

# *Striving For Excellence*

## *2019 Interim Report*

*Stock Code: 0576*



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

# Agenda

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# Result Highlights



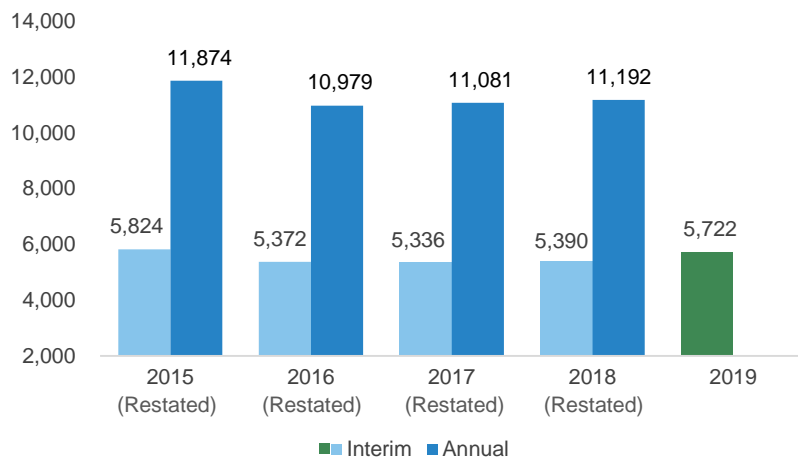
# Result Highlights

<b>Results</b> <i>(unaudited) Rmb '000</i>	<b>1H2019</b>	<b>1H2018</b> (Restated)	<b>% Change</b>
Revenue	5,722,101	5,390,447	6.2%
– Including: Interest income	787,455	704,445	11.8%
Operating costs	(2,925,250)	(2,590,416)	12.9%
Gross profit	2,796,851	2,800,031	-0.1%
Securities investment gains	658,810	142,049	363.8%
Other income and gains and losses	103,789	277,729	-62.6%
Administrative expenses	(46,732)	(49,353)	-5.3%
Other expenses	(39,656)	(39,514)	0.4%
(Recognition) reversal of impairment losses, net	(2,688)	20,595	N/A
Share of profit of associates	327,447	136,133	140.5%
Share of profit of a joint venture	12,189	11,652	4.6%
Finance costs	(767,975)	(652,747)	17.7%
Profit before tax	3,042,035	2,646,575	14.9%
Income tax expense	(692,971)	(573,285)	20.9%
Profit for the Period	2,349,064	2,073,290	13.3%
– Attributable to owners of the Company	1,977,610	1,835,053	7.8%
– Attributable to non-controlling interests	371,454	238,237	55.9%
EPS (basic) (RMB cents)	45.53	42.25	7.8%
EPS (diluted) (RMB cents)	44.47	37.97	17.1%

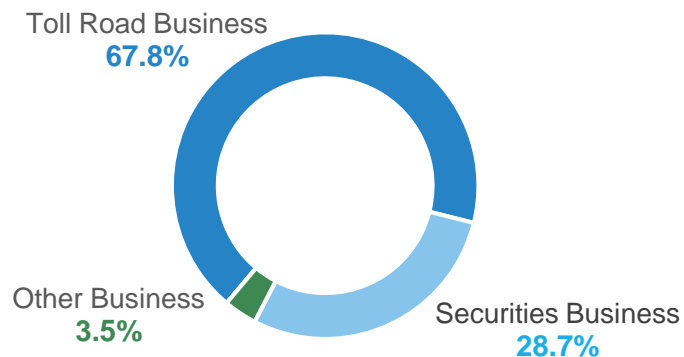
# Result Highlights – Revenue

## Revenue

Rmb million



## Revenue Breakdown



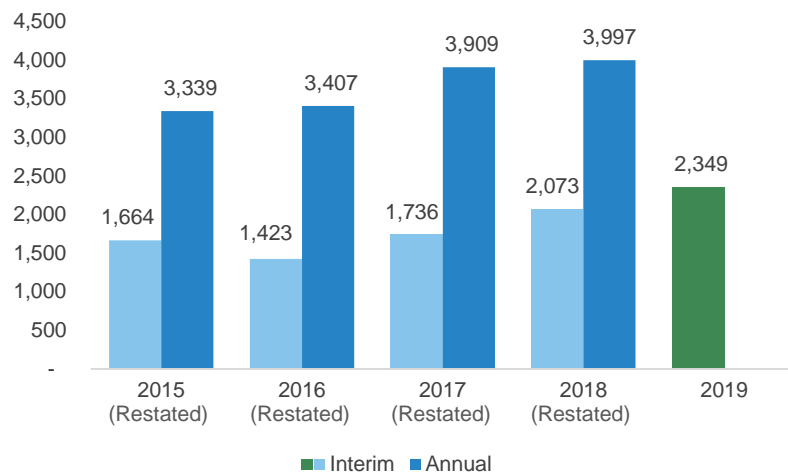
**Overall Revenue for the Group increased 6.2% y-o-y to Rmb5,722 million**



