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)

2020 ANNUAL RESULTS ANNOUNCEMENT

- Revenue was Rmb11,942.78 million, representing a decrease of 0.1% year-on-year
- Profit attributable to owners of the Company was Rmb2,997.34 million, representing a decrease of 19.2%
- Basic earnings per share was Rmb69.01 cents, and diluted earnings per share was Rmb68.32 cents
- A dividend of Rmb35.50 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, 2020 (the "Period"), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb11,942.78 million, representing a decrease of 0.1% over 2019. Profit attributable to owners of the Company was Rmb2,997.34 million, representing a decrease of 19.2% year-on-year. Basic earnings per share for the Period was Rmb69.01 cents (2019: Rmb85.45 cents), and diluted earnings per share for the Period was Rmb68.32 cents (2019: Rmb82.37 cents).

The Board of Directors recommended a dividend of Rmb35.50 cents per share (2019: dividend Rmb35.50 cents per share). The dividend is subject to shareholders' approval at the Company's 2020 annual general meeting.

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, 2020, with comparative figures for 2019, and relevant notes to the consolidated financial statements:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,	
		2020	2019
	Notes	***Rmb'000***	*Rmb'000*
Revenue	3	**11,942,775**	11,955,266
Including: interest income under effective interest method		**1,820,534**	1,572,835
Operating costs		**(7,303,651)**	(6,680,965)
Gross profit		**4,639,124**	5,274,301
Securities investment gains		**1,611,873**	1,402,684
Other income and gains and losses	4	**410,198**	260,267
Administrative expenses		**(140,342)**	(136,356)
Other expenses		**(181,499)**	(127,135)
Impairment losses under expected credit loss model, net of reversal		**(183,566)**	31,877
Share of profit of associates		**688,029**	652,824
Share of profit of a joint venture		**16,282**	34,941
Finance costs		**(1,745,389)**	(1,626,809)
Profit before tax		**5,114,710**	5,766,594
Income tax expense	5	**(1,160,174)**	(1,351,695)
Profit for the year		**3,954,536**	4,414,899
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(2,349)**	922
Share of other comprehensive loss of an associate, net of related income tax		**(24,160)**	–
Other comprehensive (loss) income for the year, net of income tax		**(26,509)**	922
Total comprehensive income for the year		**3,928,027**	4,415,821

		For the year ended December 31,	
		2020	2019
	Notes	***Rmb'000***	*Rmb'000*
Profit for the year attributable to:			
Owners of the Company		**2,997,344**	3,711,118
Non-controlling interests		**957,192**	703,781
		3,954,536	4,414,899
Total comprehensive income attributable to:			
Owners of the Company		**2,972,041**	3,711,551
Non-controlling interests		**955,986**	704,270
		3,928,027	4,415,821
Earnings per share	7		
Basic (Rmb cents)		**69.01**	85.45
Diluted (Rmb cents)		**68.32**	82.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at December 31, 2020** *Rmb'000*	As at December 31, 2019 *Rmb'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,175,373**	4,280,735
Right-of-use assets		**562,535**	379,031
Expressway operating rights		**20,931,505**	22,867,446
Goodwill		**86,867**	86,867
Other intangible assets		**207,068**	182,851
Interests in associates		**6,560,343**	6,080,155
Interest in a joint venture		**384,325**	368,043
Financial assets at fair value through profit or loss ("FVTPL")		**244,123**	16,898
Contract assets		**1,007,618**	686,557
Other receivables and prepayments		**2,923,140**	–
Financial assets held under resale agreements		**120,000**	–
Deferred tax assets		**1,258,270**	924,602
		38,461,167	35,873,185
CURRENT ASSETS			
Inventories		**370,533**	333,261
Trade receivables	8	**361,974**	319,339
Loans to customers arising from margin financing business		**15,013,429**	8,751,643
Other receivables and prepayments		**3,129,801**	424,182
Dividends receivable		**2,835**	2,005
Derivative financial assets		**525,629**	6,250
Financial assets at FVTPL		**29,158,094**	22,235,480
Financial assets held under resale agreements		**7,002,471**	8,110,354
Bank balances and clearing settlement fund held on behalf of customers		**27,090,816**	20,141,931
Bank balances, clearing settlement fund, deposits and cash			
– Restricted bank balances and cash		**23,986**	–
– Time deposits with original maturity over three months		**313,600**	302,726
– Cash and cash equivalents		**8,609,049**	8,076,598
		91,602,217	68,703,769

	Notes	As at December 31, 2020 Rmb'000	As at December 31, 2019 Rmb'000
CURRENT LIABILITIES			
Placements from other financial institutions		**400,000**	270,000
Accounts payable to customers arising from securities business		**27,054,052**	20,024,356
Trade payables	9	**974,743**	1,387,856
Tax liabilities		**1,202,136**	537,868
Other taxes payable		**441,007**	149,735
Other payables and accruals		**6,105,775**	2,049,479
Contract liabilities		**79,231**	15,674
Dividends payable		**50**	1,342
Derivative financial liabilities		**497,427**	5,565
Bank and other borrowings		**6,348,772**	4,598,533
Short-term financing note payable		**6,306,716**	6,532,990
Bonds payable		**6,361,764**	2,281,229
Convertible bonds	10	**–**	2,793,103
Financial assets sold under repurchase agreements		**11,525,087**	9,017,680
Financial liabilities at FVTPL		**2,910,725**	321,883
Lease liabilities		**91,346**	70,577
		70,298,831	50,057,870
NET CURRENT ASSETS		**21,303,386**	18,645,899
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,764,553**	54,519,084
NON-CURRENT LIABILITIES			
Bank and other borrowings		**7,919,800**	6,421,600
Bonds payable		**13,706,383**	12,892,042
Convertible bonds	10	**766**	2,687,228
Deferred tax liabilities		**386,498**	347,331
Lease liabilities		**298,894**	188,772
		22,312,341	22,536,973
		37,452,212	31,982,111
CAPITAL AND RESERVES			
Share capital		**4,343,115**	4,343,115
Reserves		**19,773,344**	17,250,900
Equity attributable to owners of the Company		**24,116,459**	21,594,015
Non-controlling interests		**13,335,753**	10,388,096
		37,452,212	31,982,111

