,740
Dividends payable		339,219	–
Contract liabilities		309,153	161,381
Derivative financial liabilities		860,102	554,357
Bank and other borrowings		3,855,420	4,915,176
Short-term financing note payable		2,787,551	3,567,025
Bonds payable		8,348,086	7,118,247
Convertible bonds	9	1,042	4,719
Financial assets sold under repurchase agreements		20,588,677	23,825,242
Financial liabilities at FVTPL		1,139,500	1,057,642
Lease liabilities		129,147	119,678
		106,469,989	101,298,754
NET CURRENT ASSETS			
		49,251,629	44,830,022
TOTAL ASSETS LESS CURRENT LIABILITIES			
		89,171,253	85,106,770
NON-CURRENT LIABILITIES			
Bank and other borrowings		11,336,034	12,195,014
Bonds payable		18,173,376	16,189,322
Convertible bonds	9	7,086,699	5,707,354
Deferred tax liabilities		521,318	481,066
Lease liabilities		317,859	324,352
		37,435,286	34,897,108
		51,735,967	50,209,662

	<i>Notes</i>	As at June 30, 2023 Rmb'000 (Unaudited)	As at December 31, 2022 Rmb'000 (Audited)
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		27,509,549	26,575,175
Equity attributable to owners of the Company		31,852,664	30,918,290
Non-controlling interests		19,883,303	19,291,372
		<u>51,735,967</u>	<u>50,209,662</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2022.

Application of amendments to HKFRSs

In the Period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2023 for the preparation of the Group’s consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and the related Amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended June 30, 2023 (Unaudited)

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue – external customers	<u>4,755,464</u>	<u>3,161,361</u>	<u>83,832</u>	<u>8,000,657</u>
Segment profit	<u>1,892,464</u>	<u>1,022,513</u>	<u>463,387</u>	<u>3,378,364</u>

For the six months ended June 30, 2022 (Unaudited)

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue – external customers	<u>4,047,666</u>	<u>2,912,920</u>	<u>67,535</u>	<u>7,028,121</u>
Segment profit	<u>929,353</u>	<u>744,564</u>	<u>373,313</u>	<u>2,047,230</u>

Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue from major services

An analysis of the Group's revenue, net of discounts and taxes, for the Period is as follows:

	For the six months ended June 30,	
	2023	2022
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Toll operation revenue	4,755,464	4,047,666
Commission and fee income from securities operation	1,976,906	1,738,076
Interest income from securities operation	1,184,455	1,174,844
Hotel and catering revenue	60,001	36,908
PPP revenue	23,831	30,627
Total	<u>8,000,657</u>	<u>7,028,121</u>

4. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2023	2022
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Interest income on financial institutions	162,946	70,353
Rental income	32,554	40,698
Gain (loss) on change in fair value in respect of the derivative component of convertible bonds	32,282	(98,548)
Exchange loss, net	(209,834)	(43,325)
Loss on commodity trading, net	(33,544)	(18,330)
Management fee income	7,018	6,655
Subsidies	37,077	53,724
Others	49,701	30,415
Total	<u>78,200</u>	<u>41,642</u>

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023	2022
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	754,134	702,010
Deferred tax	(128,228)	(87,852)
	<u>625,906</u>	<u>614,158</u>

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit in Hong Kong during the Period.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	For the six months ended June 30,	
	2023	2022
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Profit for the Period attributable to owners of the Company	2,663,096	1,586,274
Earnings for the purpose of basic earnings per share	2,663,096	1,586,274
Effect of dilutive potential ordinary shares arising from convertible bonds	51,161	99,593
Earnings for the purpose of diluted earnings per share	2,714,257	1,685,867

Number of shares:

	For the six months ended June 30,	
	2023	2022
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bonds	282,891	263,021
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,626,006	4,606,136

