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)

2021 INTERIM RESULTS ANNOUNCEMENT

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2021 (the "Period"), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb7,696.57 million, representing a year-on-year increase of 87.6%. Profit attributable to owners of the Company was Rmb2,513.68 million, representing a year-on-year increase of 865.4%. Basic earnings per share for the Period was Rmb57.88 cents, representing a year-on-year increase of 865.4%. Diluted earnings per share for the Period was Rmb54.81 cents, representing a year-on-year increase of 813.5%.

The Directors do not recommend the payment of an interim dividend for 2021.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2021 have not been audited or reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2021, with comparative figures for the corresponding period in 2020 and relevant notes to the condensed consolidated financial statements:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended June 30, 2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Revenue	4	**7,696,565**	4,102,243
Including: Interest income under effective interest method		**1,000,786**	796,849
Operating costs		**(4,308,196)**	(3,719,500)
Gross profit		**3,388,369**	382,743
Securities investment gains		**807,624**	1,100,834
Other income and gains and losses	5	**424,707**	340,120
Administrative expenses		**(53,725)**	(45,179)
Other expenses		**(58,694)**	(66,834)
Impairment losses under expected credit loss model, net of reversal		**4,371**	(53,094)
Share of profit of associates		**510,160**	349,874
Share of profit (loss) of a joint venture		**36,601**	(25,289)
Finance costs		**(993,060)**	(1,182,849)
Profit before tax		**4,066,353**	800,326
Income tax expense	6	**(904,474)**	(280,245)
Profit for the Period		**3,161,879**	520,081
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**(1,541)**	633
Share of other comprehensive income of an associate, net of related income tax		**6,529**	–
Other comprehensive income for the Period, net of income tax		**4,988**	633
Total comprehensive income for the Period		**3,166,867**	520,714

	Notes	For the six months ended June 30, 2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Profit for the Period attributable to:			
Owners of the Company		**2,513,676**	260,376
Non-controlling interests		**648,203**	259,705
		3,161,879	520,081
Total comprehensive income attributable to:			
Owners of the Company		**2,519,518**	260,673
Non-controlling interests		**647,349**	260,041
		3,166,867	520,714
Earnings per share	7		
Basic (Rmb cents)		**57.88**	6.00
Diluted (Rmb cents)		**54.81**	6.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2021 *Rmb'000* (Unaudited)**	As at December 31, 2020 *Rmb'000* (Unaudited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,423,533**	4,487,223
Right-of-use assets		**679,246**	562,535
Expressway operating rights		**28,042,858**	25,859,558
Goodwill		**86,867**	86,867
Other intangible assets		**291,223**	207,068
Interests in associates		**9,525,551**	6,560,343
Interest in a joint venture		**420,926**	384,325
Financial assets at fair value through profit or loss ("FVTPL")		**252,656**	244,123
Contract assets		**1,049,665**	1,007,618
Other receivables and prepayments		**–**	2,923,140
Financial assets held under resale agreements		**90,000**	120,000
Deferred tax assets		**1,910,019**	1,589,901
		46,772,544	44,032,701
CURRENT ASSETS			
Inventories		**396,732**	370,725
Trade receivables	8	**458,954**	373,400
Loans to customers arising from margin financing business		**16,492,864**	15,013,429
Other receivables and prepayments		**3,566,749**	3,132,082
Dividends receivable		**–**	2,835
Derivative financial assets		**675,612**	525,629
Financial assets at FVTPL		**37,629,970**	29,158,094
Financial assets held under resale agreements		**7,269,550**	7,002,471
Bank balances and clearing settlement fund held on behalf of customers		**32,937,092**	27,090,816
Bank balances, clearing settlement fund, deposits and cash			
– Restricted bank balances and cash		**28,733**	23,986
– Time deposits with original maturity over three months		**613,600**	313,600
– Cash and cash equivalents		**15,683,508**	8,645,085
		115,753,364	91,652,152

	Notes	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
CURRENT LIABILITIES			
Placements from other financial institutions		**290,000**	400,000
Accounts payable to customers arising from securities business		**33,683,870**	27,054,052
Trade payables	9	**1,175,430**	1,098,574
Tax liabilities		**1,165,950**	1,202,136
Other taxes payable		**279,673**	447,898
Other payables and accruals		**6,720,634**	6,158,797
Contract liabilities		**251,374**	79,231
Dividends payable		**15,706**	50
Derivative financial liabilities		**491,889**	497,427
Bank and other borrowings		**8,774,954**	8,855,320
Short-term financing note payable		**5,122,063**	6,306,716
Bonds payable		**9,007,749**	6,361,764
Financial assets sold under repurchase agreements		**18,409,970**	11,525,087
Financial liabilities at FVTPL		**3,202,346**	2,910,725
Lease liabilities		**120,037**	91,346
		88,711,645	72,989,123
NET CURRENT ASSETS		**27,041,719**	18,663,029
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,814,263**	62,695,730
NON-CURRENT LIABILITIES			
Bank and other borrowings		**13,606,360**	11,119,040
Bonds payable		**13,306,383**	13,706,383
Convertible bonds	10	**1,786,514**	766
Deferred tax liabilities		**1,110,743**	386,498
Financial liabilities at FVTPL		**2,136,400**	–
Lease liabilities		**374,042**	298,894
		32,320,442	25,511,581
		41,493,821	37,184,149
CAPITAL AND RESERVES			
Share capital		**4,343,115**	4,343,115
Reserves		**20,527,575**	19,505,281
Equity attributable to owners of the Company		**24,870,690**	23,848,396
Non-controlling interests		**16,623,131**	13,335,753
		41,493,821	37,184,149

