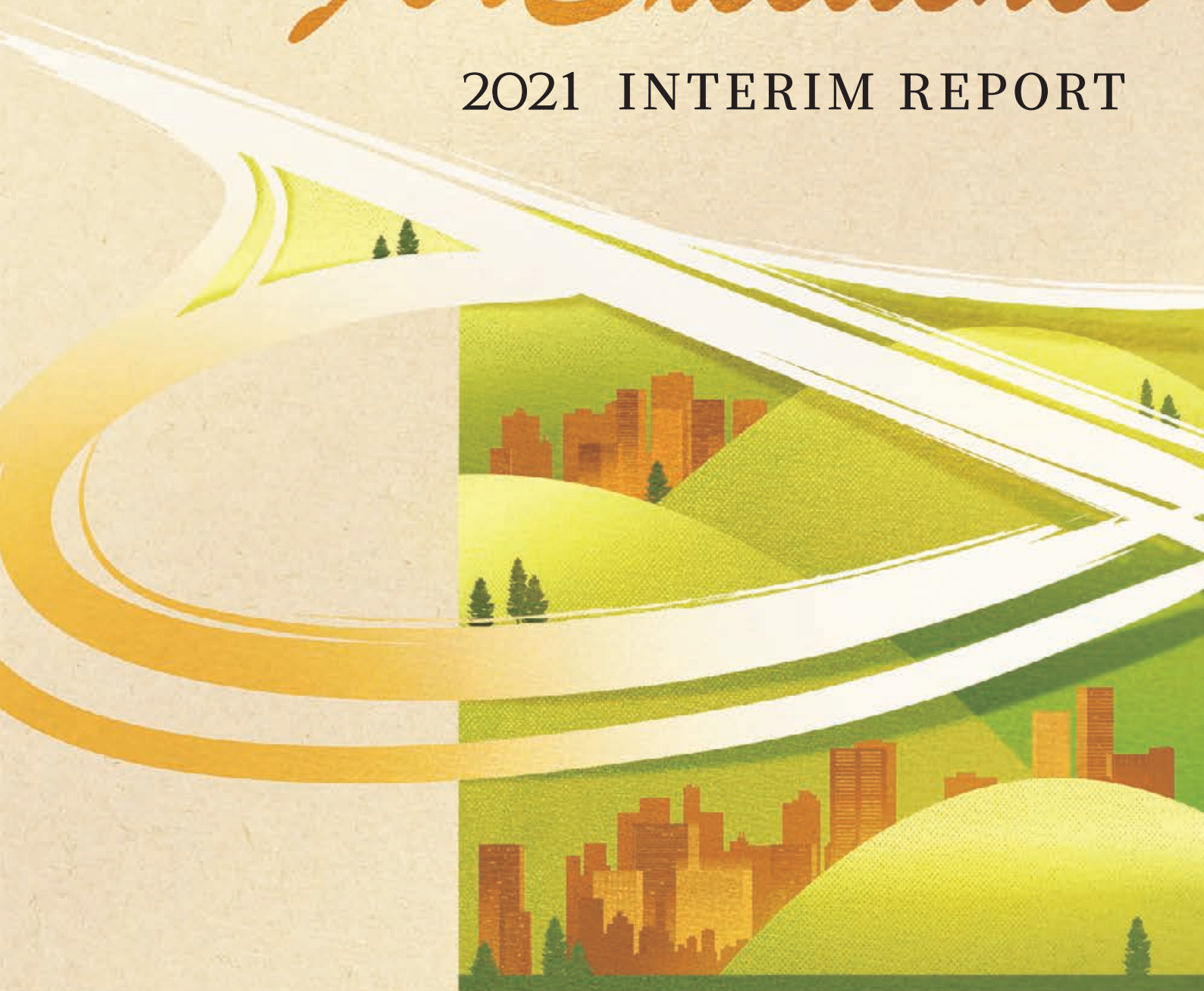


Striving For Excellence

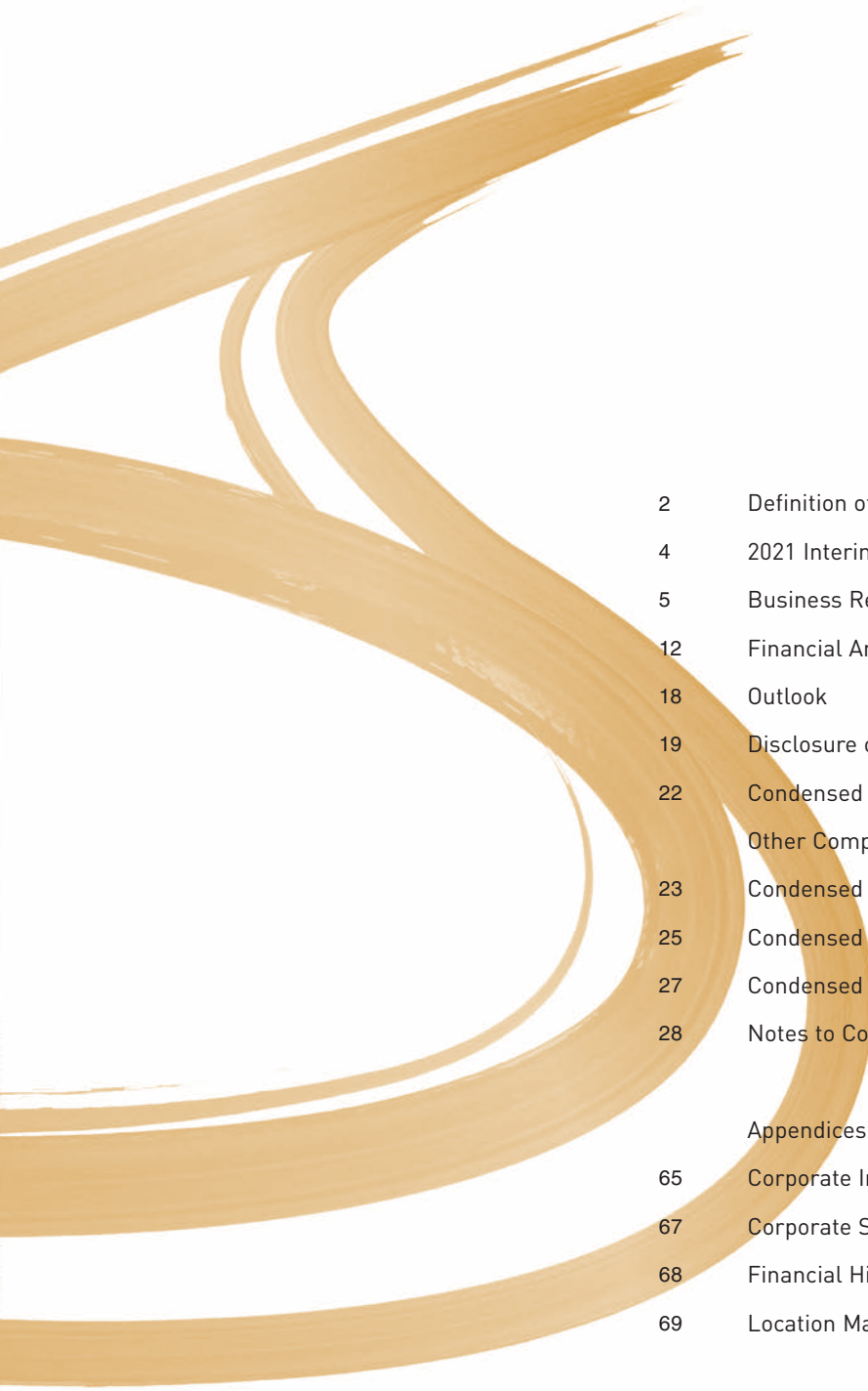
2021 INTERIM REPORT



Vigorously Expanding the Scale of Toll Road Business and Constantly Strengthening the Competitiveness of Securities Business

In the first half of 2021, the Company leveraged the advantages of its resources to solidly pursue its key development projects. The Company remained focused on building a renowned brand for expressway operations and services in China, actively improved capabilities in technological innovation, accelerated the construction of intelligent expressways, and continuously elevated operational and service qualities. Furthermore, the Company steadily pursued investment and M&A projects and effectively expanded the scale of its core business, with an aim to further enhance its brand influence and core competencies.