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 ("CO").

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 for the Period are consistent with those in the preparation of the Group's annual financial statements for the year ended December 31, 2019.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, in the current year, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and 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, 2020

	Toll operation *Rmb'000*	**Securities operation** *Rmb'000*	**Others** *Rmb'000*	**Total** *Rmb'000*
Revenue – external customers	**6,379,586**	**5,087,340**	**475,849**	**11,942,775**
Segment profit	**1,625,681**	**1,636,161**	**692,694**	**3,954,536**

For the year ended December 31, 2019

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Revenue – external customers	8,061,007	3,300,777	593,482	11,955,266
Segment profit	2,763,986	991,246	659,667	4,414,899

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, 2020 *Rmb'000*	As at December 31, 2019 *Rmb'000*	**As at December 31, 2020** *Rmb'000*	As at December 31, 2019 *Rmb'000*
Toll operation	**29,830,932**	28,943,860	**(19,765,284)**	(19,575,212)
Securities operation	**91,994,730**	67,965,409	**(72,133,714)**	(52,390,763)
Others	**8,150,855**	7,580,818	**(712,174)**	(628,868)
Total segment assets (liabilities)	**129,976,517**	104,490,087	**(92,611,172)**	(72,594,843)
Goodwill	**86,867**	86,867	**–**	–
Consolidated assets (liabilities)	**130,063,384**	104,576,954	**(92,611,172)**	(72,594,843)

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, 2020

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Income tax expense	**606,915**	**536,250**	**17,009**	**1,160,174**
Interest income on bank balances	**54,563**	**–**	**623**	**55,186**
Interest expenses	**866,882**	**855,550**	**22,957**	**1,745,389**
Impairment losses on loan to customers arising from margin financing business, reversed in profit	**–**	**(972)**	**–**	**(972)**
Impairment losses on trade receivables, net of reversal	**15**	**2,271**	**14**	**2,300**
Impairment losses on contract asset recognised in profit	**–**	**–**	**482**	**482**
Interests in associates	**–**	**549,645**	**6,010,698**	**6,560,343**
Interest in a joint venture	**384,325**	**–**	**–**	**384,325**
Share of profit of associates	**–**	**46,363**	**641,666**	**688,029**
Share of profit of a joint venture	**16,282**	**–**	**–**	**16,282**
Net gains arising from financial assets at FVTPL	**128,853**	**1,573,746**	**–**	**1,702,599**
Gain on changes in fair value in respect of the derivative component of Convertible Bond 2017 *(Note 10)*	**200,178**	**–**	**–**	**200,178**
Additions to non-current assets *(Note)*	**395,788**	**457,706**	**398,779**	**1,252,273**
Depreciation and amortisation	**2,204,561**	**240,791**	**37,554**	**2,482,906**

For the year ended December 31, 2019

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Income tax expense	1,024,200	318,907	8,588	1,351,695
Interest income on bank balances	33,859	–	510	34,369
Interest expenses	763,965	844,931	17,913	1,626,809
Impairment losses on loan to customers arising from margin financing business, reversed in profit	–	3,177	–	3,177
Impairment losses on trade receivables, net of reversal	97	(1,218)	–	(1,121)
Impairment losses on contract asset recognised in profit	–	–	(652)	(652)
Interests in associates	–	303,643	5,776,512	6,080,155
Interest in a joint venture	368,043	–	–	368,043
Share of profit of associates	–	18,922	633,902	652,824
Share of profit of a joint venture	34,941	–	–	34,941
Net gains arising from financial assets at FVTPL	59,216	1,425,925	–	1,485,141
Gain on changes in fair value in respect of the derivative component of Convertible Bond 2017 *(Note 10)*	17,547	–	–	17,547
Additions to non-current assets *(Note)*	900,131	98,072	351,865	1,350,068
Depreciation and amortisation	2,180,526	184,747	38,664	2,403,937

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,	
	2020	2019
	Rmb'000	*Rmb'000*
Toll operation revenue	**6,379,586**	8,061,007
Commission and fee income from securities operation	**3,266,806**	1,727,942
Interest income from securities operation	**1,820,534**	1,572,835
Hotel and catering revenue	**125,336**	169,576
Revenue from construction	**350,513**	423,906
Total	**11,942,775**	11,955,266

Geographical information

The Group's operations are located in the PRC. All non-current assets of the Group are located in the PRC.

