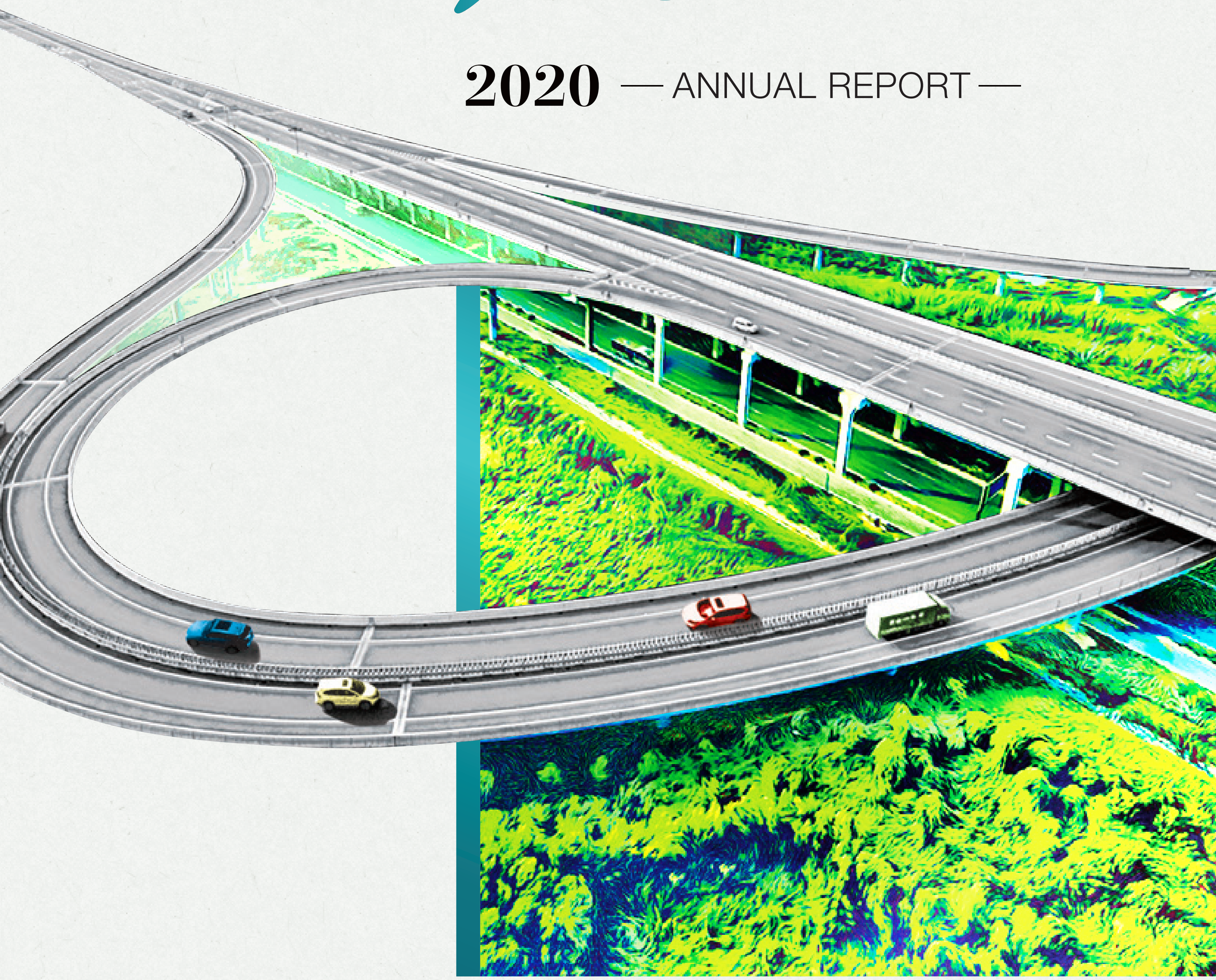
Striving For Excellence

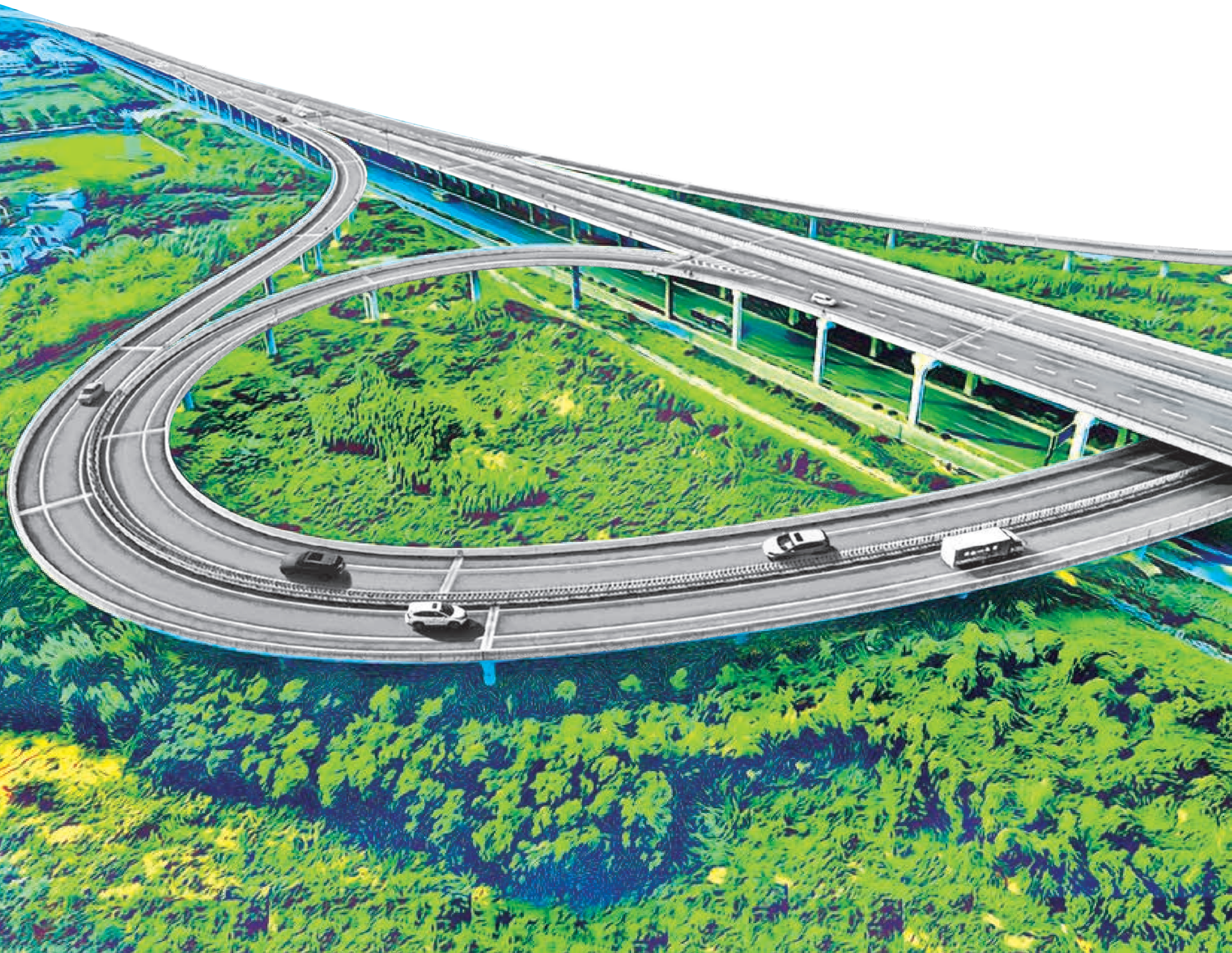
2020 — ANNUAL REPORT —



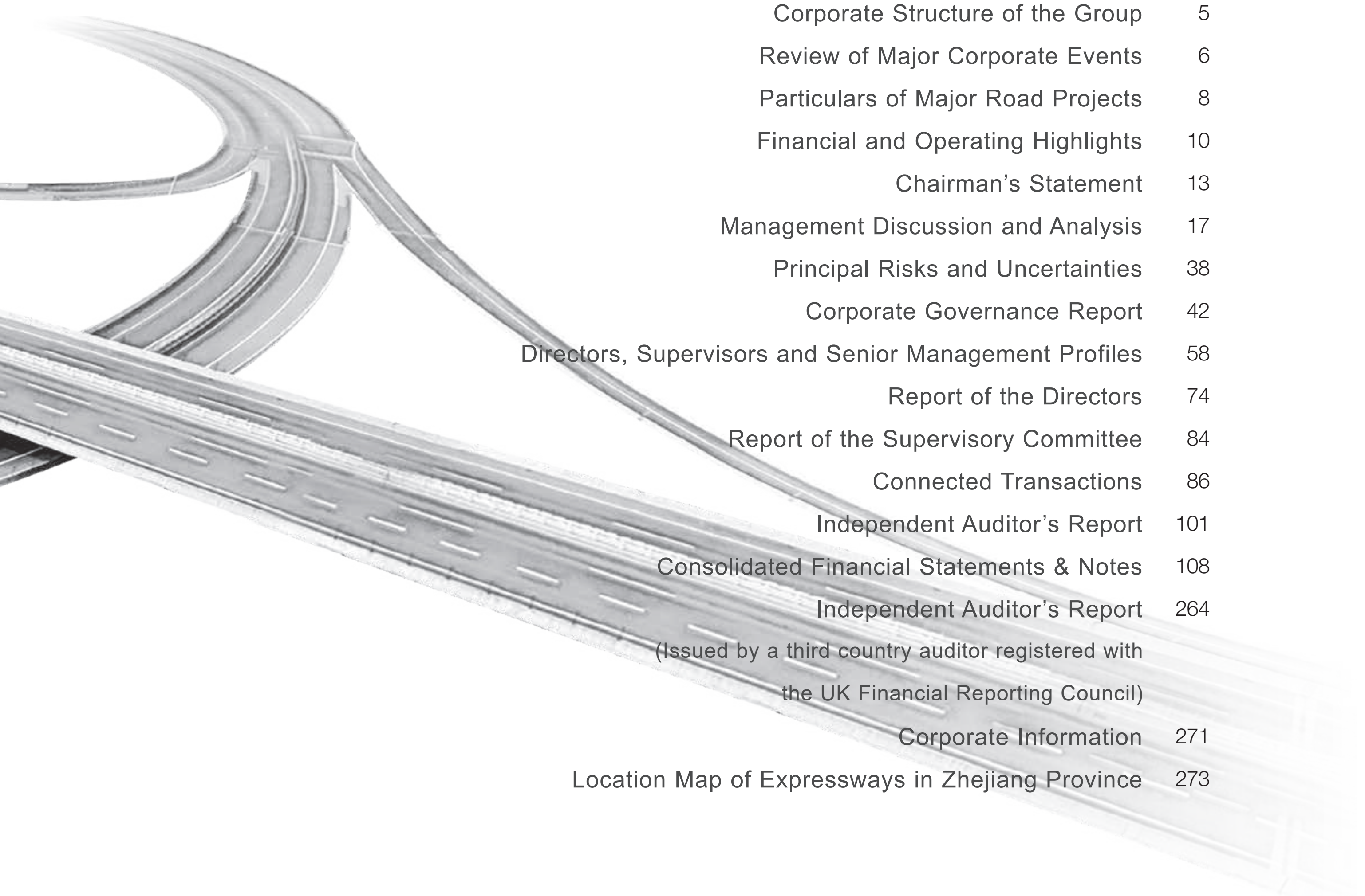
浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

STOCK CODE : 0576

Striving For Excellence



2020 ANNUAL REPORT



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
Connected Person	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
De'an Co	Deqing County De'an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), a 80.1% owned subsidiary of the Company, which is established with Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司) for PPP Project in Deqing County
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company
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
Jiaogong Maintenance	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd. (浙江交工高等級公路養護有限公司), an indirectly non-wholly owned subsidiary of Communications Group
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
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
Maintenance Co	Zhejiang Expressway Maintenance Co., Ltd. (浙江滬杭甬養護工程有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of Communications Group
Ningbo Expressway Co	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. (浙江寧波甬台溫高速公路有限公司), a limited liability company established in the PRC on April 26, 2004 and an approximately 80.45% owned subsidiary of Communications Group
Period	the period from January 1, 2020 to December 31, 2020
PRC	the People's Republic of China

Rmb	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a joint stock limited company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants, respectively
Shareholders	the shareholders of the Company
Shengxin Co	Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company
Shenjiahuhang Co	Zhejiang Shenjiahuhang Expressway Co., Ltd.(浙江申嘉湖杭高速公路有限公司), a wholly-owned subsidiary of the Company
SRCB	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) a 5.36% owned associate of the Company
Supervisory Committee	the supervisory committee of the Company
Yangtze Financial Leasing	Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司), a 10.61% owned associate of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd. (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
Zhejiang Communications Finance	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a 20.08% owned associate of the Company
Zhejiang Grand Hotel	Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company
Zhejiang 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 Information	Zhejiang Expressway Information Engineering Technology Co., Ltd* (浙江高速信息工程技術有限公司), a limited company established in the PRC and a 65.85% owned subsidiary of Communications Group as at the date hereof
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
Zhejiang Oceanking	Zhejiang Oceanking Development Co., Ltd (浙江鎮洋發展股份有限公司), a limited liability company established under the laws of the PRC and a 65.44% owned subsidiary of the Communications Group
Zhejiang Shunchang	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. (浙江順暢高等級公路養護有限公司), a non-wholly owned subsidiary of Communications Group
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 58.7936% owned subsidiary of the Shangsan Co
Zhoushan Co	Zhejiang Zhoushan Bay Bridge Co., Ltd.(浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co

Company Profile

Zhejiang Expressway is a listed company principally engaging in investing in, developing and operating of high-grade roads as well as securities business. The Company was incorporated on March 1, 1997 as an infrastructure company of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province. The securities business is carried out by its subsidiary Zheshang Securities, which was listed on the Shanghai Stock Exchange (SH Stock Code: 601878) in June 2017.

Major assets operated by the Group include seven expressways namely the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 93 km Shenjiahuhang Expressway and the 46 km Zhoushan Bay Bridge. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the six expressways are situated within Zhejiang Province in the PRC. As at December 31, 2020, total assets of the Company and its subsidiaries amounted to Rmb130,063.38 million.

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

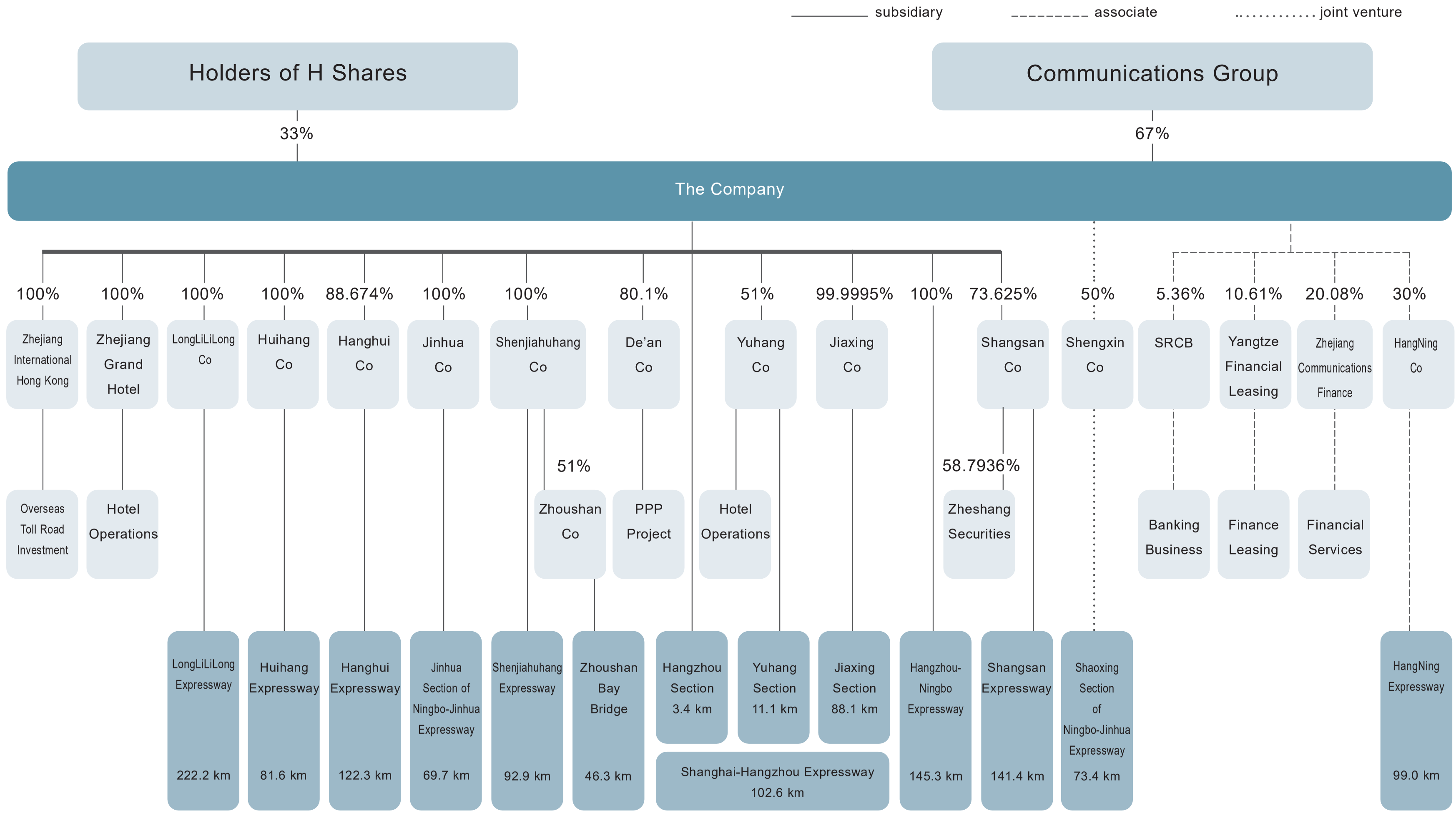
Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a wholly state-owned communications company established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates. On July 11, 2016, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communications Group and Zhejiang Railroad Investment Group Co., Ltd. In July 2018, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communication Group and Zhejiang Commercial Group Co., Ltd. Upon merger and restructuring, Communications Group will be responsible for the investment and financing, construction, operation and management of transport related fundamental facilities including expressways, railroads, key cross-region mass transit railways and integrated transport hubs.

The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

With a solid foundation built on the Group's expressway business, the Company will expand its main businesses scale, enhance its core competitiveness, and grow its financial and securities business so as to increase its profit contribution to the Group. Looking ahead, the Company will seize sound investment opportunities to acquire new projects, and strive to develop the Company into an international investment holdings company with a primary focus on transportation infrastructure investment and operation.

Corporate Structure of the Group

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



Review of Major Corporate Events

1. On January 1, 2020, as directed by the Ministry of Transport of the PRC to remove expressway toll stations at provincial borders, the Company removed its 5 expressway toll stations at provincial borders to fully implement nationwide grid connection of non-stop electronic toll collection.

2. In early 2020, due to the outbreak of the COVID-19 epidemic, the toll-free period for small passenger vehicles during the Spring Festival holidays which was originally scheduled from January 24 to January 30, 2020 was extended to February 8. Subsequently, as the epidemic situation became more severe, an additional toll-free policy for all vehicles was implemented during the period from February 17 to May 5, pursuant to the Ministry of Transport of the PRC's notification in relation to the toll-free policy for vehicles travelling on toll roads during the period of prevention and control of the COVID-19 pandemic.

3. On February 3, 2020, the Company held its Extraordinary General Meeting to elect Mr. YUAN Yingjie as non-executive Director and Mr. ZHENG Ruchun as supervisor representing shareholders.

4. On March 20, 2020, the Company announced its 2019 annual results.

5. On April 20, 2020, the Board approved the Company to manage the Zhejiang Section of HangNing Expressway and Jiaxing Section of No.320 National Highway as entrusted by Communications Group.

6. On April 21, 2020, at the option of the bondholders, the Company made early redemption of part of the outstanding Euro365 million zero coupon convertible bonds due 2022 issued by the Company on April 5, 2017, at the principal amount of Euro364.9 million.

7. On April 29, 2020, the Company announced its 2020 first quarterly results.

8. On May 15, 2020, the Company held its Annual General Meeting to approve, inter alia, the payment of a dividend of Rmb35.5 cents per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants as Hong Kong auditor of the Company, the reappointment of Pan-China Certified Public Accountants LLP as the PRC auditor of the Company, the elections of Mr. CHEN Ninghui as executive director and Mr. FAN Ye as non-executive director, the grant of general mandate to the Board to issue, allot and deal with additional H Shares of not more than 20% of the issued H Shares of the Company, and the corresponding amendments to the articles of association of the Company as it thinks fit.

9. On August 26, 2020, the Company announced its 2020 interim results.

10. On October 30, 2020, the Company announced its 2020 third quarterly results.

11. On December 10, 2020, the Board approved the Company to manage the Huzhou section of Hangzhou Ring Road West Parallel Expressway West line as entrusted by Communications Group.

12. On December 23, 2020, the Company held its Extraordinary General Meeting to approve the Share Transfer Agreement entered into between the Company and Communications Group to conditionally acquire the 30% equity interests of HangNing Co. at the consideration of Rmb2,685 million; to conditionally acquire the 100% equity interests of LongLiLiLong Co. at the consideration of Rmb238.14 million.

13. On January 5, 2021, the Company successfully issued 5-year zero coupon convertible bonds in an aggregate amount of Euro 230 million in Hong Kong market.

14. On January 20, 2021, the Company held its Extraordinary General Meeting to approve the offer and issue of unsecured senior notes of not more than US$600 million or its equivalent.

15. On February 11, 2021, the PPP project of Duihekou to Aibuli section of Zhenhai-Anji Road in Deqing County, undertaken by the Company and Zhejiang Hongtu, was completed and opened to traffic. The total length of this section of the project is approximately 14.62km.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	8	7	2	1998	8
– Yuhang Section	51%	11.1	6	1	0	1995-1998	8
– Hangzhou Section	100%	3.4	4	2	0	1995	8
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	15.7	4	1	0	1992	7
– Hongken to Duantang section	100%	123.4	8	9	2	1995	7
– Duantang to Dazhujia section	100%	6.2	4	1	0	1996	7
Shangsan Expressway	73.625%	141.4	4	11	3	2000	10
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	10
Hanghui Expressway							
– Changyu Section	88.674%	36.7	4	5	1	2004	9
– Changhang Section	88.674%	85.6	4	8	1	2006	11
Huihang Expressway	100%	81.6	4	4	2	2004	13
Shenjiahuhang Expressway							
– Huzhou Section	100%	42.0	4	3	1	2008	13
– Lianhang Section	100%	50.9	4	7	1	2010	15
Zhoushan Bay Bridge	51%	46.3	4	8	1	2009	14
LongLi Expressway	100%	119.8	4	9	3	2006	11
LiLong Expressway							
– Liandu Section	100%	22.97	4	2	0	2007	12
– Other Sections	100%	79.47	4	5	1	2006	11

CURRENT TOLL RATES ON THE EXPRESSWAYS UNDER THE GROUP

1. Passenger vehicle classification and toll rates

Toll for passenger vehicles = Entrance fee + Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Vehicle Class	Classification standard	Toll rates of expressways in Zhejiang Province for passenger vehicles		Toll rates of Huihang Expressway for passenger vehicles
		Mileage fee (Rmb/vehicle/km)	Entrance fee (Rmb/trip)	Mileage fee (Rmb/vehicle/km)
1 Passenger vehicle	≤ 9 seats (with a length less than 6m)	0.40	5	0.45
2 Passenger vehicle	10-19 seats (with a length less than 6m) Passenger car trailer	0.40	5	0.8
3 Passenger vehicle	≤39 seats (with a length no less than 6m)	0.80	10	1.1
4 Passenger vehicle	≥40 seats (with a length no less than 6m)	1.20	15	1.3

Note: For Shanghai-Hangzhou-Ningbo Expressway, the mileage fee for class 1 and class 2 passenger vehicles is Rmb0.45/vehicle/km.