7. TRADE RECEIVABLES

	As at June 30, 2023 <i>Rmb'000</i> (Unaudited)	As at December 31, 2022 <i>Rmb'000</i> (Audited)
Trade receivables comprise:		
– contracts with customers	717,596	560,701
Less: Allowance for credit losses	(11,721)	(6,333)
	705,875	554,368
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	9,659	13,072
Third parties	707,937	547,629
Total trade receivables	717,596	560,701

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respective expressway fee settlement centres of Zhejiang Province and Anhui Province, Transportation Bureau of Linping County of Hangzhou, Transportation Bureau of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Lin'an of Hangzhou, Transportation Bureau of Huzhou, Transportation Bureau of Jiaxing, etc.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities Co., Ltd (the "Zheshang Securities"), trading limits are set for customers. The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk. Overdue balances are regularly monitored by the management.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the Period, which approximated the respective revenue recognition dates:

	As at June 30, 2023 Rmb'000 (Unaudited)	As at December 31, 2022 Rmb'000 (Audited)
Within 3 months	396,951	349,646
3 months to 1 year	249,998	181,217
1 to 2 years	56,227	21,025
Over 2 years	2,699	2,480
Total	705,875	554,368

8. TRADE PAYABLES

Trade payables mainly represent the payables for the expressway improvement projects and construction of high grade road. The following is an aged analysis of trade payables presented based on the invoice date:

	As at June 30, 2023 Rmb'000 (Unaudited)	As at December 31, 2022 Rmb'000 (Audited)
Within 3 months	366,505	655,734
3 months to 1 year	471,650	139,613
1 to 2 years	100,564	102,852
2 to 3 years	80,723	39,269
Over 3 years	168,762	222,365
Total	1,188,204	1,159,833

9. CONVERTIBLE BONDS

Convertible Bond 2021

On January 20, 2021, the Company issued a zero coupon convertible bond due 2026 in an aggregate principal amount of Euro230,000,000 (the “Convertible Bond 2021”). The Convertible Bond 2021 is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal terms of the Convertible Bond 2021 are set out below:

(1) *Conversion right*

The Convertible Bond 2021 will, at the option of the holder (the “Bondholders 2021”), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price 2021”) of HK\$8.83 per H share and a fixed exchange rate of HK\$9.5145 to Euro1.00 (the “Fixed Exchange Rate”). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at June 30, 2023, the conversion price was HK\$7.30 per H share.

(2) *Redemption*

(i) *Redemption at maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond 2021 at 100 percent of its outstanding principal amount on the maturity date of January 20, 2026 (the “CB Maturity Date 2021”).

(ii) *Redemption at the option of the Company*

The Company may, having given not less than 30 nor more than 60 days’ notice, redeem the Convertible Bond 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date.

- (a) at any time after January 20, 2024 but prior to the CB Maturity Date 2021, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Stock Exchange business days, at least 130 percent of the Conversion Price 2021 (translated into Euro at the Fixed Exchange Rate); or
- (b) if at any time the aggregate principal amount of the Convertible Bond 2021 outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) *Redemption at the option of the Bondholders 2021*

The Company will, at the option of the Bondholders 2021, redeem whole or some of that holder's bond on January 20, 2024 (the "Put Option Date") at 100 percent of their outstanding principal amount on that date.

The Convertible Bond 2021 comprises two components:

- (a) Debt component was initially measured at fair value amounted to approximately Euro183,297,000 (equivalent to Rmb1,443,009,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.74%.
- (b) Derivative component comprises conversion right of the Bondholders 2021, redemption option of the Company, and redemption option of the Bondholders 2021.

Transaction costs totalling Rmb8,427,515 that relate to the issue of the Convertible Bond 2021 are allocated to the debt and derivative components in proportion to their respective fair values.