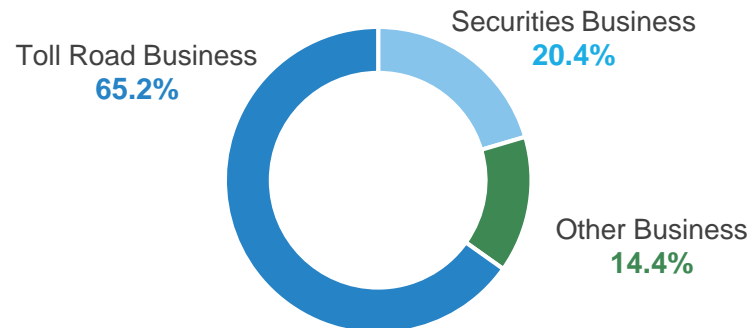
# Result Highlights – Net Profit

## Net Profit

Rmb million



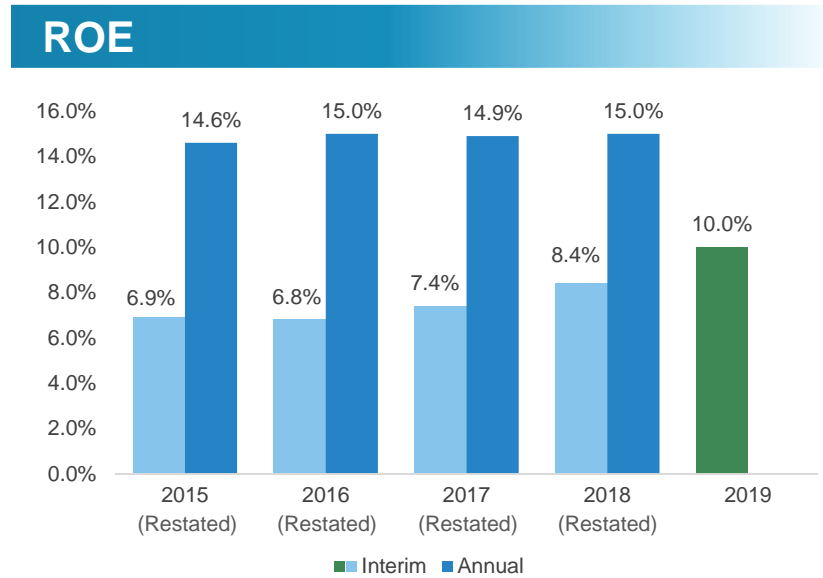
## Net Profit Breakdown



**1H 2019 EPS (basic/diluted): Rmb45.53 cents / Rmb44.47 cents**



# Result Highlights – ROE



To provide shareholders with stable return in the long run



# Review of Operations





# 1H2019 Market Review

- China recorded 6.3% y-o-y GDP growth
- Zhejiang GDP rose 7.1% YoY, driven by strong performance in the services, consumption, imports & exports, and digital economy sectors



- China's capital markets started to pick up
- Trading volume on the Shenzhen and Shanghai stock markets increased 29.4% y-o-y

- “Regulations on Overloaded Trucks on Expressways” in Zhejiang Province came into effect on January 1, 2019, which has also served to boost truck traffic on the Group's expressways

# Toll Road Business

## Various factors affected

### Positive factors:

- The government pays the toll for all passenger vehicles that have ETC registration:
  - Between the Yuhang and Hangzhou sections of the Shanghai-Hangzhou Expressway for all Hangzhou passenger vehicles
  - On expressways within the border of Yiwu
  - On the Hangzhou-Lin'an section of the Hanghui Expressway