Notes:

1. **BASIS OF PREPARATION**

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

2. **MERGER ACCOUNTING RESTATEMENT**

   On November 10, 2020, the Company entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. ("Communications Group") to acquire 100% of the equity interest in Zhejiang LongLiLiLong Expressway Co., Ltd. ("LongLiLiLong") from the Communications Group for a cash consideration of Rmb238,140,000. LongLiLiLong is engaged in the operation and management of LongLi Expressway and LiLong Expressway. Prior to the acquisition, LongLiLiLong was a wholly-owned subsidiary of Communications Group. The acquisition was approved by an extraordinary general meeting on December 23, 2020. As at June 30, 2021, after the revision of Articles of Association and modification of business registration,the acquisition was completed, LongLiLiLong has become a wholly-owned subsidiary of the Company.

   As Communications Group is the parent company of the Company, the above-mentioned equity transaction is deemed to be a business combination involving entities under common control. The Group has adopted the merger accounting method in accordance with the guidelines set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

   Accordingly, the comparative condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the period ended June 30, 2020 and the consolidated statement of financial position as at December 31, 2020 have been restated to include the profits, assets and liabilities of the consolidated entities from the date when they fell under common control.

   The application of merger accounting to the Group's acquisition of 100% equity interest in LongLiLiLong has resulted in a decrease in the total comprehensive income attributable to owners of the Company and profit attributable to owners of the Company of Rmb426,721,000 and Rmb426,721,000 for the six months ended June 30, 2020, respectively.

The impact of the above-mentioned merger accounting restatement in respect of the Group's acquisition of 100% equity interest in LongLiLiLong on each line item in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2020 was as follows:

	For the six months ended June 30, 2020 *Rmb'000* (Unaudited and originally stated)	Merger accounting restatement *Rmb'000*	For the six months ended June 30, 2020 *Rmb'000* (Unaudited and restated)
Revenue	3,947,835	154,408	4,102,243
Including: Interest income under effective interest method	796,849	–	796,849
Operating costs	(3,355,989)	(363,511)	(3,719,500)
Gross profit	591,846	(209,103)	382,743
Securities investment gains	1,100,834	–	1,100,834
Other income and gains and losses	335,772	4,348	340,120
Administrative expenses	(42,471)	(2,708)	(45,179)
Other expenses	(63,219)	(3,615)	(66,834)
Impairment losses under expected credit loss model, net of reversal	(53,077)	(17)	(53,094)
Share of profit of associates	349,874	–	349,874
Share of loss of a joint venture	(25,289)	–	(25,289)
Finance costs	(968,246)	(214,603)	(1,182,849)
Profit before tax	1,226,024	(425,698)	800,326
Income tax expense	(279,222)	(1,023)	(280,245)
Profit for the Period	946,802	(426,721)	520,081
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations	633	–	633
Other comprehensive income for the Period, net of income tax	633	–	633
Total comprehensive income for the Period	947,435	(426,721)	520,714
Profit for the Period attributable to:			
Owners of the Company	687,097	(426,721)	260,376
Non-controlling interests	259,705	–	259,705
	946,802	(426,721)	520,081
Total comprehensive income attributable to:			
Owners of the Company	687,394	(426,721)	260,673
Non-controlling interests	260,041	–	260,041
	947,435	(426,721)	520,714
Earnings per share			
Basic (Rmb cents)	15.82	(9.82)	6.00
Diluted (Rmb cents)	15.82	(9.82)	6.00

The impact of the above-mentioned merger accounting restatement in respect of the Group's acquisition of 100% equity interest in LongLiLiLong on each line item in the consolidated statement of financial position as at January 1, 2020 and December 31, 2020 was as follows:

	As at January 1, 2020 *Rmb'000* (Audited and originally stated)	**Merger accounting restatement** *Rmb'000*	**As at January 1, 2020** *Rmb'000* (Unaudited and restated)	**As at December 31, 2020** *Rmb'000* (Audited and originally stated)	**Merger accounting restatement** *Rmb'000*	**As at December 31, 2020** *Rmb'000* (Unaudited and restated)
NON-CURRENT ASSETS						
Property, plant and equipment	4,280,735	331,763	4,612,498	4,175,373	311,850	4,487,223
Right-of-use assets	379,031	–	379,031	562,535	–	562,535
Expressway operating rights	22,867,446	5,365,531	28,232,977	20,931,505	4,928,053	25,859,558
Goodwill	86,867	–	86,867	86,867	–	86,867
Other intangible assets	182,851	–	182,851	207,068	–	207,068
Interests in associates	6,080,155	–	6,080,155	6,560,343	–	6,560,343
Interest in a joint venture	368,043	–	368,043	384,325	–	384,325
Financial assets at FVTPL	16,898	–	16,898	244,123	–	244,123
Contract assets	686,557	–	686,557	1,007,618	–	1,007,618
Other receivables and prepayments	–	–	–	2,923,140	–	2,923,140
Financial assets held under resale agreements	–	–	–	120,000	–	120,000
Deferred tax assets	924,602	331,484	1,256,086	1,258,270	331,631	1,589,901
	35,873,185	6,028,778	41,901,963	38,461,167	5,571,534	44,032,701
CURRENT ASSETS						
Inventories	333,261	197	333,458	370,533	192	370,725
Trade receivables	319,339	16,583	335,922	361,974	11,426	373,400
Loans to customers arising from margin financing business	8,751,643	–	8,751,643	15,013,429	–	15,013,429
Other receivables and prepayments	424,182	648	424,830	3,129,801	2,281	3,132,082
Dividends receivable	2,005	–	2,005	2,835	–	2,835
Derivative financial assets	6,250	–	6,250	525,629	–	525,629
Financial assets at FVTPL	22,235,480	–	22,235,480	29,158,094	–	29,158,094
Financial assets held under resale agreements	8,110,354	–	8,110,354	7,002,471	–	7,002,471
Bank balances and clearing settlement fund held on behalf of customers	20,141,931	–	20,141,931	27,090,816	–	27,090,816
Bank balances, clearing settlement fund, deposits and cash						
– Restricted bank balances and cash	–	–	–	23,986	–	23,986
– Time deposits with original maturity over three months	302,726	–	302,726	313,600	–	313,600
– Cash and cash equivalents	8,076,598	14,096	8,090,694	8,609,049	36,036	8,645,085
	68,703,769	31,524	68,735,293	91,602,217	49,935	91,652,152

	As at January 1, 2020	Merger accounting restatement	As at January 1, 2020	As at December 31, 2020	Merger accounting restatement	As at December 31, 2020
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Audited and originally stated)		(Unaudited and restated)	(Audited and originally stated)		(Unaudited and restated)
CURRENT LIABILITIES						
Placements from other financial institutions	270,000	–	270,000	400,000	–	400,000
Accounts payable to customers arising from securities business	20,024,356	–	20,024,356	27,054,052	–	27,054,052
Trade payables	1,387,856	148,824	1,536,680	974,743	123,831	1,098,574
Tax liabilities	537,868	–	537,868	1,202,136	–	1,202,136
Other taxes payable	149,735	2,670	152,405	441,007	6,891	447,898
Other payables and accruals	2,049,479	35,070	2,084,549	6,105,775	53,022	6,158,797
Contract liabilities	15,674	–	15,674	79,231	–	79,231
Dividends payable	1,342	–	1,342	50	–	50
Derivative financial liabilities	5,565	–	5,565	497,427	–	497,427
Bank and other borrowings	4,598,533	5,455,738	10,054,271	6,348,772	2,506,548	8,855,320
Short-term financing note payable	6,532,990	–	6,532,990	6,306,716	–	6,306,716
Bonds payable	2,281,229	–	2,281,229	6,361,764	–	6,361,764
Convertible bonds	2,793,103	–	2,793,103	–	–	–
Financial assets sold under repurchase agreements	9,017,680	–	9,017,680	11,525,087	–	11,525,087
Financial liabilities at FVTPL	321,883	–	321,883	2,910,725	–	2,910,725
Lease liabilities	70,577	–	70,577	91,346	–	91,346
	50,057,870	5,642,302	55,700,172	70,298,831	2,690,292	72,989,123
NET CURRENT ASSETS	18,645,899	(5,610,778)	13,035,121	21,303,386	(2,640,357)	18,663,029
TOTAL ASSETS LESS CURRENT LIABILITIES	54,519,084	418,000	54,937,084	59,764,553	2,931,177	62,695,730
NON-CURRENT LIABILITIES						
Bank and other borrowings	6,421,600	4,205,130	10,626,730	7,919,800	3,199,240	11,119,040
Bonds payable	12,892,042	–	12,892,042	13,706,383	–	13,706,383
Convertible bonds	2,687,228	–	2,687,228	766	–	766
Deferred tax liabilities	347,331	–	347,331	386,498	–	386,498
Lease liabilities	188,772	–	188,772	298,894	–	298,894
	22,536,973	4,205,130	26,742,103	22,312,341	3,199,240	25,511,581
	31,982,111	(3,787,130)	28,194,981	37,452,212	(268,063)	37,184,149
CAPITAL AND RESERVES						
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Reserves	17,250,900	(3,787,130)	13,463,770	19,773,344	(268,063)	19,505,281
Equity attributable to owners of the Company	21,594,015	(3,787,130)	17,806,885	24,116,459	(268,063)	23,848,396
Non-controlling interests	10,388,096	–	10,388,096	13,335,753	–	13,335,753
	31,982,111	(3,787,130)	28,194,981	37,452,212	(268,063)	37,184,149