Zheshang Securities, a subsidiary of the Company, proactively took advantage of market opportunities, enhanced the synergies between its business segments, and established its brand characteristics. Overall business development maintained a steady growth, progressively advancing towards its goal of becoming a top-tier securities company in China.



2	Definition of Terms
4	2021 Interim Results
5	Business Review
12	Financial Analysis
18	Outlook
19	Disclosure of Interests and Other Matters
22	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
23	Condensed Consolidated Statement of Financial Position
25	Condensed Consolidated Statement of Changes in Equity
27	Condensed Consolidated Statement of Cash Flows
28	Notes to Condensed Consolidated Financial Statements
	Appendices
65	Corporate Information
67	Corporate Structure of the Group
68	Financial Highlights
69	Location Map of Expressways in Zhejiang Province

Definition of Terms

Associate	has the meaning ascribed to it under the Listing Rules
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 51% owned subsidiary of the Company
HangNing Co	Zhejiang HangNing Expressway Co., Ltd. (浙江杭寧高速公路有限責任公司), a 30% owned associate of the company, which is established in the PRC with limited liability
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
Independent third party(ies)	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
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
LongLiLiLong Co	Zhejiang LongLiLiLong Expressway Co., Ltd. (浙江龍麗麗龍高速公路有限公司), a wholly-owned subsidiary of the Company
Period	the period from January 1, 2021 to June 30, 2021
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 4.83% 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
Zhajiasu Co	Jiaxing Zhajiasu Expressway Co., Ltd. (嘉興市乍嘉蘇高速公路有限責任公司), a 55% 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 Hongtu	Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司), a limited liability company incorporated in the PRC and non-wholly owned by Communications Group
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 54.7894% 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

2021 Interim Results

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

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

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

The condensed consolidated financial statements of the Group for the six months ended June 30, 2021 have not been audited or reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Business Review

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

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

Business Review

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

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

Business Review

Toll Road Operations

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

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

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

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

Business Review

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

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

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsans Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways and the 50km Zhajiasu Expressway was Rmb4,660.04 million.

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

Note:

- Traffic volume during the same period in 2020 included traffic volume through the toll-free period (from February 17, 2020 to May 5, 2020).
- Traffic volume and toll revenue of Zhajiasu Expressway referred to the figures from May to June 2021.

Business Review

Securities Business

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

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

Other Business Operations

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

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

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

Business Review

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (“Shengxin Co”, a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 27,894, representing an increase of 16.6% year-on-year. Toll revenue was Rmb250.95 million, representing an increase of 145.8% year-on-year. During the Period, the joint venture recorded a net profit of Rmb73.20 million (same period in 2020: net loss of Rmb50.58 million).

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

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

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the finance leasing business, which includes the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb231.84 million, representing an increase of 7.8% year-on-year.

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

Financial Analysis

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

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

Liquidity and financial resources

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

The amount of financial assets at FVTPL included in current assets of the Group as at June 30, 2021 was Rmb37,629.97 million (December 31, 2020: Rmb29,158.09 million), of which 78.7% was invested in bonds, 2.8% was invested in stocks, 10.7% was invested in equity funds, and the rest were invested in structured products and trust products.

During the Period, net cash from the Group's operating activities amounted to Rmb1,524.68 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

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

Financial Analysis

Borrowings and solvency

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

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

Financial Analysis

	Maturity Profile			
	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from domestic commercial banks	10,135,814	2,235,764	2,826,200	5,073,850
Borrowings from an international commercial bank	1,003,593	1,003,593	–	–
Borrowings from a domestic financial institution	240,280	280	240,000	–
Beneficial Certificates	270,341	270,341	–	–
Fixed rates				
Borrowings from domestic commercial banks	5,651,470	1,750,160	3,432,990	468,320
Borrowings from a domestic financial institution	5,350,157	3,785,157	1,565,000	–
Beneficial Certificates	837,200	837,200	–	–
Short-term financing notes	4,014,522	4,014,522	–	–
Subordinated bonds	12,789,439	5,889,439	6,900,000	–
Corporate bonds	5,582,430	1,582,430	4,000,000	–
Mid-term notes	3,064,013	1,464,013	1,600,000	–
Asset backed securities	878,250	71,867	208,933	597,450
Convertible bond	1,786,514	–	1,786,514	–
Total as at June 30,2021	51,604,023	22,904,766	22,559,637	6,139,620
Total as at December 31, 2020 (Restated)	46,349,989	21,523,800	21,504,339	3,321,850

Financial Analysis

As at June 30, 2021, the Group's borrowings from domestic commercial banks bore annual floating interest rates ranged from 3.6% to 4.7%, annual fixed interest rates ranged from 3.6% to 5.3%, borrowings from an international commercial bank bore an annual floating interest rate of 0.8%. Borrowings from a domestic financial institution bore an annual floating interest rate of 4.21%, annual fixed interest rates ranged from 3.6% to 4.34%. As at June 30, 2021, the annual fixed interest rates of beneficial certificates ranged from 3.2% to 3.5%, the annual floating interest rates of beneficial certificates ranged from 3.2% to 19%. The annual fixed interest rates for short-term financing notes ranged from 2.44% to 2.68%. The annual fixed interest rate for a mid-term note were 3.64% and 3.86%. The annual fixed annual interest rates for subordinated bonds ranged from 3.5% to 5.28%. The annual fixed interest rate for corporate bond ranged from 3.48% to 3.85%. The annual fixed interest rate for asset backed securities was 3.7%. The annual coupon rate for convertible bond denominated in Euro was nil. While the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses and profit before interest and tax for the Period amounted to Rmb993.06 million and Rmb5,059.41 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.1 (Corresponding period of 2020 (restated): 1.7 times).

As at June 30, 2021, the asset-liability ratio (total liabilities over total assets) of the Group was 74.5% (December 31, 2020 (restated): 72.6%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 67.4% (December 31, 2020 (restated): 65.8%).

Capital structure

As at June 30, 2021, the Group had Rmb41,493.82 million in total equity, Rmb92,831.91 million in fixed-rate liabilities, Rmb11,650.03 million in floating-rate liabilities, and Rmb16,550.15 million in interest-free liabilities, representing 25.5%, 57.1%, 7.2% and 10.2% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 210.5% as at June 30, 2021 (December 31, 2020 (restated): 192.1%).