Transaction costs amounting to approximately Rmb1,711,247 relating to the derivative component were charged to profit or loss during the year ended December 31, 2021. Transaction costs amounting to approximately Rmb6,716,268 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2021 using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

The movement of the debt and derivative components of the Convertible Bond 2021 as of June 30, 2023 is set out as below:

	Debt component at amortised cost		Derivative components at FVTPL		Total	
	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>
On December 31, 2021 (Audited)	190,374	1,374,445	47,124	340,217	237,498	1,714,662
Exchange realignment	-	37,073	-	-	-	37,073
Interest charge	9,027	68,617	-	-	9,027	68,617
Gain on change in fair value	-	-	(5,594)	(31,951)	(5,594)	(31,951)
On December 31, 2022 (Audited)	<u>199,401</u>	<u>1,480,135</u>	<u>41,530</u>	<u>308,266</u>	<u>240,931</u>	<u>1,788,401</u>
Exchange realignment	-	82,866	-	-	-	82,866
Interest charge	4,728	44,941	-	-	4,728	44,941
Gain on changes in fair value	-	-	(6,493)	(32,282)	(6,493)	(32,282)
On June 30, 2023 (Unaudited)	<u>204,129</u>	<u>1,607,942</u>	<u>35,037</u>	<u>275,984</u>	<u>239,166</u>	<u>1,883,926</u>

No conversion or redemption of the Convertible Bond 2021 has occurred up to June 30, 2023.

Convertible Bond 2022

On June 14, 2022, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due June 13, 2028 (the “Maturity Date 2022”) in an aggregate principal amount of Rmb7,000,000,000 (the “Convertible Bond 2022”). The Convertible Bond 2022 was listed on the Shanghai Stock Exchange on July 8, 2022. The coupon rate is 0.2% for the first year, 0.4% for the second year, 0.6% for the third year, 1.0% for the fourth year, 1.5% for the fifth year, 2.0% for the sixth year, and will be paid annually.

Out of the principal amount of Rmb7,000,000,000, RMB3,833,185,000 was subscribed by Zhejiang Shangsang Expressway Co., Ltd. (“Shangsang Co”), another subsidiary of the Group. As at June 30, 2023, Shangsang Co has disposed the Convertible Bond 2022 with a principal amount of Rmb2,443,685,000.

The principal terms of the Convertible Bond 2022 are set out below:

(1) Conversion right

The Convertible Bond 2022 will, at the option of the holders (the “Bondholders 2022”), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from December 20, 2022 up to June 13, 2028, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price 2022”) of Rmb10.49 per share. The Conversion Price 2022 will be adjusted when Zheshang Securities distributes stock dividends, capitalises common reserves into share capital, issues new shares or places new shares, distributes cash dividend (excluding the increase in share capital due to the conversion of the Convertible Bond 2022 issued).

When the share price of Zheshang Securities is less than 80% of the Conversion Price 2022 for any 15 business days within a period of 30 consecutive business days prior to the Maturity Date 2022, the board of directors of Zheshang Securities has the right to propose a downward revision resolution on the Conversion Price 2022, and submits it to the shareholder’s meeting of Zheshang Securities for approval. As at June 30, 2023, the Conversion Price 2022 was Rmb10.32 per share.

(2) Redemption

(i) Redemption at maturity

Zheshang Securities will redeem all the outstanding Convertible Bond 2022 at 106% of its principal amount (including the last instalment of interest payment) within five business days from the Maturity Date 2022.

(ii) Redemption on conditions

During the conversion period of the Convertible Bond 2022, upon the occurrence of any of the following two conditions, Zheshang Securities is entitled to redeem all or part of the outstanding Convertible Bond 2022 based on the par value and interest in arrears:

- (a) During the conversion period of the Convertible Bond 2022, for any 15 business days within a period of 30 consecutive business days, the closing share price of Zheshang Securities is not less than 130 percent (including 130 percent) of the Conversion Price 2022;
- (b) When the aggregate principal amount of the outstanding Convertible Bond 2022 is less than Rmb30,000,000.

The Convertible Bond 2022 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2022 was separated from the liability component. As the Convertible Bond 2022 was issued by a subsidiary of the Company and is convertible into that subsidiary's own shares, the equity element is considered as non-controlling interests. The effective interest rate of the liability component is 3.3564% per annum.