The impact of the above-mentioned merger accounting restatement in respect of the Group's acquisition of 100% equity interest in LongLiLiLong on owners' interest as at January 1, 2020 and December 31, 2020 were as follows:

	As at January 1, 2020 Rmb'000 (Audited and originally stated)	Merger accounting restatement Rmb'000	As at January 1, 2020 Rmb'000 (Unaudited and restated)	As at December 31, 2020 Rmb'000 (Audited and originally stated)	Merger accounting restatement Rmb'000	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Share premium	3,355,621	–	3,355,621	3,355,621	–	3,355,621
Statutory reserve	5,339,429	–	5,339,429	5,392,584	–	5,392,584
Capital reserve	1,712	–	1,712	1,712	–	1,712
Investment revaluation reserve	–	–	–	(24,160)	–	(24,160)
Share of differences arising on translation	1,652	–	1,652	509	–	509
Special reserves	(807,227)	4,060,657	3,253,430	284,982	8,160,657	8,445,639
Dividend reserve	1,541,806	–	1,541,806	1,541,806	–	1,541,806
Retained profits	7,817,907	(7,847,787)	(29,880)	9,220,290	(8,428,720)	791,570
Non-controlling interests	10,388,096	–	10,388,096	13,335,753	–	13,335,753
Total	31,982,111	(3,787,130)	28,194,981	37,452,212	(268,063)	37,184,149

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concession
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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

For the six months ended June 30, 2021 (Unaudited)

	Toll Road operation *Rmb'000*	**Securities operation** *Rmb'000*	**Others** *Rmb'000*	**Total** *Rmb'000*
Revenue – external customers	4,660,042	2,937,124	99,399	7,696,565
Segment profit	1,837,145	907,715	417,019	3,161,879

For the six months ended June 30, 2020 (Unaudited and restated)

	Toll Road operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Revenue – external customers	1,927,854	2,091,908	82,481	4,102,243
Segment (loss) profit	(482,346)	660,437	341,990	520,081

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

Revenue from major services

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

	For the six months ended June 30,	
	2021	2020
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Toll road operation revenue	**4,660,042**	1,927,854
Commission and fee income from securities operation	**1,936,338**	1,295,059
Interest income from securities operation	**1,000,786**	796,849
Hotel and catering revenue	**59,671**	41,559
Construction revenue	**39,728**	40,922
Total	**7,696,565**	4,102,243

5. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30, 2021 *Rmb'000* (Unaudited)	2020 *Rmb'000* (Unaudited and restated)
Interest income on bank balances	**49,671**	19,131
Rental income	**44,002**	26,991
Gain on change in fair value in respect of the derivative component of Convertible Bonds	**11,164**	200,177
Exchange gain (loss), net	**122,011**	(58,964)
Gain (loss) on commodity trading, net	**24,389**	(58,450)
Management fee income	**4,513**	17,136
Subsidies	**99,077**	161,614
Others	**69,880**	32,485
Total	**424,707**	340,120

6. INCOME TAX EXPENSE

	For the six months ended June 30, 2021 *Rmb'000* (Unaudited)	2020 *Rmb'000* (Unaudited and restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,150,805**	354,466
Deferred tax	**(246,331)**	(74,221)
	904,474	280,245

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

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

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 six months ended June 30,	
	2021	2020
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Profit for the Period attributable to owners of the Company	**2,513,676**	260,376
Earnings for the purpose of basic earnings per share	**2,513,676**	260,376
Effect of dilutive potential ordinary shares arising from convertible bonds	**(8,947)**	25,262
Earnings for the purpose of diluted earnings per share	**2,504,729**	285,638

Number of shares:

	For the six months ended June 30,	
	2021	2020
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic earnings per share	**4,343,115**	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bonds	**226,766**	162,749
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,569,881**	4,505,864

8. TRADE RECEIVABLES

	As at June 30, 2021	As at December 31, 2020
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Trade receivables:		
– contracts with customers	**465,232**	380,148
Less: Allowance for credit losses	**(6,278)**	(6,748)
	458,954	373,400
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	**10,545**	16,008
Third parties	**454,687**	364,140
Total trade receivables	**465,232**	380,148

The Group has no credit period granted to its trade customers of toll road operation business. The Group's trade receivable balance for toll road operation is toll receivables from the respective expressway fee settlement centres 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, Transportation Bureau of Jiaxing, 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 trade 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 June 30, 2021	As at December 31, 2020
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Within 3 months	**353,767**	321,065
3 months to 1 year	**96,720**	44,044
1 to 2 years	**3,851**	2,972
Over 2 years	**4,616**	5,319
Total	**458,954**	373,400

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 June 30, 2021 *Rmb'000* **(Unaudited)**	As at December 31, 2020 *Rmb'000* (Unaudited and restated)
Within 3 months	**414,279**	451,399
3 months to 1 year	**304,966**	136,682
1 to 2 years	**95,957**	177,206
2 to 3 years	**103,924**	51,029
Over 3 years	**256,304**	282,258
Total	**1,175,430**	1,098,574

10. CONVERTIBLE BONDS

Convertible Bond 2017

On April 21, 2017, the Company issued a zero coupon convertible bond 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").