2. Truck and special motor vehicle classification and toll rates

Toll for trucks and special motor vehicles = Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Class	Classification standard	Toll rates of expressways in Zhejiang Province for trucks and special motor vehicles (Rmb/vehicle/km)	Toll rates of Huihang Expressway for trucks and special motor vehicles (Rmb/vehicle/km)
Class 1	2 axles (with a length less than 6m and maximum authorized total weight less than 4,500kg)	0.45	0.45
Class 2	2 axles (with a length no less than 6m and maximum authorized total weight no less than 4,500kg)	0.841	0.9
Class 3	3 axles	1.321	1.35
Class 4	4 axles	1.639	1.7
Class 5	5 axles	1.675	1.85
Class 6	6 axles or above (inclusive)	1.747	2.2

Notes:

1. Total number of axles includes floating axles.

2. For trucks with 6 axles above running on Huihang Expressway, toll rates of trucks with each additional axle shall be calculated at 1.1 times of the standard rate for Class 6 trucks; whereas toll rates of trucks with 10 axles or above shall be calculated at the standard rate for trucks with 10 axles.

Financial and Operating Highlights

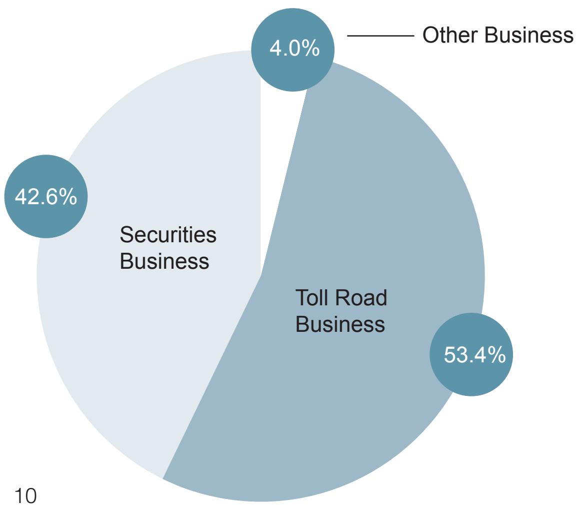
Results

	Year ended December 31, 2016 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2018 Rmb'000 (Restated)	2019 Rmb'000	**2020 Rmb'000**
Continuing operations:					
Revenue	10,978,928	11,080,513	11,192,199	11,955,266	**11,942,775**
Profit Before Tax	4,434,380	4,946,212	5,107,967	5,766,594	**5,114,710**
Income Tax Expense	(1,112,066)	(1,165,941)	(1,113,454)	(1,351,695)	**(1,160,174)**
Profit for the year from continuing operations	3,322,314	3,780,271	3,994,513	4,414,899	**3,954,536**
Discontinued operations:					
Profit for the year from discontinued operations	81,594	–	–	–	**–**
Profit for the year (from continuing and discontinued operations) attributable to:					
Owners of the Company	2,757,089	3,097,355	3,515,095	3,711,118	**2,997,344**
Non-controlling interests	646,819	682,916	479,418	703,781	**957,192**
Basic Earnings Per Share (EPS) (From continuing and discontinued operations)	63.48 cents	71.32 cents	80.94 cents	85.45 cents	**69.01 cents**
Diluted EPS (From continuing and discontinued operations)	63.48 cents	69.04 cents	76.27 cents	82.37 cents	**68.32 cents**

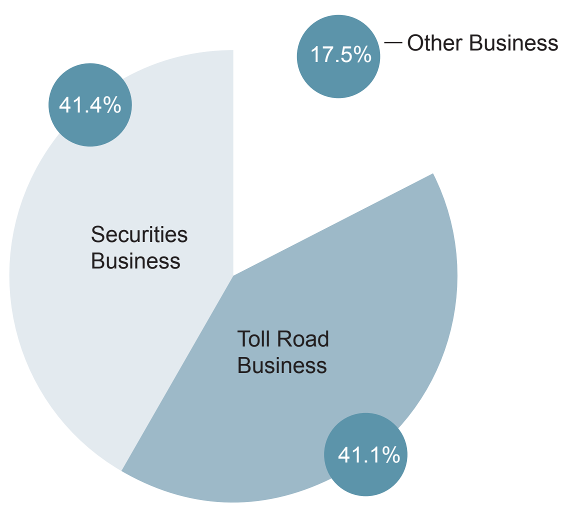
RETURN ON EQUITY (ROE)

	2016	2017	2018	2019	**2020**
ROE	15.0%	14.6%	15.0%	17.2%	**12.4%**

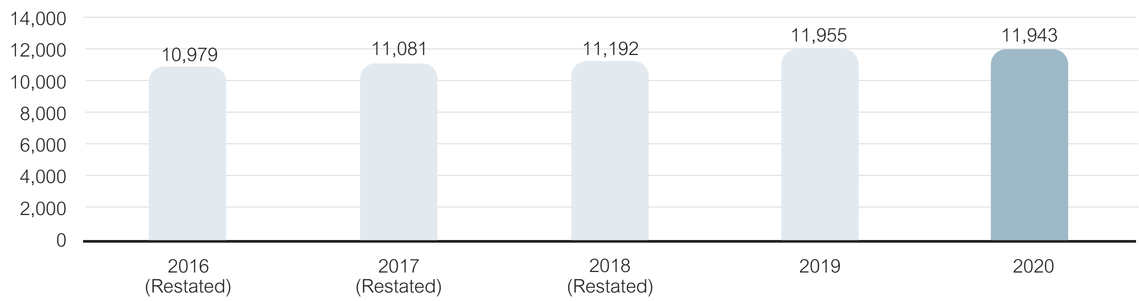
Segmental Revenue / 2020
(continuing operations)



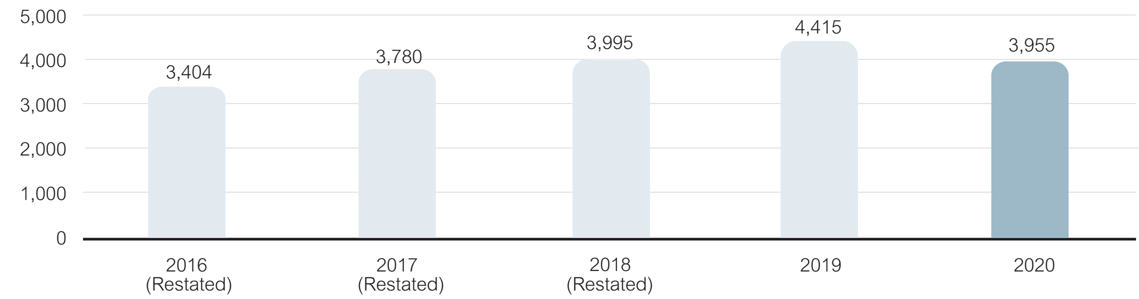
Segmental Net Profit / 2020



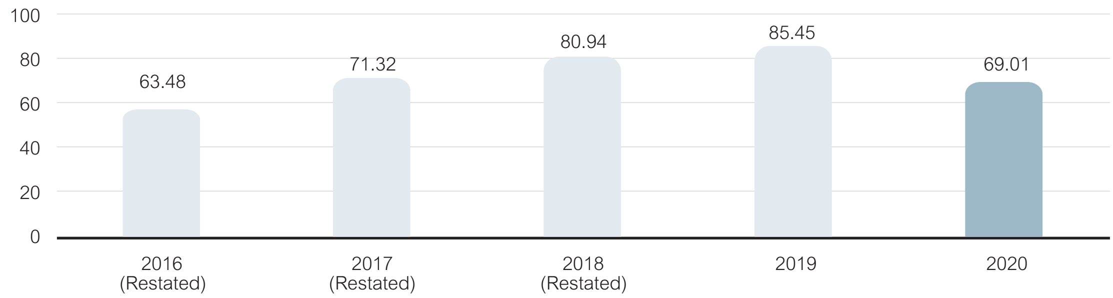
Revenue / Rmb Million (Continuing operations)



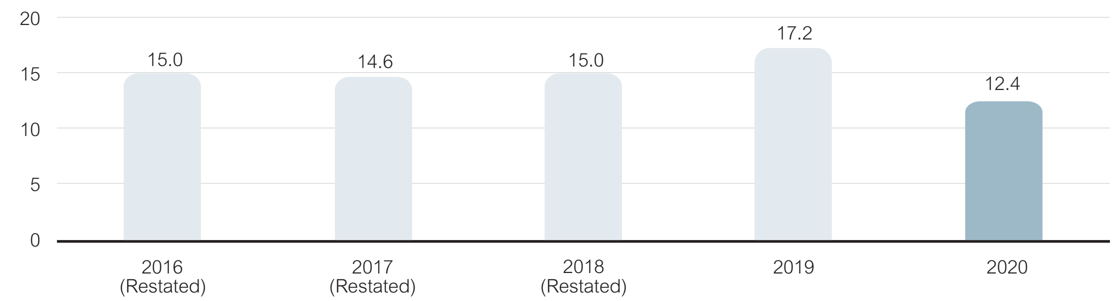
Net profit / Rmb Million (Continuing and discontinued operations)



Basic EPS / Rmb Cents (Continuing and discontinued operations)



ROE / %



YU Zhihong
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual results of Zhejiang Expressway Co., Ltd., and its subsidiaries (collectively referred to as "the Group") for the year 2020.

In 2020, the global economy experienced a number of shocks as affected by the complicated macro environment, especially the novel coronavirus ("Covid-19") epidemic. Against this backdrop, China's GDP still achieved growth of 2.3%, of which, growth in the fourth quarter rebounded to 6.5%, demonstrating the steady recovery of the economy as the epidemic was effectively contained in China. GDP for Zhejiang Province, where the major business of the Group is located, grew by 3.6%, which exceeded the national level. The Province's economy remained stable with steady progress as it benefited from a solid performance in foreign trade.

Confronting such shocks from the epidemic and downward pressure on the economy, the Group effectively responded to the impacts brought about by the macro environment, and pursued high-quality sustainable development steadily. While toll revenue of the Group's toll road operations business decreased significantly due to the epidemic and toll-free policy, the securities business recorded significant revenue growth driven by the quickly-recovered capital markets, which positively enhanced the Group's overall performance. Revenue decreased by 0.1% year-on-year to Rmb11,942.78 million, and profit attributable to owners of the Company decreased by 19.2% year-on-year to Rmb2,997.34 million, and ROE (return on equity) was 12.4%. The Directors recommended a dividend of Rmb35.5 cents per share, an indication of the Group's ability to provide stable shareholder returns.

The Group's core toll road operations business recorded toll revenue of Rmb6,379.59 million during the Period, which contributed 53.4% of total revenue. Despite the negative impact of Covid-19 on the expressway sector, the Group did not slow down the pace of development, but actively enhanced its operational and innovation capabilities in order to consolidate its core competitive advantages. The Group continued to build a renowned brand for expressway operations and services. By promoting projects, including the construction of intelligent expressways, improving operational and service quality, as well as enhancing environmental-driven expressway management and maintenance, the Group achieved partial success during the Period. In particular, the Group completed the first phase of construction of

Chairman's Statement

intelligent Shanghai-Hangzhou-Ningbo Expressway in an orderly manner, and developed the first big data cloud platform and supporting algorithms for intelligent expressways in Zhejiang Province. Furthermore, the Group continued to refine service processes and optimize resource allocation, with an aim to effectively improve service quality and operational efficiency.

While the Group continued to focus on strengthening its core toll road operations business, it also proactively pursued the investment and M&A projects at home and abroad to steadily pave the way for its overseas development. During the Period, the investment in Turkey's ICA Project Company, which the Group participated in, progressed smoothly with approvals underway. In addition, the Group held an extraordinary general meeting in December 2020, which approved and confirmed the acquisitions of a 30% equity interest in HangNing Co and 100% equity interest in LongLiLiLong Co. HangNing Co is principally engaged in the operation and management of toll collection business of the Zhejiang Section of the HangNing Expressway, and LongLiLiLong Co is principally engaged in the operation and management of toll collection business of the LongLiLiLong Expressways located in Zhejiang Province. The acquisition of LongLiLiLong Co increased the total length of expressways operated by the Group from 802km to 1,024km, further strengthening the scale of the Group's core toll road operation business. The acquisition of HangNing Co which has sound operating results, is expected to improve the Group's sustainable profitability over the long term.

During the Period, the domestic capital markets experienced short-term volatility at the beginning of the year due to the Covid-19 epidemic. However, as the epidemic in China stabilized, supported by several favorable policies, trading volumes on the overall capital markets were high. The Group's securities business recorded strong results, which helped to offset pressure on the toll road operations business. Revenue increased by 54.1% year-on-year to Rmb5,087.34 million. During the Period, the key businesses of Zheshang Securities, including brokerage, wealth management, investment banking and asset management, showed favorable momentum and achieved high-quality development. In addition, Zheshang Securities completed the strategic acquisition of 9 securities business branches of China Development Bank Securities, further optimizing its service network. With the continuous optimization of Zheshang Securities' service, business, management and control, as well as governance capabilities, the Group further enhanced its competitive advantages in the securities industry and bolstered its economies of scale.

Looking ahead, uncertainties remain in the global epidemic and macro environment, China's economy continues to face risks and challenges. However, under the guidance and implementation of the 14th Five-Year Plan, China will accelerate positive interplay between domestic circulation and international circulation, promote its "dual-cycle" development plan that covers domestic and overseas markets, and fully open up a new chapter of high-quality and sustainable development. The Group will actively take advantage of the opportunities brought by the 14th Five-Year Plan, solidly strive for the project goals of all businesses, explore new business and profit growth drivers, and accelerate its pace towards "striving for excellence". Meanwhile, the Group will continue to improve safety and risk control standards, as well as implement regular epidemic containment, which should help to enhance the Group's overall emergency response capability.

For the core toll road operations business, the Group will continue to build a renowned brand for expressway operations and services, increase its commitment to intelligent expressways, scientific management and maintenance, and brand promotion, in order to drive optimization and upgrades across toll road operations and services. Meanwhile, the Group will proactively explore investment and M&A opportunities at home and abroad to accelerate overseas development. For the securities business, the Group will continue to optimize its business and strive to build a comprehensive financial platform that covers securities, insurance, futures, financial leasing, fintech and others, which should help the Group steadily pave the way to becoming a top-tier securities company in China.

On behalf of the Board, I would like to thank our investors, shareholders, business partners, customers, management team and employees for your support. As we look ahead, we will work diligently together and harness the strength of our collaborative spirit to achieve efficient management, safeguard the overall interests of the Company and generate greater value for shareholders.

YU Zhihong
Chairman

March 23, 2021

Steadily Pursuing High-quality Sustainable Development and Providing Stable Returns to Shareholders

The Group effectively responded to the impacts brought about by the macro environment, and steadily pursued high-quality sustainable development. The Group's overall annual results remained stable with a ROE (return on equity) of 12.4%. The Directors recommended a dividend of Rmb35.5 cents per share, an indication of the Group's ability to provide stable shareholder returns.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

LUO Jianhu

Executive Director and General Manager

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

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

Toll Road Operations

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

Striving to Strengthen the Core Toll Road Operations Business and Proactively Pursuing Investment and M&A

The Group continued to build a renowned brand for expressway operations and services, and achieved partial successes during the Period, including the construction of intelligent expressways. Moreover, the Group proactively pursued investment and M&A projects at home and abroad to steadily pave the way for its overseas development. In January 2021, the Group completed the acquisitions of a 30% equity interest in HangNing Co and 100% equity interest in LongLiLiLong Co, further strengthening the scale of the Group's core toll road operations business.

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

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

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

Zheshang Securities Recorded Strong Results and Further Enhancing its Core Competitive Advantages

The Group's securities business showed favorable momentum. With the continuous optimization of Zheshang Securities' service, business, management and control, as well as governance capabilities, the Group further enhanced its competitive advantages in the securities industry and bolstered its economies of scale.

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

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

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

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

Continuously Strengthening Operational Capabilities and Accelerating High-quality Sustainable Development

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

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

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

Securities Business

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

Management Discussion and Analysis

During the Period, Zheshang Securities recorded total revenue of Rmb5,087.34 million, an increase of 54.1% year-on-year, of which, commission and fee income increased 89.1% year-on-year to Rmb3,266.81 million, and interest income from the securities business was Rmb1,820.53 million, an increase of 15.7% year-on-year. In addition, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb1,483.02 million (2019: securities investment gains of Rmb1,343.47 million).

Other Business Operations

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

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

Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company), recorded road construction revenue of Rmb350.51 million for the Period (2019: revenue of Rmb423.91 million).

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 26,728, representing an increase of 14.53% year-on-year. Toll revenue of Rmb378.18 million (2019: toll revenue of Rmb426.73 million) was adversely affected by the epidemic and toll-free policy. During the Period, the joint venture recorded a net profit of Rmb32.56 million (2019: net profit of Rmb69.88 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (an associate of the Company, the equity stake of which was diluted from 35% to 20.08% in April 2020) derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb636.83 million (2019: net profit of Rmb400.77 million).

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

Shanghai Rural Commercial Bank Co., Ltd. (a 5.36% owned associate of the Company) is primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. As at the date of this results announcement, this associate has not announced its 2020 annual results.

FINANCIAL ANALYSIS

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

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

Management Discussion and Analysis

Liquidity and financial resources

As at December 31, 2020, current assets of the Group amounted to Rmb91,602.22 million in aggregate (December 31, 2019: Rmb68,703.77 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 9.8% (December 31, 2019: 12.2%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.6% (December 31, 2019: 29.3%), financial assets at FVTPL accounted for 31.8% (December 31, 2019: 32.4%), and loans to customers arising from margin financing business accounted for 16.4% (December 31, 2019: 12.7%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2020 was 1.30 (December 31, 2019: 1.40). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.50 (December 31, 2019: 1.60).

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

During the Period, net cash from the Group's operating activities amounted to Rmb210.48 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to last year.

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

	As at December 31,	
	2020 Rmb'000	2019 Rmb'000
Cash and cash equivalents	8,609,049	8,076,598
Restricted bank balances and cash	23,986	–
Time deposits	313,600	302,726
Financial assets at fair value through profit or loss	29,158,094	22,235,480
Total	38,104,729	30,614,804

Borrowings and solvency

As at December 31, 2020, total liabilities of the Group amounted to Rmb92,611.17 million (December 31, 2019: Rmb72,594.84 million), of which 15.4% was bank and other borrowings, 6.8% was short-term financing note, 21.7% was bonds payable, 12.4% was financial assets sold under repurchase agreements and 29.2% was accounts payable to customers arising from securities business.

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

Management Discussion and Analysis

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

	Gross amount Rmb'000	Maturity Profile Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from domestic commercial banks	6,492,283	864,483	2,903,400	2,724,400
Borrowings from an international commercial bank	2,933,477	2,933,477	–	–
Borrowings from a domestic financial institution	1,986,552	2,552	1,984,000	–
Beneficial Certificates	448,118	448,118	–	–
Fixed rates				
Borrowings from domestic commercial banks	175,196	175,196	–	–
Borrowings from a domestic financial institution	2,631,026	2,323,026	308,000	–
Borrowings from a domestic institution	50,038	50,038	–	–
Beneficial Certificates	1,340,128	1,340,128	–	–
Short-term financing notes	4,518,470	4,518,470	–	–
Subordinated bonds	12,632,847	4,732,847	7,900,000	–
Corporate bonds	3,510,345	1,510,345	2,000,000	–
Mid-term notes	3,062,374	62,374	3,000,000	–
Asset backed securities	862,581	56,198	208,933	597,450
Convertible bonds	766	–	766	–
Total as at December 31, 2020	40,644,201	19,017,252	18,305,099	3,321,850
Total as at December 31, 2019	38,206,725	16,205,855	15,812,078	6,188,792

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

	2020 Rmb'000	2019 Rmb'000
Profit before tax and interest	6,860,099	7,393,403
Interest expenses	1,745,389	1,626,809
Interest cover ratio	3.9	4.5

As at December 31, 2020, the asset-liability ratio (total liabilities over total assets) of the Group was 71.2% (December 31, 2019: 69.4%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 63.7% (December 31, 2019: 62.3%).

Management Discussion and Analysis

Capital structure

As at December 31, 2020, the Group had Rmb37,452.21 million in total equity, Rmb67,261.14 million in fixed-rate liabilities, Rmb12,752.44 million in floating-rate liabilities, and Rmb12,597.59 million in interest-free liabilities, representing 28.8%, 51.7%, 9.8% and 9.7% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 175.0% as at December 31, 2020 (December 31, 2019: 164.4%).

	As at December 31, 2020		As at December 31, 2019	
	Rmb'000	%	Rmb'000	%
Total equity	37,452,212	28.8%	31,982,111	30.6%
Fixed rate liabilities	67,261,140	51.7%	59,376,440	56.8%
Floating rate liabilities	12,752,440	9.8%	8,401,670	8.0%
Interest-free liabilities	12,597,592	9.7%	4,816,733	4.6%
Total	130,063,384	100.0%	104,576,954	100.0%
Long-term interest-bearing liabilities	21,925,843	16.9%	22,189,642	21.2%
Gearing ratio 1 (note)	175.0%		164.4%	
Gearing ratio 2 (note)	58.5%		69.4%	
Asset-liabilities ratio 1 (note)	71.2%		69.4%	
Asset-liabilities ratio 2 (note)	63.7%		62.3%	

Note:

Gearing ratio 1 represents the total liabilities less balance of accounts payable to customers arising from securities business to the total equity; Gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities to the total equity; Asset-liabilities ratio 1 represents total liabilities to total assets; Asset-liabilities ratio 2 represents total liabilities less balance of accounts payable to customers arising from securities business to total assets less bank balances and clearing settlement fund held on behalf of customers.

Capital expenditure commitments and utilization

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

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

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

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb202.00 million of the bank loans had been repaid. As at December 31, 2020, the remaining bank loan balance was Rmb1,083.00 million.

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

Management Discussion and Analysis

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

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

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

Except for the above, as at December 31, 2020, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iii) issuance of the zero coupon convertible bond with remaining balance of Euro 0.10 million in Hong Kong capital market in April 2017, which will be due in April 2022; and (iv) the short term international commercial bank borrowing in April 2020 amounted to Euro364.90 million, the Group's principal operations were transacted and booked in Renminbi.

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

Use of Proceeds from Convertible Bond

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

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

Usages of the Net Proceeds	Actual Net Proceeds as at January 1, 2020 (Euro) (million)	Amount of the Net Proceeds utilized for the twelve months ended December 31, 2020 (Euro) (million)	Deposit interest of the Net Proceeds for the twelve months ended December 31, 2020 (Euro) (million)	Unutilized Net Proceeds as at December 31, 2020 (Euro) (million)
Daily operating expenses	13.21	(13.37)	0.16	–

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

OUTLOOK

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

Management Discussion and Analysis

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

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

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

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

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

HUMAN RESOURCES

During the Period, the Company actively revamped its human resource management, enhanced its remuneration and performance systems, and linked the increase in employees' remuneration with the operating performance of the Company and the individual performance of employees. As at December 31, 2020, there were 8,055 employees within the Group, amongst whom 4,449 mainly worked in the related positions of the toll road operation business and 3,606 worked in the related positions of the securities business.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

In view of the current spread of COVID-19 epidemic and the uncertainty brought by the volatility of financial markets, China's economy will still face a complex and harsh external environment. As the expressway toll road business is closely related to the macroeconomy and the unpredictable nature of the epidemic evolution will still bring some uncertainty to the recovery and development of China's economy, there is no assurance that the growth of the traffic volume and toll revenue of the Group's expressways will not be negatively affected in the future.

Roads Competition

Affected by the surrounding newly built roads as well as road construction and traffic control along the expressways, the Group is faced with a more complicated roads competition. It is expected that the closure of Qiantang River Second Bridge for construction work before the end of June 2021 and the prohibition of entry of semi-trailers on the East-West Line of the Hangzhou City Highway from February 2021 to before the opening of the North Link Expressway of Qiantang River Tunnel will significantly reduce the traffic volume of semi-trailers on the relevant section of the Group's Shanghai-Hangzhou-Ningbo Expressway. The opening of Hangzhou Ring Road Western Parallel Line in December 2020 is expected to cause certain traffic volume diversion to the Group's parallel Lianhang section of the Shenjiahuhang Expressway and Wukang to Nanzhuangdou Hub section of the Nanjing-Hangzhou Expressway, in which the Group has equity interests. The opening of Jiangsu section of the Changyi Expressway in early 2021 is expected to significantly divert the traffic volume of the parallel Nanjing-Hangzhou Expressway. In addition, the Hangzhou–Shaoxing–Taizhou Expressway is planned to open in October, 2021, which is expected to cause certain traffic volume diversion to the Group's adjacent Shaoxing section of the Hangzhou-Ningbo Expressway and the parallel Shangsan Expressway. Accordingly, there is no assurance that the operating results of the Group will not be negatively affected in the future.