Changes in the liability and equity component of the Convertible Bond 2022 at June 30, 2023 are set out as below:

	Liability component	Equity component	Total
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Issuance on June 14, 2022	2,856,082	310,732	3,166,814
Issue cost	(12,782)	(1,387)	(14,169)
Interest charge	71,825	–	71,825
Addition	1,008,644	166,912	1,175,556
Conversion into shares	(97)	(10)	(107)
As at December 31, 2022 (Audited)	<u>3,923,672</u>	<u>476,247</u>	<u>4,399,919</u>
Interest charge	62,586	–	62,586
Addition (<i>Note i</i>)	1,217,652	395,710	1,613,362
Conversion into shares (<i>Note ii</i>)	(95)	(10)	(105)
As at June 30, 2023 (Unaudited)	<u>5,203,815</u>	<u>871,947</u>	<u>6,075,762</u>

Notes:

- (i) As at June 30, 2023, Shangsang Co disposed the Convertible Bond 2022 held on hand with the principal amount of Rmb1,325,847,000. Upon the disposal, this balance is considered as newly issued assets and liabilities during the year.
- (ii) As at June 30, 2023, the Bondholders 2022 converted the Convertible Bond 2022 with a principal amount of Rmb103,000 to the shares of Zheshang Securities.

As at June 30, 2023, Zheshang Securities had not exercised the redemption rights.

BUSINESS REVIEW

In the first half of 2023, the international political and economic situation remained complex, and the global economic slowdown continued. After the relaxation of the epidemic control policies, China's economy and society fully resumed normal operation, market demand gradually recovered, and production supply continued to increase. The overall economic operation saw a rebound, and China's GDP grew 5.5% year-on-year. During the Period, the service industry, fixed asset investment, and total retail sales of consumer goods in Zhejiang Province increased by 8.4%, 9.0% and 9.1% year-on-year respectively, driving the year-on-year growth of the Province's GDP by 6.8%, the economic growth which was higher than the national average.

During the Period, toll revenue of the Group's expressways showed a significant year-on-year increase due to the gradual subsiding impact of the epidemic and low base effect, while revenue from the securities business recorded stable growth benefiting from the rebound in the capital market. During the Period, total revenue of the Group was Rmb8,000.66 million, representing an increase of 13.8% year-on-year, of which Rmb4,755.46 million was generated by the eight major expressways operated by the Group, representing an increase of 17.5% year-on-year and 59.4% of total revenue. Revenue generated by the securities business for the Group was Rmb3,161.36 million, representing an increase of 8.5% year-on-year and 39.5% of the total revenue.

A breakdown of the Group's revenue for the Period is set out below:

	For the six months ended June 30,		
	2023	2022	% Change
	Rmb'000	Rmb'000	
Toll road operation revenue	4,755,464	4,047,666	17.5%
Shanghai-Hangzhou-Ningbo			
Expressway	2,356,218	1,809,881	30.2%
Shangsan Expressway	526,991	484,620	8.7%
Jinhua Section, Ningbo-Jinhua			
Expressway	264,256	232,427	13.7%
Hanghui Expressway	352,995	285,718	23.5%
Huihang Expressway	101,704	71,482	42.3%
Shenjiahuhang Expressway	–	305,451	N/A
Zhoushan Bay Bridge	550,602	340,100	61.9%
LongLiLiLong Expressways	376,293	341,556	10.2%
Zhajiasu Expressway	226,405	176,431	28.3%
Securities business revenue	3,161,361	2,912,920	8.5%
Commission and fee income	1,976,906	1,738,076	13.7%
Interest income	1,184,455	1,174,844	0.8%
Other operation revenue	83,832	67,535	24.1%
Hotel and catering	60,001	36,908	62.6%
Public-Private Partnership	23,831	30,627	–22.2%
Total revenue	8,000,657	7,028,121	13.8%

Note: Upon the issuance of the CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program (“Special Program”), Zhejiang Shenjiahuhang Expressway Co., Ltd. was no longer included in the consolidated financial statements of the Group since December 2, 2022.

Toll Road Operations

During the Period, as China's economy gradually recovered, the overall traffic volume and toll revenue of the Group's expressways increased significantly year-on-year. The performance varied among different sections of the Group's expressways due to various factors.