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, 2020 and 2019, 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,	
	2020	2019
	Rmb'000	*Rmb'000*
Interest income on bank balances	**55,186**	34,369
Rental income *(Note i)*	**66,183**	68,532
Handling fee income	**–**	278
Towing income	**4,303**	6,368
Gain on changes in fair value in respect of the derivative component of convertible bond	**200,178**	17,547
Exchange (loss)/gain, net	**(85,609)**	14,269
(Loss) gain on commodity trading, net *(Note ii)*	**(63,430)**	6,443
Management fee income	**36,747**	34,313
Government subsidy	**55,246**	20,788
Gain arising from deemed disposal of associates	**23,904**	–
Gain on disposal of assets	**30,290**	4,553
Others	**87,200**	52,807
Total	**410,198**	260,267

Notes:

(i) Rental income included contingent rent of Rmb1,961,000 (2019: Rmb2,158,000) recognised during the year.

(ii) The income on commodity trading amounted to Rmb5,292,848,000 (2019: Rmb2,289,986,000) with the cost of Rmb5,356,278,000 (2019: Rmb2,283,543,000). The net gain or loss on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb368,020,000 (2019: Rmb329,704,000) as of December 31, 2020.

5. INCOME TAX EXPENSE

	For the year ended December 31,	
	2020	2019
	Rmb'000	*Rmb'000*
Current Tax:		
PRC Enterprise Income Tax ("EIT")	**1,454,675**	1,317,018
Deferred tax	**(294,501)**	34,677
	1,160,174	1,351,695

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 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,	
	2020	2019
	Rmb'000	*Rmb'000*
Profit before tax	**5,114,710**	5,766,594
Tax at the PRC EIT rate of 25% (2019: 25%)	**1,278,678**	1,441,649
Tax effect of share of profit of associates	**(172,007)**	(163,206)
Tax effect of share of profit of a joint venture	**(4,071)**	(8,735)
Tax effect of tax losses not recognised	**52,411**	37,164
Utilisation of unused tax loss previously not recognised	**–**	(5,630)
Tax effect of expenses not deductible for tax purposes	**59,377**	58,128
Tax effect of income not subjected to tax purpose	**(54,214)**	(7,675)
Income tax expense for the year	**1,160,174**	1,351,695

6. DIVIDENDS

	For the year ended December 31,	
	2020	2019
	Rmb'000	*Rmb'000*
Dividends recognised as distribution during the year:		
2019 – Rmb35.5 cents		
(2019: 2018 - Rmb37.5 cents per share)	**1,541,806**	1,628,668

Dividend of Rmb35.5 cents per share in respect of the year ended December 31, 2020 (2019: dividend of Rmb35.5 cents per share in respect of the year ended December 31, 2019) in the total amount of Rmb1,541,806,000 (2019: Rmb1,541,806,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

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,	
	2020	2019
	Rmb'000	*Rmb'000*
Profit for the year attributable to owners of the Company	**2,997,344**	3,711,118
Earnings for the purpose of basic earnings per share	**2,997,344**	3,711,118
Effect of dilutive potential ordinary shares arising from		
Convertible Bond 2017:		
Interest expense	**256,084**	105,589
Exchange gain (net of income tax)	**(30,625)**	(7,103)
Gain on changes in fair value on derivative component	**(200,178)**	(17,547)
Earnings for the purpose of diluted earnings per share	**3,022,625**	3,792,057

Number of shares

	For the year ended December 31,	
	2020	2019
	'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 2017	**80,969**	260,386
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,424,084**	4,603,501

8. TRADE RECEIVABLES

	As at December 31, 2020	As at December 31, 2019
	Rmb'000	*Rmb'000*
Trade receivables:		
– contracts with customers	**368,702**	323,767
Less: Allowance for credit losses	**(6,728)**	(4,428)
	361,974	319,339
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	**12,563**	9,245
Third parties	**356,139**	314,522
Total trade receivables	**368,702**	323,767

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 Yuhang County of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, which are normally settled within 3 months. All of these trade receivables were not past due in both periods.

In respect of the Group's asset management service, security commission and financial advisory service operated by 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, 2020	As at December 31, 2019
	Rmb'000	*Rmb'000*
Within 3 months	**309,639**	291,295
3 months to 1 year	**44,044**	17,905
1 to 2 years	**2,972**	6,430
Over 2 years	**5,319**	3,709
Total	**361,974**	319,339

Movement of allowance for credit losses

	As at December 31, 2020	As at December 31, 2019
	Rmb'000	*Rmb'000*
At the beginning of the year	**4,428**	3,307
Impairment recognised for the year	**2,350**	1,243
Amount reversed during the year	**(50)**	(122)
At the end of the year	**6,728**	4,428

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, 2020	As at December 31, 2019
	Rmb'000	*Rmb'000*
Within 3 months	**428,273**	906,748
3 months to 1 year	**104,616**	83,490
1 to 2 years	**126,998**	81,291
2 to 3 years	**41,221**	31,842
Over 3 years	**273,635**	284,485
Total	**974,743**	1,387,856

10. CONVERTIBLE BONDS

Convertible Bond 2017

On April 21, 2017, the Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365,000,000 (the "Convertible Bond 2017"). The Convertible Bond 2017 is listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal terms of the Convertible Bond 2017 are set out below:

(1) Conversion right

The Convertible Bond 2017 will, at the option of the holder (the "Bondholders 2017"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2017") of HK$13.10 per H share and a fixed exchange rate of HK$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2017 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 2017 was HK$10.54 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 2017 at 100 percent of its outstanding principal amount on the maturity date of April 21, 2022 (the "Maturity Date 2017").