Toll Policy

The Zhejiang Provincial Government decided to extend the 15% discount on tolls for all qualified trucks with ETC in-vehicle device issued by the Zhejiang Province to December 31, 2021. The provincial government will extend the toll subsidy for ETC small passenger vehicles on the Group's Yuhang, Jiaxing and Jiashan sections of the Shanghai-Hangzhou Expressway, Yiwu section of the Ningbo-Jinhua Expressway, Yuhang and Linan sections of the Hanghui Expressway, Huzhou section of the Shenjiahuhang Expressway as well as Yuhang section of the Hangzhou-Ningbo Expressway to December 31, 2022. The preferential policy for international standard container trucks on the Group's Zhoushan Bay Bridge will also be extended to December 31, 2022. Currently, we expect the possibility of further significant changes in the policies of the expressway industry in the near term is minimal, however we cannot be assured that the toll revenue of the expressways under the Group will not be adversely affected in the future.

Principal Risks and Uncertainties

SECURITIES BUSINESS RISKS

Market Fluctuations

The securities business is highly susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity. It may be materially affected by economic and other factors such as the global market conditions; the availability and cost of capital; the liquidity of the global markets; the level and volatility of stock prices, commodity prices and interest rates; currency values and other market indices; inflation; natural disasters; acts of war or terrorism; as well as investor sentiment and confidence in the financial markets. There is no assurance as to whether our securities business will be adversely affected by fluctuations in the market, or whether our securities business will continue to contribute to our overall profit margin.

Regulation of the Securities Business

We are subject to extensive regulations in the PRC that govern how we conduct our securities business, and we are subject to risks of intervention by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory actions against us could have material adverse impacts on our financial position, cause us significant reputational harm, or harm our business prospects. New laws, regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 5, 51 and 52 to the Consolidated Financial Statements.

STATEMENT OF RESPONSIBILITY FROM THE DIRECTORS WITH RESPECT TO THE ANNUAL REPORT AND THE COMPANY'S ACCOUNTS

The Directors of the Company, whose names and functions are listed on pages 58 to 63, duly confirm that to the best of their knowledge:

– the consolidated financial statements prepared and subject to disclosure under the 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 profit of the Group, and cover the enterprises that have been consolidated into the Company; and

– the "Management Discussion and Analysis" section included in this annual report includes a fair review of the development and performance of the business and the position of the Group, covers the enterprises that have been consolidated into the Company and describes the principal risks and uncertainties faced by the Group.

From the beginning of year 2020 up to now, except for the Covid-19 outbreak, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board
Tony ZHENG
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 23, 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good Corporate Governance Code ("CG Code") in Appendix 14 of the Listing Rules (available at www.hkex.com.hk).

During the Period, except for the Code E.1.3 the Company has complied with all the other code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable. The Directors of the Company have been informed that the latest amendment of Listing Rules and CG Code will be adopted and applied for the daily operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings ("Rules on Securities Dealings") for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the"Model Code") set out in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the Directors, the Directors have confirmed their respective compliance with the required standards for securities transactions by Directors as set out in the Model Code and the Rules on Securities Dealings.

BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD")

The Chairman of the Company during the Period was:
Mr. YU Zhihong

The executive directors of the Company during the Period were:

Mr. CHEN Ninghui	(Appointed, with effect from May 15, 2020)
Mr. CHENG Tao	(Resigned, with effect from May 15, 2020)
Ms. LUO Jianhu	(General Manager)

The non-executive directors of the Company during the Period were:

Mr. DAI Benmeng
Mr. YUAN Yingjie (Appointed, with effect from February 3, 2020)
Mr. YU Qunli (Resigned, with effect from February 3, 2020)
Mr. FAN Ye (Appointed, with effect from May 15, 2020)
Mr. YU Ji (Resigned, with effect from May 15, 2020)

The independent non-executive directors of the Company during the Period were:

Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa
Mr. CHEN Bin

During their respective terms of office, the Board held a total of ten meetings. Individual attendances by the directors (as indicated by the numbers of meetings attended/numbers of relevant meetings held) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YU Zhihong (Chairman)	4/10	2/10	4/10
Mr. CHEN Ninghui	3/6		3/6
Mr. CHENG Tao (Resigned)		3/4	1/4
Ms. LUO Jianhu (General Manager)	6/10		4/10
Mr. DAI Benmeng	4/10	2/10	4/10
Mr. YUAN Yingjie	5/10	1/10	4/10
Mr. YU Qunli (Resigned)			
Mr. FAN Ye	2/6	1/6	3/6
Mr. YU Ji (Resigned)	2/4	1/4	1/4
Mr. PEI Ker-Wei	6/10		4/10
Ms. LEE Wai Tsang, Rosa	6/10		4/10
Mr. CHEN Bin	4/10	2/10	4/10

Corporate Governance Report

During the Period, the Company held three shareholders' general meetings. The meetings were chaired by Chairman, and all executive directors were present at the meetings, meanwhile, the Company actively encouraged independent non-executive directors to attend shareholder meetings.

According to the "Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period for the Holding Shareholders' General Meetings for Overseas Listed Companies" (Guo Han[2019] No. 97), it was agreed that the requirements on the notice period of the general meetings, shareholders' proposal rights and convening procedures for joint stock companies incorporated in China and listed overseas shall be uniformly governed by the relevant provisions under the Company Law instead of the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC. Pursuant to this, the Company made the corresponding amendments to the Articles of Association, which were considered and approved at the 2019 Annual General Meeting held on May 15,2020. In the revised Articles of Association of the Company, the following amendments were made in respect of the forty-five days advance notice period for convening shareholders' general meetings: "When the Company convenes an annual general meeting, a notice shall be given to all shareholders twenty days prior to the date of the meeting; and when the Company convenes an extraordinary general meeting, a notice shall be given to all shareholders fifteen days prior to the date of the meeting." As such, the Company's notice period for convening a shareholders' meeting is not in compliance with the provision E.1.3 as stipulated in the Corporate Governance Code.

The Board is charged with duties as well as given powers that are expressly specified in the "articles of association" of the Company, the scope of which includes, amongst others: to determine the business plans and investment proposals of the Company; to prepare the financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board to effectively discharge its duties, the Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Strategic Committee.

Under the Corporate Governance, the Board plays a key role in all aspects and works closely with the management. While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of plans or proposals were usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1), (2) and 3.10A of the Listing Rules regarding the appointment of independent non-executive directors, with three independent non-executive directors appointed, at least one of whom possessing the appropriate professional qualification or accounting or related financial management expertise and the number of independent non-executive Directors (three) appointed represents at least one-third of Board members of the Company (a total of nine).

Pursuant to Rule 3.13 of the Listing Rules, the Company had specifically inquired with all three independent non-executive directors and received their respective and immediate family members confirmation of independence during the Period. The three independent non-executive directors have all confirmed their compliance with requirements regarding independence under Rule 3.13 of the Listing Rules. The Company still considers the independent non-executive directors to be independent.

There were no financial, business, family or other material or relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

Each newly appointed director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meetings.

Corporate Governance Report

In addition, during the Period, the Company has arranged for all its executive and non-executive directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. However, as the management considers that the independent non-executive directors of the Company are very experienced, knowledgeable and resourceful, the Company did not arrange any professional briefings or training programs for its independent non-executive directors and has decided to leave it to the independent non-executive directors to undergo appropriate training as they see fit.

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. YU Zhihong served as Chairman and Ms. LUO Jianhu served as General Manager of the Company, respectively. The roles of Chairman and General Manager are fully segregated as expressly set out in the articles of association of the Company.

NON-EXECUTIVE DIRECTORS

Terms for the non-executive directors of current session of the Board started on July 1, 2018 and will expire on June 30, 2021.

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Strategic Committee. During the period, the Company has made the corresponding amendments to the Audit Committee Terms of Reference in accordance with relevant provisions as set out in the latest Corporate Governance Code and the Listing Rules. Roles and responsibilities for each committee are specified in its terms of reference, details of which can be found under the “Corporate Governance” section in the Company’s website.

During the Period, Mr. YU Qunli resigned from the positions as a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company on February 3, 2020, and Mr. YUAN Yingjie was appointed to take up such positions on February 3, 2020.

Mr. YU Ji resigned from the positions as a non-executive Director and a member of the audit committee of the Company on May 15, 2020, and Mr. FAN Ye was appointed to take up such positions on May 15, 2020.

Mr. CHENG Tao resigned from the positions as an executive Director and a member of the Strategy Committee of the Company on May 15, 2020, and Mr. CHEN Ninghui was appointed to take up such positions on May 15, 2020.

After the above adjustments, the composition of each of the special committees of the Board are as follows:

The Audit Committee comprised of the three independent non-executive directors and two non-executive directors, namely Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. YUAN Yingjie and Mr. FAN Ye, of whom Mr. PEI Ker-Wei served as the Chairman of the Audit Committee.

The Nomination Committee comprised of the Chairman of the Company, the three independent non-executive directors and one non-executive director, namely Mr. YU Zhihong, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin and Mr. DAI Benmeng, of whom Mr. YU Zhihong served as Chairman of the Nomination Committee.

Corporate Governance Report

The Remuneration Committee comprised of the three independent non-executive directors and two non-executive directors, namely, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. DAI Benmeng and Mr. YUAN Yingjie, of whom Mr. PEI Ker-Wei, served as Chairman of the Remuneration Committee.

The Strategic Committee mainly comprised of the Chairman of the Company, Mr. YU Zhihong, and the two executive directors, namely Mr. CHEN Ninghui and Ms. LUO Jianhu as well as Mr. ZHANG Jingzhong, Mr. Tony ZHENG, Ms. RUAN Liya and several outside experts and advisors, of whom Mr. YU Zhihong served as Chairman of the Strategic Committee.

During their respective terms of office, the Audit Committee held a total of four meetings. Individual attendances by the members of the Audit Committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

	Attendance in person	Attendance by proxy
Mr. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang, Rosa	4/4	
Mr. CHEN Bin	3/4	1/4
Mr. YUAN Yingjie	4/4	
Mr. YU Qunli (Resigned)		
Mr. FAN Ye	2/2	
Mr. YU Ji (Resigned)	1/2	1/2

In the meetings held during the Period, the Audit Committee conducted, amongst others, review of financial statements for the quarterly, interim and annual results, discussed the internal audit, the effectiveness of internal control system, and total risk management of the Company, as well as recommendation on the re-appointment of external auditors.

During their respective terms of office, the Nomination Committee held a total of two meetings. Individual attendances by the members (as indicated by the numbers of meetings attended/ numbers of relevant meetings held) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YU Zhihong			2/2
Mr. PEI Ker-Wei			2/2
Ms. LEE Wai Tsang, Rosa			2/2
Mr. CHEN Bin			2/2
Mr. DAI Benmeng			2/2

During the Period, the Nomination Committee discussed and considered the nomination of the proposed candidates of Executive Directors, Non-executive Directors, Deputy General Manager and Chief Financial Officer of the Company by way of telecommunication. The proposed candidates for Executive Directors and Non-executive Directors of the Company were later approved by the Board of Directors and the shareholders' general meeting, while the proposed candidates for Deputy General Manager and Chief Financial Officer of the Company were later approved by the Board of Directors.

During the Period, the Remuneration Committee did not hold any meeting.

During the Period, the Strategic Committee did not hold any meeting.

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, monitoring the Company's compliance with the CG Code and its disclosure within this report; the Board reviews and monitors the training and continuous professional development of Directors and senior management through the works of human resources department, and review and monitor the Company's policies and practices on compliance with legal and regulatory requirements through the works of legal and internal audit department.

Corporate Governance Report

The Directors have all confirmed their responsibility for preparing the accounts, and that there were no events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern basis during the period.

DIVERSIFICATION OF BOARD MEMBERS

The Company believes that diversification of board members is a key element to maintain the Company's competitive advantage, improve business performances, and promoting the Company's continued development. When setting up the board member composition, the Company takes into consideration a number of aspects that determine board member diversification, including but not limited to gender, age, culture, education background, professional experience, work and living background, knowledge and skill, etc.

The Board of the Company attaches great importance to female member of Directors, gender ratio of male and female members is 78% and 22% respectively.

The Board members of the Company have skills in multiple professional field, such as Legal, Accounting, Finance, Management, Computer Science, Construction Engineering, with related experience in different professional aspect. The diversification background of the Board is beneficial to the corporate governance, related experiences satisfy the development needs and help to make important decisions of the Company.

The age distribution of the Board of the Company is between 39 and 64. The different age group of the Board members can provide diversified sight of views and opinion.

NOMINATION POLICY

The Company's Nomination Committee is responsible for assessing the board's structure, number of members, as well as a diversified composition, introducing right talent at the right time to enrich the Board, providing recommendation or suggestion on candidates to serve as new directors of the Company to the board when needed. The assessment as well as recommendation or suggestion above would have fully taken into consideration any pros and cons to the diversification of board members and bringing new perspectives, skills, expertise and experience to the Board. (Please refer to "working rules for Nomination Committee" under Corporation Governance Column on the Company's website)

AUDITORS' REMUNERATION

During the Period, the Company had paid approximately Rmb3.74 million and Rmb0.93 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants LLP (the PRC auditors), respectively, for audit services conducted in 2020. Besides, the Company had paid Rmb0.56 million to Pan-China Certified Public Accountants LLP (the PRC auditors) for other assurance service provided.

SECRETARY TO THE BOARD

During the Period, the Secretary to the Board help the company maintain a sound and effective corporate governance framework, review risk management and internal control systems to ensure regulatory compliance; provide compliance advice to the Board and senior management in the decision making process. The Secretary to the Board had also complied with Rule 3.29 of the Listing Rules regarding undergoing relevant professional trainings.

Corporate Governance Report

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2020, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, the interests and short positions of other persons in the shares and underlying shares of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Substantial Shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (Domestic Shares)
Communications Group	Beneficial Owner	2,909,260,000	100%

Substantial Shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
BlackRock, Inc.	Interest of controlled corporations	113,392,569 (L) 310,000 (S)	7.91% 0.02%
Citigroup Inc.	Interest of controlled corporations/ approved lending agent	100,048,237 (L) 66,000 (S) 99,120,332 (P)	6.97% 0.00% 6.91%
JP Morgan Chase & Co.	Beneficial owner/investment manager/ custodian corporation/approved lending agent	85,530,536 (L) 7,009,144 (S) 57,632,016 (P)	5.96% 0.48% 4.01%

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 December 31, 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

SHAREHOLDERS' RIGHTS

Resolution for the amendments to the Articles of Association of the Company was considered and approved at the 2019 annual general meeting of the Company held on 15 May 2020. According to the latest amended Articles of Association of the Company, the shareholders, alone or in aggregate, holding more than 3% of the shares of the Company can make a temporary proposal and submit in writing to the Board of Directors ten days prior to the date of the general meeting. The Board shall notify the other shareholders within two days upon the receipt of the proposal, and submit such temporary proposal to the general meeting for consideration. The contents of the temporary proposal shall be within the scope of power of general meeting, include a clear subject and specific matters to be resolved.

Written requests, proposals and enquiries may be sent to the Company through contact details listed on page 271 of this report.

Corporate Governance Report

INVESTOR RELATIONS

The Board is committed to ensuring that all shareholders and the investment community have equal and timely access to information about the Company so as to enable their accurate assessment of the Company's fair value. Such information is available through channels including financial reports, shareholder meetings, regular and irregular statutory announcements, the Hong Kong Stock Exchange website (www.hkexnews.hk) and the Company's own website (www.zjec.com.cn).

Activities such as investor and analyst briefings, one-on-one meetings, conference calls, roadshows, and press conferences are held regularly by senior management of the Company, particularly after results announcements.

Great importance is also attached to maintaining clear and effective communications channels with investors as part of the Company's bid to enhance its transparency and to promote the understanding of its business in the investment community. Any parties who wish to learn more about the Company may do so via the contact details listed below:

Mr. Tony Zheng
Company Secretary
Tel: 86-571-87987700
Fax: 86-571-87950329
Email: zhenghui@zjec.com.cn

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Wednesday, December 23, 2020 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 23, 2020 on resolutions passed at the extraordinary general meeting of the shareholders.

The next shareholders' general meeting of the Company is expected to be held in April 2021 with exact date and resolutions for review to be specified in notice of shareholders' general meeting when it is published.

The Company has an issued share capital of 4,343,114,500 shares comprised of domestic shares and H shares. The domestic shares are held by Zhejiang Communications Investment Group Co., Ltd. as to 2,909,260,000 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,433,854,500 shares are H shares, representing approximately 33% of the total issued capital of the Company. To the best of the Directors' knowledge as at the date of this report, other than Universal Cosmos Limited, an associate of Zhejiang Communications Investment Group Co., Ltd., which holds 3.04% of the H shares of the Company, the remaining 96.96% of the H Shares of the Company are held by the public.

DIVIDEND POLICY

The Company attaches great importance to the return for shareholders who long term support the company's development, shares the company's development results, maintains a stable dividend payout level, and tries to keep the absolute dividend payout relatively steady. During the period, dividend payout ratio was 51.4%. Details of the dividend payout will be announced after the 2020 annual general meeting of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has set up an internal monitoring system that aims to protect assets, preserve accounting and financial information, as well as to ensure the accuracy of financial statements, including the establishment of departments and units, setting out responsibilities, execution of management systems and quality control mechanisms, and the management system on environment, occupational health and safety. The system is capable of taking necessary steps to react to possible changes in our businesses as well as external operating environments. Throughout the operating process, the Company's various internal control measures are being continuously enhanced, fulfilled and are deemed effective.

The Company attaches great importance to risk management. The Company established its risk management mechanism and relevant regulations, improved risk reporting mechanism, developed risk management manual, implemented risk management responsibilities of various branches and departments, conducted risk investigation and assessment, established risk management strategy and took risk control measures in response to major risks faced by the Company.

Corporate Governance Report

The Company's Audit Committee is charged with the duties of reviewing internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal special audit report on the Company's various core businesses prepared by discipline inspection audit department on a regular basis. During the Period, the Audit Committee focused on the implementation of the annual budget and the road damage compensation and use of security costs of subordinate units. The discipline inspection audit department carried out specific audit into these compliance issues and monitored relevant rectifications, ensuring the effectiveness of the Company's management systems.

During the Period, the Directors of the Company had carried out a view on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient. The risk management of the Company was deemed to be effective and controllable.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy to provide a general guide to the Company's Directors, supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries, Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are expressly stipulated in the articles of association of the Company. Pursuant to the articles of association of the Company, the management of the Company is assigned the functions to be in charge of the production and business operation of the Company and to organize the implementation of the resolutions of the board of directors, to organize the implementation of the annual business plan and investment program of the Company, to prepare plans for the establishment of the internal management structure of the Company, to prepare the basic management systems of the Company, and to formulate basic rules and regulations of the Company, etc.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

Since the end of the reporting period, there has not been any significant event that would have a material impact on the normal operation of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. YU Zhihong

Chairman

Born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University.

Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Xiucheng District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Xiucheng District Office, Secretary of the Xiucheng District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Xiucheng District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, and he became the Deputy Party Secretary and then Mayor of Shaoxing City since 2013.

Mr. Yu Zhihong assumed the position of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Zhejiang Provincial Party Committee since June 2017.

Mr. CHEN Ninghui

Executive Director

Born in 1963, a postgraduate at the Party School of the Communist Party of China, graduated from Arizona State University, the United States with a Master's Degree in Business Administration and a Senior Economist.

Mr. Chen had worked since 1981. He had served at Zhejiang Urban and Rural Construction Material Equipment Co., Ltd. (originally known as the Material Equipment Division of the Department of Development of Zhejiang Province) as General Manager, Chairman and Party Secretary; Zhejiang Communications Investment Industrial Development Corporation as Chairman and Party Secretary; Zhejiang Communications Investment Group Co., Ltd. as Assistant General Manager; Zhejiang Communications Investment Property Group Co., Ltd. as Chairman and Party Secretary, and etc.

Mr. Chen is currently an Executive Director and Party Secretary of the Company.

Ms. LUO Jianhu

Executive Director

Born in 1971, graduated from Zhejiang University with a Bachelor's Degree in Law and graduated from the National Accounting Institute in 2016 with an EMBA Degree, majoring in Financial Accounting. She is a lawyer and Senior Economist.

Since she started her career in August 1994, Ms. Luo had held such positions as the Board Secretary of Zhejiang Transportation Engineering Construction Group Co., Ltd., the Deputy Director, Director of the Legal Affairs Department, the Deputy Director, Director of the Secretarial Office to the Board, Board Secretary and the Manager of the Investment and Development Department of Zhejiang Communications Investment Group Co., Ltd.

Ms. Luo has been appointed as an Executive Director and General Manager, Deputy Party Committee Secretary of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. DAI Benmeng

Non-Executive Director

Born in 1965, graduated from the Party School of the Zhejiang Committee of the Communist Party of China (浙江省委黨校) with a Bachelor's Degree of Economics and Management and is a Senior Economist.

He began working in February 1987 and has been a Director and the Deputy General Manager of Wenzhou Shipping Co., Ltd. (溫州海運有限公司), a Director and the General Manager of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. (浙江溫州甬台溫高速公路有限公司), a Director and the General Manager of Zhejiang Jinji Property Co., Ltd. (浙江金基置業有限公司), the person in charge of Zhejiang Province North Zhejiang Expressway Management Co., Ltd. (浙江浙北高速公路管理有限公司), the Chairman of Zhejiang ShenSuZheWan Expressway Co., Ltd. (浙江申蘇浙皖高速公路有限公司), and the General Manager of the Shanghai-Jiaxing-Huzhou-Hangzhou Branch of the Communications Group (交通集團申嘉湖杭分公司) the Manager of Human Resources Department and the Minister of Organization Department of Zhejiang Communications Investment Group Co., Ltd..

Mr. Dai is currently the Party Committee Member and Director of the Secretariat Office of the Zhejiang Communications Investment Group Co., Ltd..

Mr. YUAN Yingjie

Non-Executive Director

Born in 1976, is a senior engineer. He obtained a Bachelor's degree of Engineering in Highways and Urban Roads from Xi'an University of Highway Traffics, and both Master and doctorate degrees of Engineering in Roads and Railways Engineering from Chang'an University.

Since 2004, Mr. Yuan has worked in Zhejiang Highway Management Bureau and Zhejiang Department of Transportation. Since 2014, he was deputy director of Construction Management Office of Zhejiang Department of Transportation. From 2017, he was deputy director of chief engineer office of Zhejiang Communications Investment Group Co., Ltd. From 2018, he was deputy general manager of expressway construction department and deputy general manager of expressway management department of Zhejiang Communications Investment Group Co., Ltd..

He is currently general manager of expressway management department of Zhejiang Communications Investment Group Co., Ltd..

Mr. FAN Ye

Non-Executive Director

Born in 1982, an economist, graduated from Zhejiang University with a Doctorate in Economy.

Since 2010, Mr. Fan served at the Investment Development Department of Zhejiang Economy Construction Investment Co., Ltd. (浙江省經濟建設投資有限公司). Since 2013, Mr. Fan served at the Railway Transportation Department of Zhejiang Economy Construction Investment Co., Ltd., and served as Assistant General Manager, General Manager of the New Industry Department of CSR Hangzhou Rail Transit Co., Ltd. (杭州南車城市軌道交通車輛有限公司). Since 2014, Mr. Fan served as Deputy General Manager of Zhejiang Economy Construction Investment Co., Ltd., and since 2018 he was Deputy General Manager of Zhejiang Communications Investment Property Group Co., Ltd. (浙江省交投地產集團有限公司).

Mr. Fan is currently General Manager of the Industrial Investment Management Department (I) of Zhejiang Communications Investment Group Co., Ltd.

Directors, Supervisors and Senior Management Profiles

Mr. PEI Ker-Wei

Independent Non-Executive Director

Born in 1957, is a full Professor of Accountancy at the School of Accountancy at the W. P. Carey School of Business Arizona State University. Mr. Pei received his Ph.D. Degree in Accounting from University of North Texas in 1986.

He served as the Chairman of the Globalization Committee of the American Accounting Association in 1997 and as the President of the Chinese Accounting Professors Association – North America in 1993 to 1994.