Following the relaxation of epidemic control policies and free admission to most tourist attractions in Zhejiang Province in the first quarter, there has been a significant increase in demand for tourism, business activities, and visiting. The traffic volume of passenger vehicles of the Group's expressways has rapidly recovered, with a year-on-year increase of up to 58%, resulting in a significant increase in toll revenue for passenger vehicles. In particular, travel routes such as Huihang Expressway and Zhoushan Bay Bridge have experienced significant positive impacts. However, the growth in traffic volume of

trucks of the Group's expressways was lower than that of passenger vehicles, mainly due to the sluggish global economic recovery, the contracted external demand and the decline in China's manufacturing industry in the second quarter, which has affected the resumption of freight demand.

Meanwhile, the changes in neighboring road network and adjustment of tolling policy also had a mixed impact on the traffic volume of the relevant expressways. The Hangzhou-Taizhou High-speed Railway opened on January 8, 2022, and the Hangzhou-Shaoxing-Taizhou Expressway fully opened to traffic on February 11, 2022, leading to a sizable diversion of traffic volume on Shangsang Expressway. The pilot section of the Linjian Expressway opened on December 30, 2022, attracting a certain amount of additional traffic flow to the connecting Hanghui Expressway. In addition, since January 1, 2023, Hangzhou Lin'an District Government has implemented a policy to pay the tolls for Class-1 passenger vehicles of Zhejiang A license plate with ETC registration travelling on Hanghui Expressway between Yuhang toll station and Qingshanhu toll station as well as between Yuhang toll station and Lin'an toll station, which facilitates the passenger vehicles traffic volume growth of Hanghui Expressway.

Looking back at the first half of 2023, the Group focused on the objective of high-quality development and deepened market-oriented operation continuously to drive the robust development of core expressway business. The Group established an integrated model for road management works, facilitated the pilot reform of vehicle towing and rescue, and improved the construction of intelligent toll stations to constantly elevate the traffic efficiency and service level of road network; actively accelerated projects of governments' paying tolls, explored voluntary discount campaigns for drawing traffic, and strived to improve the attractiveness of "Expressway + Tourism" activities to continuously increase its efforts in market-orientation and differentiation; and methodically advanced the reconstruction and expansion projects of its expressways to successfully win the bid as an investor for the reconstruction and expansion of Shaoxing Section of the Ningbo-Jinhua Expressway.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsang Expressway, the 70km Jinhua Section of Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways and the 50km Zhajiasu Expressway was Rmb4,755.46 million.

During the Period, the daily average traffic volume in full-trip equivalents, toll revenue and the corresponding year-on-year growth rates on the Group's expressways are listed below:

The Group's Expressway Sections	Daily Average Traffic Volume <i>(in Full-Trip Equivalents)</i>	Year-on-year Growth	Toll Revenue <i>(Rmb million)</i>	Year-on-year Growth
Shanghai-Hangzhou-Ningbo Expressway	86,816	46.58%	2,356.22	30.2%
– Shanghai-Hangzhou Section	87,103	87.74%		
– Hangzhou-Ningbo Section	86,608	25.73%		
Shangsan Expressway	32,658	23.49%	526.99	8.7%
Jinhua Section, Ningbo-Jinhua Expressway	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%

Securities Business

In the first half of 2023, the stabilization and recovery of the domestic economy and the full implementation of registration-based IPO system for share issuance facilitated the gradual rebound of the capital market. Zheshang Securities closely focused on the operating strategic goal of serving the real economy, actively grasped the market opportunities, deepened reform and development, and continuously improved its core competitiveness. Investment banking business and securities investment business achieved significant growth, which contributed to the stable and progressive operating results in the first half of 2023.

During the Period, Zheshang Securities recorded total revenue of Rmb3,161.36 million, an increase of 8.5% year-on-year, of which, commission and fee income increased 13.7% year-on-year to Rmb1,976.91 million, and interest income from the securities business was Rmb1,184.45 million, an increase of 0.8% year-on-year. During the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb885.86 million, an increase of 139.0% year-on-year.