Financial Analysis

Capital expenditure commitments and utilization

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

As at June 30, 2021, the remaining capital expenditure committed by the Group amounted to Rmb2,818.65 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb1,245.00 million will be used for acquiring equity investments, Rmb229.21 million will be used for acquisition and construction of properties and ancillary facilities, Rmb1,344.44 million for acquisition and construction of equipment and facilities.

The Group will consider financing the above-mentioned capital expenditure commitments with internally generated cash flow first and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.20 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb105.00 million of the bank loans had been repaid. As at June 30, 2021, the remaining bank loan balance was Rmb978.00 million.

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

Deqing County De'an Highway Construction Co., Ltd. a subsidiary of the Company, pledged its trade receivables for its bank borrowing, as at June 30, 2021, the remaining bank loan balance was Rmb577.65 million.

Financial Analysis

Huangshan Yangtze Huihang Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway and advertisement operation right for its borrowing, as at June 30, 2021, the remaining balance was Rmb1,239.43 million.

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

Zhajiasu, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, as at June 30, 2021, the remaining bank loan balance was Rmb1,990.89 million.

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

Except for the above, as at June 30, 2021, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iii) issuance of the zero coupon convertible bond with a principal amount of Euro230 million in Hong Kong capital market in January 2021, which will be due in January 2026; and (iv) the short term international commercial bank borrowing in April 2021 with a principal amount of Euro130 million, the Group's principal operations were transacted and booked in Renminbi.

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

Use of proceeds from convertible bond

The Company issued a zero coupon convertible bond due 2026 in an aggregate principal amount of Euro230.00 million on January 20, 2021, to improve the debt structure, increase liquidity to meet financial and operational needs and enhance the investment capability of the Group. After deducting cost of issue of approximately Euro1.00 million, the net proceeds from the issuance of the convertible bond were approximately Euro229.00 million, and were used to repay existing borrowings.

Outlook

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

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

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

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

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, 2021, 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, 2021, 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)
JP Morgan Chase & Co.	Beneficial owner/ investment manager/ custodian corporation/ approved lending agent	132,134,245 (L) 25,108,021 (S) 88,943,611 (P)	9.21% 1.75% 6.20%
BlackRock, Inc.	Interest of controlled corporation	113,392,569 (L) 310,000 (S)	7.91% 0.02%
Citigroup Inc.	Interest of controlled corporation/ approved lending agent	100,048,237 (L) 66,000 (S) 99,120,000 (P)	6.97% 0.00% 6.91%
Morgan Stanley	Interest of controlled corporation	73,683,906 (L) 554,829 (S)	5.13% 0.03%

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, 2021, 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, except for the Code E.1.3 regarding the notice period for general meetings, the Company complied with all the other code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") set out in Appendix 14 to the Listing Rules, and adopted the recommended best practices in the Code as and when applicable during the Period.

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, 2020.

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

Hangzhou, the PRC, August 19, 2021

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,	
		2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Revenue	4	7,696,565	4,102,243
Including: Interest income under effective interest method		1,000,786	796,849
Operating costs		(4,308,196)	(3,719,500)
Gross profit		3,388,369	382,743
Securities investment gains		807,624	1,100,834
Other income and gains and losses	5	424,707	340,120
Administrative expenses		(53,725)	(45,179)
Other expenses		(58,694)	(66,834)
Impairment losses under expected credit loss model, net of reversal		4,371	(53,094)
Share of profit of associates		510,160	349,874
Share of profit (loss) of a joint venture		36,601	(25,289)
Finance costs	6	(993,060)	(1,182,849)
Profit before tax	7	4,066,353	800,326
Income tax expense	8	(904,474)	(280,245)
Profit for the Period		3,161,879	520,081
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		(1,541)	633
Share of other comprehensive income of an associate, net of related income tax		6,529	-
Other comprehensive income for the Period, net of income tax		4,988	633
Total comprehensive income for the Period		3,166,867	520,714
Profit for the Period attributable to:			
Owners of the Company		2,513,676	260,376
Non-controlling interests		648,203	259,705
		3,161,879	520,081
Total comprehensive income attributable to:			
Owners of the Company		2,519,518	260,673
Non-controlling interests		647,349	260,041
		3,166,867	520,714
Earnings per share	9		
Basic (Rmb cents)		57.88	6.00
Diluted (Rmb cents)		54.81	6.00

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment		4,423,533	4,487,223
Right-of-use assets		679,246	562,535
Expressway operating rights		28,042,858	25,859,558
Goodwill		86,867	86,867
Other intangible assets		291,223	207,068
Interests in associates		9,525,551	6,560,343
Interest in a joint venture		420,926	384,325
Financial assets at fair value through profit or loss ("FVTPL")		252,656	244,123
Contract assets		1,049,665	1,007,618
Other receivables and prepayments	12	–	2,923,140
Financial assets held under resale agreements	13	90,000	120,000
Deferred tax assets		1,910,019	1,589,901
		46,772,544	44,032,701
CURRENT ASSETS			
Inventories		396,732	370,725
Trade receivables	10	458,954	373,400
Loans to customers arising from margin financing business	11	16,492,864	15,013,429
Other receivables and prepayments	12	3,566,749	3,132,082
Dividends receivable		–	2,835
Derivative financial assets		675,612	525,629
Financial assets at FVTPL		37,629,970	29,158,094
Financial assets held under resale agreements	13	7,269,550	7,002,471
Bank balances and clearing settlement fund held on behalf of customers		32,937,092	27,090,816
Bank balances, clearing settlement fund, deposits and cash			
– Restricted bank balances and cash		28,733	23,986
– Time deposits with original maturity over three months		613,600	313,600
– Cash and cash equivalents		15,683,508	8,645,085
		115,753,364	91,652,152

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
CURRENT LIABILITIES			
Placements from other financial institutions		290,000	400,000
Accounts payable to customers arising from securities business		33,683,870	27,054,052
Trade payables	14	1,175,430	1,098,574
Tax liabilities		1,165,950	1,202,136
Other taxes payable		279,673	447,898
Other payables and accruals	15	6,720,634	6,158,797
Contract liabilities		251,374	79,231
Dividends payable		15,706	50
Derivative financial liabilities		491,889	497,427
Bank and other borrowings		8,774,954	8,855,320
Short-term financing note payable		5,122,063	6,306,716
Bonds payable		9,007,749	6,361,764
Financial assets sold under repurchase agreements	16	18,409,970	11,525,087
Financial liabilities at FVTPL		3,202,346	2,910,725
Lease liabilities		120,037	91,346
		88,711,645	72,989,123
NET CURRENT ASSETS		27,041,719	18,663,029
TOTAL ASSETS LESS CURRENT LIABILITIES		73,814,263	62,695,730
NON-CURRENT LIABILITIES			
Bank and other borrowings		13,606,360	11,119,040
Bonds payable		13,306,383	13,706,383
Convertible bonds	17	1,786,514	766
Deferred tax liabilities		1,110,743	386,498
Financial liabilities at FVTPL		2,136,400	-
Lease liabilities		374,042	298,894
		32,320,442	25,511,581
		41,493,821	37,184,149
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		20,527,575	19,505,281
Equity attributable to owners of the Company		24,870,690	23,848,396
Non-controlling interests		16,623,131	13,335,753
		41,493,821	37,184,149