As at June 30, 2021, the holders of Convertible Bond 2017 (the "Bondholders 2017") and the Company had exercised the redemption rights, and Convertible Bond 2017 with principal amounts of Euro364,900,000 and Euro100,000 had been redeemed respectively. The remaining balance of the Convertible Bond 2017 was nil.

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 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.

(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 components (including conversion right and redemption options) 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 as of June 30, 2021 and December 31, 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*
On January 1, 2020 (Audited)	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)
On December 31, 2020 (Audited)	96	762	1	4	97	766
Interest charge	**4**	**41**	**–**	**–**	**4**	**41**
Exchange realignment	**–**	**(30)**	**–**	**–**	**–**	**(30)**
Redemption	**(100)**	**(773)**	**(1)**	**(4)**	**(101)**	**(777)**
On June 30, 2021 (Unaudited)	**–**	**–**	**–**	**–**	**–**	**–**

Convertible Bond 2021

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

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

(1) Conversion right

The Convertible Bond 2021 will, at the option of the holder (the "Bondholders 2021"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2021") of HK$8.83 per H share and a fixed exchange rate of HK$9.5145 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at June 30, 2021, the latest conversion price was HK$8.32 per H share.

(2) Redemption

(i) Redemption at maturity

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

(ii) Redemption at the option of the Company

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

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

(b) if at any time the aggregate principal amount of the Convertible Bond 2021 outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) Redemption at the option of the Bondholders 2021

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

The Convertible Bond 2021 comprises two components:

(a) Debt component was initially measured at fair value amounted to approximately Euro183,297,000 (equivalent to Rmb1,443,009,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.74%.

(b) Derivative component comprises conversion right of the Bondholders 2021, redemption option of the Company, and redemption option of the Bondholders 2021.

Transaction costs totalling Rmb8,427,000 that relate to the issue of the Convertible Bond 2021 are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro217,000 (equivalent to Rmb1,711,000) relating to the derivative component were charged to profit or loss during the period. Transaction costs amounting to approximately Euro853,000 (equivalent to Rmb6,716,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2021 using the effective interest method.

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

The movement of the debt and derivative components of the Convertible Bond 2021 as of June 30, 2021 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*
On date of issue	183,297	1,443,009	46,703	367,666	230,000	1,810,675
Issue cost	(853)	(6,716)	–	–	(853)	(6,716)
Exchange realignment	–	(33,990)	–	–	–	(33,990)
Interest charge	3,605	27,705	–	–	3,605	27,705
Gain on change in fair value	–	–	(320)	(11,160)	(320)	(11,160)
On June 30, 2021 (Unaudited)	186,049	1,430,008	46,383	356,506	232,432	1,786,514

BUSINESS REVIEW

In the first half of 2021, the global novel coronavirus ("Covid-19") epidemic eased and economies gradually recovered as pace of vaccination accelerated. However, the unbalanced distribution of vaccines and the resurgence of the epidemic in some regions created divergences in the global recovery. In China, the government continued to successfully contain the epidemic and support economic and social development. As a result, the Chinese economy showed a steady recovery with a solid and sound growth momentum. China's GDP grew 12.7% year-on-year for the first half of the year. Zhejiang Province's GDP rose by 13.4% year-on-year during the Period, which was higher than the national average, mainly due to the rapid development of industrial output, fixed asset investment and trading.

During the Period, toll revenue of the Group's expressways recorded significant year-over-year growth due to the low base in the same period in 2020. Revenue from the securities business recorded stable growth, benefiting from the positive momentum in the domestic capital markets. During the Period, total revenue of the Group was Rmb7,696.57 million, representing an increase of 87.6% year-on-year, of which Rmb4,660.04 million was generated by the nine major expressways operated by the Group, representing an increase of 141.7% year-on-year and 60.5% of total revenue. Revenue generated by the securities business was Rmb2,937.12 million, representing an increase of 40.4% year-on-year and 38.2% of the total revenue.

