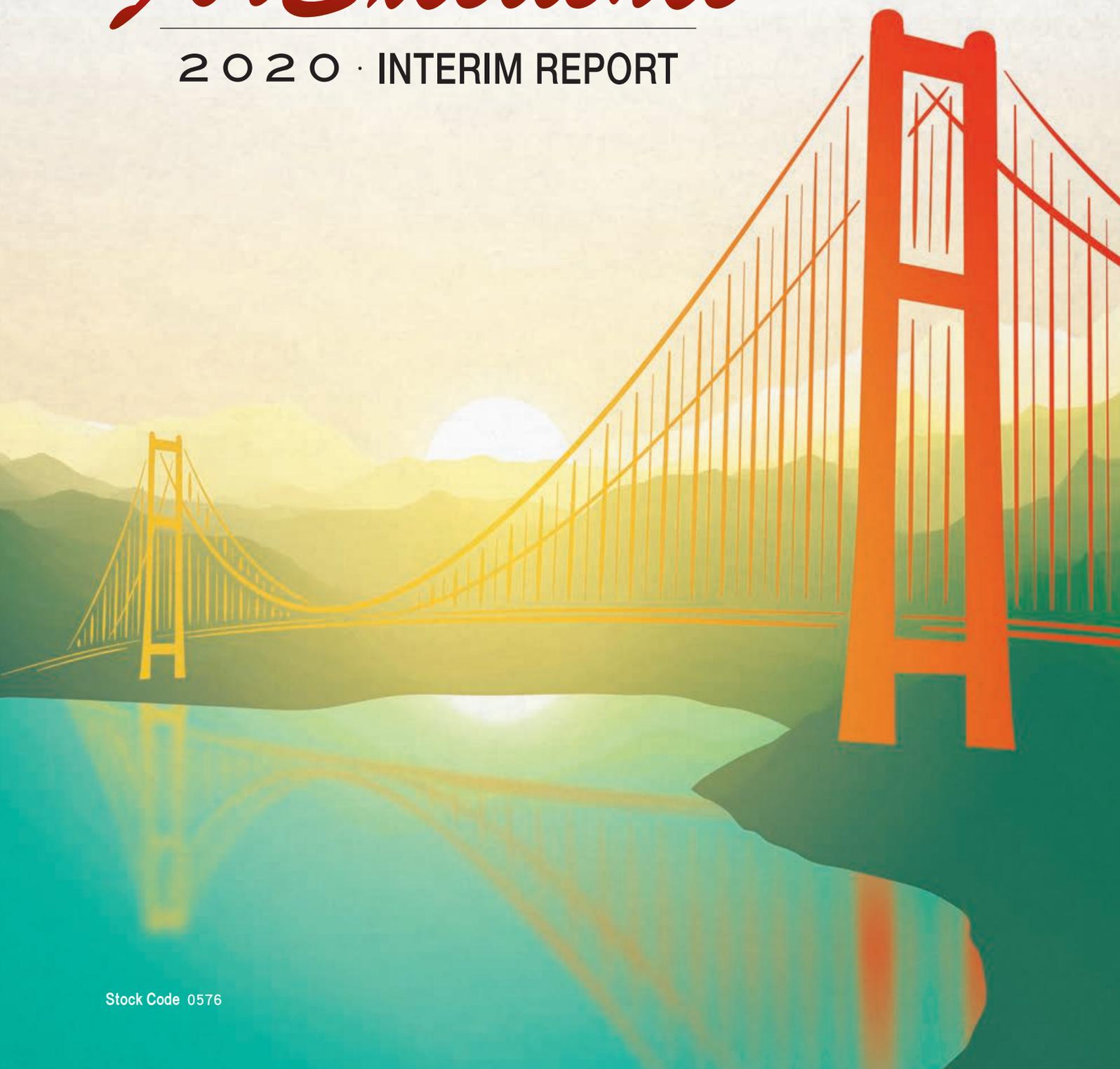


Striving For Excellence

2020 · INTERIM REPORT



Actively Promoting Development of Intelligent Expressways and Continuing to Improve Core Value of Securities Business

In the first half of 2020, the Company effectively coped with the severe situation caused by the Covid-19 epidemic and made steady strides in the operations and development of the Company. With the aim of building a renowned brand for expressway operations and services, the Company actively encouraged the development of intelligent expressways and made initial success by leveraging technology to improve overall operational efficiency. At the same time, the Company strived to refine its service processes and systems, focused on high-quality development and explored market-oriented merger and acquisition opportunities for its core toll road business in order to continuously improve its core competitiveness.

In addition, Zheshang Securities, a subsidiary of the Company, continued to advance towards its goal of becoming a top-tier securities company in China by proactively establishing distinctive business features and differentiated competitive advantages, and continuously enhancing its capabilities in governance, management and control in an effort to elevate its influence within the industry.

The image on the cover is Xihoumen Bridge, which is an important section of Zhoushan Bay Bridge and was awarded the Outstanding Project Award of the year 2015 by FIDIC (International Federation of Consulting Engineers).



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Definition of Terms

Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
China Merchants	China Merchants Expressway Network & Technology Holdings Co Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a wholly State-owned enterprise established in the PRC, on December 29, 2001 and the controlling shareholder of the Company
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
De'an Co	Deqing County De'an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), a 80.1% owned subsidiary of the Company, which is established with Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司) for PPP Project in Deqing County
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company
Huihang Co	Huangshan Yangtze Huihang Expressway Co., Ltd (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd. (浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd. (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company

Definition of Terms

Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Period	the period from January 1, 2020 to June 30, 2020
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a joint stock limited company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants, respectively
Shareholders	the shareholders of the Company
Shengxin Co	Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company
Shenjiahuhang Co	Zhejiang Shenjiahuhang Expressway Co., Ltd. (浙江申嘉湖杭高速公路有限公司), a wholly-owned subsidiary of the Company
SRCB	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) a 5.36% owned associate of the Company
Yangtze Financial Leasing	Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司), a 10.61% owned associate of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd. (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
Zhejiang Communications Finance	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a 20.08% owned associate of the Company
Zhejiang Grand Hotel	Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company
Zhejiang International Hong Kong	Zhejiang Expressway International (Hong Kong) Co., Ltd. (浙江滬杭甬國際(香港)有限公司), a wholly-owned subsidiary of the Company
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 58.7936% owned subsidiary of the Shangsan Co
Zhoushan Co	Zhejiang Zhoushan Bay Bridge Co., Ltd. (浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co

2020 Interim Results

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2020 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb3,947.84 million, representing a year-on-year decrease of 31.0%. Profit attributable to owners of the Company was Rmb687.10 million, representing a year-on-year decrease of 65.3%. Basic earnings per share for the Period was Rmb15.82 cents, representing a year-on-year decrease of 65.3%. Diluted earnings per share for the Period was Rmb15.82 cents, representing a year-on-year decrease of 64.4%.

The Directors do not recommend the payment of an interim dividend for 2020.

The interim report of the Group for the six months ended June 30, 2020 has not been audited or reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company.

Business Review

In the first half of 2020, the global economy experienced a downturn due to the novel coronavirus (“Covid-19”) epidemic. China’s GDP dropped 6.8% year-on-year in the first quarter. With the effective containment of the epidemic in China and the resumption of work, production, commercial and market activities, China’s economy gradually started to recover, which helped GDP rise by 3.2% year-on-year in the second quarter. As a result, China’s GDP dropped only 1.6% year-on-year for the first half of the year. During the Period, industrial output, service sector output, fixed asset investment and online retail sales in Zhejiang Province increased by 0.3%, 2.5%, 3.8% and 9.8% year-on-year, respectively, which drove a rapid rebound in the Province’s overall economy, with GDP rising 0.5% year-on-year.