Hotel and Catering Business

In the first half of 2023, with the full relaxation of domestic epidemic prevention and control policies, the service industry quickly rebounded. In particular, the contact-intensive service industry such as accommodation and catering, which was greatly affected by the epidemic in the early stage, rebounded significantly, and the operating results of the Group's two hotels grew significantly.

Grand New Century Hotel, owned by Zhejiang Linping Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb40.82 million for the Period, an increase of 44.0% year-on-year. Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb19.18 million for the Period, an increase of 124.2% year-on-year.

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) owns the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 29,596, representing an increase of 23.15% year-on-year. Toll revenue was Rmb253.16 million, representing an increase of 9.4% year-on-year. During the Period, the joint venture recorded a net profit of Rmb65.75 million, representing an increase of 68.0% year-on-year.

Zhejiang HangNing Expressway Co., Ltd. (a 30% owned associate of the Company) owns the 99km HangNing Expressway. During the Period, the associate company recorded a net profit of Rmb206.06 million, representing an increase of 132.1% year-on-year.

The Company subscribed 30% of the subordinated class of the CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program ("Special Program"), which owns the 92.9km Shenjiahuhang Expressway. During the Period, the Special Program recorded a net loss of Rmb40.65 million.

Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company) derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb429.30 million, representing an increase of 52.3% year-on-year.

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the finance leasing business, the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb324.79 million, representing an increase of 19.8% year-on-year.

Shanghai Rural Commercial Bank Co., Ltd. (a 4.92% owned associate of the Company) is primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit attributable to the owners of Rmb6,927.67 million, representing an increase of 18.5% year-on-year.

Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership) (a 24.99% owned associate of the Company) was primarily engaged in equity investments, investment management and investment consultation. During the Period, the share of profit of the associate attributable to the Company is Rmb48.42 million, representing an increase of 383.4% year-on-year.

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was approximately Rmb2,663.10 million, representing an increase of 67.9% year-on-year, basic earnings per share was Rmb61.32 cents, representing an increase of 67.9% year-on-year, diluted earnings per share was Rmb58.67 cents, representing an increase of 60.6% year-on-year, and return on owners' equity was 8.4%, representing an increase of 44.8% year-on-year.

Liquidity and financial resources

As at June 30, 2023, current assets of the Group amounted to Rmb155,721.62 million in aggregate (December 31, 2022: Rmb146,128.78 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 16.8% (December 31, 2022: 16.6%), bank balances and clearing settlement fund held on behalf of customers accounted for 33.0% (December 31, 2022: 33.4%), financial assets at FVTPL accounted for 25.7% (December 31, 2022: 30.0%) and loans to customers arising from margin financing business accounted for 12.4% (December 31, 2022: 12.0%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2023 was 1.50 (December 31, 2022: 1.40). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.90 (December 31, 2022: 1.80).

The amount of financial assets at FVTPL included in current assets of the Group as at June 30, 2023 was Rmb39,947.07 million (December 31, 2022: Rmb43,789.94 million), of which 67.5% was invested in bonds, 12.8% was invested in stocks, 15.8% was invested in equity funds, and the rest were invested in structured products and trust products, etc.

During the Period, net cash from the Group's operating activities amounted to Rmb8,111.08 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

The Directors do not expect the Company to experience any problems with liquidity and financial resources in the foreseeable future.

Borrowings and solvency

As at June 30, 2023, total liabilities of the Group amounted to Rmb143,905.28 million (December 31, 2022: Rmb136,195.86 million), of which 10.6% was bank and other borrowings, 1.9% was short-term financing note, 18.4% was bonds payable, 14.3% was financial assets sold under repurchase agreements and 35.3% was accounts payable to customers arising from securities business.