### Negative factors:


- Qualified trucks that use Zhejiang Province's non-cash payment cards or ETC cards enjoy a 15% discount on tolls
- Completed construction of the Yuhang section of the Hangzhou urban elevated highway and the National Highway G320
- The traffic control on the F Ramp of the Hongken Hub in the Xiaoshan District of Hangzhou has affected traffic volumes on the Shanghai-Hangzhou-Ningbo Expressway
- The Zhangzhen toll station on National Highway G104, parallel to the Shangsans Expressway, has ceased toll collections
- The opening of the Hangzhou-Huangshan High-speed Railway led to a decrease in passenger vehicle volume on the Huihang Expressway and Hanghui Expressway
- Construction on the Lianshi-Hangzhou Section of Shenjiahuhang Expressway, and road construction in the surrounding areas, has cut off traffic

	Daily traffic volume (full-trip equivalent)	y-o-y change	Toll revenue (Rmb million)	y-o-y change
Shanghai-Hangzhou-Ningbo Expressway	60,737	0.9%	1,997	3.4%
Shangsans Expressway	29,945	-4.1%	586	-5.0%
Ningbo-Jinhua Expressway (Jinhua Section)	23,195	13.7%	204	10.7%
Hanghui Expressway	21,842	11.9%	288	10.7%
Huihang Expressway	9,235	4.9%	77	3.3%
Shenjiahuhang Expressway	28,832	5.0%	330	-1.3%
Zhoushan Bridge	20,113	5.4%	401	3.0%

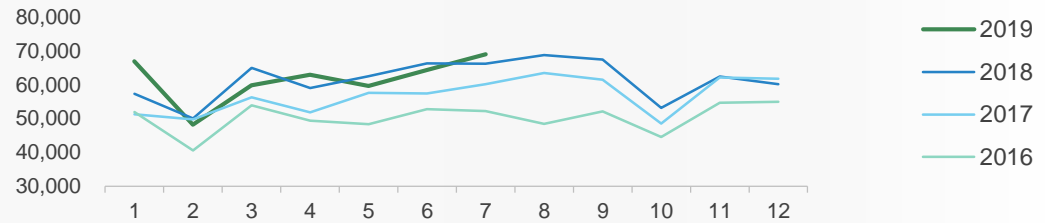
**Revenue from toll operation increased 2.4% to Rmb3,882 million**

# Toll Road Business – Daily Traffic Volume


## Shanghai-Hangzhou-Ningbo Expressway

0.9% 

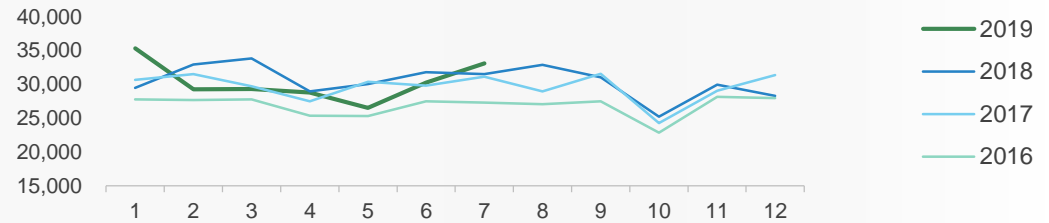
Average Full-trip Equivalents/day: **60,737**




## Shangsan Expressway

4.1% 

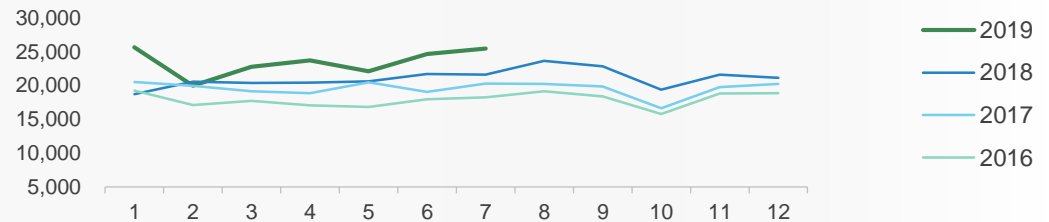
Average Full-trip Equivalents/day: **29,945**