During the Period, toll revenue of the Group’s expressways decreased significantly due to the Covid-19 epidemic and the toll-free policy during the epidemic. The securities business recorded a relatively high increase in revenue, benefiting from reforms in the domestic capital markets, and helped to effectively mitigate the decline in the toll road sector. During the Period, total revenue of the Group was Rmb3,947.84 million, representing a decrease of 31.0% year-on-year, of which Rmb1,773.45 million was generated by the seven major expressways operated by the Group, representing a decrease of 54.3% year-on-year and 44.9% of total revenue. Revenue generated by the securities business was Rmb2,091.91 million, representing an increase of 27.5% year-on-year and 53.0% of the total revenue.

Business Review

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

	For the six months ended June 30,		
	2020 Rmb'000	2019 Rmb'000	% Change
Toll road operation revenue			
Shanghai-Hangzhou-Ningbo Expressway	898,328	1,997,255	-55.0%
Shangsan Expressway	270,782	585,824	-53.8%
Jinhua section, Ningbo-Jinhua Expressway	106,387	204,034	-47.9%
Hanghui Expressway	136,331	287,703	-52.6%
Huihang Expressway	34,950	76,652	-54.4%
Shenjiahuhang Expressway	142,171	330,300	-57.0%
Zhoushan Bay Bridge	184,497	400,576	-53.9%
Securities business revenue			
Commission and fee income	1,295,059	853,765	51.7%
Interest income	796,849	787,455	1.2%
Other operation revenue			
Hotel and catering	41,559	80,085	-48.1%
Construction	40,922	118,452	-65.5%
Total revenue	3,947,835	5,722,101	-31.0%

Business Review

Toll Road Operations

During the Period, affected by the Covid-19 epidemic, the toll-free policy and other policy adjustments, organic growth in traffic volume on the Group's expressways slowed, and toll revenue decreased significantly year-on-year.

In response to the epidemic, 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 addition, the Ministry of Transport of the People's Republic of China announced a toll-free policy that would extend the Spring Festival toll-free period for small passenger vehicles to February 8, 2020 (originally from January 24, 2020 to January 30, 2020), and for all vehicles from February 17, 2020 to May 5, 2020. The epidemic and toll-free policy have significantly impacted the Group's toll revenue during the Period.

At the same time, other policy adjustments also caused varied levels of adverse impacts on toll revenue. Among which, from February 12, 2020 to August 5, 2020, Zhejiang Province expanded the beneficiaries of a 15% discount on tolls on a trial basis when travelling on state-owned expressways in Zhejiang Province 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 are offering a 35% discount on tolls for all container trucks in compliance with international standards, and stopped charging entrance fees.

Business Review

Furthermore, traffic volume on certain sections of the Group's expressways in different regions encountered traffic diversions caused by neighboring roadways and other negative factors. The construction work to repurpose the Hangzhou City section of the Shanghai-Hangzhou-Ningbo Expressway is in progress, as part of the auxiliary project ahead of the Hangzhou 2022 Asian Games. Since May 10, 2020, the road from Desheng to Hongken has been closed for construction, which negatively affected traffic volume on the Shanghai-Hangzhou-Ningbo Expressway. In addition, Subway Line 16 in Hangzhou opened on April 23, 2020, which negatively impacted traffic volume on the Hanghui Expressway. The opening of a north connection road for the Hangzhou Bay Bridge on January 1, 2020 significantly impacted traffic volume on the Shenjiahuhang Expressway. The opening of the Zhoushan Fuchimen Bridge on September 29, 2019 also adversely impacted traffic volume on the Zhoushan Bay Bridge. During the Period, as the tourism industry had yet to fully recover from the epidemic, traffic volume experienced greater impact on the Huihang Expressway and Zhoushan Bay Bridge, which normally benefits from nearby tourism.

Although the abovementioned factors caused a major shock to the Group's toll road operations in the short term, as the epidemic was contained in China, toll collections resumed on May 6, 2020, and toll road operations gradually stabilized. Toll revenue of the Group recorded a year-on-year increase since the resumption of toll collections. At the same time, government subsidies partially offset the decrease in toll revenue during the Period.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsang Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway and the 46km Zhoushan Bay Bridge was Rmb1,773.45 million.

Business Review

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	62,721	3.27%	898.33	-55.0%
-Shanghai-Hangzhou Section	61,154	0.53%		
-Hangzhou-Ningbo Section	63,853	5.25%		
Shangsan Expressway	33,639	12.34%	270.78	-53.8%
Jinhua Section, Ningbo-Jinhua Expressway	24,718	6.57%	106.39	-47.9%
Hanghui Expressway	22,792	4.35%	136.33	-52.6%
Huihang Expressway	10,237	10.85%	34.95	-54.4%
Shenjiahuhang Expressway	27,370	-5.07%	142.17	-57.0%
Zhoushan Bay Bridge	16,947	-15.74%	184.50	-53.9%

Note: The traffic volume during the Period listed above did not include the traffic volume during the toll-free period (from February 17, 2020 to May 5, 2020), but included toll-free vehicles such as trucks carrying fresh produce.

Business Review

Securities Business

During the Period, average daily trading volume on the Shanghai and Shenzhen stock markets increased by a total of 29.8% year-on-year. Despite periodic volatility due to the Covid-19 shock, the domestic capital markets started to stabilize and rebound after a variety of policy changes, such as the implementation of a registration-based IPO system and new refinancing regulations for listed companies. Zheshang Securities took advantage of market opportunities to optimize its business structure and improve the core competencies of its key businesses. During the Period, Zheshang Securities recorded favorable results, among which, securities investment, 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 Rmb2,091.91 million, an increase of 27.5% year-on-year, of which, commission and fee income increased 51.7% year-on-year to Rmb1,295.06 million, and interest income from the securities business was Rmb796.85 million, an increase of 1.2% 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 Rmb1,034.71 million, an increase of 69.8% year-on-year.

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.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb24.63 million for the Period. Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb16.93 million for the Period.

Business Review

Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company), recorded road construction revenue of Rmb40.92 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 Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 20,896 (excluding the traffic volume during the toll-free period from February 17, 2020 to May 5, 2020), representing an increase of 0.78% year-on-year. Toll revenue was Rmb102.07 million, representing a decrease of 49.9% year-on-year. During the Period, the joint venture recorded a net loss of Rmb50.58 million, due to the adverse impact of the Covid-19 epidemic and the toll-free policy.

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 Rmb234.03 million, representing an increase of 9.1% 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 Rmb215.06 million, representing an increase of 58.7% year-on-year.

Shanghai Rural Commercial Bank Co., Ltd. (a 5.36% owned associate of the Company) is primarily engaged in 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 results announcement, this associate has not announced its 2020 interim 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 Rmb687.10 million, representing a decrease of 65.3% over the corresponding period of 2019, basic earnings per share for the Company was Rmb15.82 cents, representing a decrease of 65.3% year-on-year, diluted earnings per share for the Company was Rmb15.82 cents, representing a decrease of 64.4%, and return on owners' equity was 3.3%, representing a decrease of 67.0% year-on-year.

Liquidity and financial resources

As at June 30, 2020, current assets of the Group amounted to Rmb80,917.73 million in aggregate (December 31, 2019: Rmb68,703.77 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 9.2% (December 31, 2019: 12.2%), bank balances and clearing settlement fund held on behalf of customers accounted for 30.3% (December 31, 2019: 29.3%), financial assets at FVTPL accounted for 38.2% (December 31, 2019: 32.4%) and loans to customers arising from margin financing business accounted for 13.8% (December 31, 2019: 12.7%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2020 was 1.40(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 1.70(December 31, 2019: 1.60).