Mr. Pei currently also serves as an External Director of Baosteel Group and China Merchant Group, and Independent Director of Want Want China Holdings (HK Stock Code: 00151), Zhong An Group Limited (HK Stock Code: 00672) and MMG Limited (HK Stock Code: 01208).

Ms. LEE Wai Tsang, Rosa

Independent Non-Executive Director

Born in 1977, Ms. Lee has over 17 years of experience in the financial sector. She holds a Master of Science in Finance from Boston College and MBA from University of Chicago.

Ms. Lee is a licensed person for asset management under the Securities and Futures Ordinance ("SFO"). Ms. Lee is a Director of Grand Investment (Bullion) Limited and Tianjin Yishang Friendship Holdings Company Ltd. Ms. Lee is a Chief Investment Officer of Grand Finance Group Company Ltd.

Ms. Lee was an Executive Director of Grand Investment International Ltd (Stock code: 1160) from 2005 to 2018 and was appointed as its Chairman from 2013 to 2017. Ms. Lee also served as Director for Grand Finance Group Company Ltd from 2005 to 2019.

Mr. CHEN Bin

Independent Non-Executive Director

Born in 1967, graduated from University of South China in Computer Science. He also holds a second Bachelor's Degree from Chongqing University in Management Engineering.

Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2004, at Webex Group as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2007 to 2008. Mr. Chen became Chief Executive and Funding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008.

Directors, Supervisors and Senior Management Profiles

Mr. ZHENG Ruchun

Supervisor Representing Shareholders

Born in 1962, is a senior accountant. He graduated from Jiangxi College of Finance and Economics with a Bachelor's degree in Accounting in 1985, and obtained an EMBA degree from Arizona State University in 2012.

From 1985 to 1988, Mr. Zheng worked as a teacher in the accounting department of Jiangxi College of Finance and Economics. From 1988 to 2002, he successively worked as deputy section chief of the finance department and section chief of the collection department of Zhejiang Highway Management Bureau. From 1998 to 2005, he successively worked as director of the comprehensive accounting department and assistant to the general commander in the highway construction headquarters of Jinliwen Expressway. From 2005 to 2019, he successively worked as deputy general manager, general manager, chairman of the board and secretary of the party committee of Zhejiang Jinliwen Expressway Co., Ltd.

He is currently deputy chief accountant and general manager of the financial management department of Zhejiang Communications Investment Group Co., Ltd.

Mr. ZHAN Huagang

Supervisor Representing Employees

Born in 1961, graduated from Zhejiang University with a Bachelor's Degree of Engineering in Internal Combustion Engine from the Department of Thermophysical Engineering. He is a professor-level Senior Engineer.

Since Mr. Zhan started his career in 1982, he had worked at Zhejiang Province Vehicular Transport Company (浙江省汽車運輸公司), Zhejiang Office of Motor Vehicles (浙江省車輛監理所), Zhejiang Highway Management Bureau (浙江省公路管理局) and Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處). He also worked at the Operation Division and Maintenance Division of the Zhejiang Provincial Expressway Executive Commission as Senior Engineer.

He has been working at Zhejiang Expressway Co., Ltd. as Deputy Manager and Manager of the Operations Management Department, Director of the monitoring center, Manager of the Investment Development Division, Manager of the Equipment Management Department, Manager of the Engineering Management Department and Head of the Maintenance Management Office, Director of the testing center. He is concurrently the Deputy General Manager of Zhejiang Expressway Investment Development Co., Ltd. and Chairman and General Manager of Zhejiang Expressway Advertising Co., Ltd.

Mr. Zhan is currently the Supervisor Representing Employees of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. WANG Yubing

Supervisor Representing Employees

Born in 1969, graduated from Shanghai University of Finance and Economics with a Bachelor's Degree. He is a senior accountant.

He started his career in 1991 and worked at the audit office of East China Investigation and Design Institute (華東勘測設計研究院). He had served as Head of Finance Department of Hangzhou KFC Ltd (杭州肯德基有限公司), Principal Accountant of Finance Department of Zhejiang Liantong Leasing Co., Ltd (浙江聯通租賃有限公司). Then he had served as Supervisor in the Financial Planning Department, Supervisor in the Internal Audit Department, Assistant Manager and Deputy Manager of the Legal Audit Department in the Company.

He is currently the Manager of Discipline inspection and supervision department, Supervisor Representing Employees.

Ms. HE Meiyun

Independent Supervisor

Born in 1964, is a Senior Economist. She graduated from the Zhejiang University in 1986 and later received an Executive Master of Business Admiration (EMBA) in Cheung Kong Graduate School of Business (長江商學院).

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School (杭州商業學校) and as a Secretary to the Board, Deputy General Manager, General Manager and Vice Chairman at Baida Group Co., Ltd. (百大集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600865). Ms. He also serves as a General Manager of Ping An Securities Company Limited, Zhejiang Branch (平安證券浙江分公司), Executive Deputy Director of the Board of Directors of Zhejiang Provincial Listed Company Association (浙江省上市公司協會), Deputy Secretary General of Hangzhou Joint Stock Promotion Association (杭州股份制促進會), Independent Director of Lanzhou Minbai Co., Ltd. (蘭州民百股份有限公司), Independent Director of Xilinmen Co., Ltd. (喜臨門股份有限公司) Ms. He currently serves as Vice Chairman of Zhejiang Shiqiang Group Co., Ltd. (浙江施強集團有限公司), Member of the Equity Investment and M&A Committee of Zhejiang Merchants Association (浙商總會股權投資與併購委員會委員), Supervisor of Zhejiang M&A Federation (浙江併購聯合會監事), Independent Director of Guangyu Co., Ltd. (廣宇股份有限公司), Independent Director of Fuchun Environmental Protection Co., Ltd. (富春環保股份有限公司), Independent Director of Gujia Home Furnishing Co., Ltd. (顧家家居股份有限公司).

Directors, Supervisors and Senior Management Profiles

Mr. WU Qingwang

Independent Supervisor

Born in 1965, is a PRC Lawyer. He graduated from Hangzhou University (杭州大學) with a Bachelor Degree in Law in 1989 and later received a Master's Degree and a Doctoral Degree in Civil and Commercial Law in Southwest University of Political Science and Law (西南政法大學) in 1995 and 2004, respectively.

Mr. Wu had worked in Chun'an Justice Bureau (淳安司法局) since 1989 and in Zhejiang Securities Co., Ltd. (浙江證券有限公司) from 1995 to 1996. Since May 1996, Mr. Wu has been working in Zhejiang Xinyun Law Firm (浙江星韻律師事務所) and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the Panel of Arbitrators in China International Economic and Trade Arbitration Commission. Mr. Wu also serves as an Independent Director of Hangzhou CNCR Information Technology Co., Ltd.(Stock Code : 300250).

Other Members of Senior Management

Mr. Tony H. ZHENG

Born in 1969, Mr. Zheng graduated from University of California at Berkeley with a BS Degree in Civil Engineering in 1995.

Mr. Zheng joined the Company in June 1997, and had served as Deputy Director of the Secretarial Office to the Board, Assistant Company Secretary, Director of the Secretarial Office to the Board and Director of Hong Kong Representative Office of the Company.

Mr. Zheng is currently the Deputy General Manager and Company Secretary of the Company. He also serves as Director of Taiping Science and Technology Insurance Co., and Zhejiang International Hong Kong.

Mr. LI Wei

Born in 1969, a senior engineer, graduated from Lanzhou Jiaotong University with a Bachelor Degree in engineering. Mr. Li studied logistics management at Dresden University of Technology from 2004 to 2005.

Mr. Li started his career in July 1991, and served as Deputy Director of Jinhua Administrative Branch, Office Director and Vice Chairman of Labor Union of Zhejiang JinLiWen Expressway Co., Ltd. He also worked as Deputy General Manager in Zhejiang ShenSuZheWan Expressway Co., Ltd., Zhejiang ShenJiaHuHang Expressway Co., Ltd., Zhejiang Expressway Logistics Co., Ltd., Zhejiang Ningbo YongTaiWen Expressway Co., Ltd., Zhejiang Taizhou YongTaiWen Expressway Co., Ltd., Zhejiang Zhoushan Bay Bridge Co., Ltd., Zhejiang Zhoushan Northbound Expressway Co., Ltd., and Zhejiang JinLiWen Expressway Co., Ltd.

Mr. Li is currently the Deputy General Manager and Party Committee Member of the Company.

Directors, Supervisors and Senior Management Profiles

Ms. ZHANG Xiuhua

Born in 1969, Ms. Zhang is a Senior Economist, the Deputy General Manager of the Company. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

From July 1991 to February 1997, she worked in the Operation Division of the Zhejiang Provincial Expressway Executive Commission. She joined the Company since March 1997, and had served as Assistant manager, Deputy Manager, Manager of the Operation Department and Assistant to General Manager.

Ms. Zhang is currently the Deputy General Manager and Party Committee Member of the Company.

Mr. WANG Bingjiong

Born in 1967, graduated from the Party School of the Communist Party of China majoring in business administration, an Engineer.

Mr. Wang had worked since 1989. He had served as Deputy General Manager at the Expressway Administration Department of Zhejiang Communications Investment Group Co., Ltd.

Mr. Wang is currently the Deputy General Manager and Party Committee Member of the Company.

Mr. WU Xiangyang

Born in 1972, a professor-level senior engineer, having a Master Degree in engineering from Chang'an University and a Bachelor Degree in engineering from Harbin University of Civil Engineering and Architecture.

Mr. Wu started his career in 1996, and served as Assistant Manager of the Project Maintenance Department and Assistant General Manager of the Traffic Operation Management Department of Zhejiang Communications Investment Group Co., Ltd., Deputy Chief Commissioner of Hangzhou Regional Construction Commission of Zhejiang Communications Investment Group Co., Ltd., Hangzhou-Shaoxing Sectional Construction Commission for West Parallel Expressway of Hangzhou Ring Road, Lin'an-Jiande Sectional Construction Commission of Lin'an-Jinhua Expressway and Construction Commission of Zhejiang Jiande-Jinhua Expressway. He also worked as Deputy General Manager in Hangzhou City Expressway Co., Ltd., Zhejiang LinJin Expressway Co., Ltd., and Zhejiang HangXuan Expressway Co., Ltd.

Mr. Wu is currently the Deputy General Manager and Party Committee Member of the Company.

Mr. ZHU Yimin

Born in 1961, graduated from Chang'an University with professional programme in Roads and Transportation Engineering. He is an Engineer.

Mr. Zhu joined the People's Liberation Army Garrison 83026 from December 1978 to January 1982. He had worked as Director in the Transportation Administration Department of Huzhou City, Assistant Manager of Water Traffic Control and Administration Department, Deputy General Manager of Transportation Investment and Development Corporation of Huzhou City, Deputy General Manager of Zhejiang Shenjiahuhang Expressway Co., Ltd., Deputy General Manager of Zhejiang Zhebei Expressway Co., Ltd., Deputy General Manager of Zhejiang Shensuzhewan Expressway Co. Ltd., Deputy General Manager of Zhejiang Zhexi Expressway Co. Ltd., Deputy General Manager of Zhejiang Hanghui Expressway Co. Ltd., and Deputy General Manager and Party Committee Member of the Company since July 1, 2015.

He left the position of Deputy General Manager and Party Committee Member of the Company on November 20, 2020 to take up another position within Communications Group.

Directors, Supervisors and Senior Management Profiles

Mr. WANG Dehua

Born in 1974, graduated with a Bachelor's Degree in Accounting from Hangzhou Dianzi University in 1996. Mr. Wang studied at School of Economics and Finance of the Faculty of Business and Economics of the University of Hong Kong from 2005 to 2007, graduated with a master's degree in Economics. Mr. Wang has professional accounting qualifications, including CPA, HKICPA, FCCA etc.

Mr. Wang worked in the Foreign Funds Utilization Audit Department of Zhejiang Provincial Audit Office from 1996 to 2003. Mr. Wang worked at the Corporation Division of the Administrative and Finance Department of Liaison Office of the Central Government in the Hong Kong S.A.R. from 2003 to 2011, serving as its Deputy Director. He worked at Zhejiang Communications Investment Group Co., Ltd. from 2011 to 2014, serving as its Deputy General Manager. Since March 2014, he has been appointed as the Chief Financial Officer of the Company.

Mr. Wang left the position of Chief Financial Officer of the Company on November 20, 2020 to take up another position within Communications Group.

Ms. RUAN Liya

Born in 1983, an economist, graduated from Zhejiang University with a Master Degree in Science.

Ms. Ruan started her career in 2007, and served as Investment Director of Zhejiang Jinji Real Estate Co., Ltd. She also worked in Zhejiang Communications Investment Group Co., Ltd., as Director and Assistant Manager of Investment Development Department, as well as Assistant General Manager and Deputy General Manager of Strategic Development and Legal Affairs Department.

Ms. Ruan is currently the Chief Financial Officer and Party Committee Member of the Company.

Mr. XU Xiaoyan

Chairman of Labor Union

Born in 1974, a senior engineer, graduated from Wuhan University of Technology.

Mr. Xu started his career in 1997, and served as Deputy General Manager and Chief Engineer of the Eighth Contract Sectional Project of Hubei Xiangyang-Shiyan Expressway constructed by the subsidiary of Zhejiang Communications Investment Group Co., Ltd. He also served as Chief Economist, Office Director and Board Secretary of Zhejiang Jiaogong Road & Bridge Construction Co., Ltd., Vice Chairman of Labor Union, Director of Discipline Inspection and Supervision Department and HR Manager of Zhejiang Jiaogong Group Co., Ltd. He worked in Zhejiang JinLiWen Expressway Co., Ltd., as Chairman of Labor Union.

Mr. Xu is currently the Chairman of Labor Union, Discipline Inspection Commission Secretary and Party Committee Member of the Company.

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the operation, management of high grade roads, as well as provision of security broking service and proprietary securities trading.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2020 Environmental and Social Responsibility Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the People's Republic of China ("PRC"). Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2020 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2020 and the state of financial position at that date are set out in the financial statements on pages 108 to 263.

The Directors have recommended the payment of a dividend of Rmb0.355 (approximately HK$0.422) per share in the year of 2020. The final dividend is subject to shareholders' approval at the 2020 annual general meeting of the Company and is expected to be paid by no later than June 30, 2021. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 51.4% during the Period. Further details of the dividends are set out in note 16 to the financial statements.

FIVE YEAR SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities and non-controlling interests of the Group prepared on the basis set out in the notes below.

Results	Year ended December 31, 2020 Rmb'000	2019 Rmb'000	2018 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2016 Rmb'000 (Restated)
Continuing operations					
Revenue	11,942,775	11,955,266	11,192,199	11,080,513	10,978,928
Operating costs	(7,303,651)	(6,680,965)	(5,806,810)	(5,823,370)	(5,693,253)
Gross profit	4,639,124	5,274,301	5,385,389	5,257,143	5,285,675
Securities investment gains	1,611,873	1,402,684	512,449	774,885	223,573
Other income and gains and losses	410,198	260,267	404,128	143,739	345,670
Administrative expenses	(140,342)	(136,356)	(123,391)	(124,115)	(106,864)
Other expenses and impairment losses	(365,065)	(95,258)	(54,417)	(147,138)	(100,569)
Share of profit of associates	688,029	652,824	350,578	161,502	64,699
Share of profit (loss) of a joint venture	16,282	34,941	30,037	17,668	9,797
Finance costs	(1,745,389)	(1,626,809)	(1,396,806)	(1,137,472)	(1,287,601)
Profit before tax	5,114,710	5,766,594	5,107,967	4,946,212	4,434,380
Income tax expense	(1,160,174)	(1,351,695)	(1,113,454)	(1,165,941)	(1,112,066)
Profit for the year from continuing operations	3,954,536	4,414,899	3,994,513	3,780,271	3,322,314
Discontinued operations					
Profit for the year from discontinued operations	–	–	–	–	81,594
Profit for the year	3,954,536	4,414,899	3,994,513	3,780,271	3,403,908
Profit for the year attributable to owners of the Company					
– Continuing operations	2,997,344	3,711,118	3,515,095	3,097,355	2,676,975
– Discontinued operations	–	–	–	–	80,114
Profit for the year attributable to non-controlling interests					
– Continuing operations	957,192	703,781	479,418	682,916	645,339
– Discontinued operations	–	–	–	–	1,480

Report of the Directors

Results	Year ended December 31, 2020 Rmb'000	2019 Rmb'000	2018 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2016 Rmb'000 (Restated)
Earnings per share					
From continuing and discontinued operations					
Basic (Rmb cents)	69.01	85.45	80.94	71.32	63.48
Diluted (Rmb cents)	68.32	82.37	76.27	69.04	63.48
From continuing operations					
Basic (Rmb cents)	69.01	85.45	80.94	71.32	61.64
Diluted (Rmb cents)	68.32	82.37	76.27	69.04	61.64

Assets and liabilities	As at December 31, 2020 Rmb'000	2019 Rmb'000	2018 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2016 Rmb'000 (Restated)
Total assets	130,063,384	104,576,954	93,756,863	88,634,404	89,437,399
Total liabilities	92,611,172	72,594,843	60,833,665	58,213,218	64,437,333
Net Assets	37,452,212	31,982,111	32,923,198	30,421,186	25,000,066

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2019 have been abstracted from the Company's annual report on March 20, 2019, while those for the year ended December 31, 2020 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 108 of the financial report.

2. The 2020 basic earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2020 of Rmb2,997,344,000 (2019: Rmb3,711,118,000) and the 4,343,114,500 (2019: 4,343,114,500) ordinary shares in issue during the year.

   The 2020 diluted earnings per share is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2020 of Rmb3,022,625,000 (2019: Rmb3,792,057,000) and the 4,424,084,000 (2019 restated: 4,603,501,000) weighted average number of ordinary shares for the purpose of diluted earnings per share during the year.

3. Differences in financial statements prepared under PRC GAAP and HKFRSs

	Profit for the year ended December 31,		Net assets as at December 31,	
	2020 Rmb'000	2019 Rmb'000	2020 Rmb'000	2019 Rmb'000
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	3,940,493	4,424,083	37,771,039	32,291,077
HK GAAP adjustments:				
(a) Goodwill	–	–	(199,769)	(199,769)
(b) Amortization provided, net of deferred tax	(1,952)	(1,952)	(176,909)	(174,957)
(c) Assessment on impact of appreciation, net of deferred tax	(3,496)	(3,292)	35,578	39,074
(d) Others	23,904	(385)	7,666	7,666
(e) Non-controlling interests	(4,413)	(3,555)	14,607	19,020
As restated in the financial statements	3,954,536	4,414,899	37,452,212	31,982,111

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DONATION

During the year, the total amount of donation made by the group is Rmb11,404,000 for charitable or other purposes.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

Report of the Directors

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2020 are set out in note 50 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 113 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2020, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HKGAAP, amounted to Rmb 5,972,619,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2020, other than the deposits placed with a non-bank financial institution of Rmb1,791,157,000, the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS

The Directors of the Company during the year and as at the date of this report are:

CHAIRMAN

Mr. YU Zhihong

EXECUTIVE DIRECTORS

Mr. CHEN Ninghui (Appointed, with effect from May 15, 2020)
Mr. CHENG Tao (Resigned, with effect from May 15, 2020)
Ms. LUO Jianhu (General Manager)

NON-EXECUTIVE DIRECTORS

Mr. DAI Benmeng
Mr. YUAN Yingjie (Appointed, with effect from February 3, 2020)
Mr. YU Qunli (Resigned, with effect from February 3, 2020)
Mr. FAN Ye (Appointed, with effect from May 15, 2020)
Mr. YU Ji (Resigned, with effect from May 15, 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa
Mr. CHEN Bin

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 58 to 73 in the Company's annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Mr. YU Qunli has entered into a service agreement with the Company, which effect from July 1, 2018 to June 30, 2021. The contract was terminated on February 3, 2020.

Mr. CHENG Tao and Mr. YU Ji have entered into service agreements with the Company, which effect from July 1, 2018 to June 30, 2021. The contracts were terminated on May 15, 2020.

Mr. YUAN Yingjie has entered into a service agreement with the Company, which effect from February 3, 2020 to June 30, 2021.

Mr. CHEN Ninghui and Mr. FAN Ye have entered into service agreements with the Company, which effect from Mar 15, 2020 to June 30, 2021.

Other Directors have entered into service agreements with the Company, which effect from July 1, 2018 to June 30, 2021.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2020 or during the year, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, Supervisor and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to complete with the businesses of the Group for the Period.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there is no contract of significance entered into between the Company, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries.

TAXATION AND TAX RELIEF

According to a Notice issued jointly by PRC Ministry of Finance and State Administration of Taxation regarding individual income tax policies (Caishuizi[1994] No.020), the dividend incomes received by foreign individuals from a foreign-invested enterprise are exempt from individual income tax.

As stipulated by a Notice issued by the PRC State Administration of Taxation in relation to the withholding and payment of enterprise income tax by Chinese resident enterprises for payment of dividend to H shareholders Who are overseas non-resident enterprises (Guoshuihan [2008] No.897), the Company as a Chinese resident enterprises is required to withhold 10% enterprise income tax when it distributes dividends for the year 2008 and thereafter to all non-resident enterprise holders of H shares of the Company (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise holders of H shares) whose names appear on the H share register of members of the Company on the record date.

Report of the Directors

Dividends payable to the Shareholders who are mainland individual investors or corporate investors investing in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen- Hong Kong Stock Connect will be paid in Rmb by China Securities Depository and Clearing Corporation Limited Shanghai Branch ("CSDC Shanghai Branch") or Shenzhen Branch ("CSDC Shenzhen Branch") as entrusted by the Company.

According to the requirements of the "Notice on Taxation Policies Concerning the Shanghai-Hong Kong Stock Connect Pilot Program (Finance Tax[2014] No. 81《(關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and "Notice on Taxation Policies Concerning the Shenzhen-Hong Kong Stock Connect Pilot Program (Finance Tax[2016] No. 127)及《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號) jointly published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect tax arrangements are as follows: (i) for Chinese Mainland individual investors who invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of final dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad; and (ii) for Chinese Mainland securities investment funds that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of final dividend pursuant to the foregoing provisions.

For Chinese mainland corporate investors that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of final dividend and such investors shall file the tax returns on their own.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are taxed and/or enjoy tax relief in accordance with the aforementioned regulations.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient amount of public float as required under the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company purchased appropriate liability insurance coverage for the directors, supervisors and senior management members of the Group during the year ended 31 December 2020 against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers.

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong, who has served as the Company's Hong Kong auditors since 2005, will retire and a resolution for their re-appointment as Hong Kong auditors of the Company will be proposed at the forth coming Annual General Meeting of the shareholders.

By Order of the Board
YU Zhihong
Chairman

Hangzhou, Zhejiang Province, the PRC
March 23, 2021

Report of Supervisory Committee

During the Period, the Supervisory Committee duly performed its supervisory responsibilities, and safeguarded the legitimate interests of the shareholders and the Company in accordance with relevant rules and regulations under the Company Law of the PRC, the Company's Articles of Association and the Rules of Procedure of the Supervisory Committee.

Main tasks undertaken by the Supervisory Committee during the Period were to assess and supervise lawfulness and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of activities including holding meetings of the Supervisory Committee and sitting in on general meetings of shareholders and meetings of the Board. The Supervisory Committee discussed and reviewed the financial statements to be submitted by the Board to the general meeting of shareholders after carefully examining the operating results and the financial position of the Company.

During the Period, the Supervisory Committee held a total of two supervisory meetings, and attended six Board meetings and three general meetings, and had no objection to the contents of the reports and proposals submitted by the Board of the Company to the general meeting of shareholders for consideration. The Supervisory Committee considered that the Company's operations were in strict compliance with the Company Law, the Company's Articles of Association and the relevant national provisions, that all decision-making procedures were legitimate, and that the Company had sound internal control functions and personnel and all operating activities were regulated in an orderly manner. The Supervisory Committee of the Company supervised the decisions of the general meetings of shareholders, and believed that the Board of Directors of the Company was able to conscientiously implement the relevant decisions of the general meetings. The management of the Company has earnestly executed the relevant decisions and plans of the Board, achieving remarkable results in key tasks such as brand building and upgrade, smart expressway construction and securities business.

The Supervisory Committee has reviewed the financial statements of the Company for 2020 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2020, and complied with the relevant laws, regulations and the Company's Articles of Association. Despite the significant drop in toll revenue due to the COVID-19 pandemic, the Company maintained a relatively stable dividend payout, providing satisfactory returns to its shareholders.