## Ningbo-Jinhua Expressway (Jinhua Section)

13.7% 

Average Full-trip Equivalents/day: **23,195**

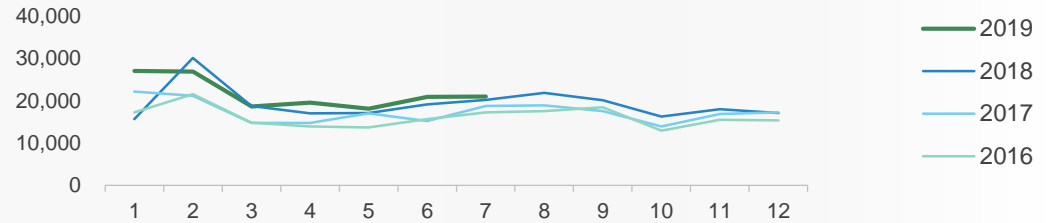


# Toll Road Business – Daily Traffic Volume (continued)


## Hanghui Expressway

11.9% 

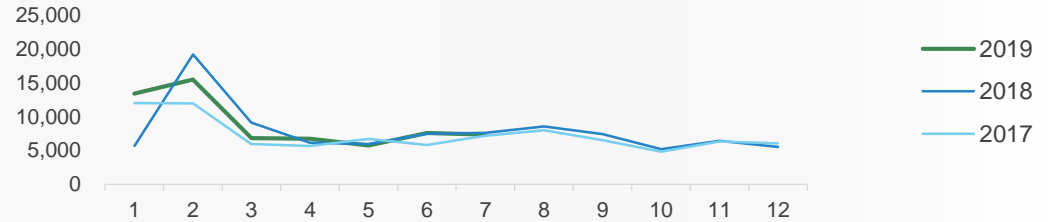
Average Full-trip Equivalents/day: 21,842



## Huihang Expressway

4.9% 

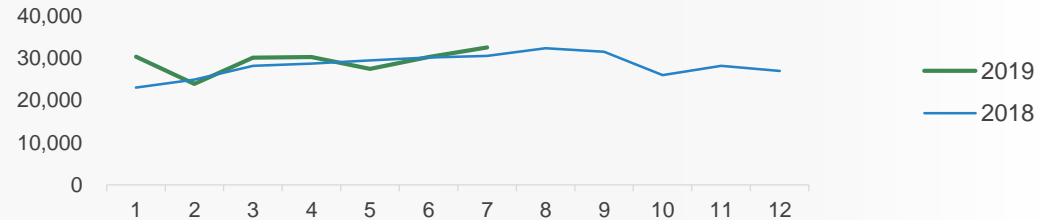
Average Full-trip Equivalents/day: 9,235




## Shenjiahuhang Expressway

5.0% 

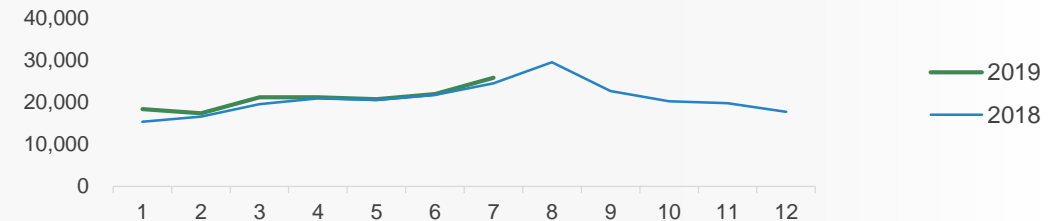
Average Full-trip Equivalents/day: 28,832



## Zhoushan Bridge

5.4% 

Average Full-trip Equivalents/day: 20,113



# Securities Business



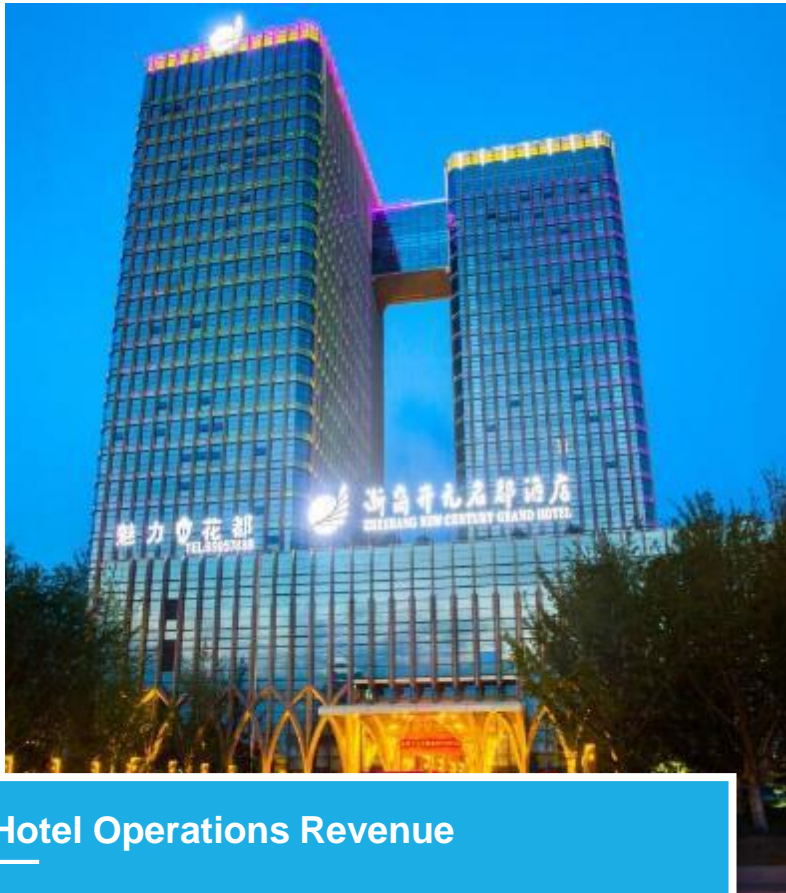
- Trading volume on the Shanghai and Shenzhen stock markets increased 29.4% y-o-y
- Revenue increased from securities brokerage business and proprietary trading business, whereas investment banking, asset management, as well as margin financing and securities lending businesses recorded varied levels of decline

