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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)

2022 ANNUAL RESULTS ANNOUNCEMENT

- Revenue was Rmb14,898.73 million, representing a decrease of 8.4% year-on-year
- Profit attributable to owners of the Company was Rmb5,378.87 million, representing an increase of 12.9% year-on-year
- Basic earnings per share was Rmb123.85 cents, and diluted earnings per share was Rmb117.62 cents
- A dividend of Rmb37.50 cents per share was recommended

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2022 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb14,898.73 million, representing a decrease of 8.4% over 2021. Profit attributable to owners of the Company was Rmb5,378.87 million, representing an increase of 12.9% year-on-year. Basic earnings per share for the Period was Rmb123.85 cents (2021: Rmb109.65 cents), and diluted earnings per share for the Period was Rmb117.62 cents (2021: Rmb102.50 cents).

The board of Directors (the “Board”) of the Company recommended a dividend of Rmb37.50 cents per share (2021: dividend Rmb37.50 cents per share). The dividend is subject to shareholders’ approval at the Company’s 2022 annual general meeting (the “AGM”).

The audit committee of the Company has reviewed the Group's consolidated financial statements for the Period. Set out below are the audited consolidated statement of profit or loss and other comprehensive income for the Period and consolidated statement of financial position as at December 31, 2022, with comparative figures for 2021, and relevant notes to the consolidated financial statements:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the year ended	
		December 31,	
		2022	2021
		<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	3	14,898,730	16,262,601
Including: interest income under effective interest method		2,390,436	2,247,361
Operating costs		(8,857,926)	(9,521,482)
Gross profit		6,040,804	6,741,119
Securities investment gains		679,734	1,835,563
Other income and gains and losses	4	2,093,933	733,071
Administrative expenses		(172,616)	(173,447)
Other expenses		(119,701)	(117,363)
Impairment losses under expected credit loss model, net of reversal		(11,742)	65,391
Share of profit of associates		752,086	966,075
Share of profit of a joint venture		49,771	56,249
Finance costs		(1,770,008)	(1,942,533)
Profit before tax		7,542,261	8,164,125
Income tax expense	5	(1,039,051)	(1,873,961)
Profit for the year		6,503,210	6,290,164
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments measured at fair value through other comprehensive income		(9,055)	–
Impairment loss for debt instruments at fair value through other comprehensive income		1,108	–
Income tax impact relating to items that may be reclassified subsequently to profit or loss		1,987	–
Exchange differences on translation of financial statements of foreign operations		21,787	(4,963)
Share of other comprehensive (loss)/income of an associate, net of related income tax		(736)	43,607
Other comprehensive income for the year, net of income tax		15,091	38,644
Total comprehensive income for the year		6,518,301	6,328,808

		For the year ended	
		December 31,	
		2022	2021
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit for the year attributable to:			
Owners of the Company		5,378,866	4,762,431
Non-controlling interests		1,124,344	1,527,733
		<u>6,503,210</u>	<u>6,290,164</u>
Total comprehensive income attributable to:			
Owners of the Company		5,384,448	4,803,862
Non-controlling interests		1,133,853	1,524,946
		<u>6,518,301</u>	<u>6,328,808</u>
Earnings per share			
Basic (Rmb cents)	7	<u>123.85</u>	<u>109.65</u>
Diluted (Rmb cents)		<u>117.62</u>	<u>102.50</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31, 2022	As at December 31, 2021
	<i>Notes</i>	<u>Rmb'000</u>	<u>Rmb'000</u>
NON-CURRENT ASSETS			
Property, plant and equipment		5,419,682	5,019,619
Right-of-use assets		621,953	666,686
Expressway operating rights		19,797,341	26,053,256
Goodwill		86,867	86,867
Other intangible assets		347,051	303,350
Interests in associates		10,059,641	9,675,046
Interest in a joint venture		440,345	440,574
Financial assets at fair value through profit or loss (“FVTPL”)		209,439	363,878
Debt instruments at fair value through other comprehensive income		570,257	–
Other receivables and prepayments		1,118,363	1,216,289
Financial assets held under resale agreements		189,000	10,000
Deferred tax assets		1,416,809	1,617,799
		<u>40,276,748</u>	<u>45,453,364</u>
CURRENT ASSETS			
Inventories		606,285	371,714
Trade receivables	8	554,368	467,892
Loans to customers arising from margin financing business		17,557,268	19,394,130
Other receivables and prepayments		3,347,368	1,379,105
Dividends receivable		44	128
Derivative financial assets		1,000,756	613,718
Financial assets at FVTPL		43,789,944	45,445,711
Debt instruments at fair value through other comprehensive income		250,683	–
Financial assets held under resale agreements		6,086,210	7,078,206
Bank balances and clearing settlement fund held on behalf of customers		48,744,803	38,392,804
Bank balances, clearing settlement fund, deposits and cash			
– Restricted bank balances and cash		70,179	132,090
– Time deposits with original maturity over three months		203,632	413,843
– Cash and cash equivalents		23,917,236	17,153,977
		<u>146,128,776</u>	<u>130,843,318</u>