During the Period, the Supervisory Committee considered that the connected transactions of the Company were fair and reasonable without prejudice to the interests of the shareholders and the Company.

During the Period, the members of the Board, General Manager and other senior management of the Company complied with their fiduciary duties and acted in good faith and diligently while carrying out their responsibilities. There was no incident of abuse of power or infringement of the interests of shareholders or employees.

The Supervisory Committee is satisfied with the performance across various lines of business achieved by the Board and the management of the Company during the Period.

By the order of the Supervisory Committee
ZHENG Ruchun
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 23, 2021

Connected Transactions

During the year ended December 31, 2020, the Company had the following non-exempt connected transactions and continuing connected transactions.

CONNECTED TRANSACTIONS

1. Algorithm Refinement Service Agreement

On March 16, 2020, the Company entered into an agreement (the "**Algorithm Refinement Service Agreement**") with Zhejiang Information, pursuant to which the Company agreed to purchase and Zhejiang Information agreed to provide various services including algorithm development, system installation, testing, support and defect repair services during the defect liability period with respect to algorithm refinement of the Company's intelligent expressway system at the consideration of Rmb1,314,000. Please refer to the announcement of the Company dated March 16, 2020 for details.

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. As such, Zhejiang Information, as a wholly-owned subsidiary of Communications Group as at the date of the Algorithm Refinement Agreement, is a connected person of the Company and the transactions contemplated under the Algorithm Refinement Service Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Algorithm Refinement Service Agreement and the Previous Transactions I (Note 1) with parties who were connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Algorithm Refinement Service Agreement and the Previous Transactions I were required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Algorithm Refinement Service Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Algorithm Refinement Service Agreement, after aggregating with the Previous Transactions I, were more than 0.1% but less than 5%, the transactions contemplated under the Algorithm Refinement Service Agreement were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Sponsorship Agreement and Underwriting Agreement

On July 31, 2020, Zheshang Securities, a non-wholly owned subsidiary of the Company, entered into a sponsorship agreement (the "**Sponsorship Agreement**") and an underwriting agreement (the "**Underwriting Agreement**") with, among others, Zhejiang Oceanking, pursuant to which Zheshang Securities was engaged by Zhejiang Oceanking as a sponsor and a lead underwriter to provide securities sponsorship and underwriting services in respect of the proposed listing of Zhejiang Oceanking on the Shanghai Stock Exchange. According to the Sponsorship Agreement, the total amount of sponsorship fees payable by Zhejiang Oceanking to the sponsors is Rmb500,000. According to the Underwriting Agreement, the aggregate underwriting fees that Zhejiang Oceanking agreed to pay to the lead underwriters are 4% of the actual amount of capital raised from the proposed listing of Zhejiang Oceanking with a minimum amount of Rmb22,000,000. Please refer to the announcement of the Company dated July 31, 2020 for details.

Zhejiang Oceanking, as an approximately 65.44% owned subsidiary of Communications Group, is a connected person of the Company. As a result, the transactions contemplated under the Sponsorship Agreement and the Underwriting Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as calculated with reference to the minimum underwriting fees payable under the Underwriting Agreement in accordance with the Listing Rules were more than 0.1% but all of them are less than 5%, the transactions contemplated under the Sponsorship Agreement and the Underwriting Agreement were therefore subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions

3. Mechanical and Electrical System Improvement Service Agreement

On October 14, 2020, the Company and its subsidiaries entered into an agreement (the "**Mechanical and Electrical System Improvement Service Agreement**") with Zhejiang Information, pursuant to which the Company and its relevant subsidiaries agreed to purchase and Zhejiang Information agreed to provide various services including equipment procurement, installation, testing, support and defect repair services during defect liability period as part of the centralised service procurement of the Company for the year of 2020 with respect to certain improvement projects in connection with the mechanical and electrical systems of the Company's expressways, which mainly include the installation of fire detection and alarm system of Maaoling Tunnel, the restoration of lighting system of Yuhang Expressway, upgrade of tunnel fire protection and power supply, maintenance and rectification of engine room, upgrade of the LED lighting system of Panlongling Tunnel and upgrade of uninterruptible power supply system at the consideration of Rmb21,284,613.12. Please refer to the announcement of the Company dated October 14, 2020 for details.

Zhejiang Information, as a 65.85% owned subsidiary of Communications Group, is connected person of the Company. As a result, the transactions contemplated under the Mechanical and Electrical System Improvement Service Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Mechanical and Electrical System Improvement Service Agreement and the Previous Transactions II (Note 2) with parties who were connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Mechanical and Electrical System Improvement Service Agreement and the Previous Transactions II were required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Mechanical and Electrical System Improvement Service Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Mechanical and Electrical System Improvement Service Agreement, after aggregating with the Previous Transactions II, were more than 0.1% but less than 5%, the Mechanical and Electrical System Improvement Service Agreement was subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. HangNing Acquisition

On November 10, 2020, the Company and Communications Group entered into an equity purchase agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire 30% equity interest in HangNing Co at the consideration of Rmb2,685,000,000 (the "**HangNing Acquisition**"). Please refer to the announcements of the Company dated November 11, 2020, November 12, 2020 and December 1, 2020 and circular dated December 7, 2020 for details.

Communications Group is a controlling shareholder of the Company and thus a connected person of the Company. As a result, the HangNing Acquisition constituted a connected transaction for the Company. As one or more of the applicable percentage ratios in respect of the HangNing Acquisition was over 5%, the HangNing Acquisition was subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. LongLiLiLong Acquisition

On November 10, 2020, the Company and Communications Group entered into an equity purchase agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in LongLiLiLong Co at the consideration of Rmb238,140,000 (the "**LongLiLiLong Acquisition**"). Please refer to the announcements of the Company dated November 11, 2020, November 12, 2020 and December 1, 2020 and circular dated December 7, 2020 for details.

Communications Group is a controlling shareholder of the Company and thus a connected person of the Company. As a result, the LongLiLiLong Acquisition constituted a connected transaction for the Company. As one or more of the applicable percentage ratios in respect of the LongLiLiLong Acquisition was over 5%, the LongLiLiLong Acquisition was subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions

6. Supplemental Agreement and Video Cloud Platform Services Agreement

On December 16, 2020, the Company and its relevant subsidiaries entered into a supplemental agreement (the "**Supplemental Agreement**") with Zhejiang Information to vary the terms of the agreement (the "**Agreement for Removal of Expressway Toll Stations at Provincial Borders**") dated September 12, 2019 entered into between the Company and its relevant subsidiaries and Zhejiang Information in relation to provision of toll station construction, improvement and network security services for the certain additional works at an additional service fees of Rmb7,029,287.29. The service fees payable by the Company and its relevant subsidiaries to Zhejiang Information under the Agreement for Removal of Expressway Toll Stations at Provincial Borders, as amended by the Supplemental Agreement, would be increased to Rmb305,802,322.27.

On the same day, the Company and its relevant subsidiaries also entered into an agreement (the "**Video Cloud Platform Services Agreement**") with Zhejiang Information, pursuant to which the Company and its relevant subsidiaries agreed to purchase and Zhejiang Information agreed to provide video cloud platform's equipment installation services, internet security equipment installation services, software development, testing and support services and defect repair services during the defect liability period in respect of relevant expressways operated by the Group at the consideration of Rmb6,533,800. Please refer to announcements of the Company dated September 12, 2019 and December 16, 2020 for details.

Zhejiang Information, as a 65.85% owned subsidiary of Communications Group, is a connected person of the Company. As a result, the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement and the Previous Transactions III (Note 3) were entered into or completed within a 12-month period with Zhejiang Information, the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement and the Previous Transactions III were required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement, after aggregating with the Previous Transactions III, were more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreement and Video Cloud Platform Services Agreement were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Deposit Services with Zhejiang Communications Finance

Pursuant to the financial services agreement dated March 30, 2016 (the "**Financial Services Agreement**") entered into between the Company and Zhejiang Communications Finance, Zhejiang Communications Finance agreed to provide the Company and its subsidiaries with a range of financial services including certain deposit services (the "**Deposit Services**") for a term of three years from the date of the Financial Services Agreement subject to the terms and conditions provided therein. Please refer to the announcement of the Company dated March 30, 2016 for details.

Since the Financial Services Agreement expired on March 30, 2019, on March 18, 2019, the Company entered to the new financial services agreement (the "**New Financial Services Agreement**"), together with a supplemental agreement, among others, to increase the existing annual caps for the Deposit Services from Rmb1,400,000,000 to Rmb2,500,000,000 (including any interest accrued thereon) (the "**Financial Services Supplemental Agreement**"), with Zhejiang Communications Finance for renewal of the terms of the Financial Services Agreement with effect from March 30, 2019 for a term of three years. Save as otherwise provided, all terms and conditions under the Financial Services Agreement remained substantially unchanged. Please refer to the announcement of the Company dated March 18, 2019 for details.

As the issued share capital of Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Ningbo Expressway Co, respectively as at the date of the New Financial Services Agreement, Zhejiang Communications Finance is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of Deposit Services under the New Financial Services Agreement constituted a continuing connected transaction for the Company.

Connected Transactions

Pursuant to the Financial Services Agreement, the Deposit Services to be provided by Zhejiang Communications Finance to the Company and its subsidiaries include the current deposit, time deposit, call deposit and agreement deposit services. The Deposit Services will be provided under the New Financial Services Agreement on a non-exclusive basis and the Company and its subsidiaries are entitled to determine whether to accept the Deposit Services provided by Zhejiang Communications Finance or decide to accept deposit services provided by other financial institutions. The Company and its subsidiaries are not obliged to accept any Deposit Services provided by Zhejiang Communications Finance.

The interest rate to be paid by Zhejiang Communications Finance for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall be determined based on the prevailing deposit interest rate promulgated by the People's Bank of China for the same period and should not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods. The maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall not be more than Rmb1,400,000,000 under the New Financial Services Agreement and Rmb2,500,000,000 under the Financial Services Supplemental Agreement during the term of the New Financial Services Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the Deposit Services under the New Financial Services Agreement are more than 0.1% but less than 5%, the Deposit Services constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but were exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios (other than the profits ratio) in respect of the revised annual caps for the Deposit Services under the Financial Services Supplemental Agreement was more than 5% but less than 25%, such transactions were subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the existing annual caps for the Deposit Services under the New Financial Services Agreement are exceeded.

During the Period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement together with the Financial Services Supplemental Agreement amounted to Rmb2,481,689,000.

2. Construction Service Agreements

On June 21, 2019, De'an Construction as employer entered into a construction service agreement and its supplemental agreement (the "**Construction Service Agreements**") with Zhejiang Hongtu as contractor in relation to the provision of construction services for the Public-Private-Partnership (PPP) projects in respect of the construction of bridges, tunnels and public service station from Deqing County to the juncture between Deqing County and Anji County for a total consideration of Rmb809,315,640 (the "**Total Consideration**"). The term of the Construction Service Agreement, which is the construction period, is 36 months. Please refer to the announcement and the supplemental announcement of the Company dated June 21, 2019 and July 2, 2019 respectively for details.

On March 27, 2020, the Company entered into a supplemental agreement to revise the Annual Caps for the Continuing Connected Transactions at the amount of Rmb380,000,000 for the two years ending 31 December 2021 (the "**Revised Annual Caps**") whilst the Total Consideration remained unchanged. In determining the Revised Annual Caps, the Company has considered the Exceeded Amount, the actual construction progress, the estimated costs and the expected completion of PPP Project construction in 2021. Please refer to the announcement dated March 27, 2020 for details.

Zhejiang Hongtu is an indirect non-wholly owned subsidiary of Communications Group. As such, Zhejiang Hongtu is a connected person of the Company and, as a result, the transactions under the Construction Service Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Construction Service Agreement was more than 0.1% but less than 5%, the Construction Service Agreement was subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

During the Period, the total service fees paid by the De'an Construction to Zhejiang Hongtu in respect of the construction services under the Construction Service Agreement amounted to Rmb215,456,000.

3. Road Maintenance Agreements

(i) 2019 Daily Road Maintenance Agreements

a. Daily Road Maintenance (First Contract Section) Agreements 2019

On December 27, 2019, various management offices of the Company, Jiaxing Co, Hanghui Co, and Huihang Co separately entered into a series of agreements with Maintenance Co (the "**Daily Road Maintenance (First Contract Section) Agreements 2019**"), pursuant to which Maintenance Co agreed to provide day-to-day maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance ("**Maintenance Services**") to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Hanghui Expressway and the Huihang Expressway. The term of the Daily Road Maintenance (First Contract Section) Agreements 2019 is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Maintenance Co shall be Rmb68,111,019, which amount to Rmb204,333,057 in total from 2020 to 2022. Please refer to the announcement of the Company dated December 27, 2019 for details.

During the Period, the total service fees paid by the Group to the Maintenance Co in respect of the Maintenance Services under the Daily Road Maintenance (First Contract Section) Agreements 2019 amounted to Rmb58,186,000.

b. *Daily Road Maintenance (Second Contract Section) Agreements 2019*

On December 27, 2019, each of Shenjiahuhang Co and Zhoushan Co entered into an agreement with Jiaogong Maintenance (the "**Daily Road Maintenance (Second Contract Section) Agreements 2019**"), pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge. The term of the Daily Road Maintenance (Second Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Jiaogong Maintenance in 2020 shall be Rmb27,158,624. The annual service fees payable by the Group to Jiaogong Maintenance in 2021 and 2022 shall be Rmb26,334,280 respectively. Please refer to the announcement of the Company dated December 27, 2019 for details.

During the Period, the total service fees paid by the Group to the Jiaogong Maintenance in respect of the Maintenance Services under the Daily Road Maintenance (Second Contract Section) Agreements 2019 amounted to Rmb22,734,000.

c. *Daily Road Maintenance (Third Contract Section) Agreements 2019*

On December 27, 2019, each of Jinhua Co and Xintian Management Office entered into an agreement with Zhejiang Shunchang (the "**Daily Road Maintenance (Third Contract Section) Agreements**"), pursuant to which Zhejiang Shunchang agreed to provide Maintenance Services to three expressways operated by the Group, namely Xintian Section of the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and Yiwu Section of the Yidong Expressway. The term of the Daily Road Maintenance (Third Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Zhejiang Shunchang shall be Rmb22,076,202 in 2020, 2021 and 2022 respectively. Please refer to the announcement of the Company dated December 27, 2019 for details.

Connected Transactions

During the Period, the total service fees paid by the Group to Zhejiang Shunchang in respect of the Maintenance Services under the Daily Road Maintenance (Third Contract Section) Agreements 2019 amounted to Rmb17,313,000.

(ii) 2020 Dedicated Road Maintenance Agreements

a. Dedicated Road Maintenance (First Contract Section) Agreements 2020

On April 20, 2020, the Company, Jiaxing Co, Shangsan Co, Hanghui Co and Huihang Co respectively entered into a series of agreements with Maintenance Co (the "**Dedicated Road Maintenance (First Contract Section) Agreements 2020**"), pursuant to which Maintenance Co agreed to undertake certain dedicated road maintenance projects including pavement diseases treatment, bridgeheads overlays, sloping maintenance, bridge decks repair, signs, markings, guardrail upgrades and tunnel maintenance (the "**Maintenance Projects**") to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, Shangshen Section of the Shangsan Expressway, the Hanghui Expressway and the Huihang Expressway. The term of the Dedicated Road Maintenance (First Contract Section) Agreements 2020 is from April 20, 2020 to November 30, 2020. The total service fees payable by the Group to Maintenance Co shall be Rmb211,648,650. Please refer to the announcement dated 20 April 2020 for details.

During the Period, the total service fees paid by the Group to the Maintenance Co in respect of the transactions under the Dedicated Road Maintenance (First Contract Section) Agreements 2020 amounted to Rmb179,976,000.

b. *Dedicated Road Maintenance (Second Contract Section) Agreements 2020*

On April 20, 2020, Shenjiahuhang Co and Zhoushan Co respectively entered into a series of agreements with Jiaogong Maintenance (the "**Dedicated Road Maintenance (Second Contract Section) Agreements 2020**"), pursuant to which Jiaogong Maintenance agreed to undertake the Maintenance Projects to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge. The term of the Dedicated Road Maintenance (Second Contract Section) Agreements 2020 is from April 20, 2020 to November 30, 2020. The total service fees payable by the Group to Jiaogong Maintenance shall be Rmb70,496,666. Please refer to the announcement dated 20 April 2020 for details.

During the Period, the total service fees paid by the Group to Jiaogong Maintenance in respect of the Maintenance Services under the Dedicated Road Maintenance (Second Contract Section) Agreements 2020 amounted to Rmb68,273,000.

c. *Dedicated Road Maintenance (Third Contract Section) Agreements 2020*

On April 20, 2020, Jiaxing Co, Shangsan Co, Jinhua Co and Hanghui Co respectively entered into a series of agreements with Zhejiang Shunchang (the "**Dedicated Road Maintenance (Third Contract Section) Agreements 2020**"), pursuant to which Zhejiang Shunchang agreed to undertake (i) the Maintenance Projects to two expressways operated by the Group, namely Xintian Section of the Shangsan Expressway and Jinhua Section of the Yongjin Expressway, and (ii) Pavement Maintenance Projects to two expressways operated by the Group, namely Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and the Hanghui Expressway. The term of the Dedicated Road Maintenance (Third Contract Section) Agreements 2020 is from April 20, 2020 to November 30, 2020. The total service fees payable by the Group to Zhejiang Shunchang shall be RMB81,302,944. Please refer to the announcement dated 20 April 2020 for details.

Connected Transactions

During the Period, the total service fees paid by the Group to the Zhejiang Shunchang in respect of the transactions under the Dedicated Road Maintenance (Third Contract Section) Agreements 2020 amounted to Rmb63,799,000.

Each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. As such, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang was a connected person of the Company and the respective transactions contemplated under the Daily Road Maintenance (First Contract Section) Agreements 2019, the Daily Road Maintenance (Second Contract Section) Agreements 2019 and the Daily Road Maintenance (Third Contract Section) Agreements 2019 (collectively the "**2019 Daily Road Maintenance Agreements**") and the Dedicated Road Maintenance (First Contract Section) Agreements 2020, the Dedicated Road Maintenance (Second Contract Section) Agreements 2020 and the Dedicated Road Maintenance (Third Contract Section) Agreements 2020 (collectively the "**2020 Dedicated Road Maintenance Agreements**") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the respective transactions contemplated under the 2019 Daily Road Maintenance Agreements were more than 0.1% but less than 5%, the 2019 Daily Road Maintenance Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the transactions contemplated under the 2020 Dedicated Road Maintenance Agreements and the transactions contemplated under the 2019 Daily Road Maintenance Agreements, which were continuing connected transactions entered into with the same connected persons of a similar nature, were required to be aggregated. As the applicable percentage ratios (other than the profits ratio) in respect of the aggregated annual cap for transactions contemplated under the 2020 Dedicated Road Maintenance Agreements and the 2019 Daily Road Maintenance Agreements for the Period are more than 0.1% but less than 5%, the transactions contemplated under the 2020 Dedicated Road Maintenance Agreements will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions described above and confirmed that such continuing connected transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Connected Transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Hong Kong Stock Exchange.

During the year, details of the related party transactions and continuing related party transactions under the accounting standards for this report that the Company and its subsidiaries have entered into with Communications Group and its subsidiaries that constitute connected transactions and continuing connected transactions to be disclosed under the Listing Rules are set out in note 56 to the consolidated financial statements. The Company has complied with the disclosure requirements in respect of such connected transactions and continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

Notes:

1. Previous Transactions I — the agreements entered into or completed within a 12-month period prior to the date of the Algorithm Refinement Service Agreement between or among the Group and Communications Group's associates in relation to information technology services and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated September 12, 2019 and November 29, 2019 respectively.

2. Previous Transactions II — the agreements entered into or completed within a 12-month period prior to the date of the Mechanical and Electrical System Improvement Service Agreement between or among the Group and Communications Group's associates in relation to information technology services and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated March 16, 2020, September 12, 2019 and November 29, 2019 respectively.

3. Previous Transactions III — the agreements entered into or completed within a 12-month period prior to the date of the Supplemental Agreement and Video Cloud Platform Services Agreements between or among the Company and its relevant subsidiaries and Zhejiang Information in relation to information technology services and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated September 12, 2019, November 29, 2019, March 16, 2020 and October 14, 2020 respectively.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.
浙江滬杭甬高速公路股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 108 to 263, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses ("ECL") for loans to customers arising from margin financing business and financial assets held under resale agreements	
We identified the measurement of ECL for the Group's loan to customers arising from margin financing business and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement. As disclosed in Note 5 to the consolidated financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit impaired, using appropriate models and assumptions, determining the key inputs including probability of default ("PD"), loss given default ("LGD") and forward-looking information. As at December 31, 2020, the Group held loans to customers arising from margin financing business of Rmb15,013,472 thousands, less impairment allowance of Rmb43 thousands as disclosed in Note 29 to the consolidated financial statements and financial assets held under resale agreements of Rmb7,314,130 thousands, less impairment allowance of Rmb191,659 thousands as disclosed in Note 31 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information; • Evaluating the determination of the criteria for significant increase in credit risk ("SICR") and credit impaired by management and, on sample basis, testing its application; • On a sample basis, examining the major data input into the ECL model, including PD and LGD; • For credit impaired assets, assessing the impairment allowances made by management based on the expected future cash flow with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate; • Checking the calculation process of the ECL.