(Rmb million)	1H2019	1H2018	Change %
Commission & fee income	853.8	809.2	5.5%
Interest income	787.5	704.4	11.8%
Securities investment gains	609.3	142.0	328.9%



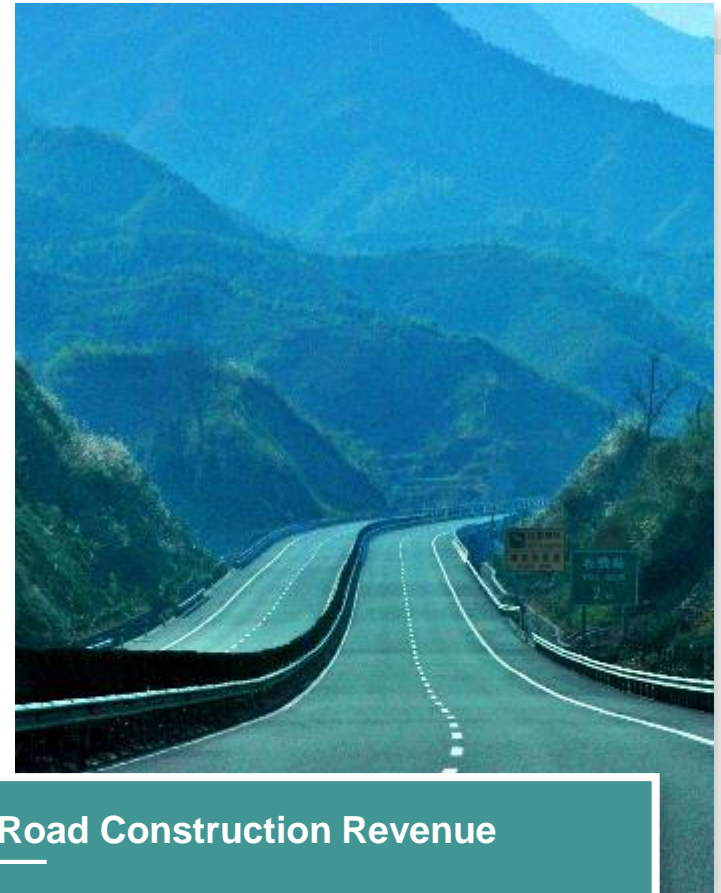
**Revenue from securities business increased 8.4% to Rmb1,641 million**

# Other Business



## Hotel Operations Revenue

- Grand New Century Hotel: Rmb46.6 million
- Zhejiang Grand Hotel: Rmb33.5 million



## Road Construction Revenue

- Deqing County De'an Highway Construction Co., Ltd: Rmb118.5 million

# Long-term Investments

01

## Zhejiang Shaoxing Shengxin Expressway Co., Ltd.

50% Joint Venture

- Daily traffic volume increased 1.86% y-o-y to 20,735 in full-trip equivalents
- Toll revenue: Rmb203.6 million
- Net profit: Rmb24.4 million, increased 4.6% y-o-y

- Derives income mainly from interest, fees and commissions for financial services
- Net profit: Rmb214.6 million, decreased 11.6% y-o-y

## Zhejiang Communications Investment Group Finance Co., Ltd.

35% Associate

02

- Primarily engaged in finance leasing, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the CBRC
- Net profit: Rmb135.5 million, decreased 19.6% y-o-y

03

## Yangtze United Financial Leasing Co., Ltd.

13% Associate

- Primarily engaged in commercial banking, including deposits, short-, medium- and long-term loans, domestic and overseas settlements, and other businesses approved by the CBIRC
- Share of profit: Rmb235.6 million

## Shanghai Rural Commercial Bank Co., Ltd.

5.36% Associate

04

# Outlook & Growth Strategies





# 2H2019 Market Outlook and Growth Strategies

## 2H2019 Outlook

Economy continues to face downward pressure due to complicated economic landscape at home and abroad. The overall toll income on the Group's expressways is expected to continue to grow, but at a slower rate.