		As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Placements from other financial institutions		700,000	500,000
Accounts payable to customers arising from securities business		48,449,595	38,069,350
Trade payables	9	1,159,833	1,387,533
Tax liabilities		419,684	1,305,228
Other taxes payable		377,435	916,269
Other payables and accruals		8,868,740	5,872,066
Contract liabilities		161,381	204,214
Derivative financial liabilities		554,357	451,368
Bank and other borrowings		4,915,176	2,316,307
Short-term financing note payable		3,567,025	7,940,702
Bonds payable		7,118,247	10,455,661
Convertible bonds	10	4,719	–
Financial assets sold under repurchase agreements		23,825,242	25,250,426
Financial liabilities at FVTPL		1,057,642	2,925,391
Lease liabilities		119,678	105,699
		101,298,754	97,700,214
NET CURRENT ASSETS			
		44,830,022	33,143,104
TOTAL ASSETS LESS CURRENT LIABILITIES			
		85,106,770	78,596,468
NON-CURRENT LIABILITIES			
Bank and other borrowings		12,195,014	14,427,610
Bonds payable		16,189,322	17,193,430
Convertible bonds	10	5,707,354	1,714,662
Deferred tax liabilities		481,066	477,525
Lease liabilities		324,352	360,216
		34,897,108	34,173,443
		50,209,662	44,423,025
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		26,575,175	22,807,227
Equity attributable to owners of the Company		30,918,290	27,150,342
Non-controlling interests		19,291,372	17,272,683
		50,209,662	44,423,025

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Except as disclosed below, the accounting policies and methods of computation applied in the consolidated financial statements are consistent with those in the preparation of the Group’s annual financial statements for the year ended December 31, 2021.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

3. OPERATING SEGMENTS

Information reported to the general manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.
- (ii) Securities operation – the securities and future broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.
- (iii) Others – hotel operation, high grade road construction, investment in other financial institutions and other ancillary services.

Segment revenue and results

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

For the year ended December 31, 2022

	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>8,660,333</u>	<u>6,080,383</u>	<u>158,014</u>	<u>14,898,730</u>
Segment profit	<u>4,041,889</u>	<u>1,709,964</u>	<u>751,357</u>	<u>6,503,210</u>

For the year ended December 31, 2021

	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>9,607,199</u>	<u>6,403,024</u>	<u>252,378</u>	<u>16,262,601</u>
Segment profit	<u>3,194,046</u>	<u>2,372,970</u>	<u>723,148</u>	<u>6,290,164</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets		Segment liabilities	
	As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>	As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
Toll operation	39,363,170	41,373,465	(25,795,642)	(29,592,173)
Securities operation	137,584,981	125,941,428	(109,660,591)	(101,422,949)
Others	9,370,506	8,894,922	(739,629)	(858,535)
Total segment assets (liabilities)	186,318,657	176,209,815	(136,195,862)	(131,873,657)
Goodwill	86,867	86,867	–	–
Consolidated assets (liabilities)	186,405,524	176,296,682	(136,195,862)	(131,873,657)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

Other segment information

Amounts included in the measure of segment profit/loss or segment assets:

For the year ended December 31, 2022

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Income tax expense	638,475	395,486	5,090	1,039,051
Interest income from financial institutions	141,652	–	706	142,358
Interest expenses	912,896	828,543	28,569	1,770,008
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	(1,521)	–	(1,521)
Impairment losses on trade receivables, net of reversal	11	1,352	101	1,464
Interests in associates	2,267,377	668,480	7,123,784	10,059,641
Interest in a joint venture	440,345	–	–	440,345
Share of profit of associates	46,135	(30,138)	736,089	752,086
Share of profit of a joint venture	49,771	–	–	49,771
Net gains arising from financial assets at FVTPL	–	744,503	–	744,503
Gain on changes in fair value in respect of the derivative component of convertible bond	31,951	–	–	31,951
Additions to non-current assets (Note)	1,444,064	285,226	30,771	1,760,061
Depreciation and amortisation	3,053,188	295,510	36,292	3,384,990
Gain on disposal of a subsidiary	1,881,262	–	–	1,881,262

For the year ended December 31, 2021

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Income tax expense	1,152,881	718,789	2,291	1,873,961
Interest income from financial institutions	118,247	–	780	119,027
Interest expenses	981,865	928,099	32,569	1,942,533
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	13,157	–	13,157
Impairment losses on trade receivables, net of reversal	32	(955)	(26)	(949)
Interests in associates	2,362,130	739,761	6,573,155	9,675,046
Interest in a joint venture	440,574	–	–	440,574
Share of profit of associates	56,667	193,133	716,275	966,075
Share of profit of a joint venture	56,249	–	–	56,249
Net gains arising from financial assets at FVTPL	–	1,819,868	–	1,819,868
Gain on changes in fair value in respect of the derivative component of convertible bond	27,453	–	–	27,453
Additions to non-current assets (<i>Note</i>)	6,409,180	503,291	44,056	6,956,527
Depreciation and amortisation	2,918,751	263,107	36,607	3,218,465

Note: Non-current assets excluded financial instruments and deferred tax assets.