(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 2017 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 April 21, 2020 but prior to the Maturity Date 2017, 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 2017 (translated into Euro at the Fixed Exchange Rate); or

(b) if at any time the aggregate principal amount of the Convertible Bond 2017 outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) *Redemption at the option of the Bondholders 2017*

The Company will, at the option of the Bondholders 2017, redeem whole or some of that holder's bond on April 21, 2020 (the "Put Option Date") at 100 percent of their outstanding principal amount on that date.

The Convertible Bond 2017 comprises two components:

(a) Debt component was initially measured at fair value amounted to approximately Euro297,801,000 (equivalent to Rmb2,190,578,000). 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 4.28%.

(b) Derivative component comprises conversion right of the Bondholders 2017, redemption option of the Company, and redemption option of the Bondholders 2017.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond 2017 are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss during the year ended December 31, 2017. Transaction costs amounting to approximately Euro1,855,000 (equivalent to Rmb13,646,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2017 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 2017 for the years ended December 31, 2019 and 2020 is set out as below:

	Debt component at amortised cost		**Derivative components at FVTPL**		**Total**	
	Euro'000	*Rmb'000*	*Euro'000*	*Rmb'000*	*Euro'000*	*Rmb'000*
As at January 1, 2019	317,553	2,491,934	27,746	217,729	345,299	2,709,663
Exchange realignment	–	(9,470)	–	–	–	(9,470)
Interest charge	13,591	105,589	–	–	13,591	105,589
Gain on change in fair value	–	–	(2,132)	(17,547)	(2,132)	(17,547)
As at December 31, 2019	331,144	2,588,053	25,614	200,182	356,758	2,788,235
Redemption	(364,900)	(2,802,541)	(25,611)	(200,165)	(390,511)	(3,002,706)
Exchange realignment	–	(40,834)	–	–	–	(40,834)
Interest charge	33,852	256,084	–	–	33,852	256,084
Gain on change in fair value	–	–	(2)	(13)	(2)	(13)
As at December 31, 2020	96	762	1	4	97	766

As at December 31, 2020, the Bondholders 2017 had exercised the redemption rights and Convertible Bond 2017 with a principal amount of Euro364,900,000 has been redeemed.

Convertible Bond 2019

On March 12, 2019, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due 2025 in an aggregate principal amount of Rmb3,500,000,000 (the "Convertible Bond 2019"). The Convertible Bond 2019 is listed and trading on Shanghai Stock Exchange. The coupon rate is 0.2% per annum for the first year, 0.5% per annum for the second year, 1.0% per annum for the third year, 1.5% per annum for the fourth year, 1.8% per annum for the fifth year, 2.0% per annum for the sixth year, and will be paid annually.

Out of the principal amount of Rmb3,500,000,000, Rmb875,000,000 was subscribed by Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"，the holding company of Zheshang Securities), another subsidiary of the Group.

The principal terms of the Convertible Bond 2019 are set out below:

(1) Conversion right

The Convertible Bond 2019 will, at the option of the holders (the "Bondholders 2019"), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from September 19, 2019 up to March 11, 2025, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2019") of Rmb12.53 per share. The Conversion Price 2019 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 2019 issued). When the share price of Zheshang Securities is less than 80% of the Conversion Price 2019 for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond 2019 (the "Maturity Date 2019"), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on conversion price 2019, and submits it to the shareholder's meeting of Zheshang Securities for approval.

(2) Redemption

(i) Redemption at maturity

Zheshang Securities will redeem all outstanding Convertible Bond 2019 at 105 percent of its outstanding principal amount (including the last instalment of interest payment) within five business days from Maturity Date 2019.

(ii) Redemption on condition

During the conversion period of the Convertible Bond 2019, upon the occurrence of any of the following two conditions, Zheshang Securities is entitled to redeem all or part of the outstanding Convertible Bond 2019 based on the par value and interest in arrears;

(a) During the conversion period of the Convertible Bond 2019, 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 2019;

(b) When the aggregate principal amount of the outstanding Convertible Bond 2019 is less than Rmb30,000,000.

Convertible Bond 2019 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2019 was separated from the liability component. As the Convertible Bond 2019 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 4.1431% per annum.

Changes in the liability and equity component of the Convertible Bond 2019 since the issuance of Convertible Bond 2019 to December 31, 2020 are set out as below:

	Liability Component *Rmb'000*	**Equity Component** *Rmb'000*
Issuance on March 12, 2019	2,272,833	352,167
Issue cost	(10,408)	(1,613)
Interest charge	88,289	–
Addition *(Note i)*	341,526	53,174
Conversion into shares *(Note ii)*	(144)	(22)
As at December 31, 2019	2,692,096	403,706
Interest charge	94,779	–
Interest paid	(6,669)	–
Addition *(Note i)*	416,086	64,214
Conversion into shares *(Note ii)*	(3,172,403)	(464,244)
Redemption *(Note iii)*	(23,889)	(3,676)
As at December 31, 2020	–	–

Notes:

(i) During the year ended December 31, 2020, Shangsan Co disposed of the Convertible Bond 2019 held on hand with the principal amount of Rmb480,300,000 (2019: Rmb394,700,000) to certain independent third parties through the open market. 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, 2020, the bondholders converted part of the Convertible Bond 2019 with a principal amount of Rmb3,472,335,000 (2019: Rmb13,000) to the shares of Zheshang Securities. The Group's equity interest of Zheshang Securities was diluted due to the conversion of shares and Group recognised deemed partial disposal gain amounted to Rmb1,027,654,000 in special reserve.