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 and originally stated)	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
Merger accounting restatement (Note 2)	-	-	-	-	-	-	4,060,657	(7,847,787)	(3,787,130)	-	(3,787,130)
At January 1, 2020 (Unaudited and restated)	4,343,115	3,355,621	5,339,429	1,712	1,652	1,541,806	3,253,430	(29,880)	17,806,885	10,388,096	28,194,981
Profit for the Period	-	-	-	-	-	-	-	260,376	260,376	259,705	520,081
Other comprehensive income for the Period	-	-	-	-	297	-	-	-	297	336	633
Total comprehensive income for the Period	-	-	-	-	297	-	-	260,376	260,673	260,041	520,714
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 and restated)	4,343,115	3,355,621	5,339,429	1,712	1,949	-	3,253,435	230,496	16,525,757	10,478,700	27,004,457

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	Investment revaluation 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, 2021 (Audited and originally stated)	4,343,115	3,355,621	5,392,584	1,712	(24,160)	509	1,541,806	284,982	9,220,290	24,116,459	13,335,753	37,452,212
Merger accounting restatement (Note 2)	-	-	-	-	-	-	-	8,160,657	(8,428,720)	(268,063)	-	(268,063)
At January 1, 2021 (Unaudited and restated)	4,343,115	3,355,621	5,392,584	1,712	(24,160)	509	1,541,806	8,445,639	791,570	23,848,396	13,335,753	37,184,149
Profit for the Period	-	-	-	-	-	-	-	-	2,513,676	2,513,676	648,203	3,161,879
Other comprehensive income for the Period	-	-	-	-	6,529	(687)	-	-	-	5,842	(854)	4,988
Total comprehensive income for the Period	-	-	-	-	6,529	(687)	-	-	2,513,676	2,519,518	647,349	3,166,867
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	631,350	631,350
Disposal of a subsidiary and listing of REITs	-	-	-	-	-	-	-	(258,881)	-	(258,881)	(229,747)	(488,628)
Private equity placement of A shares of a subsidiary	-	-	-	-	-	-	-	541,603	-	541,603	2,259,506	2,801,109
Dividends declared to minority shareholders	-	-	-	-	-	-	-	-	-	-	(21,080)	(21,080)
Consideration paid for the acquisition of a subsidiary under common control	-	-	-	-	-	-	-	(238,140)	-	(238,140)	-	(238,140)
2020 dividend	-	-	-	-	-	-	(1,541,806)	-	-	(1,541,806)	-	(1,541,806)
At June 30, 2021(Unaudited)	4,343,115	3,355,621	5,392,584	1,712	(17,631)	(178)	-	8,490,221	3,305,246	24,870,690	16,623,131	41,493,821

Condensed Consolidated Statement of Cash Flows

	For the six months ended June 30,	
	2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Net cash generated from operating activities	1,524,684	1,191,730
Net cash used in investing activities	(910,417)	(658,535)
Net cash generated from (used in) financing activities	6,425,697	(2,277,696)
Net increase (decrease) in cash and cash equivalents	7,039,964	(1,744,501)
Cash and cash equivalents at beginning of the Period	8,645,085	8,090,694
Effect of foreign exchange rate changes	(1,541)	633
Cash and cash equivalents at end of the Period	15,683,508	6,346,826

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. MERGER ACCOUNTING RESTATEMENT

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

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

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

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

Notes to Condensed Consolidated Financial Statements

2. MERGER ACCOUNTING RESTATEMENT (Continued)

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

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

Notes to Condensed Consolidated Financial Statements

2. MERGER ACCOUNTING RESTATEMENT (Continued)

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

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

Notes to Condensed Consolidated Financial Statements

2. MERGER ACCOUNTING RESTATEMENT (Continued)

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

Notes to Condensed Consolidated Financial Statements

2. MERGER ACCOUNTING RESTATEMENT (Continued)

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

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

Notes to Condensed Consolidated Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

Notes to Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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

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

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

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

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

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

Revenue from major services

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

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

Notes to Condensed Consolidated Financial Statements

5. OTHER INCOME AND GAINS AND LOSSES

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

6. FINANCE COSTS

	For the six months ended June 30,	
	2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Bank and other borrowings	426,381	423,228
Short-term financing note	108,780	115,720
Bonds payable	419,005	323,301
Convertible bonds	27,747	314,164
Lease liabilities	11,147	6,436
Total	993,060	1,182,849

Notes to Condensed Consolidated Financial Statements

7. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Depreciation of property, plant and equipment	227,177	235,833
Amortisation of expressway operating rights	1,244,610	1,182,764
Amortisation of other intangible assets	28,749	28,893
Depreciation of right-of-use assets	49,193	39,733

8. INCOME TAX EXPENSE

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

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

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

Notes to Condensed Consolidated Financial Statements

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

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

Number of shares:

	For the six months ended June 30,	
	2021 '000 (Unaudited)	2020 '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 bonds	226,766	162,749
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,569,881	4,505,864

Notes to Condensed Consolidated Financial Statements

10. TRADE RECEIVABLES

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

The Group has no credit period granted to its trade customers of toll road operation business. The Group's trade receivable balance for toll road operation is toll receivables from the respective expressway fee settlement centres of Zhejiang Province and Anhui Province, Transportation Bureau of Yuhang County of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, Transportation Bureau of Jiaying, which are normally settled within 3 months. All of these trade receivables were not past due in both periods.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities, trading limits are set for customers. The Group seeks to maintain tight control over its outstanding trade receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Within 3 months	353,767	321,065
3 months to 1 year	96,720	44,044
1 to 2 years	3,851	2,972
Over 2 years	4,616	5,319
Total	458,954	373,400

Notes to Condensed Consolidated Financial Statements

11. 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, 2021, 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 Rmb49,601,436,000 (December 31, 2020: Rmb43,022,132,000). Cash collateral of Rmb2,183,466,000 (December 31, 2020: Rmb1,920,073,000) 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.

12. OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Non-current: Prepayments	–	2,923,140
Current:		
Prepayments	399,162	296,521
Trading deposits	1,730,308	2,597,662
Settlement receivables	14,010	66,139
Settlement fund related to CDB Securities (note)	1,077,899	–
Advances	174,984	30,967
Others	170,386	140,793
Total	3,566,749	6,055,222

Note: Zheshang Securities acquired some securities branches of China Development Bank Securities Company Limited ("CDB Securities") at the end of 2020. As the merger was still in process and the transfer of system data had not yet been completed, the related bank balances and clearing settlement fund held on behalf of customers were temporarily held as settlement fund.

Notes to Condensed Consolidated Financial Statements

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	4,356,151	3,638,156
Stock securities	3,191,716	3,675,974
Less: Impairment allowance	(188,317)	(191,659)
	7,359,550	7,122,471
Analysed by market:		
Inter-bank market	498,000	323,537
Shanghai/Shenzhen Stock Exchange	7,049,867	6,990,593
Less: Impairment allowance	(188,317)	(191,659)
	7,359,550	7,122,471
Analysed by liquidity:		
Current	7,269,550	7,002,471
Non-current	90,000	120,000
	7,359,550	7,122,471

The collaterals include both equity and debt securities listed in the PRC. As at June 30, 2021, the fair value of equity and debt securities as collaterals was Rmb12,462,844,000 (December 31, 2020: Rmb12,736,012,000) and Rmb4,442,139,000 (December 31, 2020: Rmb3,819,482,000), respectively.