Revenue from major services

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

	For the year ended December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Toll operation revenue	8,660,333	9,607,199
Commission and fee income from securities operation	3,689,947	4,155,663
Interest income from securities operation	2,390,436	2,247,361
Hotel and catering revenue	88,143	113,526
Revenue from PPP project	69,871	138,852
Total	14,898,730	16,262,601

Geographical information

The Group's operations are located in the PRC. The Group's non-current assets are mainly located in the PRC (country of domicile).

All of the Group's revenue from external customers is attributed to the Group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2022 and 2021, there was no individual customer with sales over 10% of the total revenue of the Group.

4. OTHER INCOME AND GAINS AND LOSSES

	For the year ended	
	December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest income from financial institutions	142,358	119,027
Rental income (<i>Note i</i>)	70,875	89,441
Gain on changes in fair value in respect of the derivative component of convertible bond	31,951	27,453
Gain on disposal of associates	–	5,521
Exchange (losses)/gains, net	(229,412)	231,659
(Losses)/gains on commodity trading, net (<i>Note ii</i>)	(37,237)	43,716
Management fee income	13,777	15,524
Government subsidy	72,031	51,155
Gain/(losses) arising from deemed disposal of associates	22,062	(46,705)
Gain on disposal of assets	7,333	73,460
Gain on disposal of a subsidiary (<i>Note iii</i>)	1,881,262	–
Others	118,933	122,820
Total	<u>2,093,933</u>	<u>733,071</u>

Notes:

- (i) Rental income included contingent rent of Rmb1,175,000 (2021: Rmb1,363,000) recognised during the year.
- (ii) The income on commodity trading amounted to Rmb11,616,371,000 (2021: Rmb9,752,811,000) with the cost of Rmb11,653,608,000 (2021: Rmb9,709,095,000). The net gains or losses on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb603,909,000 (2021: Rmb369,268,000) as of December 31, 2022.
- (iii) Upon the issuance of the CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program (“private REITs”), as Zhejiang Shenjiahuhang Expressway Co., Ltd. (“Shenjiahuhang Co”) ceased to be a subsidiary of the Group on December 2, 2022, the difference between the net assets on that date and the consideration received was recognized as gain on disposal of a subsidiary.

5. INCOME TAX EXPENSE

	For the year ended	
	December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Current Tax:		
PRC Enterprise Income Tax (“EIT”)	1,081,139	1,810,332
Deferred tax	(42,088)	63,629
	<u>1,039,051</u>	<u>1,873,961</u>

Under the Law of the PRC on EIT and Implementation Regulations 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 for both years.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended	
	December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before tax	7,542,261	8,164,125
Tax at the PRC EIT rate of 25% (2021: 25%)	1,885,565	2,041,031
Tax effect of share of profit of associates	(188,022)	(241,519)
Tax effect of share of profit of a joint venture	(12,443)	(14,062)
Tax effect of tax losses not recognised	62,392	73,392
Utilisation of unused tax loss previously not recognised	(122,620)	(22,699)
Tax effect of expenses not deductible for tax purposes	34,454	101,233
Tax effect of income not subjected to tax purposes	(620,275)	(63,415)
Income tax expense for the year	<u>1,039,051</u>	<u>1,873,961</u>

6. DIVIDENDS

	For the year ended December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Dividends recognised as distribution during the year:		
2021 – Rmb37.5 cents per share		
(2021: 2020 – Rmb35.5 cents per share)	1,628,668	1,541,806

Dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2022 (2021: dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2021) in the total amount of Rmb1,628,668,000 (2021: Rmb1,628,668,000) has been proposed by the Directors and is subject to approval by the shareholders in the AGM.

7. 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 year ended December 31,	
	2022	2021
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit for the year attributable to owners of the Company	5,378,866	4,762,431
Earnings for the purpose of basic earnings per share	5,378,866	4,762,431
Effect of dilutive potential ordinary shares arising from convertible bond	48,395	(59,507)
Earnings for the purpose of diluted earnings per share	5,427,261	4,702,924

Number of shares

	For the year ended December 31,	
	2022	2021
	'000	'000
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 bond	271,284	245,061
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,614,399	4,588,176

8. TRADE RECEIVABLES

	As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
Trade receivables		
– contracts with customers	560,701	473,691
Less: Allowance for credit losses	(6,333)	(5,799)
	554,368	467,892
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	13,072	19,996
Third parties	547,629	453,695
	560,701	473,691

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 centre of Zhejiang Province and Anhui Province, Transportation Bureau of Linping County of Hangzhou, Transportation Bureau of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan 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. ("Zheshang Securities"), trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable 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 reporting period, which approximated the respective revenue recognition dates:

	As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
Within 3 months	349,646	335,308
3 months to 1 year	181,217	121,753
1 to 2 years	21,025	7,554
Over 2 years	2,480	3,277
Total	554,368	467,892

Movement of allowance for credit losses

	As at December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
At the beginning of the year	5,799	6,748
Impairment recognised for the year	1,569	104
Amount reversed during the year	(105)	(1,053)
Written off	(930)	–
At the end of the year	6,333	5,799

9. 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 December 31, 2022 <i>Rmb'000</i>	As at December 31, 2021 <i>Rmb'000</i>
Within 3 months	655,734	875,632
3 months to 1 year	139,613	114,352
1 to 2 years	102,852	87,079
2 to 3 years	39,269	62,461
Over 3 years	222,365	248,009
Total	1,159,833	1,387,533

10. 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 and traded on 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. The latest Conversion Price 2021 was HK\$7.80 per H share.

(2) *Redemption*

(i) *Redemption at maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem all outstanding Convertible Bonds 2021 at 100 percent of their 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 days’ nor more than 60 days’ notice, redeem the outstanding Convertible Bond 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date if:

- (a) At any time after January 20, 2024 but prior to the CB Maturity Date 2021, the closing price of an H share translated into Euro at the prevailing exchange rate applicable to each Stock Exchange business day, for any 20 business days within a period of 30 consecutive Stock Exchange business days prior to the publication of such redemption notice, the last day of such business days shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was at least 130 percent of the prevailing Conversion Price 2021 (translated into Euro at the Fixed Exchange Rate); or
- (b) At any time prior to the publication of such redemption notice, 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 the whole or only some of that holder's bonds at 100 percent of their outstanding principal amount on January 20, 2024 (the "Put Option Date").

The Convertible Bond 2021 comprises two components:

- (a) Debt component was initially measured at fair value in the amount of 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 issuance costs such as underwriting fee. The effective interest rate used is 4.74%.
- (b) Derivative component comprises conversion right of the Bondholders 2021, redemption option of the Company, and put 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 such as underwriting fee amounting to approximately Rmb1,711,247 relating to the derivative component were charged to profit or loss as at December 31, 2021. Issuance costs such as underwriting fee amounting to approximately Rmb6,716,268 relating to the debt component are included in the initial carrying amount of the debt portion and amortised over the remaining life 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 for the years ended December 31, 2022 and 2021 is set out as below:

	Debt component		Derivative component		Total	
	at amortised cost		at FVTPL			
	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>
Issuance on January 20, 2021	183,297	1,443,009	46,703	367,666	230,000	1,810,675
Transaction costs	(853)	(6,716)	–	–	(853)	(6,716)
Exchange realignment	–	(119,100)	–	–	–	(119,100)
Interest charge	7,930	57,252	–	–	7,930	57,252
Gain on changes in fair value	–	–	421	(27,449)	421	(27,449)
As at December 31, 2021	<u>190,374</u>	<u>1,374,445</u>	<u>47,124</u>	<u>340,217</u>	<u>237,498</u>	<u>1,714,662</u>
Exchange realignment	–	37,073	–	–	–	37,073
Interest charge	9,027	68,617	–	–	9,027	68,617
Gain on changes in fair value	–	–	(5,594)	(31,951)	(5,594)	(31,951)
As at December 31, 2022	<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>

No conversion or redemption of the Convertible Bond 2021 has occurred up to December 31, 2022.

Convertible Bond 2022

On June 14, 2022, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due 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. 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 (excluding the increase in share capital due to the conversion of the Convertible Bond 2022 issued) or places new shares, distributes cash dividend.

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 December 31, 2022, 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.

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 since the issuance of Convertible Bond 2022 to December 31, 2022 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 (<i>Note i</i>)	1,008,644	166,912	1,175,556
Conversion into shares (<i>Note ii</i>)	(97)	(10)	(107)
As at December 31, 2022	<u>3,923,672</u>	<u>476,247</u>	<u>4,399,919</u>

Notes:

- (i) During the year ended December 31, 2022, Shangsang Co disposed the Convertible Bond 2022 held on hand with the principal amount of Rmb1,117,838,000. Upon the disposal, this balance is no longer an intragroup assets and liabilities which were eliminated in full on consolidation, and is considered as an addition during the year.
- (ii) During the year ended December 31, 2022, the bondholders converted part of the Convertible Bond 2022 with a principal amount of Rmb106,000 to the shares of Zheshang Securities.

As at December 31, 2022, Zheshang Securities had not exercised the redemption rights.