The amount of financial assets at FVTPL included in current assets of the Group as at June 30, 2020 was Rmb30,872.15 million (December 31, 2019: Rmb22,235.48 million), of which 77.9% was invested in bonds, 4.0% was invested in stocks, 11.9% was invested in equity funds, and the rest were invested in structured products and trust products.

Financial Analysis

During the Period, net cash from the Group's operating activities amounted to Rmb1,304.79 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, 2020, total liabilities of the Group amounted to Rmb84,674.72 million (December 31, 2019: Rmb72,594.84 million), of which 15.6% was bank and other borrowings, 7.3% was short-term financing note, 18.0% was bonds payable, 3.6% was convertible bonds, 19.1% was financial assets sold under repurchase agreements and 28.7% was accounts payable to customers arising from securities business.

As at June 30, 2020, total interest-bearing borrowings of the Group amounted to Rmb37,684.98 million, representing a decrease of 1.4% compared to that as at December 31, 2019. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb5,058.02 million, balances of an international commercial bank loan, denominated in Euro that equivalents to Rmb2,909.93 million, borrowings from a domestic financial institution of Rmb5,202.80 million, borrowings from a domestic institution of Rmb61.39 million, beneficial certificates of Rmb1,111.40 million, short-term financing note of Rmb5,110.73 million, mid-term notes of Rmb3,064.01 million, subordinated bonds of Rmb7,636.40 million, corporate bonds of Rmb3,574.21 million, asset backed securities of Rmb925.64 million, convertible bond denominated in Rmb of Rmb3,029.70 million, and convertible bond denominated in Euro that equivalents to Rmb0.75 million. Of the interest-bearing borrowings, 69.6% was not payable within one year.

Financial Analysis

	Gross amount Rmb'000	Maturity Profile		
		Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from domestic commercial banks	4,755,128	368,528	3,432,600	954,000
Borrowings from an international commercial bank	2,909,934	2,909,934	-	-
Borrowings from a domestic financial institution	2,717,146	613,146	-	2,104,000
Beneficial certificates	1,101,655	1,101,655	-	-
Fixed rates				
Borrowings from domestic commercial banks	302,890	302,890	-	-
Borrowings from a domestic financial institution	2,485,651	577,651	1,908,000	-
Borrowings from a domestic institution	61,390	61,390	-	-
Beneficial certificates	9,742	9,742	-	-
Short-term financing notes	5,110,729	5,110,729	-	-
Subordinated bonds	7,636,403	176,631	7,459,772	-
Corporate bonds	3,574,207	86,207	3,488,000	-
Mid-term notes	3,064,013	64,013	3,000,000	-
Asset backed securities	925,636	71,594	-	854,042
Convertible bonds	3,030,452	5,094	3,025,358	-
Total as at June 30,2020	37,684,976	11,459,204	22,313,730	3,912,042
Total as at December 31, 2019	38,206,725	16,205,855	15,812,078	6,188,792

Financial Analysis

As at June 30, 2020, the Group's borrowings from domestic commercial banks bore annual floating interest rates ranged from 4.21% to 4.9%, annual fixed interest rates ranged from 2.05% to 4.785%, borrowings from an international commercial bank bore an annual floating interest rate of 0.8%. Borrowings from a domestic financial institution bore annual floating interest rates ranged from 3.915% to 4.21%, annual fixed interest rates were 3.85% and 4.21%. Borrowings from a domestic institutions bore annual fixed interest rates of 3.0%. As at June 30, 2020, the annual fixed interest rates of beneficial certificates ranged from 2.25% to 3.0%, the annual floating interest rate of beneficial certificates ranged from 8.0% to 15.8%. The annual fixed interest rate for a short-term financing note ranged from 1.58% to 2.2%. 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 were 3.48% and 3.85%. The annual fixed interest rate for asset backed securities was 3.70%. The annual coupon rate for convertible bond denominated in Euro was nil, and the annual coupon rate for convertible bond denominated in Rmb was 0.5%. 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 Rmb968.25 million and Rmb2,194.27 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 2.3 (Corresponding period of 2019: 5.0) times.

As at June 30, 2020, the asset-liability ratio (total liabilities over total assets) of the Group was 73.1% (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 66.1% (December 31, 2019: 62.3%).

Financial Analysis

Capital structure

As at June 30, 2020, the Group had Rmb31,218.31 million in total equity, Rmb66,873.35 million in fixed-rate liabilities, Rmb11,483.86 million in floating-rate liabilities, and Rmb6,317.51 million in interest-free liabilities, representing 26.9%, 57.7%, 9.9% and 5.5% 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 193.4% as at June 30, 2020 (December 31, 2019: 164.4%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb226.81 million. Amongst the total capital expenditure, Rmb114.18 million was incurred for acquiring equity investments, Rmb10.82 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb101.81 million was incurred for purchase and construction of equipment and facilities.

As at June 30, 2020, the remaining capital expenditure committed by the Group amounted to Rmb1,826.76 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb1,106.90 million will be used for acquiring equity investments, Rmb143.04 million will be used for acquisition and construction of properties and ancillary facilities, Rmb576.82 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.

Financial Analysis

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, Rmb95.00 million of the bank loans had been repaid. As at June 30, 2020, the remaining bank loan balance was Rmb1,190.00 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, 2020, the remaining bank loan balance was Rmb1,379.21 million and Rmb3,048.50 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, 2020, the remaining bank loan balance was Rmb327.42 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, 2020, the remaining balance was Rmb1,300.03 million.

Among the Rmb2,013.00 million asset backed securities issued on September 23, 2019, the senior class securities of Rmb900.00 million will be secured by the Company.

Except for the above, as at June 30, 2020, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Financial Analysis

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.

Use of Proceeds from Convertible Bond

The Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365.00 million on April 21, 2017. After deducting cost of issue of approximately Euro2.1 million, the net proceeds from the issuance of the Convertible Bond (the "Net Proceeds") were approximately Euro362.90 million.

The amount of the Net Proceeds brought forward to the six months ended June 30, 2020 was approximately Euro13.21 million (including the unutilized Net Proceeds as at December 31, 2019 of approximately Euro6.17 million and the deposit interest thereon accrued of approximately Euro7.04 million). Detailed breakdown and description of the Net Proceeds utilized during the six months ended June 30, 2020 are set out below:

Usages of the Net Proceeds	Actual Net Proceeds as at January 1, 2020 (Euro) (million)	Amount of the Net Proceeds utilized for the six months ended June 30, 2020 (Euro) (million)	Deposit interest of the Net Proceeds for the six months ended June 30, 2020 (Euro) (million)	Unutilized Net Proceeds as at June 30, 2020 (Euro) (million)
Daily operating expenses	13.21	(13.37)	0.16	-

The Net Proceeds were used in line with the use of the Net Proceeds as disclosed previously.

Outlook

In the first half of 2020, China's economy experienced a short-term shock due to the Covid-19 epidemic. However, in the second half of 2020, driven by a new economic focus on the domestic front, production and supply will continue to recover and market demands will gradually rebound, which will help China's economy to recover and stabilize. Nevertheless, uncertainties remain in the recovery of China's economy due to the continuous spread of epidemic overseas and complicated external environment.

In the second half of 2020, induced by the toll-free policy and the discount policies for trucks with ETC registration during the epidemic, the traffic volume on the Group's expressways is expected to grow steadily. However, with the increasing number of vehicles with ETC registration, the adverse impact of the ETC discount policies will be further amplified, and toll revenue is expected to record modest growth.

Given that the implementation of the toll-free policy during the epidemic will negatively affect toll road operators, the Ministry of Transport of the People's Republic of China indicated that concessions for toll roads can be extended as compensation to the operators. In the second half of 2020, the Group will proactively coordinate with the relevant authorities of Zhejiang Province to obtain compensation.