14. TRADE PAYABLES

Trade payables mainly represent the payables for the expressway improvement projects and construction of high grade road. The following is an aged analysis of trade payables presented based on the invoice date:

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

Notes to Condensed Consolidated Financial Statements

15. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Accrued payroll and welfare	1,835,828	1,207,094
Advances	34,398	30,544
Advance payments for settlement from securities business	–	4,812
Payment of futures insurance	49,389	15,903
Trading deposit and settlement	3,160,383	3,833,730
Deposit received for disposal of an associate	207,000	165,600
Retention payable	106,880	93,113
Pledge deposit for futures	133,548	119,614
Compensations for highway crossing	62,084	62,617
Payables to be settled for fund redemption	229,582	85,998
Toll collected on behalf of other expressway toll roads	5,403	6,113
Futures risk reserve	135,094	124,717
Government subsidies from removal of expressway toll station on provincial borders	86,657	98,615
Deferred income	102,992	115,222
Advances from toll revenue compensation	214,329	–
Customers investment fund received in advance	119,000	–
Others	238,067	195,105
	6,720,634	6,158,797

Notes to Condensed Consolidated Financial Statements

16. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	18,409,970	11,525,087
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	5,792,149	4,717,363
Inter-bank market	12,617,821	6,807,724
	18,409,970	11,525,087

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, 2021, 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

17. CONVERTIBLE BONDS

Convertible Bond 2017

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

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

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

(1) Conversion right

The Convertible Bond 2017 will, at the option of the Bondholders 2017, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2017") of HK\$13.10 per H share and a fixed exchange rate of HK\$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2017 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price.

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond 2017 at 100 percent of its outstanding principal amount on the maturity date of April 21, 2022 (the "Maturity Date 2017").

(ii) Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice, redeem the Convertible Bond 2017 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

- (a) at any time after April 21, 2020 but prior to the Maturity Date 2017, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Stock Exchange business days, at least 130 percent of the Conversion Price 2017 (translated into Euro at the Fixed Exchange Rate); or
- (b) if at any time the aggregate principal amount of the Convertible Bond 2017 outstanding is less than 10 percent of the aggregate principal amount originally issued.

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the Bondholders 2017

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

The Convertible Bond 2017 comprises two components:

- (a) Debt component was initially measured at fair value amounted to approximately Euro297,801,000 (equivalent to Rmb2,190,578,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.28%.
- (b) Derivative component comprises conversion right of the Bondholders 2017, redemption option of the Company, and redemption option of the Bondholders 2017.

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

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

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

The movement of the debt and derivative components of the Convertible Bond 2017 as of June 30, 2021 and December 31, 2020 is set out as below:

	Debt component at amortised cost		Derivative components at FVTPL		Total	
	Euro'000	Rmb'000	Euro'000	Rmb'000	Euro'000	Rmb'000
On January 1, 2020 (Audited)	331,144	2,588,053	25,614	200,182	356,758	2,788,235
Redemption	(364,900)	(2,802,541)	(25,611)	(200,165)	(390,511)	(3,002,706)
Exchange realignment	-	(40,834)	-	-	-	(40,834)
Interest charge	33,852	256,084	-	-	33,852	256,084
Gain on change in fair value	-	-	(2)	(13)	(2)	(13)
On December 31, 2020 (Audited)	96	762	1	4	97	766
Interest charge	4	41	-	-	4	41
Exchange realignment	-	(30)	-	-	-	(30)
Redemption	(100)	(773)	(1)	(4)	(101)	(777)
On June 30, 2021 (Unaudited)	-	-	-	-	-	-

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021

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

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

(1) Conversion right

The Convertible Bond 2021 will, at the option of the holder (the "Bondholders 2021"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2021") of HK\$8.83 per H share and a fixed exchange rate of HK\$9.5145 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at June 30, 2021, the latest conversion price was HK\$8.32 per H share. Assuming full conversion of the Convertible Bond 2021 at the latest conversion price, the Convertible Bond 2021 be convertible into approximately 263,021,033 H Shares.

(2) Redemption

(i) Redemption at maturity

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

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (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 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

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

(iii) Redemption at the option of the Bondholders 2021

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

The Convertible Bond 2021 comprises two components:

- (a) Debt component was initially measured at fair value amounted to approximately Euro183,297,000 (equivalent to Rmb1,443,009,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.74%.
- (b) Derivative component comprises conversion right of the Bondholders 2021, redemption option of the Company, and redemption option of the Bondholders 2021.

Notes to Condensed Consolidated Financial Statements

17. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

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

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

The movement of the debt and derivative components of the Convertible Bond 2021 as of June 30, 2021 is set out as below:

	Debt component at amortised cost		Derivative components at FVTPL		Total	
	Euro'000	Rmb'000	Euro'000	Rmb'000	Euro'000	Rmb'000
On date of issue	183,297	1,443,009	46,703	367,666	230,000	1,810,675
Issue cost	(853)	(6,716)	-	-	(853)	(6,716)
Exchange realignment	-	(33,990)	-	-	-	(33,990)
Interest charge	3,605	27,705	-	-	3,605	27,705
Gain on change in fair value	-	-	(320)	(11,160)	(320)	(11,160)
On June 30, 2021 (Unaudited)	186,049	1,430,008	46,383	356,506	232,432	1,786,514

Based on the financial position of the Group, to the best knowledge of the Company, the Company expects that it will be able to meet its redemption obligations under the Convertible Bond 2021.

As the Convertible Bond 2021 bear no interest on the principal amount, it would be equally financially advantageous for the Bondholders 2021 to convert or redeem in the event that the price of each share trade on the Stock Exchange equals the then adjusted conversion price of the Convertible Bond 2021.

Notes to Condensed Consolidated Financial Statements

18. 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 contract entered into between the Company and Communications Group on July 1, 2020, Communications Group agreed to provide the Company with an entrusted loan amounting to Rmb50,000,000 at a fixed interest rate of 2.5% per annum. The entrusted loan was repaid on June 29, 2021.

Pursuant to the entrusted loan contracts entered into between Longlililong Co and Communications Group on March 13 and July 1, 2020, Communications Group agreed to provide Longlililong Co with entrusted loans amounting to Rmb50,000,000 and Rmb150,000,000 at fixed interest rates of 3.4% and 2.5% per annum, respectively. The entrusted loans were repaid on February 5 and June 29, 2021. According to the loan contract entered into between Longlililong Co and Communications Group on July 29, 2016, Communications Group agreed to provide Longlililong Co with a loan amounting to Rmb2,724,462,000 at a fixed interest rate of 4.35% per annum. The loan was repaid on August 28, 2020.

Pursuant to the entrusted loan contract 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 an entrusted loan amounting to Rmb60,000,000 at a fixed interest rate of 3.0% per annum. The entrusted loan was repaid on September 28, 2020.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Borrowings (Continued)

Pursuant to the entrusted loan contract entered into between Zhejiang Grand Hotel 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, which was subjected to one extension and one renewal, at a fixed interest rate of 3.915% per annum. The loan was repaid on March 6, 2020.