BUSINESS REVIEW

In 2022, with the combined impact of Russia-Ukraine conflict, obstructed supply chain and high inflation, the global economic growth slowed down significantly. The reoccurrence of the domestic epidemic and the downward real estate cycle led to more pressures of contracted demand, disrupted supply and weakening expectation. Facing a number of unexpected challenges, the government efficiently coordinated epidemic prevention and control with economic and social development, by optimizing and adjusting such measures according to the circumstances at different times. In 2022, the national economy gradually recovered after short-term fluctuations, with a year-on-year increase of 3.0% in the annual GDP. In order to effectively cope with the epidemic, Zhejiang Province has implemented a series of policies to help enterprises overcome difficulties, so as to facilitate the economy to stabilize generally. In 2022, the Province's GDP increased by 3.1% year-on-year.

During the Period, toll revenue of the Group's expressways showed a significant year-on-year decrease due to the resurgence of the epidemic, while the overall revenue of securities business declined slightly due to the impact of capital market condition. During the Period, total revenue of the Group was Rmb14,898.73 million, representing a decrease of 8.4% year-on-year, of which Rmb8,660.33 million was generated by the nine major expressways operated by the Group (2021: Rmb9,607.20 million), representing 58.1% of total revenue. Revenue generated by the securities business was Rmb6,080.38 million (2021: Rmb6,403.02 million), representing 40.8% of the total revenue.

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

	2022	2021	
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>% change</i>
Toll road operation revenue	8,660,333	9,607,199	-9.9%
Shanghai-Hangzhou-Ningbo Expressway	3,971,714	4,288,494	-7.4%
Shangsan Expressway	984,737	1,225,287	-19.6%
Jinhua section, Ningbo-Jinhua Expressway	466,326	542,069	-14.0%
Hanghui Expressway	593,918	641,440	-7.4%
Huihang Expressway	134,512	151,287	-11.1%
Shenjiahuhang Expressway	619,166	777,938	-20.4%
Zhoushan Bay Bridge	827,693	933,884	-11.4%
LongLiLiLong Expressways	672,645	718,344	-6.4%
Zhajiasu Expressway	389,622	328,456	18.6%
Securities business revenue	6,080,383	6,403,024	-5.0%
Commission and fee income	3,689,947	4,155,663	-11.2%
Interest income	2,390,436	2,247,361	6.4%
Other operation revenue	158,014	252,378	-37.4%
Hotel and catering	88,143	113,526	-22.4%
Public-Private Partnership	69,871	138,852	-49.7%
Total revenue	14,898,730	16,262,601	-8.4%

Toll Road Operations

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

With policies to pay the tolls by relevant local governments, Class-1 passenger vehicles with ETC registration were able to travel for free on the Jindong Section of the Ningbo-Jinhua Expressway, Tongxiang West to Leidian Section of the Shenjiahuhang Expressway, and the Haining Section of the Shanghai-Hangzhou Expressway, thereby spurring the passenger vehicles traffic volume growth on relevant expressways. Since July 1, 2022, the ban on semi-trailers has been terminated on the East-and West-Route of Hangzhou Ring Expressway, which has contributed to the semi-trailers traffic volume growth on the relevant sections of the Shanghai-Hangzhou-Ningbo Expressway and the Shenjiahuhang Expressway.

However, the reoccurrence of the epidemic and strict epidemic prevention and control measures had a significant adverse impact on the Group's toll operation. The sporadic outbreaks of the epidemic in Shanghai, Zhejiang Province and surrounding region since March 2022 had a serious impact on the traffic volume of the Group's expressways, as relevant epidemic prevention authorities have further intensified the control of the epidemic. In particular, the traffic volume of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway saw a substantial year-on-year decrease as the above expressways are located in epidemic-affected areas such as Shanghai and Jiaxing. Meanwhile, since the public was less keen on travel under the epidemic, the traffic volume of Zhoushan Bay Bridge and Huihang Expressway had a considerable year-on-year decrease. Since May 2022, with relented impact of the epidemic, the traffic volume of expressways of the Group has gradually recovered, though the recovery process has been impeded by sporadic outbreaks of the epidemic from time to time. During the period, the traffic volume of Ningbo-Jinhua Expressway had a significant decrease due to the outbreak of the epidemic in Jinhua in August. Even as the epidemic prevention and control policy has been fully eased up since December 2022, the public travel demand has dropped notably due to fear of infection, resulting in a sharp drop in the traffic volume of expressways of the Group once again.

In addition, the changes in road network and adjustment of tolling policy also had a negative impact on the traffic volume and toll revenue 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 substantial diversion of traffic volume on Shangsang Expressway. The discount rate of tolls to 15% for trucks from Zhejiang Province with ETC registrations has been implemented since January 1, 2022 on Zhajiasu Expressway, which has adversely affected toll revenue. Since the fourth quarter of 2022, in addition to continuing to implement the existing toll reduction policies for toll roads nationwide, truck tolls have been reduced by another 10% across the board, which had a negative impact on the toll revenue of the Group to some extent.