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes, investment funds and limited partnership enterprises. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates the Group controlled the structured entities. As disclosed in Notes 44 and 58 to the consolidated financial statements, as at December 31, 2020, the total assets of the consolidated structured entities amounted to Rmb5,485,843 thousands and the total assets of the unconsolidated structured entities managed by the Group amounted to Rmb140,322,176 thousands, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 23, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Revenue	6	11,942,775	11,955,266
Including: interest income under effective interest method		1,820,534	1,572,835
Operating costs		(7,303,651)	(6,680,965)
Gross profit		4,639,124	5,274,301
Securities investment gains	8	1,611,873	1,402,684
Other income and gains and losses	9	410,198	260,267
Administrative expenses		(140,342)	(136,356)
Other expenses		(181,499)	(127,135)
Impairment losses under expected credit loss model, net of reversal	10	(183,566)	31,877
Share of profit of associates		688,029	652,824
Share of profit of a joint venture		16,282	34,941
Finance costs	11	(1,745,389)	(1,626,809)
Profit before tax	12	5,114,710	5,766,594
Income tax expense	13	(1,160,174)	(1,351,695)
Profit for the year		3,954,536	4,414,899
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(2,349)	922
Share of other comprehensive loss of an associate, net of related income tax		(24,160)	–
Other comprehensive (loss) income for the year, net of income tax		(26,509)	922
Total comprehensive income for the year		3,928,027	4,415,821

	NOTES	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Profit for the year attributable to:			
Owners of the Company		2,997,344	3,711,118
Non-controlling interests		957,192	703,781
		3,954,536	4,414,899
Total comprehensive income attributable to:			
Owners of the Company		2,972,041	3,711,551
Non-controlling interests		955,986	704,270
		3,928,027	4,415,821
Earnings per share	17		
Basic (Rmb cents)		69.01	85.45
Diluted (Rmb cents)		68.32	82.37

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	12/31/2020 Rmb'000	12/31/2019 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	4,175,373	4,280,735
Right-of-use assets	19	562,535	379,031
Expressway operating rights	20	20,931,505	22,867,446
Goodwill	21	86,867	86,867
Other intangible assets	22	207,068	182,851
Interests in associates	24	6,560,343	6,080,155
Interest in a joint venture	25	384,325	368,043
Financial assets at fair value through profit or loss ("FVTPL")	26	244,123	16,898
Contract assets	27	1,007,618	686,557
Other receivables and prepayments	30	2,923,140	–
Financial assets held under resale agreements	31	120,000	–
Deferred tax assets	46	1,258,270	924,602
		38,461,167	35,873,185
CURRENT ASSETS			
Inventories		370,533	333,261
Trade receivables	28	361,974	319,339
Loans to customers arising from margin financing business	29	15,013,429	8,751,643
Other receivables and prepayments	30	3,129,801	424,182
Dividends receivable		2,835	2,005
Derivative financial assets	38	525,629	6,250
Financial assets at FVTPL	26	29,158,094	22,235,480
Financial assets held under resale agreements	31	7,002,471	8,110,354
Bank balances and clearing settlement fund held on behalf of customers	32	27,090,816	20,141,931
Bank balances, clearing settlement fund,deposits and cash			
– Restricted bank balances and cash	33	23,986	–
– Time deposits with original maturity over three months	33	313,600	302,726
– Cash and cash equivalents	33	8,609,049	8,076,598
		91,602,217	68,703,769

At December 31, 2020

	NOTES	12/31/2020 Rmb'000	12/31/2019 Rmb'000
CURRENT LIABILITIES			
Placements from other financial institutions	34	400,000	270,000
Accounts payable to customers arising from securities business	35	27,054,052	20,024,356
Trade payables	36	974,743	1,387,856
Tax liabilities		1,202,136	537,868
Other taxes payable		441,007	149,735
Other payables and accruals	37	6,105,775	2,049,479
Contract liabilities		79,231	15,674
Dividends payable		50	1,342
Derivative financial liabilities	38	497,427	5,565
Bank and other borrowings	39	6,348,772	4,598,533
Short-term financing note payable	40	6,306,716	6,532,990
Bonds payable	41	6,361,764	2,281,229
Convertible bonds	42	–	2,793,103
Financial assets sold under repurchase agreements	43	11,525,087	9,017,680
Financial liabilities at FVTPL	44	2,910,725	321,883
Lease liabilities	45	91,346	70,577
		70,298,831	50,057,870
NET CURRENT ASSETS		21,303,386	18,645,899
TOTAL ASSETS LESS CURRENT LIABILITIES		59,764,553	54,519,084
NON-CURRENT LIABILITIES			
Bank and other borrowings	39	7,919,800	6,421,600
Bonds payable	41	13,706,383	12,892,042
Convertible bonds	42	766	2,687,228
Deferred tax liabilities	46	386,498	347,331
Lease liabilities	45	298,894	188,772
		22,312,341	22,536,973
		37,452,212	31,982,111

Consolidated Statement of Financial Position

At December 31, 2020

	NOTES	12/31/2020 Rmb'000	12/31/2019 Rmb'000
CAPITAL AND RESERVES			
Share capital	47	4,343,115	4,343,115
Reserves		19,773,344	17,250,900
Equity attributable to owners of the Company		24,116,459	21,594,015
Non-controlling interests	48	13,335,753	10,388,096
		37,452,212	31,982,111

The consolidated financial statements on pages 108 to 263 were approved and authorised for issue by the board of directors on March 23, 2021 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
CHEN Ninghui	**LUO Jianhu**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company											
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000 (Note i)	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 (Note ii)	Retained profits Rmb'000	Sub-total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
At December 31, 2019	4,343,115	3,355,621	5,339,429	1,712	–	1,652	1,541,806	(807,227)	7,817,907	21,594,015	10,388,096	31,982,111
Profit for the year	–	–	–	–	–	–	–	–	2,997,344	2,997,344	957,192	3,954,536
Other comprehensive income for the year	–	–	–	–	(24,160)	(1,143)	–	–	–	(25,303)	(1,206)	(26,509)
Total comprehensive income for the year	–	–	–	–	(24,160)	(1,143)	–	–	2,997,344	2,972,041	955,986	3,928,027
Consideration adjustment for acquisition of subsidiaries-under common control (Note 57)	–	–	–	–	–	–	–	76,662	–	76,662	–	76,662
Recognition of the Company's share of the equity change of the investee	–	–	–	–	–	–	–	(12,107)	–	(12,107)	–	(12,107)
Changes due to partial disposal-of convertible bond issued by a subsidiary	–	–	–	–	–	–	–	–	–	–	64,214	64,214
Conversion of Convertible Bond 2019 of a subsidiary (Note 42)	–	–	–	–	–	–	–	–	–	–	(464,244)	(464,244)
Redemption of Convertible Bond 2019 of a subsidiary (Note 42)	–	–	–	–	–	–	–	–	–	–	(3,676)	(3,676)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2019 (Note 42)	–	–	–	–	–	–	–	1,027,654	–	1,027,654	2,608,993	3,636,647
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(217,944)	(217,944)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	4,328	4,328
2019 dividend (Note 16)	–	–	–	–	–	–	(1,541,806)	–	–	(1,541,806)	–	(1,541,806)
Proposed 2020 dividend	–	–	–	–	–	–	1,541,806	–	(1,541,806)	–	–	–
Transfer to reserves	–	–	53,155	–	–	–	–	–	(53,155)	–	–	–
At December 31, 2020	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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to owners of the Company										
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000 (Note i)	Capital reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000 (Note ii)	Retained profits Rmb'000	Sub-total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
At January 1, 2019	4,343,115	3,355,621	5,220,657	1,712	1,219	1,628,668	3,145,867	5,767,367	23,464,226	9,458,972	32,923,198
Profit for the year	–	–	–	–	–	–	–	3,711,118	3,711,118	703,781	4,414,899
Other comprehensive income for the year	–	–	–	–	433	–	–	–	433	489	922
Total comprehensive income for the year	–	–	–	–	433	–	–	3,711,118	3,711,551	704,270	4,415,821
Consideration paid for acquisition of subsidiaries under common control (Note 57)	–	–	–	–	–	–	(3,953,145)	–	(3,953,145)	–	(3,953,145)
Issuance of Convertible Bond 2019 by a subsidiary	–	–	–	–	–	–	–	–	–	403,728	403,728
Conversion of Convertible Bond 2019 of a subsidiary	–	–	–	–	–	–	–	–	–	(22)	(22)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2019	–	–	–	–	–	–	51	–	51	115	166
Capital reduction by non-controlling interests	–	–	–	–	–	–	–	–	–	(8)	(8)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(200,103)	(200,103)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	21,144	21,144
2018 dividend (Note 16)	–	–	–	–	–	(1,628,668)	–	–	(1,628,668)	–	(1,628,668)
Proposed 2019 dividend	–	–	–	–	–	1,541,806	–	(1,541,806)	–	–	–
Transfer to reserves	–	–	118,772	–	–	–	–	(118,772)	–	–	–
At December 31, 2019	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

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China (the "PRC") and the respective articles of association of the Company and its subsidiaries (collectively the "Entities"), the Entities are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the statutory surplus reserve may be converted to increase the respective Entities' capital.

(b) General risk reserve

In accordance with the Finance Regulation for Financial Enterprises, securities companies are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general risk reserve. This general risk reserve may be used to cover potential losses on risk exposures.

(c) Transaction risk reserve

In accordance with the Securities Law of the PRC, securities companies are required to allocate not less than 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the transaction risk reserve. This transaction risk reserve may be used to cover potential losses on securities transactions.

(ii) Special reserves mainly comprise:

(a) Other reserve which was arising from the Group's change of interests in subsidiaries. Amount represented the difference between the carrying value of net assets attributable to the Group acquired and the payment consideration arising from acquisition, or the dilute gain on loss of interests in subsidiaries.

(b) Other reserve which was arising from the spin-off and offering of shares by Zheshang Securities Co., Ltd. ("Zheshang Securities") in prior years.

(c) Other reserve which was arising from the Group's change of interest in an associate. Amount represented the difference between the carrying value of net assets attributable to the Group arising from the associate's ownership interest change in its subsidiaries other than those recognized in profit or loss or other comprehensive income.

(d) Merger reserve which was arising from the acquisition of subsidiaries under common control using the merger accounting method. This includes the capital of the combining entities at their existing book values since the first date they were under common control and were reduced by the Group's payment of cash consideration to the controlling party.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Profit before tax	5,114,710	5,766,594
Adjustments for:		
Finance costs	1,745,389	1,626,809
Interest income	(55,186)	(34,369)
Foreign exchange loss (gain)	82,903	(10,817)
Share of profit of associates	(688,029)	(652,824)
Share of profit of a joint venture	(16,282)	(34,941)
Depreciation of property, plant and equipment	427,670	379,380
Amortisation of expressway operating rights	1,915,809	1,915,967
Depreciation of right-of-use assets	89,640	68,133
Amortisation of other intangible assets	49,787	40,457
Impairment losses under expected credit loss model, net of reversal		
– trade receivables and other receivables	12,741	2,050
– advance to customers arising from margin financing business	(972)	(3,177)
– financial assets held under resale agreements	171,315	(31,402)
– contract asset	482	652
Other impairment loss		
– property, plant and equipment	12,688	–
– allowance for write-down of inventories	15,673	–
(Gain)/loss on disposal of property, plant and equipment	(23,725)	13,200
Loss on disposal of an associate	–	77
Gain on decrease in fair value in respect of derivative component of Convertible Bond 2017 (Note 42)	(200,178)	(17,547)

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Operating cash flows before movements in working capital	8,654,435	9,028,242
Increase in inventories	(52,945)	(173,922)
Increase in trade receivables	(44,935)	(75,358)
Increase in contract asset	(321,543)	(434,341)
Increase in loans to customers arising from margin financing business	(6,260,814)	(2,898,382)
(Increase)/decrease in other receivables and prepayments	(2,728,225)	25,250
Increase in financial assets at FVTPL	(7,149,839)	(676,572)
Decrease in financial assets held under resale agreements	816,568	127,230
Increase in restricted bank balance	(23,986)	–
Increase in bank balances and clearing settlement fund held on behalf of customers	(6,948,885)	(5,399,770)
Increase in net derivative financial assets	(27,517)	(334)
Increase/(decrease) in placements from other financial institutions	130,000	(130,679)
Increase in accounts payable to customers arising from securities business	7,029,696	5,370,943
(Decrease)/increase in trade payables	(395,978)	118,321
Increase in other taxes payable	291,272	45,519
Increase in contract liabilities	63,557	8,102
Withdraw of pledged bank deposit	–	10,000
Increase in other payables and accruals	4,238,388	239,147
Increase/(decrease) in financial liabilities at FVTPL	2,588,842	(42,831)
Increase/(decrease) in financial assets sold under repurchase agreements	2,507,407	(2,069,030)
Cash generated from operations	2,365,498	3,071,535
Income taxes paid	(802,971)	(1,261,577)
Interest paid	(1,352,049)	(1,427,204)
NET CASH FROM OPERATING ACTIVITIES	210,478	382,754

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	NOTES	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
INVESTING ACTIVITIES			
Interest received		57,421	35,496
Investment in associates		(196,259)	(350,000)
Prepayment for investment in an associate (Note 56)		(2,685,000)	–
Dividends received from associates		370,424	120,520
Proceeds on disposal of property, plant and equipment		59,190	12,247
Purchases of property, plant and equipment		(783,342)	(982,049)
Purchases of other intangible assets		(64,187)	(48,794)
Placement of time deposits		–	(102,726)
Withdrawal of time deposits		2,726	80,913
Withdrawal of investment in associates		16,813	–
Proceed from disposal of an associate		–	12,233
NET CASH USED IN INVESTING ACTIVITIES		(3,222,214)	(1,222,160)
FINANCING ACTIVITIES			
Dividends paid		(1,539,772)	(1,627,321)
Dividends paid to non-controlling shareholders		(219,235)	(199,608)
New bank and other borrowings raised		11,295,398	6,285,780
Repayment of bank and other borrowings		(8,031,102)	(7,731,360)
New entrusted loans raised		50,000	135,000
Repayment of entrusted loans		(195,000)	(110,000)
New issue of bonds payable, including assets-backed bonds		6,909,772	6,900,000
Repayment of bonds payable		(2,045,990)	(6,912,000)
Proceed from issuance of Convertible Bond 2019 (Note 42)		–	3,072,469
Issue costs of Convertible Bond 2019 (Note 42)		–	(2,043)
Issue of short-term financing note payable		28,108,020	15,819,810
Repayment of short-term financing note payable		(28,336,400)	(9,321,360)
Repayments of lease liabilities		(78,846)	(64,060)
Disposal of Convertible bonds		616,884	–
Repayment of Convertible bonds		(2,830,043)	–
Capital deduction by non-controlling interests in respect of a subsidiary		–	(8)
Capital injection by non-controlling interests in respect of a subsidiary		4,328	21,144
Acquisition of subsidiaries under common control (Note 57)		76,662	(3,953,145)
Prepayment for acquisition of a subsidiary under common control (Note 56)		(238,140)	–
NET CASH FROM FINANCING ACTIVITIES		3,546,536	2,313,298
NET INCREASE IN CASH AND CASH EQUIVALENTS		534,800	1,473,892
CASH AND CASH EQUIVALENTS AT JANUARY 1		8,076,598	6,601,784
Effect of foreign exchange rate changes		(2,349)	922
CASH AND CASH EQUIVALENTS AT DECEMBER 31	33	8,609,049	8,076,598

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. CORPORATE INFORMATION

Zhejiang Expressway Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") with limited liability on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company changed its business registration into a Sino-foreign joint stock limited company.

In the opinion of the directors of the Company (the "Directors"), the immediate and ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Group"), a state-owned enterprise established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("Rmb"), which is also the functional currency of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") during the current year are involved in the following principal activities:

(a) the operation, maintenance and management of high grade roads;

(b) the provision of securities and future broking services, margin financing and securities lending services, securities underwriting and sponsorship services, asset management, advisory services and proprietary trading;

(c) the hotel operation, construction service of a high grade road, investment in other financial institutions and other ancillary services.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to HKFRS 16	*Covid-19-Related Rent Concession*[4]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after June 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2021.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories or value in use in HKAS 36 Impairment of Assets.*

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Change in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued in September 2010.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining or businesses first came under the control of the controlling party.

The net assets of the combining or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving businesses under common control (Continued)

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates and joint venture is described below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit and loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture is recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component (Continued)

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful life and annual depreciation rate (except for construction in progress), after taking into account the residual value, adopted by the Group are set out below:

	Estimated useful life	Annual depreciation rate
Leasehold land and buildings	20 - 50 years	1.9% - 4.9%
Hotel	30 years	3.2%
Ancillary facilities	10 - 30 years	3.2% - 9%
Communication and signaling equipment	5 years	19.4%
Motor vehicles	5 - 8 years	12.1% - 19.4%
Machinery and equipment	5 - 8 years	12.1% - 19.4%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expressway operating rights under service concession arrangements

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets based on fair value of the consideration paid upon initial recognition. Subsequent costs incurred on expressway widening projects and upgrading services are recognised as additional costs of the expressway operating rights. The concession intangible assets representing expressway operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

The concession intangible assets are amortised to write-off their cost over their expected useful lives in the remaining concession period on a straight-line basis.

Costs in relation to the day-to-day servicing, repairs and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories include properties held for sale, consumables and parts for toll road operation, maintenance and hotel service and those commodities held for sale arising from the securities business.

Inventories are stated at the lower of cost and net realisable value. Cost of properties held for sale includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Costs of other inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Leases for which the Group is a lessor are all classified as operating leases for the reporting periods.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as a lessor (Continued)

Lease modification (Continued)

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Rmb) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of share of differences arising on translation (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group doesn't hold any financial assets which are classified as FVTOCI.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "securities investment gains" line item.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables), and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for trade receivables, contract assets and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, including trade receivables, loans to customers arising from margin financing business, other receivables, financial assets held under resale agreements, contract assets, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, and bank balances, clearing settlement fund, deposits and cash where the corresponding adjustment is recognised through a loss allowance account.

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bond, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable to customers arising from securities business, trade payables, other payables, dividends payable, bank and other borrowings, placements from other financial institutions, short-term financing note payable, financial assets sold under repurchase agreements, bonds payable and convertible bond) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bond contains debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the Convertible Bond 2017 carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

Convertible bond contains equity component

The component parts of the convertible bond are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. In case of convertible bond issued by a subsidiary, the equity component of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bond contains equity component (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instruments, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets held under resale agreements

Financial assets held under resale agreements where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements, the cash advanced by the Group is recognised as secured loans and receivables and presented as amounts held under resale agreements in the consolidated statement of financial position. The difference between the purchase and resale consideration is amortised over the period of the respective agreements using the effective interest method and is included in interest income.

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

Securities lending arrangement

The Group lends investment securities to clients and requires cash and/or equity securities from customers held as collaterals under such securities lending agreements. The cash collaterals arisen from these are included in "accounts payable to customers arising from securities business". For those securities held by the Group and lent to client that do not result in the derecognition of financial assets, they are included in financial assets at FVTPL.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts (Continued)

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidate statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors of the company has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of consolidation scope of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as a fund manager and/or an investor, controls a structured entity. The principle of control sets out the following three elements of control: (a) power over these entities; (b) exposure, or rights, to variable returns from involvement with these entities; and (c) the ability to use power over these entities to affect the amount of the investor's returns. The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as a manager and/or an investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds, if any, together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount use of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, an impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's expressway toll operations.

As at December 31, 2020, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2019: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 23.

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements

The Group estimates the amount of loss allowance for ECL on its loans to customers arising from margin financing business and financial assets held under resale agreements. Asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss are taken into account for determining the loss allowance amount. The assessment of the credit risk of loans to customers arising from margin financing business and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Notes to the Consolidated Financial Statements

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements (Continued)

The following significant judgements and estimations are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 52 for more details.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 52 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 52(b) for more details on ECL and Note 52(c) for more details on ECL measurement.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 52(b) for more details.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements (Continued)

PD

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

LGD

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Measurement of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL, the Group's trade receivables and contract assets are disclosed in Note 52(b).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up a valuation team, which is headed up by the Chief Financial Officer of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

The Group uses various valuation techniques to determine the fair value of financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, models or other valuation methods as appropriate. To the extent practical, models use only observable data; however areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 12/31/2020			Year ended 12/31/2019		
Segments	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000
Types of goods or services						
Toll operation	6,379,586	–	–	8,061,007	–	–
Securities operation						
Asset management services	–	336,237	–	–	267,826	–
Securities and futures commission	–	1,906,241	–	–	1,138,565	–
Investment banking services	–	1,024,328	–	–	321,551	–
	–	3,266,806	–	–	1,727,942	–
Others						
Hotel operating and catering services	–	–	125,336	–	–	169,576
Construction service	–	–	350,513	–	–	423,906
	–	–	475,849	–	–	593,482
Total	6,379,586	3,266,806	475,849	8,061,007	1,727,942	593,482
Timing of revenue recognition						
A point in time	6,379,586	3,266,806	125,336	8,061,007	1,727,942	169,576
Over time	–	–	350,513	–	–	423,906
Total	6,379,586	3,266,806	475,849	8,061,007	1,727,942	593,482

6. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Toll operation	6,379,586	8,061,007
Securities operation	3,266,806	1,727,942
Others	475,849	593,482
Revenue from contracts with customers	10,122,241	10,382,431
Interest under effective interest method	1,820,534	1,572,835
Total revenue	11,942,775	11,955,266

(ii) Performance obligations for contracts with customers

Toll operation

Revenue arising from toll operation is recognised at a point in time when the vehicles exit the toll expressway, of which the Group operates part or all of it.

The revenue from toll operation is based on the toll rates determined by government authorities. It is settled by government agencies on a monthly basis.

In response to the epidemic, the Ministry of Transport of the People's Republic of China announced a toll-free policy that would extend the Spring Festival toll-free period for small passenger vehicles to February 8, 2020 (originally from January 24, 2020 to January 30, 2020), and for all vehicles from February 17, 2020 to May 5, 2020. The epidemic and toll-free policy have significantly impacted the Group's toll revenue for the year ended December 31, 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Hotel operation and catering services

In respect of hotel operation and catering services, the Group recognises the revenue at a point in time when the services are provided.

High grade road construction service

The Group provides high grade road construction service to a customer. Such service is recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for the construction service based on the stage of completion of the contract using input method.

The Group's construction contract includes payment schedules which require stage payments over the operation period of 10 years after the construction is completed.

A contract asset is recognised over the period in which the construction service is performed representing the Group's right to consideration for the services performed because the right is conditioned on the Group's future performance in completing the construction. The contract asset is transferred to trade receivables when the rights become unconditional. The Group typically transfers contract asset to trade receivables when the construction is completed because only at that time, the Group satisfied the right to consideration pursuant to the terms and conditions of the relevant construction contract.

Asset management services

The Group provides asset management services in respect of wealth management products, and is entitled to management fees of these products for its services rendered to customers. Performance obligation is satisfied over the term of respective wealth management products. Management fees of wealth management products are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, in practice the variable management fees can only be recognised upon dividend distribution, withdrawal of investors or liquidation of products.

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Securities brokerage services

Commission and fee income arising from securities brokerage services is recognised at a point in time when the service is provided and performance obligation is satisfied when the brokerage of customers' securities, futures or options contracts dealing is completed. Fees are usually received shortly after the service is provided.

Investment banking services

The Group provides financial advisory services to its customers. The Group recognises the revenue at a point in time when the services are provided. They are usually collected within one month when they become due.

The Group provides sponsoring and underwriting services to its customers for issue of equity or debt instruments to investors. Performance obligation is satisfied when the issue of these equity or debt instruments are completed. Sponsoring and underwriting fees became due when certain milestones are met during the issue process and at completion of the issues. They are usually collected within one month when they become due.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations in respect of the high grade road construction service (unsatisfied or partially unsatisfied) as at December 31, 2020 amounting to Rmb361,266,000 (2019: Rmb711,779,000), which are expected to be recognised as revenue over the construction period till July, 2021 (2019: July, 2021) by reference to the progress towards the satisfaction of stage of the completion using the input method.

The transaction price allocated to the remaining performance obligation for sponsorship contracts with customers is not material. Besides, most other contracts with customers have original expected duration of less than one year. Therefore information about the remaining performance obligations is not disclosed.

There is no other unsatisfied or partially unsatisfied remaining performance obligations as at December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

7. OPERATING SEGMENTS

Information reported to the General Manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation - the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Securities operation - the securities and future broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Others - hotel operation, high grade road construction, investment in other financial institutions and other ancillary services.

Segment revenue and results

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

For the year ended December 31, 2020

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

7. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2019

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets		Segment liabilities	
	12/31/2020 Rmb'000	12/31/2019 Rmb'000	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Toll operation	29,830,932	28,943,860	(19,765,284)	(19,575,212)
Securities operation	91,994,730	67,965,409	(72,133,714)	(52,390,763)
Others	8,150,855	7,580,818	(712,174)	(628,868)
Total segment assets (liabilities)	129,976,517	104,490,087	(92,611,172)	(72,594,843)
Goodwill	86,867	86,867	–	–
Consolidated assets (liabilities)	130,063,384	104,576,954	(92,611,172)	(72,594,843)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

7. OPERATING SEGMENTS (Continued)

Other segment information

Amounts included in the measure of segment profit/(loss) or segment assets:

For the year ended December 31, 2020

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

7. OPERATING SEGMENTS (Continued)

Other segment information (Continued)

For the year ended December 31, 2019

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

Note: Non-current assets excluded financial instruments and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

7. OPERATING SEGMENTS (Continued)

Revenue from major services

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

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Toll operation revenue	6,379,586	8,061,007
Commission and fee income from securities operation	3,266,806	1,727,942
Interest income from securities operation	1,820,534	1,572,835
Hotel and catering revenue	125,336	169,576
Revenue from construction	350,513	423,906
	11,942,775	11,955,266

Geographical information

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

All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2020 and 2019, there was no individual customer with sales over 10% of the total revenue of the Group.

8. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Net gains arising from financial assets at FVTPL	1,702,599	1,485,141
Net gains arising from derivative financial instruments	166,538	7,028
Net losses arising from financial liabilities at FVTPL	(257,264)	(89,485)
	1,611,873	1,402,684

9. OTHER INCOME AND GAINS AND LOSSES

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Interest income on bank balances	55,186	34,369
Rental income (Note i)	66,183	68,532
Handling fee income	–	278
Towing income	4,303	6,368
Gain on changes in fair value in respect of the derivative component of convertible bond	200,178	17,547
Exchange (loss)/gain, net	(85,609)	14,269
(Loss) gain on commodity trading, net (Note ii)	(63,430)	6,443
Management fee income	36,747	34,313
Government subsidy	55,246	20,788
Gain arising from deemed disposal of associates	23,904	–
Gain on disposal of assets	30,290	4,553
Others	87,200	52,807
	410,198	260,267

Notes:

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

(ii) The income on commodity trading amounted to Rmb5,292,848,000 (2019: Rmb2,289,986,000) with the cost of Rmb5,356,278,000(2019: Rmb2,283,543,000). The net gain or loss on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb 368,020,000(2019: Rmb329,704,000) as of December 31, 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Impairment losses on financial assets and contract asset recognised (reversed):		
Trade receivables – goods and services	2,300	1,121
Other receivables	10,441	929
Loans to customers arising from margin financing business	(972)	(3,177)
Financial assets held under resale agreements	171,315	(31,402)
Contract asset	482	652
	183,566	(31,877)

11. FINANCE COSTS

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Bank and other borrowings	489,820	605,241
Short-term financing note payable	196,712	98,561
Bonds payable	691,486	715,438
Convertible Bonds	350,863	193,878
Lease liabilities	16,508	13,691
	1,745,389	1,626,809

12. PROFIT BEFORE TAX

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

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Depreciation of property, plant and equipment (included in operating costs and administrative expenses)	427,670	379,380
Depreciation of right-of-use assets	89,640	68,133
Amortisation of expressway operating rights (included in operating costs)	1,915,809	1,915,967
Amortisation of other intangible assets (included in operating costs and administrative expenses)	49,787	40,457
Total depreciation and amortisation	2,482,906	2,403,937
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	2,109,738	1,541,415
– Pension scheme contributions	84,881	137,945
	2,194,619	1,679,360
Auditors' remuneration	11,039	8,544
(Gain)/Losses on disposal of property, plant and equipment	(23,725)	13,200

13. INCOME TAX EXPENSE

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	1,454,675	1,317,018
Deferred tax (Note 46)	(294,501)	34,677
	1,160,174	1,351,695

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

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

13. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Profit before tax	5,114,710	5,766,594
Tax at the PRC EIT rate of 25% (2019: 25%)	1,278,678	1,441,649
Tax effect of share of profit of associates	(172,007)	(163,206)
Tax effect of share of profit of a joint venture	(4,071)	(8,735)
Tax effect of tax losses not recognised	52,411	37,164
Utilisation of unused tax loss previously not recognised	–	(5,630)
Tax effect of expenses not deductible for tax purposes	59,377	58,128
Tax effect of income not subjected to tax purposes	(54,214)	(7,675)
Income tax expense for the year	1,160,174	1,351,695

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments paid or payable to each of the 12 (2019: 9) directors and 6 (2019: 5) supervisors are as follows:

	Yu Zhihong@ Rmb'000	Chen Ninghui@ Rmb'000 (Note i)	Cheng Tao@ Rmb'000 (Note iii)	Luo Jianhu@ Rmb'000 (Note vi)	Yuan Yingjie^ Rmb'000 (Note v)	Dai Benmeng^ Rmb'000	Yu Qunli^ Rmb'000 (Note iv)	Yu Ji^ Rmb'000 (Note iii)	Fan Ye^ Rmb'000 (Note ii)	Pei Ker-wei* Rmb'000	Lee Wai Tsang* Rmb'000	Chen Bin* Rmb'000	Yao Huiliang# Rmb'000 (Note iv)	Zheng Ruchun# Rmb'000 (Note v)	He Meiyun# Rmb'000	Zhan Huagang# Rmb'000	Wu Qingwang# Rmb'000	Wang Yubing# Rmb'000	Total Rmb'000
2020																			
Fees																			
Salaries, allowances and benefits in kind	-	351	-	600	-	-	-	-	-	-	-	-	-	-	6	-	4	-	961
Bonuses paid and payable	-	-	-	462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	462
Pension scheme contributions	-	17	-	30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47
Directors' fee	-	-	-	-	-	-	-	-	-	209	209	83	-	-	-	-	-	-	501
Total emoluments	-	368	-	1,092	-	-	-	-	-	209	209	83	-	-	6	-	4	-	1,971
2019																			
Fees																			
Salaries, allowances and benefits in kind	-	-	600	600	-	-	-	-	-	-	-	-	-	-	12	-	8	-	1,220
Bonuses paid and payable	-	-	63	373	-	-	-	-	-	-	-	-	-	-	-	-	-	-	436
Pension scheme contributions	-	-	26	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52
Directors' fee	-	-	-	-	-	-	-	-	-	220	223	85	-	-	-	-	-	-	528
Total emoluments	-	-	689	999	-	-	-	-	-	220	223	85	-	-	12	-	8	-	2,236

@ Executive directors. The emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

^ Non-executive directors. The emoluments shown above were for their services as directors of the Company or its subsidiaries.

* Independent non-executive directors. The emoluments shown above were for their services as directors of the Company.

Supervisors. The emoluments shown above were for their services as supervisors of the Company.

Notes to the Consolidated Financial Statements

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14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

Notes:

(i) Appointed on May 15, 2020. Mr. Chen Ninghui is also the senior management of the Company and his emoluments disclosed above include those services rendered by him as senior management from May 15, 2020 to December 31, 2020

(ii) Appointed on May 15, 2020.

(iii) Resigned on May 15, 2020.

(iv) Resigned on February 3, 2020.

(v) Appointed on February 3, 2020.

(vi) Ms. Luo Jianhu is also the senior management of the Company and her emoluments disclosed above include those services rendered by her as senior management.

Bonuses paid to directors and supervisors are performance-rated and are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors. No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years.

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the other 10 (2019: 6) senior managements are as follows:

	Chen Ninghui Rmb'000 (Note i)	Zhu Yimin Rmb'000 (Note ii)	Wang Dehua Rmb'000 (Note ii)	Zhan Huagang Rmb'000 (Note ii)	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000	Wang Bingjiong Rmb'000	Li Wei Rmb'000 (Note iii)	Wu Xiangyang Rmb'000 (Note iii)	Ruan Liya Rmb'000 (Note iv)	Total
Year ended December 31, 2020											
Salaries, allowances and benefits in kind	250	425	383	425	510	510	510	85	85	85	3,268
Bonuses paid and payable	–	406	388	381	382	407	84	–	–	–	2,048
Pension scheme contributions	13	25	23	25	30	30	30	5	5	5	191
Total emoluments	263	856	794	831	922	947	624	90	90	90	5,507
Year ended December 31, 2019											
Salaries, allowances and benefits in kind	–	510	510	510	510	510	128	–	–	–	2,678
Bonuses paid and payable	–	337	337	359	315	337	–	–	–	–	1,685
Pension scheme contributions	–	26	26	26	26	26	6	–	–	–	136
Total emoluments	–	873	873	895	851	873	134	–	–	–	4,499

Note:

(i) Appointed on January 1, 2020 as Party Secretary of the Company. The emoluments disclosed above include those services rendered by Mr. Chen Ninghui as senior management from January 1, 2020 to May 15, 2020.

(ii) Resigned on November 20, 2020.

(iii) Appointed on November 20, 2020 as Deputy General Manager of the Company.

(iv) Appointed on November 20, 2020 as Financial Director of the Company.

Bonuses paid to senior managements are performance-rated and are determined by the board of directors.

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

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15. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Salaries, allowances and benefits in kind	8,929	3,703
Bonuses paid and payable (Note)	46,831	35,854
Pension scheme contributions	326	180
	56,086	39,737

Note: The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2020 and 2019.

No emoluments nor incentive was waived as an inducement to join the Company and no compensation for loss of office was paid to any five highest paid individuals in the Group during both years. Bonuses are determined by reference to the individual performance of the five highest paid individuals in the Group.

The five individuals with the highest emoluments in the Group during the year included 5 (2019: 5) non-director employees.

15. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2020	Year ended 12/31/2019
HK$7,500,001 to HK$8,000,000 (equivalent to Rmb6,312,001 (2019: Rmb6,725,855) to Rmb6,732,800 (2019: Rmb7,174,244))	–	1
HK$8,000,001 to HK$8,500,000 (equivalent to Rmb6,732,801 (2019: Rmb7,174,245) to Rmb7,153,600 (2019: Rmb7,622,635))	1	1
HK$8,500,001 to HK$9,000,000 (equivalent to Rmb7,153,601 (2019: Rmb7,622,636) to Rmb7,574,400 (2019: Rmb8,071,025))	–	1
HK$9,000,001 to HK$9,500,000 (equivalent to Rmb7,574,401 (2019: Rmb8,071,025) to Rmb7,995,200 (2019: Rmb8,519,416))	–	1
HK$10,500,001 to HK$11,000,000 (equivalent to Rmb8,836,801 (2019: Rmb9,416,197) to Rmb9,257,600 (2019: Rmb9,864,586))	–	1
HK$13,000,001 to HK$13,500,000 (equivalent to Rmb10,940,801 (2019: Rmb11,658,148) to Rmb11,361,600 (2019: Rmb12,106,538)	2	–
HK$13,500,001 to HK$14,000,000 (equivalent to Rmb11,361,601 (2019: Rmb12,106,539) to Rmb11,782,400 (2019: Rmb12,554,928)	1	–
HK$17,500,001 to HK$18,000,000 (equivalent to Rmb14,728,001 (2019: Rmb15,693,661) to Rmb15,148,800 (2019: Rmb16,142,050)	1	–

16. DIVIDENDS

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Dividends recognised as distribution during the year:		
2019 – Rmb35.5 cents (2019: 2018 – Rmb37.5 cents)	1,541,806	1,628,668

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

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17. 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:

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Profit for the year attributable to owners of the Company	2,997,344	3,711,118
Earnings for the purpose of basic earnings per share	2,997,344	3,711,118
Effect of dilutive potential ordinary shares arising from convertible bond:		
Interest expense	256,084	105,589
Exchange gain (net of income tax)	(30,625)	(7,103)
Gain on changes in fair value on derivative component	(200,178)	(17,547)
Earnings for the purpose of diluted earnings per share	3,022,625	3,792,057

Number of shares

	Year ended 12/31/2020 '000	Year ended 12/31/2019 '000
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	80,969	260,386
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,424,084	4,603,501

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Rmb'000	Hotel Rmb'000	Ancillary facilities Rmb'000	Communication and signaling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
COST								
At January 1, 2019	2,219,534	860,520	1,206,417	1,459,324	162,314	583,437	92,618	6,584,164
Additions	12,933	564	404	23,566	16,686	43,509	853,004	950,666
Transfer	826	–	15,742	475,242	–	14,612	(506,648)	(226)
Disposals	(25,254)	(2,931)	(5,859)	(44,339)	(22,334)	(26,516)	–	(127,233)
At December 31, 2019	2,208,039	858,153	1,216,704	1,913,793	156,666	615,042	438,974	7,407,371
Additions	50,617	–	98	50,054	14,284	111,241	170,846	397,140
Transfer	95,281	–	–	95,225	–	50,512	(257,465)	(16,447)
Disposals	(32,291)	–	(6,862)	(125,620)	(15,656)	(130,496)	–	(310,925)
At December 31, 2020	2,321,646	858,153	1,209,940	1,933,452	155,294	646,299	352,355	7,477,139
DEPRECIATION AND IMPAIRMENT								
At January 1, 2019	673,738	143,024	486,865	1,001,094	112,132	434,110	–	2,850,963
Provided for the year	100,304	30,631	49,060	139,096	11,561	48,728	–	379,380
Disposals	(19,294)	(2,915)	(4,014)	(35,753)	(18,282)	(23,449)	–	(103,707)
At December 31, 2019	754,748	170,740	531,911	1,104,437	105,411	459,389	–	3,126,636
Provided for the year	112,346	28,841	44,442	159,759	13,920	68,362	–	427,670
Impairment loss recognised in profit or loss	–	–	12,688	–	–	–	–	12,688
Disposals	(19,770)	–	(5,605)	(100,222)	(15,240)	(124,391)	–	(265,228)
At December 31, 2020	847,324	199,581	583,436	1,163,974	104,091	403,360	–	3,301,766
CARRYING VALUES								
At December 31, 2020	1,474,322	658,572	626,504	769,478	51,203	242,939	352,355	4,175,373
At December 31, 2019	1,453,291	687,413	684,793	809,356	51,255	155,653	438,974	4,280,735

The property, plant and equipment are located in the PRC.

Notes to the Consolidated Financial Statements

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19. RIGHT-OF-USE ASSETS

	Leasehold lands Rmb'000	Leased properties Rmb'000	Total Rmb'000
COST			
At January 1, 2020	119,450	327,714	447,164
Addition	76,291	196,853	273,144
At December 31, 2020	195,741	524,567	720,308
DEPRECIATION			
At January 1, 2020	4,822	63,311	68,133
Addition	6,196	83,444	89,640
At December 31, 2020	11,018	146,755	157,773
CARRYING VALUES			
At December 31, 2020	184,723	377,812	562,535
At January 1, 2020	114,628	264,403	379,031

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Expense relating to short-term leases	23,515	32,539
Total cash outflow for leases	105,464	99,911

Total cash outflow for leases includes payments of principle and interest portion of lease liabilities and short-term leases.

The Group leases various offices for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in Note 45 and Note 11, respectively. For the year ended December 31, 2020, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2020, the Group did not enter into any lease that is not yet commenced.

20. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2019	46,147,065
Additions	–
At December 31, 2019	46,147,065
Transfer	6,630
Disposals	(26,762)
At December 31, 2020	46,126,933
AMORTISATION	
At January 1, 2019	21,363,652
Charge for the year	1,915,967
At December 31, 2019	23,279,619
Charge for the year	1,915,809
At December 31, 2020	25,195,428
CARRYING VALUES	
At December 31, 2020	20,931,505
At December 31, 2019	22,867,446

The above expressway operating rights were granted by the Zhejiang Provincial Government and Anhui Provincial Government for a period ranging from 25 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway, Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, Hanghui Expressway, Huihang Expressway, Shenjiahuhang Expressway and Zhoushan Bay Bridge and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at nil consideration. The expressway operating rights were amortised using the straight-line basis over the useful life attributable to the Group.

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21. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2019, December 31, 2019 and December 31, 2020	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 23.

22. OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/ futures firm licenses Rmb'000	Trading seats Rmb'000	Software Rmb'000	Total Rmb'000
COST					
At January 1, 2019	101,147	63,083	3,480	228,554	396,264
Additions	–	–	–	49,402	49,402
Transfer	–	–	–	226	226
At December 31, 2019	101,147	63,083	3,480	278,182	445,892
Additions	–	–	–	64,187	64,187
Transfer	–	–	–	9,817	9,817
At December 31, 2020	101,147	63,083	3,480	352,186	519,896
AMORTISATION					
At January 1, 2019	85,477	–	–	137,107	222,584
Charge for the year	6,266	–	–	34,191	40,457
At December 31, 2019	91,743	–	–	171,298	263,041
Charge for the year	6,266	–	–	43,521	49,787
At December 31, 2020	98,009	–	–	214,819	312,828
CARRYING VALUES					
At December 31, 2020	3,138	63,083	3,480	137,367	207,068
At December 31, 2019	9,404	63,083	3,480	106,884	182,851

The customer bases of Zheshang Securities Co., Ltd. and Zheshang Futures Broker Co., Ltd. ("Zheshang Futures") are amortised on a straight-line basis over fifteen years and three years, respectively.

22. OTHER INTANGIBLE ASSETS (Continued)

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have indefinite useful lives because they can be renewed at minimal cost.

The trading seats of the securities operation are considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 23.

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 21 and 22 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets as at December 31, 2020 and 2019 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2020 Rmb'000	12/31/2019 Rmb'000	12/31/2020 Rmb'000	12/31/2019 Rmb'000	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Toll operation						
– Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	75,137	75,137	–	–	–	–
– Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	10,335	10,335	–	–	–	–
Securities operation						
– Zheshang Securities	–	–	51,783	51,783	2,080	2,080
– Zheshang Futures	1,395	1,395	11,300	11,300	1,400	1,400
	86,867	86,867	63,083	63,083	3,480	3,480

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23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiaxing Co and Shangsan Co

The recoverable amounts of CGUs of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and the discount rates the management considered appropriate. No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 8 years (2019: 9 years) and 10 years (2019: 11 years) for Jiaxing Co. and Shangsan Co., respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Co's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

Zheshang Securities and Zheshang Futures

The recoverable amounts of CGUs of Zheshang Securities and Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rates, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believes appropriate. Growth rates beyond the five-year period is assumed to be 1% (2019: 1%). Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities and Zheshang Futures' goodwill and other intangible assets to exceed their aggregate recoverable amounts.

During the years ended December 31, 2020 and 2019, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

24. INTERESTS IN ASSOCIATES

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Unlisted investments in associates at cost	5,077,941	4,902,995
Share of post-acquisition profit and other comprehensive income, net of dividends received	1,482,402	1,177,160
	6,560,343	6,080,155

At December 31, 2020 and 2019, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 12/31/2020 %	12/31/2019 %	Principal activities
Zhejiang Concord Property Investment Co., Ltd. ("Zhejiang Concord Property") (Note ix)	Corporate	The PRC	45	45	Investment and real estate development
Zheshang Fund Management Co., Ltd. ("Zheshang Fund") (Note i)	Corporate	The PRC	25	25	Asset fund management
Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance") (Note ii)	Corporate	The PRC	20.08	35	Finance and investment
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note iii)	Corporate	The PRC	10.61	10.61	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	40	40	Investment management and consulting
Zhejiang Big Data Exchange Center Co., Ltd. ("Zhejiang Big Data") (Note iv)	Corporate	The PRC	19.8	19.8	Big data asset transaction
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note v)	Corporate	The PRC	15	15	Science and technology related insurance
Pujiang JuJinFengAn Investment Management LP ("FengAn Investment") (Note vi)	Partnership	The PRC	17.86	17.86	Investment management
Zheshang FoF for Industry Transformation and Upgrading LP ("Zheshang FoF") (Note vii)	Partnership	The PRC	35.71	24.99	Investment management and consulting

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24. INTERESTS IN ASSOCIATES (Continued)

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 12/31/2020 %	12/31/2019 %	Principal activities
Shaoxing Shangyu Industry M&A leading LP ("Shaoxing Shangyu") (Note vi)	Partnership	The PRC	0.005	0.005	Investment management and consulting
Shanghai Rural Commercial Bank Co., Ltd ("SRCB") (Note viii)	Corporate	The PRC	5.36	5.36	Commercial banking

All of the above associates are accounted for using the equity method in these consolidated financial statements.

Notes:

(i) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company.

On August 14, 2014, Zheshang Securities, together with one of the shareholders of Zheshang Fund, Yangshengtang Co., Ltd., auctioned off their respective 25% equity interest (totalling 50%) in Zheshang Fund. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd. ("Tonglian Capital"), another shareholder of Zheshang Fund which is independent to the Group, and Zheshang Securities will receive a consideration of Rmb207,000,000 accordingly.

As at December 31, 2020, the disposal transaction has not been completed and the refundable deposit of Rmb165,600,000 (2019: Rmb165,600,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 37.

The Directors consider the disposal required approval by China Securities Regulatory Commission and equity transfer registration, which was a lengthy process and they are not able to estimate the timing when and whether such approval would be granted. The amount of deposit received would be refundable to Tonglian Capital if the transfer eventually cannot be completed.

(ii) Communications Group made capital injection to Zhejiang Communications Finance at the amount of Rmb2,230,000,000 (during the year), thus caused the Group’s entity interest of Zhejiang Communications Finance decreased from 35% to 20.08%.

24. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(iii) The Group is able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company.

(iv) The Group is able to exercise significant influence over Zhejiang Big Data because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

(v) The Group is able to exercise significant influence over Taiping Insurance because it has the power to appoint one out of eleven directors of that company under the provisions stated in the Articles of Association of that company.

(vi) As general partner and the executive partner of FengAn Investment and Shaoxing Shangyu, the management considers the Group has significant influence over the investees.

(vii) The Group's entity interest of Zheshang FoF increased from 24.99% to 35.71% due to the net impact of (a) capital injection of Rmb196,259,176 and (b) return of investment of Rmb1,062,945 during the year ended December 31,2020.

(viii) The Group is able to exercise significant influence over SRCB because it has the power to appoint one out of 19 directors of SRCB under the provisions stated in the Articles of Association of that company.

(ix) The first general meeting of Zhejiang Concord Property held on June 1, 2020 approved the reduction of share capital from Rmb50,000,000 to Rmb5,000,000 while each shareholder remained the shareholding ratio unchanged.

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24. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates at the end of the reporting period in aggregate is set out below. This represents the aggregation of amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Total assets	1,145,985,112	1,014,855,697
Total liabilities	1,052,825,952	930,911,786

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Revenue	45,112,901	40,342,396
Profit for the year	9,446,741	9,355,485
Total comprehensive income for the year	8,996,234	9,355,485
Dividends received from associates during the year	370,424	120,520

25. INTEREST IN A JOINT VENTURE

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Unlisted investment in a joint venture, at cost less impairment	373,470	373,470
Share of post-acquisition gain/(losses)	10,855	(5,427)
	384,325	368,043

At December 31, 2020 and 2019, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			12/31/2020 %	12/31/2019 %	
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	50	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

The summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Shengxin Co

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Current assets	135,378	123,472
Non-current assets	1,823,733	2,003,016
Current liabilities	62,823	56,299
Non-current liabilities	1,127,639	1,334,103
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	128,395	64,156
Non-current financial liabilities (excluding trade and other payables and provisions)	1,083,000	1,285,000

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25. INTEREST IN A JOINT VENTURE (Continued)

Shengxin Co (Continued)

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Revenue	378,177	426,733
Profit for the year	32,563	69,882
Dividend received from the joint venture	–	–
The above profit for the year includes the following:		
Depreciation and amortisation	(179,928)	(179,825)
Interest income	2,017	1,427
Interest expense	(54,340)	(62,250)
Income tax expense	(10,854)	(12,710)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shengxin Co recognised in the consolidated financial statements:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Net asset of the joint venture	768,649	736,086
Proportion of the Group's ownership interest in Shengxin Co	50%	50%
Carrying amount of the Group's interest in Shengxin Co	384,325	368,043

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Financial assets mandatorily measured at FVTPL:		
– Debt securities	21,651,430	17,389,486
– Equity securities (Note i, ii)	1,861,597	849,642
– Funds	4,193,745	2,352,974
– Other investments (Note iii)	1,695,445	1,660,276
	29,402,217	22,252,378
Analysed as:		
– Listed (Note iv)	7,187,310	5,066,640
– Unlisted	22,214,907	17,185,738
	29,402,217	22,252,378
Analysed for reporting purposes as:		
Current assets	29,158,094	22,235,480
Non-current assets	244,123	16,898
	29,402,217	22,252,378

Notes:

(i) The restricted shares with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately RMB120,389,000 as at December 31, 2020 (2019: nil). The fair values of these securities have taken into account the relevant features including the restrictions.

(ii) As at December 31, 2020, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB27,363,000 (2019: RMB11,754,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

(iii) Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

(iv) Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and other stock exchanges are included in the "Listed" category.

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27. CONTRACT ASSETS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
High grade road construction contract	1,009,132	687,589
Less: Allowance for contract asset	(1,514)	(1,032)
	1,007,618	686,557

Contract asset, that is not expected to be settled within the Group's normal operating cycle, is classified as current and non-current based on expected settlement dates.

Details of contract asset which impact on the amount of contract asset recognised are disclosed in Note 6.

28. TRADE RECEIVABLES

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

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

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

28. TRADE RECEIVABLES (Continued)

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:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Within 3 months	309,639	291,295
3 months to 1 year	44,044	17,905
1 to 2 years	2,972	6,430
Over 2 years	5,319	3,709
	361,974	319,339

Movement of allowance for credit losses

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
At the beginning of the year	4,428	3,307
Impairment recognised for the year	2,350	1,243
Amount reversed during the year	(50)	(122)
At the end of the year	6,728	4,428

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29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Loans to margin clients	15,013,472	8,752,658
Less: Impairment allowance	(43)	(1,015)
	15,013,429	8,751,643

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 December 31, 2020, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities and cash collaterals. The undiscounted market value of the stock security collaterals was amounted to Rmb 43,022,132,000 (2019: Rmb27,246,376,000). Cash collateral of Rmb1,920,073,000 (2019: Rmb1,030,089,000) received from clients was included in accounts payable to customers arising from securities business in Note 35.

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.