(iii) As at December 31, 2020, Zheshang Securities had exercised the redemption rights and Convertible Bond 2019 with a principal amount of Rmb27,502,000 has been redeemed.

BUSINESS REVIEW

In 2020, the global economy experienced a downturn and the development of the Chinese economy also faced tremendous pressure and challenges, due to the sudden outbreak of novel coronavirus ("Covid-19") epidemic. In the face of the complicated environment at home and abroad, particularly the shock brought about by the epidemic, the Chinese government organized and supported containment of the epidemic as well as economic and social development activities. As a result, the epidemic was effectively controlled in China, and both work and production resumed at an orderly pace. China's GDP growth rate started to recover and turned positive in the second quarter, and recorded consecutive increases in the following quarters. For the full year 2020, GDP rose 2.3% year-on-year, indicating a steady recovery of the Chinese economy. GDP for Zhejiang Province increased 3.6% year-on-year in 2020, which was 1.3 percentage points higher than the national average, as it benefited from a rapid recovery in the Province's industrial production, service industry, online retailing and foreign trade.

During the Period, toll revenue of the Group's expressways decreased significantly as affected by the epidemic and subsequent implementation of a toll-free policy. Nevertheless, revenue from the Group's securities business recorded substantial growth, as the Chinese capital markets quickly recovered, and bolstered the Group's overall revenue. During the Period, total revenue of the Group was Rmb11,942.78 million, representing a decrease of 0.1% year-over-year, of which Rmb6,379.59 million was generated by the seven major expressways operated by the Group (2019: total revenue of Rmb8,061.01 million), representing 53.4% of the total revenue. Revenue generated by the securities business was Rmb5,087.34 million (2019: total revenue of Rmb3,300.78 million), representing 42.6% of the total revenue.

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

	2020 ***Rmb'000***	2019 *Rmb'000*	% change
Toll road operation revenue			
Shanghai-Hangzhou-Ningbo Expressway	**3,216,475**	4,142,879	–22.4%
Shangsan Expressway	**960,320**	1,187,813	–19.2%
Jinhua section, Ningbo-Jinhua Expressway	**380,889**	437,095	–12.9%
Hanghui Expressway	**450,251**	579,551	–22.3%
Huihang Expressway	**100,792**	138,506	–27.2%
Shenjiahuhang Expressway	**555,322**	694,497	–20.0%
Zhoushan Bay Bridge	**715,537**	880,666	–18.8%
Securities business revenue			
Commission and fee income	**3,266,806**	1,727,942	89.1%
Interest income	**1,820,534**	1,572,835	15.7%
Other operation revenue			
Hotel and catering	**125,336**	169,576	–26.1%
Construction	**350,513**	423,906	–17.3%
Total revenue	**11,942,775**	11,955,266	–0.1%

Toll Road Operations

At the start of 2020, as the Covid-19 epidemic broke out in China, Zhejiang Province activated first-level public health emergency response between January 23, 2020 and March 2, 2020 that reduced vehicle traffic and passenger flow significantly. In order to effectively control the epidemic, the Ministry of Transport of the People's Republic of China extended the Spring Festival toll-free period for small passenger vehicles travelling on the nation's toll roads to February 8, 2020, which was originally set from January 24, 2020 to January 30, 2020. It also announced an additional toll-free policy for all vehicles travelling on the nation's toll roads from February 17, 2020 to May 5, 2020. The epidemic and toll-free policy significantly impacted the Group's toll revenue during the Period.

To encourage the resumption of work and production for enterprises, from February 12, 2020 to August 5, 2020, Zhejiang Province expanded the scope of a 15% discount on state-owned expressway tolls from all qualified trucks in Zhejiang Province with ETC registration to all qualified trucks in China that have ETC registration. It also increased the discount from 5% to 15% for Class-3 and Class-4 passenger vehicles with ETC registrations travelling on all toll roads in Zhejiang Province. In addition, from February 12, 2020, expressways in Zhejiang Province started offering a 35% discount on tolls for all container trucks of international standards, and stopped charging entrance fees. The above-mentioned increases in discounts also negatively impacted the Group's toll revenue during the Period.

After toll collection resumed on May 6, 2020, traffic volume on the Group's expressways recovered to pre-epidemic levels and maintained steady growth. This was mainly because: (1) China effectively contained the epidemic and fully activated the resumption of work and production, driving a rapid recovery of road transportation demand; (2) The severe epidemic overseas affected manufacturing capacity, leading to an increase in demand for exports from China and a large number of overseas manufacturing orders were transferred to China, which resulted in an increase in demand for domestic freight; (3) The toll-free policy and the discount policies for trucks with ETC registration had positively induced traffic volume. Consequently, toll revenue from the Group's expressways recorded positive year-on-year growth after the resumption of toll collections. However, toll revenue trailed the growth in traffic volume, mainly due to the implementation of the ETC registration discount policy.

Furthermore, traffic volume on certain sections of the Group's expressways in different regions was variously impacted by changes in local government policies in the regions, changes in the neighboring competitive or synergistic road networks, the development of other modes of transportation and other factors. As a result, traffic volume on the Group's expressways varied during the Period.