In addition, while continuing to promote regular epidemic containment, the Group will also push through high-quality sustainable development of the Company. The Group will build a sound toll collection monitoring platform together with the new toll collection model to persistently improve operation and service levels. The Group will further optimize the mechanism to attract traffic and deepen the implementation of its "expressway + tourism" operation model, as well as to enhance the qualities of its technology-driven expressway management and maintenance, and the abilities to assure safe and smooth traffic flow. The Group will also accelerate the development of intelligent expressways, enhance its brand influence around intelligent expressways and continue to improve the core competitiveness of its core toll road business.

As capital market reforms in China constantly deepen and capital market ecosystem is gradually restructuring, the Group's securities business will encounter new opportunities and challenges. Zheshang Securities will actively study the current situation, fully take advantage of market opportunities – especially investment banking opportunities that arise from the registration-based IPO system – promote efficient resource allocation, and establish distinctive business features and differentiated competitive advantages, with the aim of continuously elevating its brand influence.

In face of the complicated economic situation at home and abroad, the Group will leverage its advantages in resources, progressively enhance its core toll road business, and optimize its securities business. The management team will continue to monitor changes in government policies and the external environment, and explore market-oriented merger and acquisition opportunities with manageable risks, in an effort to further enhance the effective use of capital, expand the core toll road business, and actively explore related businesses to promote high-quality sustainable development for the Company.

Disclosure of Interests and Other Matters

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

Save as disclosed in this report, neither the Company nor any of its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's listed securities during the Period.

DISCLOSURE OF DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2020, none of the Directors, supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

As at June 30, 2020, the following shareholders held 5% or more of the issued share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Zhejiang Communications Investment Group Co., Ltd.	Beneficial owner	2,909,260,000	100%

Disclosure of Interests and Other Matters

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
BlackRock, Inc.	Interest of controlled corporation	127,308,111 (L)	8.88%
Citigroup Inc.	Interest of controlled corporation/ approved lending agent	112,606,632 (L)	7.85%
		106,000 (S)	0.00%
		111,307,515 (P)	7.76%
JP Morgan Chase & Co.	Beneficial owner/ investment manager/ custodian corporation/ approved lending agent	86,939,093 (L)	6.06%
		6,588,485 (S)	0.45%
		57,545,598 (P)	4.01%
Cohen & Steers, Inc.	Interest of controlled corporation	72,426,000 (L)	5.05%

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

Save as disclosed above, as at June 30, 2020, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made to all the Directors and the Directors have confirmed their full compliance with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Period.

Disclosure of Interests and Other Matters

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM REPORT AND ACCOUNTS

Each of the Directors of the Company, whose name and function are listed in the section headed “Corporate Information” of this report, confirms that, to the best of his/her knowledge:

- the condensed consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and performance of the Group and the undertakings included in the consolidation taken as a whole;
- the management discussion and analysis included in the interim report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole during the Period, together with a description of the principal risks and uncertainties that the Group faces for the remaining six months of the financial year; and
- the interim report includes a fair review of the material related party transactions that have taken place during the Period and any material changes in the related party transactions described in the Company’s annual report for the year ended December 31, 2019.

By order of the Board
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

Hangzhou, the PRC, August 26, 2020

The electronic version of this report is published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the Company’s website (www.zjec.com.cn).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the six months ended June 30,	
		2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Revenue	3	3,947,835	5,722,101
Including: Interest under effective interest method		796,849	787,455
Operating costs		(3,355,989)	(2,925,250)
Gross profit		591,846	2,796,851
Securities investment gains		1,100,834	658,810
Other income and gains and losses	4	335,772	103,789
Administrative expenses		(42,471)	(46,732)
Other expenses		(63,219)	(39,656)
Impairment losses under expected credit loss model, net of reversal		(53,077)	(2,688)
Share of profit of associates		349,874	327,447
Share of (loss) profit of a joint venture		(25,289)	12,189
Finance costs	5	(968,246)	(767,975)
Profit before tax	6	1,226,024	3,042,035
Income tax expense	7	(279,222)	(692,971)
Profit for the Period		946,802	2,349,064
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		633	165
Other comprehensive income for the Period, net of income tax		633	165
Total comprehensive income for the Period		947,435	2,349,229
Profit for the Period attributable to:			
Owners of the Company		687,097	1,977,610
Non-controlling interests		259,705	371,454
		946,802	2,349,064
Total comprehensive income attributable to:			
Owners of the Company		687,394	1,977,688
Non-controlling interests		260,041	371,541
		947,435	2,349,229
Earnings per share	8		
Basic (Rmb cents)		15.82	45.53
Diluted (Rmb cents)		15.82	44.47

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,179,956	4,280,735
Right-of-use assets		336,338	379,031
Expressway operating rights		21,909,463	22,867,446
Goodwill		86,867	86,867
Other intangible assets		188,744	182,851
Interests in associates		6,187,957	6,080,155
Interest in a joint venture		342,754	368,043
Financial assets at fair value through profit or loss ("FVTPL")		16,898	16,898
Contract assets		679,944	686,557
Deferred tax assets		1,046,369	924,602
		34,975,290	35,873,185
CURRENT ASSETS			
Inventories		351,763	333,261
Trade receivables	9	349,363	319,339
Loans to customers arising from margin financing business	10	11,132,775	8,751,643
Other receivables and prepayments	11	1,061,249	424,182
Dividends receivable		–	2,005
Derivative financial assets		37,847	6,250
Financial assets at FVTPL		30,872,150	22,235,480
Financial assets held under resale agreements	12	5,201,521	8,110,354
Bank balances and clearing settlement fund held on behalf of customers		24,499,058	20,141,931
Bank balances, clearing settlement fund, deposits and cash			
– Time deposits with original maturity over three months		1,100,000	302,726
– Cash and cash equivalents		6,312,007	8,076,598
		80,917,733	68,703,769

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
CURRENT LIABILITIES			
Placements from other financial institutions		–	270,000
Accounts payable to customers arising from securities business		24,296,554	20,024,356
Trade payables	13	1,184,906	1,387,856
Tax liabilities		424,549	537,868
Other taxes payable		126,085	149,735
Other payables and accruals	14	3,429,858	2,049,479
Contract liabilities		100,931	15,674
Dividends payable		109,639	1,342
Derivative financial liabilities		25,289	5,565
Bank and other borrowings		4,833,539	4,598,533
Short-term financing note payable		6,222,126	6,532,990
Bonds payable		398,445	2,281,229
Convertible bonds	16	5,094	2,793,103
Financial assets sold under repurchase agreements	15	16,142,138	9,017,680
Financial liabilities at FVTPL		522,396	321,883
Lease liabilities		77,079	70,577
		57,898,628	50,057,870
NET CURRENT ASSETS			
		23,019,105	18,645,899
TOTAL ASSETS LESS CURRENT LIABILITIES			
		57,994,395	54,519,084
NON-CURRENT LIABILITIES			
Bank and other borrowings		8,398,600	6,421,600
Bonds payable		14,801,814	12,892,042
Convertible bonds	16	3,025,358	2,687,228
Deferred tax liabilities		393,854	347,331
Lease liabilities		156,461	188,772
		26,776,087	22,536,973
		31,218,308	31,982,111
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		16,396,493	17,250,900
Equity attributable to owners of the Company		20,739,608	21,594,015
Non-controlling interests		10,478,700	10,388,096
		31,218,308	31,982,111