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

	For the six months ended June 30,		
	2021	2020	
	Rmb'000	*Rmb'000*	
		(Restated)	% Change
Toll road operation revenue			
Shanghai-Hangzhou-Ningbo Expressway	**2,109,816**	898,328	134.9%
Shangsan Expressway	**605,764**	270,782	123.7%
Jinhua section, Ningbo-Jinhua Expressway	**262,885**	106,387	147.1%
Hanghui Expressway	**313,449**	136,331	129.9%
Huihang Expressway	**79,278**	34,950	126.8%
Shenjiahuhang Expressway	**378,595**	142,171	166.3%
Zhoushan Bay Bridge	**461,782**	184,497	150.3%
LongLiLiLong Expressways	**362,514**	154,408	134.8%
Zhajiasu Expressway	**85,959**	–	Not applicable
Securities business revenue			
Commission and fee income	**1,936,338**	1,295,059	49.5%
Interest income	**1,000,786**	796,849	25.6%
Other operation revenue			
Hotel and catering	**59,671**	41,559	43.6%
Construction	**39,728**	40,922	–2.9%
Total revenue	**7,696,565**	4,102,243	87.6%

Toll Road Operations

During the Period, toll revenue of the Group's expressways recorded significant growth, mainly due to the low base of comparison because of the Covid-19 epidemic and subsequent toll-free policy in the same period of 2020. Given the low comparability of figures in the same period of 2020, when compared to the same period in 2019 instead, the Group's toll revenue continued to show steady growth during the Period.

During the Period, traffic volume on the Group's expressways recorded stable growth, but as the expressways are located in different regions, the rate of growth varied.

In particular, the Zhejiang Government approved requests by local governments offering to pay tolls for small passenger vehicles with ETC registrations travelling on the Group's Yuhang, Jiaxing and Jiashan Sections of Shanghai-Hangzhou Expressway, the Yiwu and Jindong District Sections of Ningbo-Jinhua Expressway, the Yuhang and Lin'an Sections of Hanghui Expressway, the Huzhou Section of Shenjiahuhang Expressway, and the Jiaxing Section of Zhajiasu Expressway to be extended to December 31, 2022, which benefited the growth in traffic volume on these sections. Meanwhile, the Ningbo-Jinhua Expressway and the Zhoushan Bay Bridge benefited from the development of foreign trade in nearby regions, and the Huzhou Section of Shenjiahuhang Expressway benefited from the cancellation of traffic control for HangNing Expressway due to its completion of a widening project. As a result, truck traffic on these expressways increased significantly.

During the 2021 Spring Festival, the Chinese government encouraged people to celebrate the festival in situ in an effort to control the epidemic. As a result, the growth in traffic volume slowed on the Shangsan Expressway, Hanghui Expressway, Huihang Expressway and LongLiLiLong Expressways, which normally experienced heavy traffic during the holiday. Semi-trailer trucks were forbidden to travel on the Hangzhou Ring Expressway from January 28, 2021 to October 30, 2022, and the differentiated expressway toll policy was implemented for the Qianjiang Tunnel from February 9, 2021 to July 8, 2021, all of which caused relatively slow growth in traffic volume of semi-trailer truck on the Shanghai-Hangzhou-Ningbo Expressway.

In addition, certain sections of the Group's expressways were impacted by traffic diversions from neighboring road networks. The Shaoxing to Xinchang Section and the Taizhou Section of the Hangzhou-Shaoxing-Taizhou Expressway opened on July 10, 2020, and December 22, 2020, respectively, which negatively impacted the traffic volume on the Shangsan Expressway. In addition, the West Parallel of the Hangzhou Ring Expressway opened on December 22, 2020, which negatively impacted the traffic volume on the Shenjiahuhang Expressway.

Looking back at the first half of 2021, the Group's core toll road business maintained robust development. The successful acquisition of a 55% controlling interest in Jiaxing Zhajiasu Expressway Co., Ltd. in May, 2021 further expanded the scale of the Group's core business. In June 2021, the Hanghui Expressway public REITs was successfully listed on the Shanghai Stock Exchange, which should improve assets liquidity and expand financing options.

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, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways and the 50km Zhajiasu Expressway was Rmb4,660.04 million.

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

The Group's Expressways	**Traffic Volume**		**Toll Revenue**	
	Average Traffic Volume *(Full-Trip Equivalents)*	**Year-on-year Growth**	**Toll Revenue** *(Rmb million)*	**Year-on-year Growth**
Shanghai-Hangzhou-Ningbo Expressway	74,314	10.20%	2,109.82	134.9%
– Shanghai-Hangzhou Section	71,273	6.08%		
– Hangzhou-Ningbo Section	76,534	13.19%		
Shangsan Expressway	34,511	–6.97%	605.76	123.7%
Jinhua Section, Ningbo-Jinhua Expressway	30,680	8.60%	262.88	147.1%
Hanghui Expressway	24,608	1.99%	313.45	129.9%
Huihang Expressway	10,237	5.94%	79.28	126.8%
Shenjiahuhang Expressway	34,577	12.42%	378.60	166.3%
Zhoushan Bay Bridge	22,388	27.02%	461.78	150.3%
LongLiLiLong Expressways	14,220	6.96%	362.51	134.8%
Zhajiasu Expressway	38,176	15.68%	85.96	Not applicable

Note:

1. Traffic volume during the same period in 2020 included traffic volume through the toll-free period (from February 17, 2020 to May 5, 2020).