From September 1, 2020 to December 31, 2021, the Jiaxing Municipal Government will pay the tolls for all Class-1 passenger vehicles with local license plates and ETC registration travelling on the Jiaxing Urban Section of Shanghai-Hangzhou Expressway. From November 10, 2020 to November 9, 2021, the Jiashan County Government will pay the tolls for all Class-1 passenger vehicles with local license plates and ETC registration travelling on the Jiashan Section of Shanghai-Hangzhou Expressway. The passenger vehicle traffic volume on the Shanghai-Hangzhou Expressway has benefited from the government support.

Since May 10, 2020, the road from Desheng to Hongken of the Hangzhou Urban Section has been closed for construction, which negatively affected traffic volume on the Shanghai-Hangzhou-Ningbo Expressway. Subway Line 16 in Hangzhou opened on April 23, 2020 and the slow recovery of cross-province tourism adversely impacted traffic volume on the Hanghui Expressway and Huihang Expressway, respectively. The opening of a north connection road for the Hangzhou Bay Bridge on January 1, 2020 negatively impacted traffic volume on the Shenjiahuhang Expressway. The opening of the Fuchimen Bridge on September 29, 2019 also adversely impacted traffic volume on the Zhoushan Bay Bridge.

Looking back at 2020, even though the epidemic and toll-free policy caused relatively significant short-term shocks to the Group's toll road operations business, the Group adhered to the government's epidemic prevention and control plans, implemented the toll-free policy without sacrificing service, comprehensively elevated toll collection service quality, made all efforts to ensure safe and smooth traffic flow, and significantly improved traffic efficiency of different road sections. At the same time, the Group enhanced its communication and cooperation with culture and tourism parties, fully leveraging the benefits of "expressway + tourism". Since the resumption of toll collection, the Group's toll road operations business has gradually stabilized, with toll revenue and traffic volume both maintaining steady growth.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway and the 46km Zhoushan Bay Bridge was Rmb6,379.59 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:

2020	**Traffic Volume**		**Toll Revenue**	
The Group's expressways	**Average Traffic Volume** *(in Full-Trip Equivalents)*	**Year-on-year Change**	**Toll Revenue** *(RMB million)*	**Year-on-year Change**
Shanghai-Hangzhou-Ningbo Expressway	72,158	12.52%	3,216.48	–22.4%
– Shanghai-Hangzhou Section	72,089	11.78%		
– Hangzhou-Ningbo Section	72,209	13.06%		
Shangsan Expressway	37,045	22.07%	960.32	–19.2%
Jinhua Section, Ningbo-Jinhua Expressway	28,989	19.14%	380.89	–12.9%
Hanghui Expressway	23,233	8.41%	450.25	–22.3%
Huihang Expressway	8,430	5.87%	100.79	–27.2%
Shenjiahuhang Expressway	32,950	7.77%	555.32	–20.0%
Zhoushan Bay Bridge	20,891	–4.32%	715.54	–18.8%

Securities Business

The domestic capital markets experienced certain volatility at the beginning of 2020 due to the Covid-19 epidemic. However, trading volumes on the domestic capital markets remained high as benefited from the effective epidemic containment in China, steady economic recovery, as well as policy reforms such as the registration-based IPO system. Zheshang Securities achieved strong results during the Period as it fully took advantage of market opportunities, strengthened its risk management capabilities, optimized and adjusted its business structure, as well as enhanced its core business competitiveness. In particular, investment banking, securities margin trading and brokerage were the major growth drivers.

During the Period, Zheshang Securities recorded total revenue of Rmb5,087.34 million, an increase of 54.1% year-on-year, of which, commission and fee income increased 89.1% year-on-year to Rmb3,266.81 million, and interest income from the securities business was Rmb1,820.53 million, an increase of 15.7% 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 Rmb1,483.02 million (2019: securities investment gains of Rmb1,343.47 million).

Other Business Operations

During the Period, other business revenue was mainly derived from hotel operations and road construction. Hotel operations, in particular, recorded a significant decrease in revenue due to the adverse impact of the Covid-19 epidemic.

Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb51.45 million for the Period (2019: revenue of Rmb71.24 million). Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb73.89 million for the Period (2019: revenue of Rmb98.34 million).

Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company), recorded road construction revenue of Rmb350.51 million for the Period (2019: revenue of Rmb423.91 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 Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 26,728, representing an increase of 14.53% year-on-year. Toll revenue of Rmb378.18 million (2019: toll revenue of Rmb426.73 million) was adversely affected by the epidemic and toll-free policy. During the Period, the joint venture recorded a net profit of Rmb32.56 million (2019: net profit of Rmb69.88 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (an associate of the Company, the equity stake of which was diluted from 35% to 20.08% in April 2020) 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 Rmb636.83 million (2019: net profit of Rmb400.77 million).

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the finance leasing business, which includes the transferring and receiving of financial leasing assets, fixed-income securities investments, and other businesses approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb330.90 million (2019: net profit of Rmb155.76 million).

Shanghai Rural Commercial Bank Co., Ltd. (a 5.36% 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 results announcement, this associate has not announced its 2020 annual results.

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 Rmb2,997.34 million, representing a decline of 19.2% year-on-year, basic earnings per share for the Company was Rmb69.01 cents, representing a decline of 19.2%, diluted earnings per share for the Company was Rmb68.32 cents, representing a decline of 17.1%, and return on owners' equity was 12.4%, representing a decline of 27.9% year-on-year.