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Capital reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Sub-total Rmb'000	Rmb'000	Rmb'000
At January 1, 2019 (Audited and originally stated)	4,343,115	3,355,621	5,220,278	1,712	1,219	1,628,668	638,468	7,644,079	22,833,160	8,871,033	31,704,193
Merger accounting restatement	-	-	379	-	-	-	2,507,399	(1,876,712)	631,066	587,939	1,219,005
At January 1, 2019 (Restated)	4,343,115	3,355,621	5,220,657	1,712	1,219	1,628,668	3,145,867	5,767,367	23,464,226	9,458,972	32,923,198
Profit for the Period	-	-	-	-	-	-	-	1,977,610	1,977,610	371,454	2,349,064
Other comprehensive income for the Period	-	-	-	-	78	-	-	-	78	87	165
Total comprehensive income for the Period	-	-	-	-	78	-	-	1,977,610	1,977,688	371,541	2,349,229
Consideration paid for acquisition of subsidiaries under common control	-	-	-	-	-	-	(3,953,145)	-	(3,953,145)	-	(3,953,145)
Issuance of convertible bond by a subsidiary	-	-	-	-	-	-	-	-	-	463,696	463,696
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	21,144	21,144
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(200,103)	(200,103)
2018 dividend	-	-	-	-	-	(1,628,668)	-	-	(1,628,668)	-	(1,628,668)
At June 30, 2019 (Unaudited)	4,343,115	3,355,621	5,220,657	1,712	1,297	-	(807,278)	7,744,977	19,860,101	10,115,250	29,975,351

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Capital reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Sub-total Rmb'000	Rmb'000	Rmb'000
At January 1, 2020 (Audited)	4,343,115	3,355,621	5,339,429	1,712	1,652	1,541,806	(807,227)	7,817,907	21,594,015	10,388,096	31,982,111
Profit for the Period	-	-	-	-	-	-	-	687,097	687,097	259,705	946,802
Other comprehensive income for the Period	-	-	-	-	297	-	-	-	297	336	633
Total comprehensive income for the Period	-	-	-	-	297	-	-	687,097	687,394	260,041	947,435
Changes due to partial disposal of convertible bond issued by a subsidiary	-	-	-	-	-	-	-	-	-	44,169	44,169
Conversion of convertible bond of a subsidiary	-	-	-	-	-	-	-	-	-	(2)	(2)
Deemed partial disposal of interest in a subsidiary upon conversion of convertible bond	-	-	-	-	-	-	5	-	5	8	13
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(217,940)	(217,940)
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	4,328	4,328
2019 dividend	-	-	-	-	-	(1,541,806)	-	-	(1,541,806)	-	(1,541,806)
At June 30, 2020 (Unaudited)	4,343,115	3,355,621	5,339,429	1,712	1,949	-	(807,222)	8,505,004	20,739,608	10,478,700	31,218,308

Condensed Consolidated Statement of Cash Flows

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Net cash generated from (used in) operating activities	1,304,793	(2,186,442)
Net cash used in investing activities	(650,821)	(220,946)
Net cash (used in) generated from financing activities	(2,419,196)	4,118,111
Net (decrease) increase in cash and cash equivalents	(1,765,224)	1,710,723
Cash and cash equivalents at beginning of the Period	8,076,598	6,601,784
Effect of foreign exchange rate changes	633	165
Cash and cash equivalents at end of the Period	6,312,007	8,312,672

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

Application of amendments to HKFRSs

In the current interim period, 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, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

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

Notes to Condensed Consolidated Financial Statements

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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

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

	Toll road operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external customers	1,773,446	2,091,908	82,481	3,947,835
Segment (loss) profit	(55,625)	660,437	341,990	946,802

For the six months ended June 30, 2019 (Unaudited)

	Toll road operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external customers	3,882,344	1,641,220	198,537	5,722,101
Segment profit	1,530,730	479,682	338,652	2,349,064

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,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Toll road operation revenue	1,773,446	3,882,344
Commission and fee income from securities operation	1,295,059	853,765
Interest income from securities operation	796,849	787,455
Hotel and catering revenue	41,559	80,085
Construction revenue	40,922	118,452
Total	3,947,835	5,722,101

Notes to Condensed Consolidated Financial Statements

4. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Interest income on bank balances	18,749	15,636
Rental income	24,521	33,965
Towing income	2,441	3,043
Gain (loss) on change in fair value in respect of the derivative component of Convertible Bond 2017	12	(21,002)
Reversal in fair value in respect of the derivative component of Convertible Bond 2017 due to redemption	200,165	-
Exchange (loss) gain, net	(58,964)	11,853
(Loss) gain on commodity trading, net	(58,450)	7,887
Management fee income	17,136	15,338
Government subsidies from removal of expressway toll station on provincial borders	119,641	-
Others	70,521	37,069
Total	335,772	103,789

5. FINANCE COSTS

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Bank and other borrowings	208,625	309,207
Short-term financing note	115,720	31,515
Bonds payable	323,301	336,623
Convertible bonds	314,164	83,845
Lease liabilities	6,436	6,785
Total	968,246	767,975

Notes to Condensed Consolidated Financial Statements

6. PROFIT BEFORE TAX

The Group's profit before tax has been arrived after charging:

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Depreciation of property, plant and equipment	207,873	162,363
Amortisation of expressway operating rights	957,983	958,027
Amortisation of other intangible assets	28,893	19,105
Depreciation of right-of-use assets	39,733	32,549

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	354,466	812,856
Deferred tax	(75,244)	(119,885)
	279,222	692,971

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.

Notes to Condensed Consolidated Financial Statements

8. 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,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Profit for the Period attributable to owners of the Company	687,097	1,977,610
Earnings for the purpose of basic earnings per share	687,097	1,977,610
Effect of dilutive potential ordinary shares arising from Convertible Bond 2017	25,262	66,730
Earnings for the purpose of diluted earnings per share	712,359	2,044,340

Number of shares

	For the six months ended June 30,	
	2020 '000 (Unaudited)	2019 '000 (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 Bond 2017	58,668	253,866
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,401,783	4,596,981

For the six months ended June 30, 2020, the computation of diluted earnings per share does not assume the conversion of outstanding convertible bonds issued by the Company and Zheshang Securities Co., Ltd. ("Zheshang Securities"), since their exercise would result in an increase in earnings per share.

Notes to Condensed Consolidated Financial Statements

9. TRADE RECEIVABLES

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Trade receivables		
– contracts with customers	353,767	323,767
Less: Allowance for credit losses	(4,404)	(4,428)
	349,363	319,339
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	6,501	9,245
Third parties	347,266	314,522
Total trade receivables	353,767	323,767

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 respect 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 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, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Within 3 months	295,446	291,295
3 months to 1 year	45,342	17,905
1 to 2 years	4,592	6,430
Over 2 years	3,983	3,709
Total	349,363	319,339

Notes to Condensed Consolidated Financial Statements

10. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

The Group has provided customers with margin financing and security lending for securities transactions, the credit facility limits to margin clients are determined by the discounted market value of the pledged securities accepted by the Group or the market value of cash collaterals.

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at June 30, 2020, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities, bonds, funds and cash collaterals. The undiscounted market value of the stock securities, bonds and funds collaterals were amounted to Rmb33,359,828,000 (December 31, 2019: Rmb27,246,376,000). Cash collateral of Rmb1,545,374,000 (December 31, 2019: Rmb1,030,089,000) received from clients was included in accounts payable to customers arising from securities business.

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

11. OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Prepayments	255,081	143,552
Trading deposits	674,482	157,383
Settlement receivables	–	1,055
Others	131,686	122,192
Total	1,061,249	424,182

Notes to Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	771,657	3,215,869
Stock securities	4,502,418	4,914,829
Less: Impairment allowance	(72,554)	(20,344)
	5,201,521	8,110,354
Analysed by market:		
Inter-bank market	283,207	115,038
Shanghai/Shenzhen Stock Exchange	4,990,868	8,015,660
Less: Impairment allowance	(72,554)	(20,344)
	5,201,521	8,110,354

The collaterals include both equity and debt securities listed in the PRC. As at June 30, 2020, the fair value of equity and debt securities as collaterals was Rmb19,841,838,000 (December 31, 2019: Rmb18,278,480,000) and Rmb1,817,650,000 (December 31, 2019: Rmb3,288,684,000), respectively.