As at June 30, 2023, total interest-bearing borrowings of the Group amounted to Rmb51,588.21 million, representing an increase of 3.8% compared to that as at December 31, 2022. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb12,672.49 million, borrowings from other domestic financial institutions of Rmb1,962.90 million, borrowings from other domestic institutions of Rmb556.06 million, short-term financing note of Rmb2,517.54 million, beneficial certificates of Rmb270.01 million, mid-term notes of Rmb3,049.71 million, subordinated bonds of Rmb5,724.73 million, corporate bonds of Rmb13,032.55 million, asset backed securities of Rmb1,681.80 million, convertible bonds of Rmb5,203.82 million, and convertible bond denominated in Euro that equivalents to Rmb1,883.93 million. Of the interest-bearing borrowings, 70.9% was not payable within one year.

As at June 30, 2023, the Group's borrowings from domestic commercial banks bore annual fixed interest rates ranged from 3.15% to 5.25%, annual floating interest rates ranged from 2.95% to 4.35%, the annual fixed interest rates of other domestic institutions were 3.0% and 4.5%, and the annual fixed interest rates of a domestic financial institution ranged were 3.7% and 4.13%, the annual floating interest rate was 4.13%. As at June 30, 2023, the annual fixed interest rates for short-term financing notes were 2.35% and 2.57%. The annual floating interest rates of beneficial certificates ranged from 3.2% to 7.0%, the annual fixed rate was 2.4%. The annual fixed interest rate for mid-term notes were 2.80% and 2.97%. The annual fixed annual interest rates for subordinated bonds ranged from 3.65% to 4.18%. The annual fixed interest rate for corporate bond ranged from 1.638% to 3.49%. The annual coupon rate for convertible bond denominated in Rmb was 0.4%. The annual coupon rate for convertible bond denominated in Euro was nil.

Total interest expenses and profit before interest and tax for the Period amounted to Rmb866.80 million and Rmb4,871.07 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.6 (Corresponding period of 2022: 3.9 times).

As at June 30, 2023, the asset-liability ratio (total liabilities over total assets) of the Group was 73.6% (December 31, 2022: 73.1%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 64.5% (December 31, 2022: 63.7%).

Capital structure

As at June 30, 2023, the Group had Rmb51,735.97 million in total equity, Rmb110,186.84 million in fixed-rate liabilities, Rmb14,653.23 million in floating-rate liabilities, and Rmb19,065.20 million in interest-free liabilities, representing 26.4%, 56.3%, 7.5% and 9.8% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 179.9% as at June 30, 2023 (December 31, 2022: 174.8%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb343.45 million. Amongst the total capital expenditure, Rmb34.22 million was incurred for acquiring equity investment, Rmb239.68 million was incurred for acquisition and construction of properties and Rmb69.55 million was incurred for acquisition and construction of equipment and facilities.

As at June 30, 2023, the remaining capital expenditure committed by the Group amounted to Rmb5,387.52 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb826.03 million will be used for acquiring equity investments, Rmb916.61 million will be used for acquisition and construction of properties, Rmb1,144.88 million for acquisition and construction of equipment and facilities, Rmb2,500.00 million for reconstruction and expansion projects of existing expressways.

The Group will first consider financing the above-mentioned capital expenditure commitments with internal resources, and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

Contingent liabilities and pledge of assets

Pursuant to the Board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.20 billion, in accordance with their proportionate equity interests in Shengxin Co. During the Period, Rmb125.00 million of the bank loans had been repaid. As at June 30, 2023, the remaining bank loan balance was Rmb518.00 million.

Zhejiang Zhoushan Bay Bridge Co., Ltd., a subsidiary of the Company, pledged its rights of toll on expressway for its bank borrowing, and as at June 30, 2023, the remaining bank loan balance was Rmb5,544.83 million.

Deqing County De'an Highway Construction Co., Ltd., a subsidiary of the Company, pledged its trade receivables for its bank borrowing, and as at June 30, 2023, the remaining bank loan balance was Rmb467.09 million.

Zhejiang LongLiLiLong Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway for its bank and other borrowing, and as at June 30, 2023, the remaining bank and other borrowing balance was Rmb5,423.76 million.