2. Traffic volume and toll revenue of Zhajiasu Expressway referred to the figures from May to June 2021.

Securities Business

During the Period, the domestic capital markets maintained a solid development momentum, with the trading volumes of equities and funds both increasing year-on-year. Zheshang Securities took advantage of market opportunities to optimize the use of capital, strengthen expense management and improve its core competencies. During the Period, Zheshang Securities recorded favorable results, among which, brokerage, investment banking, as well as securities margin trading were the major driving forces for growth.

During the Period, Zheshang Securities recorded total revenue of Rmb2,937.12 million, an increase of 40.4% year-on-year, of which, commission and fee income increased 49.5% year-on-year to Rmb1,936.34 million, and interest income from the securities business was Rmb1,000.79 million, an increase of 25.6% year-on-year. During the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb812.37 million, a decrease of 21.5% year-on-year.

Other Business Operations

During the Period, other business revenue was mainly derived from hotel operations and road construction. As the epidemic was effectively controlled in China, the Group's hotel operations gradually returned to normal.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb35.76 million for the Period, an increase of 45.2% year-on-year. Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb23.91 million for the Period, an increase of 41.3% year-on-year.

Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company), recorded road construction revenue of Rmb39.73 million for the Period.

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 27,894, representing an increase of 16.6% year-on-year. Toll revenue was Rmb250.95 million, representing an increase of 145.8% year-on-year. During the Period, the joint venture recorded a net profit of Rmb73.20 million (same period in 2020: net loss of Rmb50.58 million).

Zhejiang HangNing Expressway Co., Ltd. (a 30% owned associate of the Company) operates the 99km HangNing Expressway. From February to June 2021, the associate recorded a net profit of Rmb258.90 million.

Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company) derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb537.97 million, representing an increase of 129.9% year-on-year.

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the finance leasing business, which includes 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 Rmb231.84 million, representing an increase of 7.8% year-on-year.

Shanghai Rural Commercial Bank Co., Ltd. (an associate of the Company which had disclosed in its listing announcement on August 18, 2021, the equity stake of which was subsequently diluted from 5.36% to 4.83% after an initial public offering of shares by the associate company, refer to the industrial and commercial registration for exact details) is primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb5,296.66 million, representing an increase of 16.5% year-on-year.

FINANCIAL ANALYSIS

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

During the Period, profit attributable to owners of the Company was approximately Rmb2,513.68 million, representing an increase of 865.4% year-on-year, basic earnings per share was Rmb57.88 cents, representing an increase of 865.4% year-on-year, diluted earnings per share was Rmb54.81 cents, representing an increase of 813.5% year-on-year, and return on owners' equity was 10.1%, representing an increase of 531.3% year-on-year.

Liquidity and financial resources

As at June 30, 2021, current assets of the Group amounted to Rmb115,753.36 million in aggregate (December 31, 2020 (restated): Rmb91,652.15 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 14.1% (December 31, 2020 (restated): 9.8%), bank balances and clearing settlement fund held on behalf of customers accounted for 28.5% (December 31, 2020 (restated): 29.6%), financial assets at FVTPL accounted for 32.5% (December 31, 2020 (restated): 31.8%) and loans to customers arising from margin financing business accounted for 14.2% (December 31, 2020 (restated): 16.4%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2021 was 1.3 (December 31, 2020 (restated): 1.3). 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 1.5 (December 31, 2020 (restated): 1.4).

The amount of financial assets at FVTPL included in current assets of the Group as at June 30, 2021 was Rmb37,629.97 million (December 31, 2020: Rmb29,158.09 million), of which 78.7% was invested in bonds, 2.8% was invested in stocks, 10.7% 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 Rmb1,524.68 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

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

Borrowings and solvency

As at June 30, 2021, total liabilities of the Group amounted to Rmb121,032.09 million (December 31, 2020 (restated): Rmb98,500.70 million), of which 18.5% was bank and other borrowings, 4.2% was short-term financing note, 18.4% was bonds payable, 1.5% was convertible bonds, 15.2% was financial assets sold under repurchase agreements and 27.8% was accounts payable to customers arising from securities business.

As at June 30, 2021, total interest-bearing borrowings of the Group amounted to Rmb51,604.02 million, representing an increase of 11.3% compared to that as at December 31, 2020. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb15,787.29 million, balances of an international commercial bank loan, denominated in Euro that equivalents to Rmb1,003.59 million, borrowings from a domestic financial institution of Rmb5,590.44 million, beneficial certificates of Rmb1,107.54 million, short-term financing note of Rmb4,014.52 million, mid-term notes of Rmb3,064.01 million, subordinated bonds of Rmb12,789.44 million, corporate bonds of Rmb5,582.43 million, asset backed securities of Rmb878.25 million, and convertible bond denominated in Euro that equivalents to Rmb1,786.51 million. Of the interest-bearing borrowings, 55.6% was not payable within one year.