13. 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, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Within 3 months	299,017	906,748
3 months to 1 year	474,037	83,490
1 to 2 years	89,562	81,291
2 to 3 years	77,208	31,842
Over 3 years	245,082	284,485
Total	1,184,906	1,387,856

Notes to Condensed Consolidated Financial Statements

14. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Accrued payroll and welfare	1,366,566	972,891
Advances	46,185	41,698
Advance payments for settlement from securities business	13,128	50,153
Trading deposit	806,930	199,700
Deposit received for disposal of an associate	165,600	165,600
Retention payable	116,936	113,018
Pledge deposit for futures	148,674	94,612
Compensations for highway crossing	93,811	96,269
Payables to be settled for fund redemption	179,170	45,577
Toll collected on behalf of other toll roads	5,905	7,532
Advances from toll revenue compensation	190,170	-
Others	296,783	262,429
Total	3,429,858	2,049,479

15. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Analysed as collateral type:		
Bonds	16,142,138	9,017,680
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	12,981,429	5,062,725
Inter-bank market	3,160,709	3,954,955
	16,142,138	9,017,680

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, the cash received is recognised as financial liability.

As at June 30, 2020, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

Notes to Condensed Consolidated Financial Statements

16. 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. As at June 30, 2020, the 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").

Notes to Condensed Consolidated Financial Statements

16. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption (Continued)

(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.

Notes to Condensed Consolidated Financial Statements

16. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

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.

Pursuant to the terms and conditions of the Convertible Bond 2017, the Company would, at the option of the Bondholders 2017 redeem all or some of that Bondholders 2017's bonds on the Put Option Date (namely, April 21, 2020) at 100 per cent. of their outstanding principal amount on the Put Option Date. Notice of redemption has been served on the Company requiring the Company to redeem the relevant Convertible Bond 2017 (together with interest due on the Put Option Date), pursuant to the terms and conditions of the Convertible Bond 2017. On April 21, 2020, the Company redeemed majority of Convertible Bond 2017 for the total principal amount of Euro364,900,000 (together with interest due on the Put Option Date, which is nil) (the "Early Redemption"). No conversion of the Convertible Bond 2017 has occurred up to June 30, 2020. For details of the Early Redemption, please refer to the announcement of the Company dated May 6, 2020.

The movement of the debt and derivative components of the Convertible Bond 2017 for the Period ended June 30, 2020 and year ended December 31, 2019 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, 2019 (Audited)	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)
On December 31, 2019 (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	-	(40,838)	-	-	-	(40,838)
Interest charge	33,849	256,067	-	-	33,849	256,067
Gain on change in fair value	-	-	(2)	(12)	(2)	(12)
On June 30, 2020 (Unaudited)	93	741	1	5	94	746

Notes to Condensed Consolidated Financial Statements

16. CONVERTIBLE BONDS (Continued)

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 Shangsang Expressway Co., Ltd. (“Shangsang Co”), 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 the Conversion Price 2019, and submits it to the shareholder’s meeting of Zheshang Securities for approval. As at June 30, 2020, the Conversion Price 2019 was Rmb12.37 per share.

Notes to Condensed Consolidated Financial Statements

16. CONVERTIBLE BONDS (Continued)

Convertible bond 2019 (Continued)

(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 the Maturity Date 2019.

(ii) Redemption on conditions

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.

Notes to Condensed Consolidated Financial Statements

16. CONVERTIBLE BONDS (Continued)

Convertible bond 2019 (Continued)

Changes in the liability and equity component of the Convertible Bond 2019 since the issuance of Convertible Bond 2019 to June 30, 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	341,526	53,174
Conversion into shares	(144)	(22)
As at December 31, 2019 (Audited)	2,692,096	403,706
Interest paid	(6,669)	-
Interest charge	58,098	-
Addition (Note i)	286,192	44,169
Conversion into shares (Note ii)	(11)	(2)
As at June 30, 2020 (Unaudited)	3,029,706	447,873

Notes:

- (i) During the Period ended June 30, 2020, Shangsai Co disposed of the Convertible Bond 2019 held on hand with the principal amount of Rmb330,361,000 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 Period.
- (ii) During the Period ended June 30, 2020, the Bondholders 2019 converted part of the Convertible Bond 2019 with a principal amount of Rmb1,000 to the shares of Zheshang Securities.

As at June 30, 2020, Zheshang Securities had not exercised the redemption rights.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party transactions of the Group during the Period:

(1) Transactions and balances with Communications Group and government related parties

Details of significant transactions with Communications Group are summarised below:

Borrowings

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited ("Logistic Co"), a wholly-owned subsidiary of the Communications Group, on September 28, 2017. Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb60,000,000 at a fixed interest rate of 3.00% per annum, with maturity date of September 28, 2020.

Pursuant to the entrusted loan contract entered into between Zhejiang Grand Hotel Limited ("Zhejiang Grand Hotel", a wholly-owned subsidiary of the Company) and Zhejiang Communications Group Asset Management Company Limited ("Zhejiang Communications Asset Co", a wholly-owned subsidiary of Communications Group), on March 10, 2017, Zhejiang Communications Asset Co agreed to provide Zhejiang Grand Hotel with an entrusted loan amounting to Rmb110,000,000, upon one extension and one renewal, the latest maturity date is March 6, 2020, and the fixed interest rate is 3.915% per annum. The loan was repaid on time.

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Interest expenses incurred	1,693	5,107

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Transactions and balances with Communications Group and government related parties (Continued)

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiaries, pursuant to which, the Company would provide the management and administrative services for eight toll roads, including Shensuzhewan Expressway, South Line of Qianjiang Channel, Ningbo Yongtaiwen Expressway, Taizhou Yongtaiwen Expressway, Taijin Expressway, Yueqingwan Bay Bridge, Fuchimen Bridge and Jiaxing 320 National Road. According to the agreements, the Company would charge the Communications Group and its subsidiaries management fee on actual cost basis. During the Period, a total management fee of Rmb3,816,000 (Corresponding period of 2019: Rmb3,844,000) has been charged.

Equity investments

On December 13, 2018, the Company entered into an equity purchase agreement with Communications Group to acquire 100% equity interest in Zhejiang Shenjiahuhang Expressway Co., Ltd. ("Shenjiahuhang Co") at a cash consideration of Rmb2,943,000,000. The acquisition has been approved on March 4, 2019 and subsequently completed on April 9, 2019 and Shenjiahuhang Co then became a wholly owned subsidiary of the Company.

On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group to acquire 100% equity interest in Zhejiang Grand Hotel at a cash consideration of Rmb1,010,144,600. The acquisition was completed on June 14, 2019 and Zhejiang Grand Hotel then became a wholly owned subsidiary of the Company.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Transactions and balances with Communications Group and government related parties (Continued)

Other transactions

	For the six months ended June 30,	
	2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Toll road service area leasing income earned (Note i)	6,369	6,257
Toll road service area management fee paid (Note i)	1,725	1,600
Property leasing income earned	143	-
Road maintenance service expenses incurred (Note ii)	117,148	177,917
Construction costs (Note iii)	-	244,684
Information system services expenses incurred	788	-
Financial advisory service income earned	3,569	-

Note i: Pursuant to the leasing and operation agreement entered into between Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co", a wholly-owned subsidiary of the Company), Zhejiang Hanghui Expressway Co., Ltd. ("Hanghui Co", a non-wholly-owned subsidiary of the Company), Shenjiahuhang Co, Zhejiang Zhoushan Bay Bridge Co., Ltd. ("Zhoushan Co", a non-wholly-owned subsidiary of the Company) and Zhejiang Commercial Group Co., Ltd. ("Zhejiang Commercial Group", a fellow subsidiary of Communications Group), the toll road service area were leased to Zhejiang Commercial Group, and Zhejiang Commercial Group managed the operation of the service area in respect of the toll road service area. Such businesses began from January 1, 2011, and will be expired at the same time with the operating rights.