To scale businesses and increase profitability

# Q&A



# Appendices



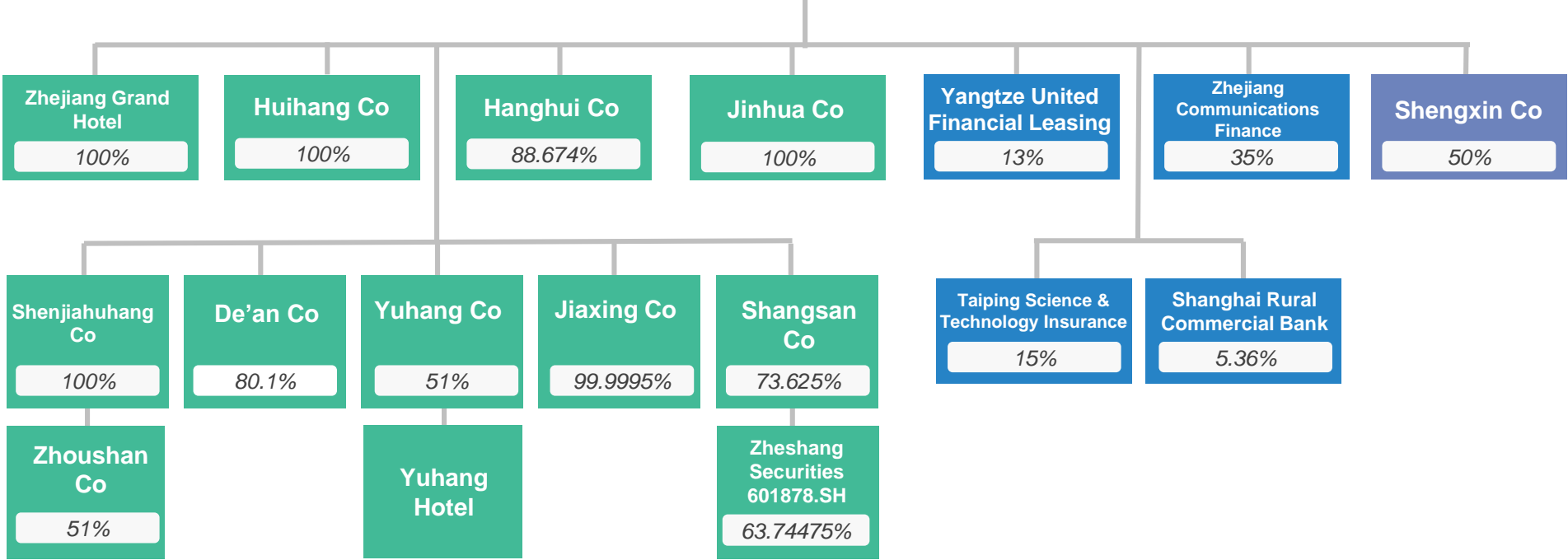
# Appendix I – Statement of Financial Position

(RMB million)	As at 06/30/2019	As at 12/31/2018 (Restated)	% Change
<b>Bank balances, clearing settlement fund, deposits and cash</b>	<b>8,563</b>	6,883	24.4%
<b>Financial assets at fair value through profit or loss</b>	<b>24,945</b>	21,559	15.7%
<b>Total assets</b>	<b>108,541</b>	93,697	15.8%
<b>Total liabilities</b>	<b>78,626</b>	60,834	29.2%
<b>Total debt</b>	<b>72,747</b>	56,511	28.7%
<b>Debt to equity (%)</b>	<b>243.2%</b>	172.0%	41.4%
<b>Total liabilities to total assets (%)</b>	<b>72.4%</b>	64.9%	7.5 pts

# Appendix II – Organization Chart

As of 23 August 2019

## Zhejiang Expressway Co., Ltd 576.HK



### SUBSIDIARIES

### ASSOCIATES

### JOINT VENTURE

# Appendix III – Expressway Map of Zhejiang Province