	For the six months ended June 30,	
	2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Interest expenses incurred	2,651	62,128

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 six toll roads, including Shensuzhewan Expressway, Hangning Expressway, Ningbo Yongtaiwen Expressway, South Line of Qianjiang Channel, 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 Rmb4,513,000 (Corresponding period of 2020: Rmb3,816,000) has been charged.

During the Period, Longlilong Co has entered into an agreement with Zhejiang Communications Operating Company (“Zhejiang Operating Co”, a subsidiary of Communications Group), pursuant to which, Zhejiang Operating Co would provide the management and administrative services for Longlilong Expressways, and would charge Longlilong Co management fee on actual cost basis. During the Period, management fee of Rmb3,700,000 has been charged.

Equity transaction

On June 21, 2021, Zheshang Development Group Co., Ltd. (“Zheshang Development”) entered into an agreement with Zhejiang Zheqi Co., Ltd (“Zhejiang Zheqi”), pursuant to which Zheshang Development and Zhejiang Zheqi will jointly establish a joint venture which will be principally engaged in spot and futures trading of commodities and supply chain management. Communications Group is a controlling shareholder of the Company. Zheshang Development is a 46.21% owned associate of Communications Group, and therefore it is a connected person of the Company. The registered capital of the joint venture is Rmb150,000,000 and may increase to Rmb300,000,000, depending on the operating business conditions after the commencement of the joint venture, in which Zhejiang Zheqi holds 20% of interest. As of June 30, 2021, neither Zheshang Development nor Zhejiang Zheqi had made any capital contribution.

Notes to Condensed Consolidated Financial Statements

18. 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,	
	2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Toll road service area leasing income earned (Note i)	10,829	8,774
Toll road service area management fee paid (Note i)	4,550	4,725
Property leasing income earned	143	143
Road maintenance service expenses incurred (Note ii)	176,897	162,398
Construction costs (Note iii)	105,746	-
Information system services expenses incurred	409	788
Financial advisory service income earned	1,107	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), Zhejiang Shenjiahuhang Expressway Co., Ltd. ("Shenjiahuhang Co", a wholly-owned subsidiary of the Company), Zhejiang Zhoushan Bay Bridge Co., Ltd. ("Zhoushan Co", a non-wholly-owned subsidiary of the Company), Longlililong Co, 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, the Zhoushan Bay Bridge, the LongLiLiLong Expressways, and the Zhajiasu Expressway.

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

18. 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.

Loans advanced from Zhejiang Communications Finance

During the Period, Zhejiang Communications Finance provided the Company with short-term loans in the aggregate principal amount of Rmb3,800,000,000 at a fixed interest rate of 3.6% per annum. Short-term loans with an aggregate principal amount of Rmb3,570,000,000 were repaid during the Period.

Zhejiang Communications Finance provided Hanghui Co with short-term loans in the aggregate principal amount of Rmb500,000,000 at a fixed interest rate of 3.85% per annum. Short-term loans in the aggregate principal amount of Rmb500,000,000 were repaid during the Period.

Notes to Condensed Consolidated Financial Statements

18. 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 (Continued)

Zhejiang Communications Finance provided Shangsang Co with short-term loans in the aggregate principal amount of Rmb200,000,000 at a fixed interest rate of 3.65% per annum.

Zhejiang Communications Finance provided Shenjiahuhang Co with short-term loans in the aggregate principal amount of Rmb400,000,000 at fixed interest rates of 3.82% and 3.85% per annum. Long-term loans in the aggregate principal amount of Rmb525,000,000 were repaid during the Period.

Zhejiang Communications Finance provided Zhoushan Co with short-term loans in the aggregate principal amount of Rmb110,000,000 at a fixed interest rate of 3.82% per annum. Long-term loans in the aggregate principal amount of Rmb1,527,000,000 and short-term loans in the aggregate principal amount of Rmb320,000,000 were repaid during the Period.

Zhejiang Communications Finance provided Longlilong Co with short-term loans in the aggregate principal amount of Rmb495,000,000 and long-term loans in the aggregate principal amount of Rmb895,000,000 at a fixed interest rate of 4.13% per annum. Short-term loans in the aggregate principal amount of Rmb990,000,000 were repaid during the Period.

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Outstanding loan payable balances:		
Within one year	3,785,437	3,825,578
Two to five years	1,805,000	2,797,000
	5,590,437	6,622,578
	For the six months ended June 30, 2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Interest expenses incurred	125,372	155,965

Notes to Condensed Consolidated Financial Statements

18. 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, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Unaudited and restated)
Bank balances and cash – Cash and cash equivalents	2,452,397	1,825,677

	For the six months ended June 30, 2021 Rmb'000 (Unaudited)	2020 Rmb'000 (Unaudited and restated)
Interest income earned	16,114	15,053

Sales of asset management schemes

During the Period, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) sold 623,304,000 units (equivalent to Rmb623,304,000) of the asset management scheme to Zhejiang Communications Finance, Zheshang Insurance Co., Ltd., ("Zheshang Insurance", a fellow subsidiary of Communications Group) and Zhejiang Zheshang Financial Holdings Co., Ltd., ("Zheshang Financial", a wholly-owned subsidiary of Communications Group); 822,000,000 units were redeemed during the Period, and management fee income of Rmb2,254,000 was generated from the asset management scheme.

During the corresponding period of 2020, Asset Management sold 545,000,000 units (equivalent to Rmb545,000,000) of the asset management scheme to Zhejiang Communications Finance and Zheshang Financial: among which, 200,000,000 units (equivalent to RMB200,000,000) were redeemed, and management fee income of Rmb1,150,000 was generated from the asset management scheme.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Purchase/sales of commodities from/to Zheshang Development Group Co., Ltd. and its subsidiaries (collectively referred to as “Zheshang Development Group”)

During the Period, Zhejiang Zheqi purchased and sold commodities of Rmb22,191,000 (Corresponding period of 2020: nil) and Rmb109,434,000 (Corresponding period of 2020: nil) respectively from/to Zheshang Development Group for its commodity trading business.

As at June 30, 2021, Zhejiang Zheqi received deposits of Rmb8,312,000 (December 31, 2020: Rmb49,278,000) from Zheshang Development Group.

Derivative contract business with ZheShang Development Group

During the Period, Zhejiang Zheqi carried out derivative contract business with Zheshang Development Group, and the investment loss was Rmb6,827,000 (Corresponding period of 2020: nil) in total. The nominal principal amount of the derivative contracts was Rmb407,214,500 (December 31, 2020: Rmb1,608,777,070).

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, with a floating interest rate of 4.1325%. The loan was repaid on March 29, 2020, and interest expense incurred for the corresponding period of 2020 was Rmb221,000.