Note ii: Pursuant to the daily and specific road maintenance agreements entered into between the Company and the relevant subsidiaries of the Company and the subsidiaries of Communications Group, the subsidiaries of Communications Group agreed to provide the daily and specific road maintenance service to the Group's expressways, namely: the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section, Ningbo-Jinhua Expressway, the Hanghui Expressway, the Huihang Expressway, the Shenjiahuhang Expressway, and the Zhoushan Bay Bridge.

Note iii: In 2018, Deqing County De'an Highway Construction Co., Ltd.. ("De'an Co", a non-wholly owned subsidiary of the Company) and Zhoushan Co, entered into construction agreements with Zhejiang Hongtu Transportation Construction Co., Ltd. ("Zhejiang Hongtu") and Zhejiang Hangzhou-Ningbo Alternative Line Phase I Expressway Co., Ltd. ("Zhejiang HNAL Co"), respectively. Pursuant to the agreements, high grade road and expressway construction services will be provided to De'an Co and Zhoushan Co. Zhejiang Hongtu is the non-controlling shareholder of De'an Co and is also a non-wholly owned subsidiary of Communications Group, Zhejiang HNAL Co is a non-wholly owned subsidiary of Communications Group.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Transactions and balances with Communications Group and government related parties (Continued)

Other transactions with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“government-related entities”). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group’s toll road and securities business, the Directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC.

In addition, the Group has entered into other banking transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institution which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(2) Transactions and balances with an associate and other non-government related parties

Financial service provided by Zhejiang Communications Investment Group Finance Co., Ltd. (“Zhejiang Communications Finance”, an associate of the Company)

The Group has entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with deposit services, the loan and financial leasing services, the clearing services and other financial services.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Transactions and balances with an associate and other non-government related parties (Continued)

Loans advanced from Zhejiang Communications Finance

During the Period, the Company has repaid a short-term loan with aggregated principal amount of Rmb540,000,000 to Zhejiang Communications Finance.

Zhejiang Communications Finance provided Hanghui Co with short-term loans with a aggregated principal amount of Rmb145,000,000, with a fixed interest rate of 3.85% per annum.

Shenjiahuhang Co has repaid a long-term loan with aggregated principal amount of Rmb300,000,000 to Zhejiang Communications Finance. Zhejiang Communications Finance provided Zhoushan Co with short-term loans with a aggregated principal amount of Rmb370,000,000, with a fixed interest rate of 4.21% and 4.1325% per annum, long-term loans with a aggregated principal amount of Rmb1,908,000,000, with a fixed interest rate of 4.21% per annum. Short-term loans with an aggregated principal amount of Rmb628,000,000 and long-term loans with an aggregated principal amount of Rmb1,000,000 were repaid during the Period.

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Outstanding loan payable balances:		
Repayable within one year	1,190,797	1,843,515
Two to five years	1,908,000	-
Over five years	2,104,000	2,405,000
	5,202,797	4,248,515
	For the six months ended June 30, 2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Interest expenses incurred	95,539	100,632

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Transactions and balances with an associate and other non-government related parties (Continued)

Deposits to Zhejiang Communications Finance

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Bank balances and cash – Cash and cash equivalents	1,248,196	1,742,825

	For the six months ended June 30, 2020 Rmb'000 (Unaudited)	2019 Rmb'000 (Unaudited)
Interest income earned	14,722	7,480

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Transactions and balances with an associate and other non-government related parties (Continued)

Sales of asset management schemes

During the Period, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) sold 545,000,000 units (equivalent to Rmb545,000,000) of the asset management scheme to Zhejiang Communications Finance and Zhejiang Zheshang Financial Holdings Co. Ltd (a wholly-owned company of Communications Group); among which, 200,000,000 units of asset management scheme (equivalent to Rmb200,000,000) were redeemed during the Period. As at June 30, 2020, the remaining balance of asset management schemes sold by Asset Management was 1,715,416,000 units (equivalent to Rmb1,717,988,000), and management fee income of Rmb1,150,000 was earned.

During the corresponding period of 2019, Asset Management sold 208,633,000 units (equivalent to Rmb208,633,000) of the asset management scheme to Zhejiang Communications Finance, and management fee income of Rmb52,000 was earned.

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a joint venture of the Company) provides an entrusted loan

Pursuant to the entrusted loan contract entered into between the Company and Shengxin Co on March 29, 2019, Shengxin Co agreed to provide the Company an entrusted loan amount of Rmb25,000,000 (Corresponding period of 2019: Rmb25,000,000), with a floating interest rate of 4.1325%, the maturity date is March 18, 2020. The loan was repaid on time, and interest expense incurred during the Period was Rmb221,000.

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

	Financial assets	Classified as	Fair value as at June 30, 2020 Rmb'000 (Unaudited)	Fair value as at December 31, 2019 Rmb'000 (Audited)	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1)	Equity investments listed in stock exchange	Financial assets at FVTPL	1,029,446	722,589	Level 1	Quoted bid prices in an active market.	N/A	N/A
(2)	Equity securities traded in inactive market	Financial assets at FVTPL	131,302	110,155	Level 2	Recent transaction price.	N/A	N/A
			63,137	-	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount rate, the lower the fair value.
(3)	Listed funds	Financial assets at FVTPL	89,727	352,753	Level 1	Quoted bid prices in an active market.	N/A	N/A
(4)	Unlisted funds investments	Financial assets at FVTPL	3,584,662	2,000,221	Level 2	Based on the net asset values of the equity investment, with reference to observable market price.	N/A	N/A
(5)	Debt investments listed in stock exchange and debt investments in interbank market	Financial assets at FVTPL	7,865,551	3,881,143	Level 1	Quoted bid prices in an active market.	N/A	N/A
			16,170,838	13,508,343	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

	Financial assets	Classified as	Fair value as at June 30, 2020 Rmb '000 (Unaudited)	Fair value as at December 31, 2019 Rmb '000 (Audited)	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(6)	Investment in structured products	Financial assets at FVTPL	1,039,846	957,305	Level 2	The fair value was based on the net value of the underlying assets. The net asset value of the products was calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
(7)	Investment in trust products	Financial assets at FVTPL	897,641	702,971	Level 3	The fair value was based on the net value of the underlying assets. The net asset value of the products may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments.	Future cash flows and discount rate	The higher the future cash flows, the higher the fair value. The higher the discounted rate, the lower the fair value.
(8)	Private equity investments	Financial assets at FVTPL	16,898	16,898	Level 3	Calculated based on pricing/yield such as price-to-earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability	P/E multiples P/B multiples P/S multiples Discounted for lack of marketability	The higher the discount rate, the lower the fair value. The higher the multiples, the higher the fair value
(9)	Derivative instruments	Derivative financial assets	37,847	6,250	Level 2	The fair value calculation includes discounted cash flow method and Black-Scholes option pricing models. The main parameters used in the discounted cash flow model include recent transaction prices, related yield curves, and exchange rates. The main parameters used in the Black-Scholes option pricing model include related yield curves, exchange rates, and volatility levels.	N/A	N/A