As at June 30, 2021, the Group's borrowings from domestic commercial banks bore annual floating interest rates ranged from 3.6% to 4.7%, annual fixed interest rates ranged from 3.6% to 5.3%, borrowings from an international commercial bank bore an annual floating interest rate of 0.8%. Borrowings from a domestic financial institution bore an annual floating interest rate of 4.21%, annual fixed interest rates ranged from 3.6% to 4.34%. As at June 30, 2021, the annual fixed interest rates of beneficial certificates ranged from 3.2% to 3.5%, the annual floating interest rates of beneficial certificates ranged from 3.2% to 19%. The annual fixed interest rates for short-term financing notes ranged from 2.44% to 2.68%. The annual fixed interest rate for a mid-term note were 3.64% and 3.86%. The annual fixed annual interest rates for subordinated bonds ranged from 3.5% to 5.28%. The annual fixed interest rate for corporate bond ranged from 3.48% to 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 Rmb993.06 million and Rmb5,059.41 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.1 (Corresponding period of 2020 (restated): 1.7 times).

As at June 30, 2021, the asset-liability ratio (total liabilities over total assets) of the Group was 74.5% (December 31, 2020 (restated): 72.6%). 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 67.4% (December 31, 2020 (restated): 65.8%).

Capital structure

As at June 30, 2021, the Group had Rmb41,493.82 million in total equity, Rmb92,831.91 million in fixed-rate liabilities, Rmb11,650.03 million in floating-rate liabilities, and Rmb16,550.15 million in interest-free liabilities, representing 25.5%, 57.1%, 7.2% and 10.2% 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 210.5% as at June 30, 2021 (December 31, 2020 (restated): 192.1%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb964.36 million. Amongst the total capital expenditure, Rmb771.65 million was incurred for acquiring equity investments, Rmb141.23 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb51.48 million was incurred for purchase and construction of equipment and facilities.

As at June 30, 2021, the remaining capital expenditure committed by the Group amounted to Rmb2,818.65 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb1,245.00 million will be used for acquiring equity investments, Rmb229.21 million will be used for acquisition and construction of properties and ancillary facilities, Rmb1,344.44 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 Rmb2.20 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb105.00 million of the bank loans had been repaid. As at June 30, 2021, the remaining bank loan balance was Rmb978.00 million.

Zhejiang Shenjiahuhang Expressway Co., Ltd and Zhejiang Zhoushan Bay Bridge Co., Ltd, the subsidiaries of the Company, pledged their rights of toll on expressway for their bank borrowing, as at June 30, 2021, the remaining bank loan balance was Rmb1,740.61 million and Rmb6,238.75 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 June 30, 2021, the remaining bank loan balance was Rmb577.65 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 June 30, 2021, the remaining balance was Rmb1,239.43 million.

LongLiLiLong, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, as at June 30, 2021, the remaining bank loan balance was Rmb3,097.61 million.

Zhajiasu, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, as at June 30, 2021, the remaining bank loan balance was Rmb1,990.89 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 June 30, 2021, 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) the short term international commercial bank borrowing in April 2021 with a principal amount of Euro130 million, 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

For the second half of 2021, the global economy is expected to continue recovering. However, the epidemic is constantly evolving, and the spread of the highly-infective delta variant is bringing more uncertainties to the global economic recovery. In face of such a challenging and complicated external environment, the Chinese government will continue to deepen structural supply side reforms, focus on unleashing potential domestic demand, and optimize the business environment for core markets, which should help the domestic economy to maintain a stable recovery. The growth in overall traffic volume and toll revenue on the Group's expressways are expected to remain stable in the second half of 2021.

The Group will maintain focus on its core business and strive to build a renowned brand for expressway operations and services in China. The Company will continue to push the construction of intelligent expressways with an aim of "safe, fast, intelligent, environmentally-friendly and market-oriented" development, improve the environment for safe operation and strengthen the ability to ensure safe and smooth traffic flow. The Company will also strive to optimize its preventive and differentiated maintenance strategy, improve the technology for expressway maintenance, as well as to deepen its operational philosophy and promotion in branding in order to constantly enhance its brand influence.

The Chinese government is expected to continue to open-up and deepen capital market reforms, and steadily move towards a registration-based IPO system. However, the regulatory environment will likely become increasingly strict. The securities business will face new opportunities and challenges. Zheshang Securities will take advantage of market opportunities, place greater focus on building project reserves, and steadily expand the scale of its investment banking business. In addition, Zheshang Securities will enhance the synergies and coordination between its business segments to improve asset allocation capability, and optimize and adjust its business structure to progressively increase market share.

Amid the complex and rapidly-changing economic situation at home and abroad, the Group will leverage the advantages of its resources, constantly enhance the core toll road business, and optimize the securities business. The management will actively study the dynamics of the current industry development, seize investment opportunities for high quality transport infrastructure resources, and expand the scale of its core business through multiple channels and multiple models. Meanwhile, the management will seek innovative capital funding models, and actively explore expansion opportunities into related industries while managing risk in order to accelerate high-quality and sustainable development.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

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

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

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 during the Period.

PUBLICATION OF FINANCIAL INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zjec.com.cn). The interim report of the Company for the six months ended 30 June 2021 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, August 19, 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 Mr. YUAN Yingjie; the other non-executive Directors of the Company are: Mr. JIN Chaoyang, 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.