Looking back on 2022, the Group actively responded to the reoccurrence of the epidemic, and consistently enhanced its market-oriented operation capability to boost the steady development of its toll road operation. In terms of operation and management, the Group completed the intelligent transformation of Shanghai-Hangzhou-Ningbo Expressway and continued to improve its capability of digital reform; intensified the construction of intelligent toll stations, remediated congestions and integrated construction to effectively improve the operation efficiency of road network; and promoted differentiated toll collection solutions, “Expressway + Tourism” and other marketing programs to further enhance the measures to attract more traffic onto the Group’s expressways. Regarding investment and financing, the Group implemented the preliminary work to ensure that the reconstruction and expansion of its expressways are methodically advanced; successfully issued RMB6.317 billion private REITs in respect of Shenjiahuhang Expressway to further revitalize its asset inventories; and successfully issued RMB3 billion medium-term notes to continuously utilize financing channels at low costs.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsang Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways and the 50km Zhajiasu Expressway was Rmb8,660.33 million.

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

The Group's Expressway Sections	Daily Average Traffic Volume (in Full-Trip Equivalents)	year-on-year change	Toll Revenue (Rmb million)	year-on-year change
Shanghai-Hangzhou-Ningbo Expressway	67,314	-8.94%	3,971.71	-7.4%
– Shanghai-Hangzhou Section	59,241	-17.65%		
– Hangzhou-Ningbo Section	73,209	-2.88%		
Shangsan Expressway	27,383	-19.14%	984.74	-19.6%
Jinhua Section, Ningbo-Jinhua Expressway	26,698	-13.58%	466.33	-14.0%
Hanghui Expressway	23,152	-4.18%	593.92	-7.4%
Huihang Expressway	8,629	-7.12%	134.51	-11.1%
Shenjiahuhang Expressway	29,958	-13.23%	619.17	-20.4%
Zhoushan Bay Bridge	20,349	-8.26%	827.69	-11.4%
LongLiLiLong Expressways	12,947	-8.02%	672.65	-6.4%
Zhajiasu Expressway	31,470	-16.99%	389.62	18.6%

Note: 1. Zhajiasu Expressway was consolidated into the Group's consolidated financial statements from May 2021. The year-on-year change of toll revenue of Zhajiasu Expressway in the above table is calculated based on the figures from May to December 2021.

2. Upon the issuance of private REITs, the entire equity interests in Shenjiahuhang Co were transferred to the asset-backed special program. Shenjiahuhang Co has no longer been included in the scope of the consolidated financial statements of the Group since December 2, 2022. The toll revenue of Shenjiahuhang Expressway in the above table is calculated based on the figures from January 1, 2022 to December 2, 2022.

Securities Business

In 2022, the evolving Russia-Ukraine conflict, the subsequent energy crisis in Europe and the continuous interest rate hikes by the US Federal Reserve had a significant impact on the global capital market. China's economy was under downward pressure due to the reoccurrence of the epidemic. Both internal and external factors led to sluggish domestic capital market, and the overall trading was less active, with a decrease in major indices to various extents. Facing multiple unfavorable factors, and by closely focusing on annual business objectives, Zheshang Securities has constantly optimized its business configuration and constantly improved the level of its compliance risk control, so that all businesses have developed steadily on the whole. However, due to drastic fluctuations in the capital market, the revenue from securities investment business and investment banking business showed a considerable decrease, resulting in a decline in the overall performance of Zheshang Securities.

During the Period, Zheshang Securities achieved certain objectives in capital operation. The mixed ownership reform plan of Zheshang Futures Co., Ltd. was completed on schedule, bringing in strategic investors by way of capital increase, raising a total of approximately Rmb1.73 billion. The successful issuance of Rmb7.0 billion convertible bonds will effectively support the development of capital-driven business.

During the Period, Zheshang Securities recorded total revenue of Rmb6,080.38 million, a decrease of 5.0% year-on-year, of which, commission and fee income decreased 11.2% year-on-year to Rmb3,689.95 million, and interest income from the securities business was Rmb2,390.43 million, an increase of 6.4% year-on-year. In addition, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb679.73 million (2021: Rmb1,835.56 million).

Hotel and Catering Business

In 2022, as the domestic epidemic resurged repeatedly, and the demand for business travel and offline consumption was severely suppressed, the operating results of the two hotels of the Group continued to be under pressure.

Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb23.49 million for the Period (2021: Rmb45.45 million), representing a significant decrease as compared with the same period of last year, mainly due to the impact of the epidemic as well as the business renovation implemented during the Period, leading to the inability to carry out certain business operations normally for the time being.

Grand New Century Hotel, owned by Zhejiang Linping Expressway Co. Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb64.66 million for the Period (2021: Rmb68.08 million).

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (“Shengxin Co”, a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 24,654, representing a decrease of 9.03% year-on-year. Toll revenue of Rmb469.88 million (2021: Rmb504.47 million). During the Period, the joint venture recorded a net profit of Rmb99.54 million (2021: Rmb112.50 million).

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 Rmb207.84 million (February to December 2021: Rmb188.89 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company) derived 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 Rmb850.88 million (2021: Rmb890.25 million).