Notes to Condensed Consolidated Financial Statements

19. 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, 2021 Rmb'000 (Unaudited)	Fair value as at December 31, 2020 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	911,399	1,550,297	Level 1	Quoted bid prices in an active market	N/A	N/A
		Financial assets at FVTPL	164,334	120,389	Level 3	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.
(2)	Equity securities traded in inactive market	Financial assets at FVTPL	123,816	110,588	Level 2	Recent transaction prices	N/A	N/A
(3)	Unlisted equity investment	Financial assets at FVTPL	80,323	80,323	Level 3	Calculated based on pricing/yield such as price-to-earning (P/E) of comparable companies with an adjustment of discount for lack of marketability	P/E multiples, P/B multiples, P/S multiples, and discounted for lack of marketability	The higher the discount rate, the lower the fair value. The higher the multiples, the higher the fair value.
(4)	Investment funds	Financial assets at FVTPL	3,020,984	273,630	Level 1	Quoted bid prices in an active market	N/A	N/A
		Financial assets at FVTPL	1,014,281	3,920,115	Level 2	Based on the net asset values of the equity investment, with reference to observable market price	N/A	N/A

Notes to Condensed Consolidated Financial Statements

19. 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, 2021 Rmb '000 (Unaudited)	Fair value as at December 31, 2020 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
(5)	Debt investments listed in stock exchange and debt investments in interbank market	Financial assets at FVTPL	22,030,805	4,937,141	Level 1	Quoted bid prices in an active market	N/A	N/A
			7,551,892	16,700,789	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
			13,500	13,500	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.
(6)	Investment in structured products	Financial assets at FVTPL	2,639,692	1,179,028	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)	Structured deposits	Financial assets at FVTPL	-	160,000	Level 2	Discounted cash flow. The future cash flows are estimated based on exchange rates from observable yield curves at the end of the reporting period discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

Notes to Condensed Consolidated Financial Statements

19. 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, 2021 Rmb '000 (Unaudited)	Fair value as at December 31, 2020 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
(8)	Investments in trust products	Financial assets at FVTPL	331,600	356,417	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.
(9)	Derivative instruments	Derivative financial assets	675,612	525,629	Level 2	The fair value was determined based on option pricing model with market observable inputs, such as quoted market price, dividend yield, volatility as key parameters	N/A	N/A

Notes to Condensed Consolidated Financial Statements

19. 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, 2021 Rmb'000 (Unaudited)	Fair value as at December 31, 2020 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)	Securities	Financial liabilities at FVTPL	379,217	390,611	Level 1	Quoted bid prices in an active market	N/A	N/A
			-	1,962	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	2,807,557	2,463,779	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
			15,572	54,373	Level 3	Shares of the net value of the structured entities, determined with reference to the net asset value of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability of underlying investment portfolio and adjustments of related expenses	P/E multiples Discounted for lack of marketability	The higher the multiples, the higher the fair value. The higher the discount rate, the lower the fair value.

Notes to Condensed Consolidated Financial Statements

19. 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, 2021 Rmb '000 (Unaudited)	Fair value as at December 31, 2020 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
(3)	Derivative component of Convertible Bond	Derivative component of Convertible Bond	356,506	4	Level 3	Binomial option pricing model Expected volatility: 28.90% (2020: 30.48%) Dividend yield: nil (2020: nil) Risk-free rate: 0.67% (2020: 0.08%) Share price: HK\$6.91 (equivalent to Rmb5.74) (2020: HK\$6.55 (equivalent to Rmb5.51)) Exercise price: HK\$8.32 (equivalent to Rmb6.91) (2020: HK\$10.54 (equivalent to Rmb8.87))	Expected volatility of 28.90%, taking into account the actual historical share price of the Company over the corresponding 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	491,889	497,427	Level 2	The fair value was determined based on option pricing model with market observable inputs, such as quoted market price, dividend yield, volatility as key parameters	N/A	N/A
(5)	Public fund	Financial liabilities at FVTPL	2,136,400	-	Level 1	Quoted bid prices in an active market	N/A	N/A

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

Notes to Condensed Consolidated Financial Statements

19. 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, 2020 and the period ended June 30, 2021.

	Trust products Rmb'000	Restricted shares Rmb'000	Unlisted Equity investments Rmb'000	Debts Rmb'000	Total Rmb'000
As at January 1, 2020	702,971	-	16,898	-	719,869
Transfer in	-	-	-	21,076	21,076
Additions	542,147	75,099	69,123	-	686,369
Disposal	(888,701)	-	(5,698)	-	(894,399)
Recognized in fair value changes	-	45,290	-	(7,576)	37,714
As at December 31, 2020	356,417	120,389	80,323	13,500	570,629
Additions	295,652	44,864	-	-	340,516
Disposal	(320,469)	-	-	-	(320,469)
Recognized in fair value changes	-	(919)	-	-	(919)
As at June 30, 2021	331,600	164,334	80,323	13,500	589,757

Notes to Condensed Consolidated Financial Statements

19. 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, 2021		As at December 31, 2020	
	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	-	-	762	766
Debt component of Convertible Bond 2021	1,430,008	1,463,139	-	-

The fair value of the debt component of Convertible Bond as at June 30, 2021 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

20. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2021 Rmb'000 (Unaudited)	As at December 31, 2020 Rmb'000 (Audited)
Interests in subsidiaries	14,725,472	13,000,212
Amounts due from subsidiaries	2,517,648	3,098,317
Other assets	14,300,512	14,196,976
	31,543,632	30,295,505
Total liabilities	13,619,528	13,819,654
Capital and reserves		
Share capital	4,343,115	4,343,115
Reserves	13,580,989	12,132,736
Total	17,924,104	16,475,851

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 19, 2021.

Corporate Information

CHAIRMAN

YU Zhihong

EXECUTIVE DIRECTORS

CHEN Ninghui

YUAN Yingjie

(Appointed as General Manager on May 19, 2021)

LUO Jianhu

(Resigned on May 19, 2021)

NON-EXECUTIVE DIRECTORS

DAI Benmeng *(Resigned on July 1, 2021)*

JIN Chaoyang *(Appointed on July 1, 2021)*

FAN Ye

HUANG Jianzhang *(Appointed on July 1, 2021)*

INDEPENDENT

NON-EXECUTIVE DIRECTORS

PEI Ker-Wei

LEE Wai Tsang, Rosa

CHEN Bin

SUPERVISORS

ZHENG Ruchun

HE Meiyun

WU Qingwang

ZHAN Huagang *(Resigned on July 1, 2021)*

LU Xinghai *(Appointed on July 1, 2021)*

WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong

YUAN Yingjie *(Appointed on July 1, 2021)*

LUO Jianhu *(Resigned on July 1, 2021)*

STATUTORY ADDRESS

12/F, Block A, Dragon Century Plaza

1 Hangda Road

Hangzhou City, Zhejiang Province

PRC 310007

Tel : 86-571-8798 5588

Fax: 86-571-8798 5599

PRINCIPAL PLACE OF BUSINESS

5/F, No. 2, Mingzhu International Business
Center

199 Wuxing Road

Hangzhou City

Zhejiang Province

PRC 310020

Tel : 86-571-8798 5588

Fax: 86-571-8798 5599

LEGAL ADVISERS

As to Hong Kong law:

Ashurst Hong Kong

11/F, Jardine House

1 Connaught Place

Central, Hong Kong

As to English law:

Ashurst LLP

Broadwalk House

5 Appold Street

London EC2A 2AG

United Kingdom

Corporate Information

As to PRC law:

T & C Law Firm
11/F, Block A, Dragon Century Plaza
1 Hangda Road
Hangzhou City, Zhejiang Province
PRC 310007