Liquidity and financial resources

As at December 31, 2020, current assets of the Group amounted to Rmb91,602.22 million in aggregate (December 31, 2019: Rmb68,703.77 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 9.8% (December 31, 2019: 12.2%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.6% (December 31, 2019: 29.3%), financial assets at FVTPL accounted for 31.8% (December 31, 2019: 32.4%), and loans to customers arising from margin financing business accounted for 16.4% (December 31, 2019: 12.7%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2020 was 1.30 (December 31, 2019: 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 1.50 (December 31, 2019: 1.60).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2020 was Rmb29,158.09 million (December 31, 2019: Rmb22,235.48 million), of which 74.3% was invested in bonds, 5.7% was invested in stocks, 14.4% was invested in equity funds, and the rest were invested in structured products and trust products.

During the Period, net cash from the Group's operating activities amounted to Rmb210.48 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to 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, 2020, total liabilities of the Group amounted to Rmb92,611.17 million (December 31, 2019: Rmb72,594.84 million), of which 15.4% was bank and other borrowings, 6.8% was short-term financing note, 21.7% was bonds payable, 12.4% was financial assets sold under repurchase agreements and 29.2% was accounts payable to customers arising from securities business.

As at December 31, 2020, total interest-bearing borrowings of the Group amounted to Rmb40,644.20 million, representing an increase of 6.4% compared to that as at December 31, 2019. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb6,667.48 million, balances of an international commercial bank loan, denominated in Euro that equivalents to Rmb2,933.47 million, borrowings from a domestic financial institution of Rmb4,617.58 million, borrowings from a domestic institution of Rmb50.04 million, short-term financing notes of Rmb4,518.47 million, beneficial certificates of Rmb1,788.25 million. mid-term notes of Rmb3,062.37 million, subordinated bonds of Rmb12,632.85 million, corporate bonds of Rmb3,510.34 million, asset backed securities of Rmb862.58 million, and convertible bonds denominated in Euro that equivalents to Rmb0.77 million. Of the interest-bearing borrowings, 53.2% was not payable within one year.

As at December 31, 2020, the Group's borrowings from domestic commercial banks bore an annual floating interest of 4.21% and 4.7%, and annual fixed interest rates ranged from 2.05% to 5.3%, borrowings from an international bank bore an annual floating interest of 0.8%, borrowings from a domestic financial institution bore an annual floating interest rate of 4.21%, and annual fixed interest rates ranged from 3.6% to 4.21%, borrowings from a domestic institutions bore annual fixed interest rate of 2.5%. As at December 31, 2020, the annual fixed interest rates of beneficial certificates ranged from 2.9% to 3.45%, the annual floating interest of beneficial certificates ranged from 3.0% to 10.65%, the annual fixed interest rates of short-term financing notes ranged from 3.01% to 3.18%, the annual fixed interest rates of mid-term notes were 3.64% and 3.86%. The annual fixed interest rates for subordinated bonds were between 3.5% and 5.28%. The annual fixed interest rates for corporate bonds were 3.48% and 3.85%. The annual fixed interest rate for asset backed securities was 3.7%. The annual coupon rate for convertible bond denominated in Euro was nil, while the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses and profit before interest and tax for the Period amounted to Rmb1,745.39 million and Rmb6,860.10 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 3.9 (2019: 4.5) times.

As at December 31, 2020, the asset-liability ratio (total liabilities over total assets) of the Group was 71.2% (December 31, 2019: 69.4%). 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, 2019: 62.3%).

Capital structure

As at December 31, 2020, the Group had Rmb37,452.21 million in total equity, Rmb67,261.14 million in fixed-rate liabilities, Rmb12,752.44 million in floating-rate liabilities, and Rmb12,597.59 million in interest-free liabilities, representing 28.8%, 51.7%, 9.8% and 9.7% 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 175.0% as at December 31, 2020 (December 31, 2019: 164.4%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb3,557.08 million. Amongst the total capital expenditure, Rmb3,119.40 million was incurred for acquiring equity investments, Rmb152.73 million was incurred for acquisition and construction of properties, and Rmb284.95 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2020, the capital expenditure committed by the Group totaled Rmb3,011.36 million. Amongst the total capital expenditures committed by the Group, Rmb1,245.00 million will be used for acquiring equity investments, Rmb370.44 million will be used for acquisition and construction of properties and Rmb1,395.92 million for acquisition and construction of equipment and facilities.

The Group will consider financing the above-mentioned capital expenditure commitments with internally generated cash flow first 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 Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb202.00 million of the bank loans had been repaid. As at December 31, 2020, the remaining bank loan balance was Rmb1,083.00 million.

Shenjiahuhang Co and Zhejiang Zhoushan Bay Bridge Co., Ltd. (Zhoushan Co), the subsidiaries of the Company, pledged their rights of toll on expressway for their bank borrowing, as at December 31, 2020, the remaining bank balance was Rmb1,276.24 million and Rmb4,724.45 million respectively.

Deqing County De'an Highway Construction Co., Ltd. a subsidiary of the Company, pledged its trade receivables for its bank borrowing, as at December 31, 2020, the remaining bank balance was Rmb491.60 million.

Huangshan Yangtze Huihang Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway and advertisement operation right for its borrowing, as at December 31, 2020, the remaining balance was Rmb1,237.81 million.

For the Rmb2,013.00 million asset backed securities issued on September 23, 2019. During the Period, Rmb45.99 million of the senior class securities had been repaid, the remaining Rmb854.01 million will be secured by the Company.