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the financial 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 Rmb579.46 million (2021: Rmb440.11 million).

Shanghai Rural Commercial Bank Co., Ltd. (a 4.86% 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. As at the date of this announcement, the associate company has not yet released its audited financial data for the year 2022.

Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership) (a 24.99% owned associate of the Company) is primarily engaged in equity investments, investment management and investment consultation. During the Period, the share of net loss of the associate attributable to the Company was Rmb40.99 million (2021: net profit of Rmb178.44 million).

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 Rmb5,378.87 million, representing an increase of 12.9% year-on-year, basic earnings per share was Rmb123.85 cents, representing an increase of 12.9% year-on-year, diluted earnings per share was Rmb117.62 cents, representing an increase of 14.8% year-on-year, and return on owners' equity was 17.4%, representing a decrease of 0.6% year-on-year.

Liquidity and financial resources

As at December 31, 2022, current assets of the Group amounted to Rmb146,128.78 million in aggregate (December 31, 2021: Rmb130,843.32 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 16.6% (December 31, 2021: 13.5%), bank balances and clearing settlement fund held on behalf of customers accounted for 33.4% (December 31, 2021: 29.3%), financial assets at FVTPL accounted for 30.0% (December 31, 2021: 34.7%) and loans to customers arising from margin financing business accounted for 12.0% (December 31, 2021: 14.8%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2022 was 1.40 (December 31, 2021: 1.30). 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 1.80 (December 31, 2021: 1.60).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2022 was Rmb43,789.94 million (December 31, 2021: Rmb45,445.71 million), of which 75.5% was invested in bonds, 4.3% was invested in stocks, 10.0% was invested in equity funds, and the rest were invested in structured products, trust products and so on.

During the Period, net cash from the Group's operating activities amounted to Rmb7,641.37 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 December 31, 2022, total liabilities of the Group amounted to Rmb136,195.86 million (December 31, 2021: Rmb131,873.66 million), of which 12.6% was bank and other borrowings, 2.6% was short-term financing note, 17.1% was bonds payable, 17.5% was financial assets sold under repurchase agreements and 35.6% was accounts payable to customers arising from securities business.

As at December 31, 2022, total interest-bearing borrowings of the Group amounted to Rmb49,696.86 million, representing a decrease of 8.1% compared to that as at December 31, 2021. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb13,156.85 million, borrowings from other domestic financial institutions of Rmb2,260.58 million, borrowings from other domestic institutions of Rmb1,692.76 million, short-term financing note of Rmb2,511.35 million, beneficial certificates of Rmb2,102.29 million, mid-term notes of Rmb3,048.45 million, subordinated bonds of Rmb6,479.32 million, corporate bonds of Rmb10,912.18 million, asset backed securities of Rmb1,821.01 million, convertible bond denominated in Rmb is Rmb3,923.67 million, and convertible bond denominated in Euro that equivalent to Rmb1,788.40 million. Of the interest-bearing borrowings, 68.6% was not payable within one year.

As at December 31, 2022, the Group's borrowings from domestic commercial banks bore annual fixed interest rates ranged from 3.30% to 7.08%, annual floating interest rates ranged from 3.0% to 4.7%, 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 from 3.5% to 4.13%, the annual floating interest rate was 4.13%. As at December 31, 2022, the annual fixed interest rates for short-term financing notes were 1.83% and 2.50%. The annual floating interest rates of beneficial certificates ranged from 1.9% to 13.0%, the annual fixed rate is 4.1%. The annual fixed interest rate for mid-term notes were 2.8% and 2.97%. The annual fixed annual interest rates for subordinated bonds ranged from 3.5% 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 0.2%. 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 Rmb1,770.01 million and Rmb9,312.27 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.3 (Corresponding period of 2021: 5.2 times).

As at December 31, 2022, the asset-liability ratio (total liabilities over total assets) of the Group was 73.1% (December 31, 2021: 74.8%). 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 63.7% (December 31, 2021: 68.0%).

Capital structure

As at December 31, 2022, the Group had Rmb50,209.66 million in total equity, Rmb106,954.98 million in fixed-rate liabilities, Rmb16,160.74 million in floating-rate liabilities, and Rmb13,080.14 million in interest-free liabilities, representing 26.9%, 57.4%, 8.7% and 7.0% 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 174.8% as at December 31, 2022 (December 31, 2021: 211.2%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb1,711.94 million. Amongst the total capital expenditure of the Group, Rmb80.00 million was incurred for acquiring equity investments, Rmb140.44 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb1,491.50 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2022, the capital expenditure committed by the Group amounted to Rmb5,730.97 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb860.25 million will be used for acquiring equity investments, Rmb1,156.29 million will be used for acquisition and construction of properties, Rmb1,214.43 million for acquisition and construction of equipment, facilities and ancillary 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, Rmb230.00 million of the bank loans had been repaid. As at December 31, 2022, the remaining bank loan balance was Rmb643.00 million.