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

INVESTOR RELATIONS CONSULTANT

Christensen China Limited
16/F, Methodist House
36 Hennessy Road, Wanchai
Hong Kong
Tel : 852-2117 0861
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

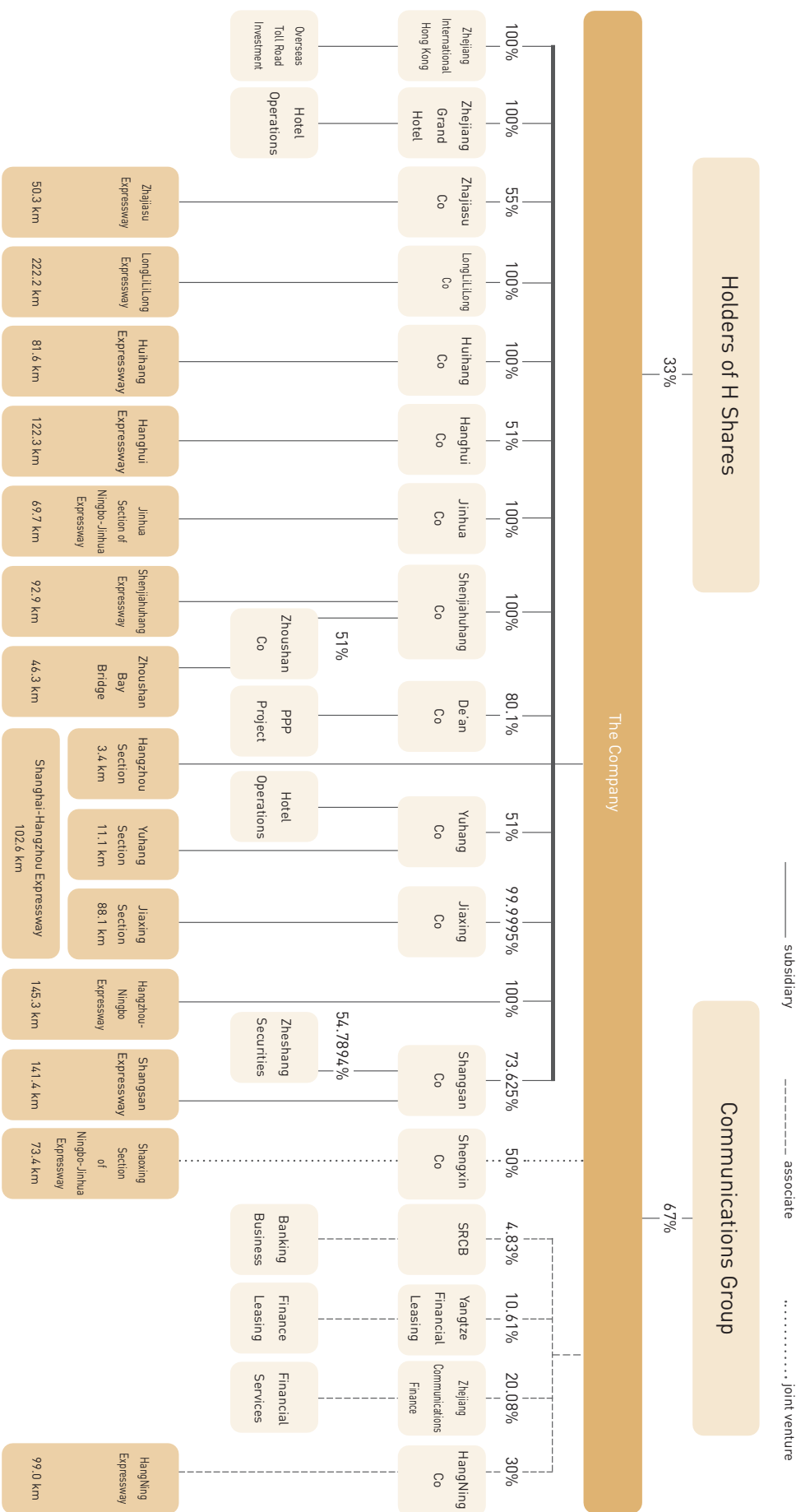
Room 1710B
Office Tower
Convention Plaza
1 Harbour Road
Wan Chai, Hong Kong
Tel : 852-2537 4295
Fax: 852-2537 4293

WEBSITE

www.zjec.com.cn

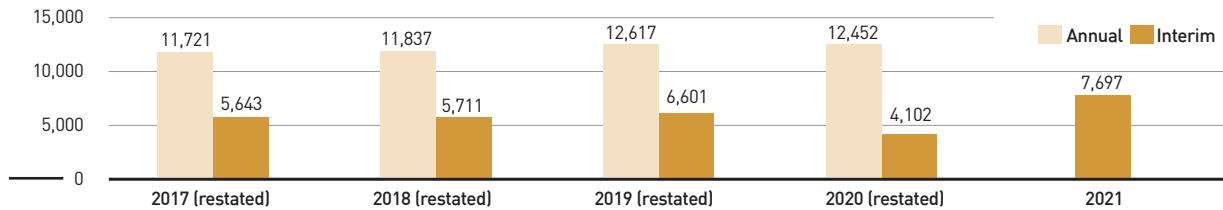
Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at August 31, 2021

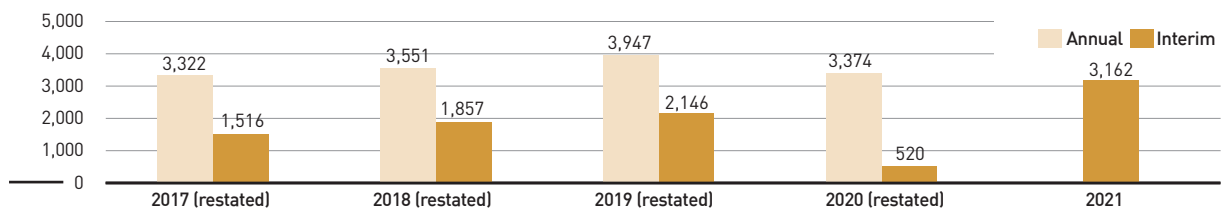


Financial Highlights

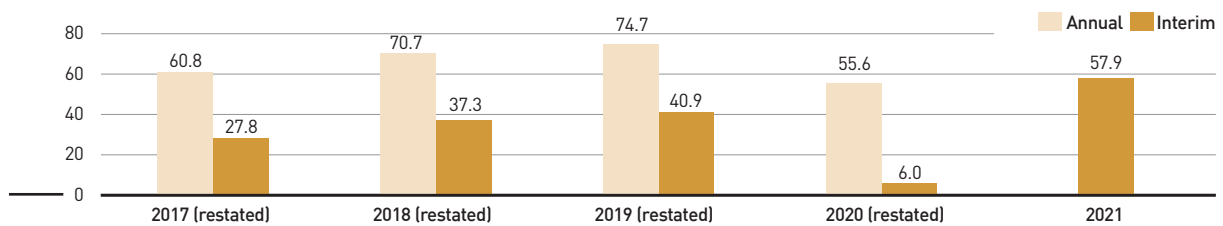
Revenue/Rmb Million



Net Profit/Rmb Million



Basic EPS/Rmb Cents



ROE (%)