Jiaxing Zhajiasu Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, and as at June 30, 2023, the remaining bank loan balance was Rmb1,398.50 million.

Zheshang International Financial Holding Co., Ltd., a subsidiary of the Company, pledged its customers' stock for its bank borrowing, and as at June 30, 2023, the remaining bank loan balance was Rmb67.98 million.

Except for the above, as at June 30, 2023, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars; (ii) Zheshang International Financial Holding Co., Ltd. operating in Hong Kong; (iii) issuance of the zero coupon convertible bond with a principal amount of Euro230 million in Hong Kong capital market in January 2021, which will be due in January 2026; and (iv) issuance of the senior fixed-rate bonds with a principal amount of USD470 million in Hong Kong capital market in July 2021, which will be due in July 2026 and has an coupon rate of 1.638%; the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group has not used financial instruments for hedging purpose.

OUTLOOK

Looking ahead to the second half of 2023, geopolitical situation, trade protectionism, inflation and other risk factors will continue to increase the uncertainty and unpredictability of global economic development. In the face of various pressures and challenges, the Chinese government will accelerate efforts to foster a new development pattern, strengthen the role of macro policies in regulating economy, focus on expanding domestic demand and boosting confidence, and timely adjust and optimize real estate policies. With the effective implementation of various policies to stabilize economic growth, Chinese economy is expected to continuously recover in the second half of 2023. The traffic volume and toll revenue of expressways of the Group will maintain a stable growth due to general improvement in economy.

The Group will uphold the principle of sustainable development, and consistently enhance its market-oriented operation. The Group will fully implement integrated road management works, improve contingency measures to ensure smooth operation, and focus on service guarantees for the Asian Games to continuously improve the traffic efficiency of road network. It will enrich the “Expressway+” projects and enhance marketing efforts and preferential services to constantly improve its capability to attract customer and bring in more revenue. The Group plans to complete the intelligent transformation of the entire section of the Shanghai-Hangzhou-Ningbo Expressway with high quality, creating a model for the construction of intelligent expressways. It will accelerate the transformation of scientific research achievements, increase key maintenance technological research, and enhance scientific and technological innovation capabilities. In addition, it will facilitate the construction of various digital scenarios in an orderly manner to fully leverage the value of big data and effectively support operation and management.

Under the policy guidance of activating capital market and boosting investor confidence, the vitality of the capital market is expected to be further stimulated. Zheshang Securities will take full advantage of market opportunities to continuously optimize the asset allocation structure of securities investment business and steadily enhance the contribution of securities investment. Zheshang Securities will comprehensively search for new customers while effectively exploring new needs of existing customers to steadily expand the scale of margin financing business. Zheshang Securities will advance the innovation of brokerage products and services and fully tap the potential of network finance to continuously enhance the market competitiveness of brokerage business. It will take advantage of the policy benefits brought by the comprehensive reform of the registration-based IPO system and expand investment banking project reserves to facilitate Zheshang Securities to steadily enter top tier in the industry.

In the face of the complex and unstable domestic and international circumstances, the Group will adhere to the principle of market-oriented and high-quality development, constantly enhance its core expressway business, and optimize the securities and finance business. The management will thoroughly observe the changes in market environment and policies, and search for investment as well as merger and acquisition of expressway projects under the premise of risk control to expand its core business through multiple channels. It will also make every effort to advance the reconstruction and expansion projects of expressways and effectively facilitate the sustainable development of its core business.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

There have been no important events affecting the Group since the end of the Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the Period.

COMPLIANCE WITH LISTING RULES APPENDIX 14

During the Period, the Company complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules, and adopted the recommended best practices in the Code as and when applicable during the Period.

PUBLICATION OF FINANCIAL INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjec.com.cn). The interim report of the Company for the six months ended June 30, 2023 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hangzhou, the PRC, August 23, 2023

As at the date of this announcement, the executive Directors of the Company are Mr. YUAN Yingjie and Mr. CHEN Ninghui; the other non-executive Directors of the Company are: Mr. YU Zhihong, 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. CHEN Bin.