Zhejiang Zhoushan Bay Bridge Co., Ltd., a subsidiary of the Company, pledged their rights of toll on expressway for their bank borrowing, and as at December 31, 2022, the remaining bank loan balance was Rmb5,721.75 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 December 31, 2022, the remaining bank loan balance was Rmb552.62 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 December 31, 2022, the remaining bank and other borrowing balance was Rmb4,639.56 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 December 31, 2022, the remaining bank loan balance was Rmb1,519.92 million.

Except for the above, as at December 31, 2022, 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., Limited. (a wholly owned subsidiary of Zheshang Securities) 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 forward to 2023, the Russia-Ukraine conflict is not expected to end soon, and it is uncertain whether China-US relations can develop steadily. The state of global trade is becoming grimmer, with rising stagflation risk for the world economy. Chinese economy will continue to face external uncertainties and instability. However, with the continued optimization of epidemic prevention and control policies in China, the impact of the epidemic on Chinese economy will be significantly reduced, and the production and living order will resume at a faster pace. In addition, as the policy to stabilize economy growth continues to take effect, Chinese economy is expected to recover steadily in 2023. The overall traffic volume and toll revenue of expressways of the Group are expected to achieve a higher growth rate due to general improvement in economy and low base effect.

The Group will focus more on market-oriented operation of its core expressway business, and deepen reform and innovation, so as to build a standard-bearer enterprise based on professionalism, market-orientation and digital-transformation. It will continue to strengthen the management of congestion on road sections with heavy traffic flows, and focus on deepening road condition improvement and environment management of commuting roads for the Hangzhou Asian Games, constantly improving its expertise to ensure safe and smooth traffic flow. The Group will actively explore differentiated toll collection modes, and exploit various “Expressway+” marketing projects such as new energy vehicles and coordinating with neighboring scenic spots, to persistently enhance its market-oriented development capabilities. In addition, it will build a digital-based platform of “Super Intelligent-Zhejiang Expressway”, and accelerate the physical operation of intelligent expressways, to continuously enhance the level of digital technology innovation.

In 2023, with the full implementation of registration-based IPO system for share issuance and further deepening of reform and opening up of the capital market, the securities business will face new opportunities and challenges. Zheshang Securities will speed up the cultivation and recruiting of investment banking professionals and teams, and fully improve the production capacity of investment banking business. It will also accelerate customer development from various channels, and advance the transformation and development of traditional brokerage business. In addition, Zheshang Securities will further diversify investment products and innovate investment methods, to fully improve the stable profitability of securities investment business. It will construct a coordinated business development system at a faster pace, to facilitate the company to steadily enter top tier in the industry.

In the face of the complex and volatile domestic and international circumstances, the Group will adhere to market orientation and continue to strengthen its expressway business and optimize its securities and finance business leveraging on its internal resource advantage. The management will thoroughly observe the changes in the market environment and the industry development trend, and by fully leveraging on the functions of the listing platform, actively research and innovate the financing channels in the capital market. The Company will explore new opportunities of market-based mergers and acquisitions of expressways to continuously expand its core business, and intensify the development and utilization of resources along expressways to promote steady expansion of related industries. It will also make every effort to advance the reconstruction and expansion of expressways, facilitating the sustainable development of its core expressway business.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

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

EXPECTED DATE OF PAYMENT OF THE PROPOSED DIVIDEND

Subject to the approval by the shareholders of the Company at the AGM to be held on May 4, 2023, the Company expects to pay a dividend of RMB37.50 cents per share (the “Proposed Dividend”) on or around June 30, 2023.

DATE OF CLOSURE OF REGISTER, LAST TRANSFER DATE AND RECORD DATE

The AGM of the Company is expected to be held on May 4, 2023. Notice of convening the AGM will be published on the websites of the Company and the Stock Exchange and dispatched to the shareholders of the Company in due course in accordance with the requirements of the Listing Rules. For the purpose of the AGM and in order to determine the shareholders of the Company who qualify for the Proposed Dividend, the Company will close the register of H shares during the periods from April 28, 2023 to May 4, 2023 (both days inclusive) and from May 10, 2023 to May 15, 2023 (both days inclusive), during which no transfer of H shares will be registered.

Shareholders of H shares who wish to attend the AGM and qualify for the Proposed Dividend shall deliver all transfer instruments and relevant share certificates to Hong Kong Registrars Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at or before 4:30 p.m. on April 27, 2023 and May 9, 2023, respectively.

For the purpose of the AGM and to qualify for the Proposed Dividend, the record dates are fixed on May 4, 2023 and May 15, 2023, respectively.

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 annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjec.com.cn). The annual report of the Company for the twelve months ended December 31, 2022 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.
YU Zhihong
Chairman

Hangzhou, the PRC, March 27, 2023

As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive Directors of the Company are Mr. CHEN Ninghui and Mr. YUAN Yingjie; 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. CHEN Bin.