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

	Financial liabilities	Classified as	Fair value as at June 30, 2020 Rmb '000 (Unaudited)	Fair value as at December 31, 2019 Rmb '000 (Audited)	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
(1)	Bank borrowing	Financial liabilities at FVTPL	19,142	1,389	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
(2)	Other investor's interest in consolidation of structured entities	Financial liabilities at FVTPL	503,254	320,494	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
(3)	Derivative component of Convertible Bond	Derivative component of Convertible Bond	5	200,181	Level 3	Binomial option pricing model Expected volatility: 30.76% (2019: 28.21%) Dividend yield: nil Risk-free rate: 0.25% (2019: 1.71%) Share price: HK\$5.48 (equivalent to Rmb5.01) (2019: HK\$7.1 (equivalent to Rmb6.36)) Exercise price: HK\$10.54 (equivalent to Rmb9.63) (2019: HK\$11.35 (equivalent to Rmb10.17))	Expected volatility of 30.76%, taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity	The higher the expected volatility, the higher the fair value
(4)	Derivative instruments	Derivative financial liabilities	25,289	5,565	Level 2	The fair value was calculated by Black-Scholes option pricing models. The main parameters used in the Black-Scholes option pricing model include related yield curves, exchange rates, and volatility levels.	N/A	N/A

There were no transfer between Level 1 and Level 2 during the Period.

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

The following table represents the changes in level 3 financial instruments during the year ended December 31, 2019 and the period ended June 30, 2020.

	Trust products Rmb'000	Restricted shares Rmb'000	Equity investments Rmb'000	Total Rmb'000
As at January 1, 2019	153,332	47,570	17,200	218,102
Addition	818,454	-	-	818,454
Disposal	(268,815)	-	-	(268,815)
Recognized in fair value changes	-	-	(302)	(302)
Transfer out from level 3	-	(47,570)	-	(47,570)
As at December 31, 2019	702,971	-	16,898	719,869
Addition	267,132	20,427	-	287,559
Disposal	(84,827)	-	-	(84,827)
Recognized in fair value changes	12,365	42,710	-	55,075
As at June 30, 2020	897,641	63,137	16,898	977,676

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities at amortised costs recognised in the condensed consolidated statement of financial position approximate their fair values.

	As at June 30, 2020		As at December 31, 2019	
	Carrying amount Rmb'000 (Unaudited)	Fair value Rmb'000 (Unaudited)	Carrying amount Rmb'000 (Audited)	Fair value Rmb'000 (Audited)
Debt component of Convertible Bond 2017	741	746	2,588,054	2,625,435
Debt component of Convertible Bond 2019	3,029,706	3,728,541	2,692,096	2,745,101

The fair value of the debt component of Convertible Bond as at June 30, 2020 is under level 3 category and was determined by the Directors with reference to the valuation performed by a firm of independent professional valuers. The fair value of the debt component of Convertible Bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond and discount rate that reflected the credit risk of the Company.

Notes to Condensed Consolidated Financial Statements

19. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2020 Rmb'000 (Unaudited)	As at December 31, 2019 Rmb'000 (Audited)
Interests in subsidiaries	12,923,550	12,906,128
Amounts due from subsidiaries	4,627,753	4,188,180
Other assets	9,703,292	11,015,565
	27,254,595	28,109,873
Total liabilities	12,325,095	12,391,805
Capital and reserves		
Share capital	4,343,115	4,343,115
Reserves	10,586,385	11,374,953
	14,929,500	15,718,068

20. EVENT AFTER THE REPORTING PERIOD

As at August 26, 2020, the share capital of Zheshang Securities had increased to 3,614,044,514, due to the conversion from its holders of the convertible bond, the equity stake of Shangsang Co to Zheshang Securities was diluted from 63.7445% at the beginning of the Period to 58.7936%, the remaining unconvertible bond of Rmb27,502,000 were all redeemed.

21. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 26, 2020.

Corporate Information

CHAIRMAN

YU Zhihong

EXECUTIVE DIRECTORS

CHEN Ninghui (*Appointed on May 15, 2020*)

CHENG Tao (*Resigned on May 15, 2020*)

LUO Jianhu (*General Manager*)

NON-EXECUTIVE DIRECTORS

DAI Benmeng

YUAN Yingjie

FAN Ye (*Appointed on May 15, 2020*)

YU Ji (*Resigned on May 15, 2020*)

INDEPENDENT

NON-EXECUTIVE DIRECTORS

PEI Ker-Wei

LEE Wai Tsang, Rosa

CHEN Bin

SUPERVISORS

ZHENG Ruchun

HE Meiyun

WU Qingwang

ZHAN Huagang

WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong

LUO Jianhu

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Hong Kong
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Fax: 852-2117 0869

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Jiefang Road Branch
Shanghai Pudong Development Bank,
Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange plc
Code: ZHEH

REPRESENTATIVE OFFICE IN HONG KONG

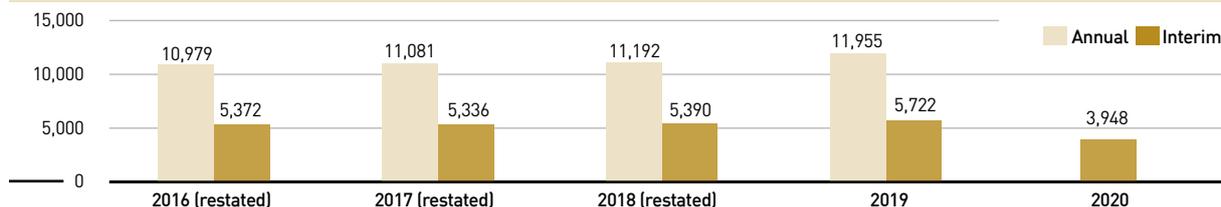
Room 2910
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WEBSITE

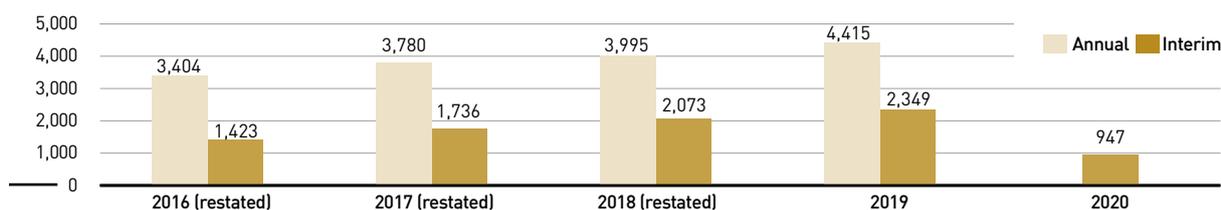
www.zjec.com.cn

Financial Highlights

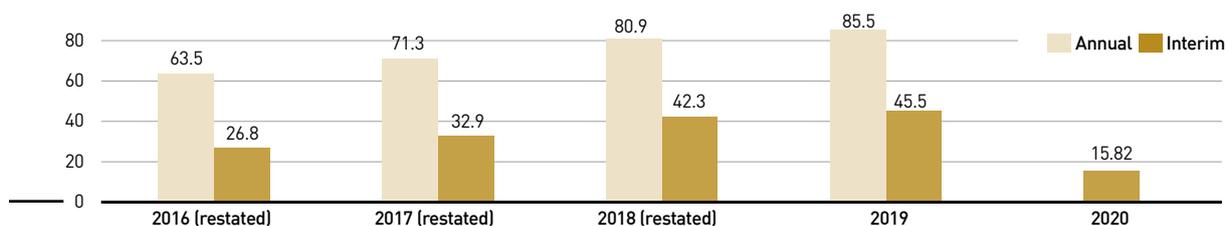
Revenue/Rmb Million (Continuing operations)



Net Profit/Rmb Million (Continuing and discontinued operations)



Basic EPS/Rmb Cents (Continuing and discontinued operations)



ROE (%)