Except for the above, as at December 31, 2020, 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 remaining balance of Euro 0.10 million in Hong Kong capital market in April 2017, which will be due in April 2022; and (iv) the short term international commercial bank borrowing in April 2020 amounted to Euro364.90 million, the Group's principal operations were transacted and booked in Renminbi.

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

OUTLOOK

Looking forward to 2021, with the continuous advancements of Covid-19 vaccine R&D and manufacturing around the world, the adverse impact of the epidemic on the global economy may gradually reduce. But at the same time, uncertainty about virus mutations and imbalances in the vaccine rollout could cause an unstable and unbalanced global economic recovery. Facing such a complicated external environment, the Chinese government will accelerate its new development pattern that "takes the domestic circulation as the mainstay, while the domestic and international circulations complement and reinforce each other", with an aim to continuously stimulate and expand domestic demand, and to optimize the business environment for core markets. As a result, the Chinese economy is expected to maintain steady recovery. The overall traffic volume on the Group's expressways is expected to see stable growth in 2021, while toll revenue will hopefully achieve higher growth given the low base of comparison.

Given that the implementation of the toll-free policy has caused a relatively significant impact on the performance of toll road operators, the Ministry of Transport of the People's Republic of China indicated that concessions for toll roads will be extended, where appropriate, as compensation to operators. In 2021, the Group will continue to coordinate with the relevant authorities of Zhejiang Province to seek compensation by way of concession extension.

On January 19, 2021, the Company completed the acquisition of 100% equity interest in LongLiLiLong Co, which then became a wholly owned subsidiary of the Company. The total length of expressways operated by the Group increased from 802km to 1,024km, further strengthening the scale of the Group's core business. On January 27, 2021, the Company completed the acquisition of 30% equity interest in HangNing Co, which then became an associate of the Company. The strong operating results of HangNing Co will reinforce the Group's profitability.

The Group will develop expressways which demonstrate the "Five Objectives", namely, intelligent, friendly, comfortable, safe and market-oriented, and for this purpose it will constantly accelerate intelligent upgrades and renovations on the Shanghai-Hangzhou-Ningbo Expressway to realize intelligent operations on all sections of the road, deepen its initiatives that attract traffic, such as "expressway + tourism", innovate differentiated toll collection solutions, and continue to expand opportunities for revenue generation. In addition, the Group will further strengthen its intelligent management capabilities, comprehensively advance road maintenance quality, continuously optimize the environment of toll stations, and remain focused on establishing its brand characteristics and elevating its brand identity and reputation. The Group will also constantly enhance its ability to ensure safe and smooth traffic flow, improve operation and service level, and strive to build a renowned brand for expressway operations and services in China.

The Chinese government will progressively deepen capital market reforms and open-up, steadily pursue the reform towards the registration-based IPO system, and adopt effective measures to maintain normal level of IPO and refinancing activities, and steadily develop the bond market. The Chinese government will also optimize the capital markets' internal stability mechanism to maintain the solid development momentum of the capital markets in a complicated environment. Zheshang Securities will strengthen its ability to monitor and study the market situation, fully take advantage of market opportunities, optimize and adjust its business structure, improve its comprehensive service capabilities, coordinate resource allocation and continuously strengthen its risk management, with the aim to fully improve its business scale and competitiveness, and elevate its brand influence.

The Group will leverage its competitive advantages, keep on enhancing its core toll road operations business, and optimize its securities business, amid the complex and rapidly-changing economic situation at home and abroad. The management will constantly monitor changes in government policies and the external environment to appropriately adjust the Company's operating strategy according to its development needs, constantly strengthen its operating capabilities, and also consistently expand the scale of its core toll road business through investment and M&A with manageable risk to accelerate high-quality sustainable development for the Company.

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 PAYABLE DATE OF THE PROPOSED DIVIDEND

Upon approval by shareholders at the annual general meeting ("AGM") to be held on April 21, 2021, the Company expects to pay a dividend of Rmb35.50 cents per share ("Proposed Dividend") on or around June 30, 2021.

BOOK CLOSING PERIOD, LAST DAY OF TRANSFER AND RECORD DATE

The Company's AGM will be held on April 21, 2021. The notice of the AGM will be published on the websites of the Company and the Stock Exchange, and dispatched to shareholders of the Company in the manner as required by the Listing Rules in due course. For the purpose of the AGM and to determine the shareholders who qualify for the Proposed Dividend, the register of members holding H shares of the Company will be closed from April 1, 2021 to April 21, 2021 (both days inclusive), and from April 27, 2021 to May 2, 2021 (both days inclusive).

Shareholders of H shares who intend to attend the AGM and qualify for the Proposed Dividend must deliver all transfer instruments and the relevant certificates to Hong Kong Registrars Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. on March 31, 2021 and on April 26, 2021, respectively.

For the purpose of the AGM and qualify for the Proposed Dividend, the record date will be April 21, 2021 and May 2, 2021, respectively.

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

Save as disclosed in this announcement, 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, except for the Code E.1.3 regarding the notice period for general meetings, the Company complied with all the other code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") set out in Appendix 14 to the Listing Rules, and adopted the recommended best practices in the Code as and when applicable.

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 31 December 2020 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 23, 2021

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 Ms. LUO Jianhu; the other non-executive Directors of the Company are: Mr. DAI Benmeng, Mr. YUAN Yingjie and Mr. FAN Ye; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.