29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for loans to customers arising from margin financing business.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2019	6	759	4,064	4,829
– Transfer to 12m ECL	1	(1)	–	–
– Write off	–	–	(637)	(637)
– Charged to profit or loss	1	(756)	(2,422)	(3,177)
As at December 31, 2019	8	2	1,005	1,015
– Transfer to 12m ECL	2	(2)	–	–
– Impairment loss reversed	–	–	(1,005)	(1,005)
– Charged to profit or loss	23	10	–	33
As at December 31, 2020	33	10	–	43

The tables below detail the credit risk exposures of the Group's loans to customers arising from margin financing business, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2020 Gross carrying amount	14,174,263	839,209	–	15,013,472
As at December 31, 2019 Gross carrying amount	8,714,110	37,543	1,005	8,752,658

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30. OTHER RECEIVABLES AND PREPAYMENTS

Non-Current

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Prepayments (Note i)	2,923,140	–

Current

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Prepayments	296,462	143,552
Trading deposits (Note ii)	2,597,662	157,383
Settlement receivables	66,139	1,055
Others	169,538	122,192
	3,129,801	424,182

Notes:

(i) Prepayment of RMB2,923,140,000 was transferred to Communications Group for the acquisitions of Zhejiang HangNing Expressway Co., Ltd. ("HangNing") and Zhejiang LongLiLiLong Expressway Co., Ltd. ("LongLiLiLong") (collectively referred to as the "Acquirees"). Refer to Note 56(i) *Prepayments of acquisition consideration* for more details.

(ii) Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Analysed by collateral type:		
Bonds	3,638,156	3,215,869
Stock securities	3,675,974	4,914,829
	7,314,130	8,130,698
Less: Impairment allowance	(191,659)	(20,344)
	7,122,471	8,110,354
Analysed by market:		
Inter bank market	323,537	115,038
Shanghai/Shenzhen Stock Exchange	6,990,593	8,015,660
	7,314,130	8,130,698
Less: Impairment allowance	(191,659)	(20,344)
	7,122,471	8,110,354
Analysed for reporting purposes as:		
Current assets	7,002,471	8,110,354
Non-current assets	120,000	–
	7,122,471	8,110,354

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2020, the fair value of equity securities and debt securities held as collaterals was Rmb 12,736,012,000 (2019: Rmb18,278,480,000) and Rmb3,819,482,000 (2019: Rmb3,288,684,000), respectively.

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31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2019	15,058	32,688	4,000	51,746
– Transfer to credit-impaired	–	344	(344)	–
– Transfer to 12m ECL	24,758	(24,758)	–	–
– Charged to profit or loss	(29,236)	(6,822)	4,656	(31,402)
As at December 31, 2019	10,580	1,452	8,312	20,344
– Transfer to lifetime ECL	(202)	202	–	–
– Transfer to 12m ECL	140	(140)	–	–
– Charged to profit or loss	664	(1,037)	171,688	171,315
As at December 31, 2020	11,182	477	180,000	191,659

The tables below detail the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2020 Gross carrying amount	6,866,057	268,073	180,000	7,314,130
As at December 31, 2019 Gross carrying amount	7,744,728	205,970	180,000	8,130,698

32. BANK BALANCES AND CLEARING SETTLEMENT FUND HELD ON BEHALF OF CUSTOMERS

For the Group’s securities operation carried out by Zheshang Securities, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.3% to 3.35% (2019: 0.3% to 3.7%) per annum.

Bank balances and clearing settlement fund held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb’000	USD Rmb’000
As at December 31, 2020	69,082	135,129
As at December 31, 2019	35,570	176,870

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33. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Time deposits with original maturity over three months	313,600	302,726
Restricted bank balances and cash (Note)	23,986	–
Unrestricted bank balances and cash	8,609,049	8,057,777
Time deposits with original maturity of less than three months	–	18,821
Cash and cash equivalents	8,609,049	8,076,598
	8,946,635	8,379,324

Note: The restricted bank deposits amounted to RMB23,986,000 are fund management risk reserve and margin deposits.

Bank balances carry interest at the average market rate is 0.35% (2019: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 2.25% to 4.125% (2019: 1.66% to 4.125%) per annum.

Bank balances, clearing settlement fund, deposits and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2020	24,389	39,498
As at December 31, 2019	23,213	51,972

34. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Ningbo Yinzhou Rural Commercial Bank Co., Ltd.	200,000	200,000
Changsha Rural Commercial Bank Co., Ltd.	–	50,000
ZheJiang AnJi Rural Commercial Bank Company Limited	–	20,000
Chengdu Rural Commercial Bank Co., Ltd.	100,000	–
Shaoxing Bank Company Limited	100,000	–
	400,000	270,000

As at December 31, 2020, the placements from (i) Ningbo Yinzhou Rural Commercial Bank Co., Ltd. carried interest at a fixed rate of 3.10% per annum are repayable within 1 months from the end of the reporting period, (ii) the placements from Chengdu Rural Commercial Bank Co., Ltd. carried interest at a fixed rate of 2.60% per annum are repayable within 1 months from the end of the reporting period and (iii) the placements from Shaoxing Bank Company Limited carried interest at a fixed rate of 2.40% per annum are repayable within 1 months from the end of the reporting period.

As at December 31, 2019, the placements from (i) Ningbo Yinzhou Rural Commercial Bank Co., Ltd. carried interest at a fixed rate of 2.87% per annum are repayable within 1 months from the end of the reporting period, (ii) the placements from Changsha Rural Commercial Bank Co., Ltd. carried interest at a fixed rate of 3.00% per annum are repayable within 1 months from the end of the reporting period and (iii) the placements from ZheJiang AnJi Rural Commercial Bank Company Limited carried interest at a fixed rate of 2.67% per annum are repayable within 1 months from the end of the reporting period.

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35. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts mainly represent money held on behalf of clients at the banks and clearing houses by the Group.

The amounts also include payables for securities/futures business as well as cash collaterals from customers for securities lending and/or margin financing arrangement.

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. No aged analysis is disclosed as in the opinion of the Directors, an aged analysis does not give any additional value in view of the nature of the business.

As at December 31, 2020, Rmb1,920,073,000 (2019: Rmb534,415,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2020	68,660	132,616
As at December 31, 2019	35,570	176,870

36. 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:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Within 3 months	428,273	906,748
3 months to 1 year	104,616	83,490
1 to 2 years	126,998	81,291
2 to 3 years	41,221	31,842
Over 3 years	273,635	284,485
	974,743	1,387,856

37. OTHER PAYABLES AND ACCRUALS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Accrued payroll and welfare	1,181,575	972,891
Advances	29,951	41,698
Advance payments for settlement from securities business	4,812	50,153
Advance payment of futures insurance	15,903	–
Trading deposit and settlement (Note)	3,833,730	199,700
Deposit received for disposal of an associate (Note 24(i))	165,600	165,600
Retention payable	88,431	113,018
Pledge deposit for futures	119,614	94,612
Compensations for highway crossing	62,617	96,269
Payables to be settled for fund redemption	85,998	45,577
Toll collected on behalf of other toll roads	6,113	7,532
Futures risk reserve	124,717	111,553
Government subsidies from removal of expressway toll station on provincial borders	98,615	–
Deferred income	96,828	60,950
Others	191,271	89,926
	6,105,775	2,049,479

Note:

Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

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38. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	12/31/2020		
	Nominal Amount Rmb'000	Assets Rmb'000	Liabilities Rmb'000
Equity swap	9,068,830	419,849	389,055
Others (Note)	40,884,898	105,780	108,372
	49,953,728	525,629	497,427

	12/31/2019		
	Nominal Amount Rmb'000	Assets Rmb'000	Liabilities Rmb'000
Others (Note)	5,313,584	6,250	5,565
	5,313,584	6,250	5,565

Note:

Others include stock index futures, treasury futures, commodity futures, interest rate swap ("IRS") and other options.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury futures and commodity futures were settled daily. Accordingly, the net position of them in derivative instruments were nil at December 31, 2020 and 2019.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in IRS were settled daily in the corresponding payments or receipts were included in "clearing settlement funds" as at December 31, 2020 (2019, nil). Accordingly, the net position of the IRS contracts in derivative instruments were nil at December 31, 2020.

For IRS contracts in mainland China not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

39. BANK AND OTHER BORROWINGS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Loans from banks, secured (Note i)	6,492,284	4,185,262
Loans from banks, unsecured	3,108,672	386,967
Loans from related parties, unsecured (Notes 56(i), 56(ii))	4,667,616	4,444,153
Loans from third parties, guaranteed	–	2,003,751
	14,268,572	11,020,133
Carrying amount repayable:		
Within one year	6,348,772	4,598,533
More than one year but not exceeding two years	960,000	836,200
More than two years but not more than five years	4,235,400	2,736,400
More than five years	2,724,400	2,849,000
	14,268,572	11,020,133
Less: Amounts due within one year	(6,348,772)	(4,598,533)
Amounts shown under non-current liabilities	7,919,800	6,421,600
The bank and other borrowings comprise:		
Fixed-rate borrowings	2,856,260	2,618,463
Variable-rate borrowings	11,412,312	8,401,670
	14,268,572	11,020,133

The range of effective interest rates (which are also agreed to contract interest rates) on the Group's borrowings are as follows:

	12/31/2020	12/31/2019
Effective interest rate:		
Fixed-rate borrowings	2.05%-5.30%	3.0%-6.223%
Variable-rate borrowings	0.80%-4.70%	3.915%-4.41%

Notes:

i. As at December 31, 2020, the Group pledged the following assets for these secured bank loans: (i) trade receivables with an aggregate carrying value of Rmb1,007,618,000 (2019: Rmb686,567,000) and (ii) expressway operating rights of Zhoushan Bay Bridge, Shenjiahuhang Lianhang part and Huzhou part (2019: expressway operating rights of Ningbo Jiaochuan K20+135 to Zhoushan Cezi K56+175, Shenjiahuhang part and Huzhou part.

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40. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2020	12/31/2019
Unsecured:		
Short-term financing bonds	4,518,470	6,532,990
Beneficial certificates	1,788,246	–
Total	6,306,716	6,532,990

As at December 31, 2020, the short-term financing bonds bears an interest rate at 3.01% to 3.18% (2019: short-term financing bonds: 2.99% to 3.19%), the yields of all the outstanding beneficial certificates were between 2.90% to 10.65%.

41. BONDS PAYABLE

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Corporate and subordinated bonds without redemption option (Note i)	16,143,192	11,202,173
Medium-term notes (Note ii)	3,062,374	3,062,066
Asset-backed securities (Note iii)	862,581	909,032
	20,068,147	15,173,271
Less: Bonds due within 1 year	(6,361,764)	(2,281,229)
Amounts shown under non-current liabilities	13,706,383	12,892,042

Notes:

(i) This balance represented 2 corporate bonds and 10 subordinated bonds (2019: 2 corporate bonds and 4 subordinated bonds) due by year 2021 to 2025 (2019: 2020 to 2024) issued by Zheshang Securities, without redemption option, with fixed interest rates ranging from 3.48% to 5.28% (2019: 3.48% to 5.3%) per annum.

(ii) This balance represented 2 medium-term notes due by year 2022 issued by the Company with fixed interest rates 3.64% and 3.86% per annum.

(iii) On September 23, 2019, the Group issued asset-backed securities which backed by expressway operating rights and advertisement rights in relation to the Anhui section of Huihang expressway (Anhui section). The asset-backed securities with a financing period of 15 years and carrying coupon rate of 3.7% per annum.

42. CONVERTIBLE BONDS

Convertible Bond 2017

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

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

(1) Conversion right

The Convertible Bond 2017 will, at the option of the holder (the "Bondholders 2017"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2017") of HK$13.10 per H share and a fixed exchange rate of HK$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2017 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price 2017 was HK$10.54 per H share.

(2) Redemption

(i) Redemption at maturity

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

(ii) Redemption at the option of the Company

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

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42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption (Continued)

(ii) Redemption at the option of the Company (Continued)

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

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

(iii) Redemption at the option of the bondholders

The Company will, at the option of the Bondholders, 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 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, redemption option of the Company, and redemption option of the bondholders.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond 2017 are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss during the year ender 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.

42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

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

The movement of the debt and derivative components of the Convertible Bond 2017 for the years ended December 31, 2019 and 2020 is set out as below:

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

As at December 31, 2020, the Bondholders 2017 had exercised the redemption rights and Convertible Bond 2017 with a principal amount of Euro 364,900,000 has been redeemed.

The detailed key inputs the valuer uses to calculate the fair value of the derivative component refer to Note 52(c).

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42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2019

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

Out of the principal amount of Rmb3,500,000,000, Rmb875,000,000 was subscribed by Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co", the holding company of Zheshang Securities), another subsidiary of the Group. The principal terms of the Convertible Bond 2019 are set out below:

(1) Conversion right

The Convertible Bond 2019 will, at the option of the holders (the "Bondholders 2019"), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from September 19, 2019 up to March 11, 2025, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2019") of Rmb12.53 per share. The Conversion Price 2019 will be adjusted when Zheshang Securities distributes stock dividends, capitalises common reserves into share capital, issues new shares or places new shares, distributes cash dividend (excluding the increase in share capital due to the conversion of the Convertible Bond 2019 issued).

When the share price of Zheshang Securities is less than 80% of the conversion price for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond 2019 (the "Maturity Date 2019"), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on conversion price, and submits it to the shareholder's meeting of Zheshang Securities for approval.

42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2019 (Continued)

(2) Redemption

(i) Redemption at maturity

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

(ii) Redemption on conditions

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

(a) During the conversion period of the Convertible Bond 2019, for any 15 business days within a period of 30 consecutive business days, the closing share price of Zheshang Securities is not less than 130 percent (including 130 percent) of the conversion price;

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

Convertible Bond 2019 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2019 was separated from the liability component. As the Convertible Bond 2019 was issued by a subsidiary of the Company and is convertible into that subsidiary's own shares, the equity element is considered as non-controlling interests. The effective interest rate of the liability component is 4.1431% per annum.

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

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42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2019 (Continued)

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

Notes:

(i) During the year ended December 31, 2020, Shangsan Co disposed of the Convertible Bond 2019 held on hand with the principal amount of Rmb480,300,000 (2019: Rmb394,700,000) to certain independent third parties through the open market. Upon the disposal, this balance is no longer an intragroup assets and liabilities which were eliminated in full on consolidation, and is considered as an addition during the year.

(ii) During the year ended December 31, 2020, the bondholders converted part of the Convertible Bond 2019 with a principal amount of Rmb3,472,335,000 (2019: Rmb13,000) to the shares of Zheshang Securities. The Group's equity interest of Zheshang Securities was diluted due to the conversion of shares and Group recognised deemed partial disposal gain amounting to Rmb1,027,654,000 in special reserve.

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

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Analysed as collateral type:		
Bonds	11,525,087	9,017,680
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	4,717,363	5,062,725
Inter-bank market	6,807,724	3,954,955
	11,525,087	9,017,680

As at December 31, 2020 and 2019, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, with maturities within 1 year.

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. The cash proceed received is recognised as financial liability.

As at December 31, 2020 and 2019, the Group enters 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.

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43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities as at December 31, 2020 and December 31, 2019.

	Financial assets at FVTPL Rmb'000
As at December 31, 2020	
Carrying amount of transferred assets	9,237,292
Carrying amount of associated liabilities	(8,465,134)
Net position	772,158
As at December 31, 2019	
Carrying amount of transferred assets	7,130,620
Carrying amount of associated liabilities	(6,439,271)
Net position	691,349

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Financial liabilities held for trading:		
– Securities	392,573	1,389
Financial liabilities designated at FVTPL:		
– Financial liabilities arising from consolidation of structured entities (Note)	2,518,152	320,494
	2,910,725	321,883

Note: Financial liabilities designated at FVTPL arising from consolidation of structured entities represent the third party unit holders' interests in the consolidated structure schemes and funds. Interests in these consolidated structured entities directly held by the Group amounted to fair value of Rmb2,532,341,000 and Rmb3,480,229,000 at December 31, 2020 and 2019, respectively. The total assets of the consolidated structured entities amounted to Rmb5,485,843,000 and Rmb3,800,723,000 at December 31, 2020 and 2019, respectively.

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The Group has designated these liabilities as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

45. LEASE LIABILITIES

	31/12/2020 Rmb'000	12/31/2019 Rmb'000
Lease liabilities payables		
Within one year	91,346	70,577
Within a period of more than one year but no more than two years	69,920	51,789
Within a period of more than two years but no more than five years	149,055	92,349
Within a period of more than five years	79,919	44,634
	390,240	259,349
Less: Amounts due for settlement with 12 months shown under current liabilities	(91,346)	(70,577)
Amount due for settlement after 12 months shown under non-current liabilities	298,894	188,772

46. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Deferred tax assets	1,258,270	924,602
Deferred tax liabilities	(386,498)	(347,331)
	871,772	577,271

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46. DEFERRED TAXATION (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Changes in fair value of investments carried at fair value Rmb'000	Difference in tax and accounting depreciation of property plant and equipment and expressway operating rights Rmb'000	Fair value adjustment of long term assets arising from business combination Rmb'000	Temporary differences of accrued expenses and impairment losses and tax losses Rmb'000	Total Rmb'000
At January 1, 2019	(50,539)	655,816	(182,265)	188,936	611,948
Charge (credit) to profit or loss	(55,056)	(12,727)	7,475	25,631	(34,677)
At December 31, 2019	(105,595)	643,089	(174,790)	214,567	577,271
Charge (credit) to profit or loss	54,128	(1,421)	14,756	227,038	294,501
At December 31, 2020	(51,467)	641,668	(160,034)	441,605	871,772

As at December 31, 2020, the Group had unused tax losses of approximately Rmb 579,428,000 (2019: Rmb803,074,000) for which deferred tax was not recognized due to uncertainty of future taxable incomes. The expiry dates of the unrecognised tax losses are listed as below.

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
2020	–	431,137
2021	137,525	137,525
2022	120,985	120,985
2023	39,725	39,725
2024	73,702	73,702
2025	207,491	–
	579,428	803,074

47. SHARE CAPITAL

	Number of shares 12/31/2019 and 2020 Rmb'000	Share capital 12/31/2019 and 2020 Rmb'000
Registered, issued and fully paid:		
Domestic shares of Rmb1 each	2,909,260	2,909,260
H Shares of Rmb1 each	1,433,855	1,433,855
	4,343,115	4,343,115

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H Shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

48. NON-CONTROLLING INTERESTS

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Shangsan Co and its subsidiaries and Yuhang Co (as defined in Note 57) at the end of the reporting period are set out below. The summarised financial information below represents amounts before intragroup elimination.

Shangsan Co and its subsidiaries

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Current assets	91,945,513	67,887,662
Non-current assets	4,006,952	3,398,548
Current liabilities	62,077,238	40,645,384
Non-current liabilities	10,384,191	12,036,217
Equity attributable to owners of the Company	11,405,255	9,533,525
Non-controlling interests	12,085,781	9,071,084

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48. NON-CONTROLLING INTERESTS (Continued)

Shangsan Co and its subsidiaries (Continued)

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Revenue	6,047,660	4,489,561
Expenses	(3,911,060)	(2,842,488)
Profit for the year	2,136,600	1,647,073
Other comprehensive (expense) income for the year	(2,349)	922
Total comprehensive income for the year	2,134,251	1,647,995
Profit attributable to owner of the Company	1,119,114	952,418
Profit attributable to non-controlling interests	1,017,486	694,655
	2,136,600	1,647,073
Total comprehensive income attributable to owner of the Company	1,118,097	952,851
Total comprehensive income attributable to non-controlling interests	1,016,154	695,144
	2,134,251	1,647,995

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Dividends paid to non-controlling shareholders	(206,882)	(189,040)
Net cash used in operating activities	(3,956,768)	(2,667,973)
Net cash used in investing activities	477,457	(28,661)
Net cash from financing activities	4,047,442	4,267,289
Net cash inflow	568,131	1,570,655

48. NON-CONTROLLING INTERESTS (Continued)

Yuhang Co

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Current assets	496,619	412,538
Non-current assets	678,686	725,397
Current liabilities	101,687	95,525
Non-current liabilities	6,255	6,611
Equity attributable to owners of the Company	544,355	528,257
Non-controlling interests	523,008	507,542

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Revenue	174,239	270,330
Expenses	(120,108)	(171,451)
Profit for the year	54,131	98,879

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Profit and total comprehensive income		
– attributable to owner of the Company	27,607	50,428
– attributable to non-controlling interests	26,524	48,451
	54,131	98,879
Dividends paid to non-controlling shareholders	(11,058)	(10,818)
Net cash from operating activities	102,723	187,652
Net cash used in investing activities	(3,105)	(98,575)
Net cash used in financing activities	(23,863)	(22,077)
Net cash inflow	75,755	67,000

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49. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

50. COMMITMENTS

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Authorised but not contracted for:		
– Purchase of machinery and equipment	1,395,921	611,813
– Acquisition and construction of properties	370,441	322,558
Contracted for but not provided:		
– Equity investments	1,245,000	1,106,906
Total	3,011,362	2,041,277

51. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 39, 40, 41, 42 and 43, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

52. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Financial assets		
Financial assets at FVTPL	29,402,217	22,252,378
Derivative financial assets	525,629	6,250
Financial assets at amortised cost	61,323,246	45,983,221
Financial liabilities		
Derivative financial liabilities	497,427	5,565
Financial liabilities at FVTPL	2,910,725	321,883
Convertible Bonds		
– derivative component	4	200,182
Financial liabilities at amortised cost	80,878,040	69,216,953

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loans to customers arising from margin financing business, other receivables, derivative financial assets, financial assets at FVTPL, financial assets held under resale agreements, bank balances, clearing settlement fund held on behalf of customers, pledged bank deposits, clearing settlement fund, deposits and cash, placements from other financial institutions, accounts payable to customers arising from securities business, trade payables, other payables, derivative financial liabilities, bank and other borrowings, short-term financing note payable, bonds payable, convertible bond and financial guarantee, financial assets sold under repurchase agreements, financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk, and other price risk), credit risk and impairment assessment, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans to customers arising from margin financing business, fixed-rate entrusted loans, financial assets held under resale agreements, fixed-rate time deposits, placements from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, financial assets sold under repurchase agreements, bonds payable, debt component of convertible bonds and financial liabilities at FVTPL (see Notes 29,31,33,34,39,40,41,42,43 and 44 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 32, 33 and 39 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2020 would have increased/decreased by Rmb64,590,000 (2019: Rmb73,562,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and clearing settlement fund.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2020 Rmb'000	12/31/2019 Rmb'000	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Hong Kong dollar ("HKD")	93,471	59,184	68,660	35,570
United States dollar ("USD")	174,627	228,843	132,616	176,870
Euro dollar ("EUR") (Note)	–	–	2,808,462	2,788,235

Note: Amount represented both the debt and derivative component of the Convertible Bond 2017 and bank borrowings.

Sensitivity analysis

The Group is mainly exposed to USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2019: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2019: 10%) against the relevant currency. For a 10% (2019: 10%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The impact of HKD is not presented, since the outstanding monetary items denominated in HKD is not significant and their impact is immaterial.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis (Continued)

	USD impact		EUR impact	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Profit or loss	(3,151)	(3,898)	210,635	209,118

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL, derivative financial assets and liabilities and financial liabilities at FVTPL.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond 2017

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2019: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2020 would have increased/decreased by Rmb1,102,583,000 as a result of the changes in fair value of financial assets at FVTPL.

- post-tax profit for the year ended December 31, 2019 would have increased/decreased by Rmb834,464,000 as a result of the changes in fair value of financial assets at FVTPL.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

For derivative component of Convertible Bond 2017

The price risk in 2019 came from the derivative component of Convertible Bond 2017. There is no price risk as at December 31, 2020 due to the redemption of Convertible Bond 2017.

The exposure to foreign currency exchange rate of the Convertible Bond 2017 had been covered in Note 52(b)(ii) already.

1) Changes in share price

If the share price of the Company had been 10% (2019:10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased) increased as follows:

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Higher by 10%	–	(6,989)
Lower by 10%	–	2,712

2) Changes in volatility

If the volatility to the valuation model had been 10% (2019:10%) higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Higher by 10%	–	(4,033)
Lower by 10%	–	2,712

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at December 31, 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 55.

The credit risk on liquid funds, representing bank balance, clearing settlement fund, deposits and cash is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

Other items under the Group's different operations with credit risk and corresponding impairment assessment are set out below:

Toll operation and high grade road construction service

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances arising from toll operation on collective basis and contract asset on individual basis, using life-time ECL under the simplified approach.

The Group has no credit period granted to its trade customers of toll operation. All the Group's trade receivable balances for toll operation and contract asset, upon the conditions satisfied, are receivable from the government-operated organisations. In this regard, the directors of the Company consider that the credit risk is low as the Group has no history of loss experience with the government-operated organisations in the past. No significant ECL was recognised as at December 31, 2020 and 2019.

Securities operation

The Group's securities operation currently faces credit risk primarily from loans to customers arising from margin financing business, and financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral. It refers to the risk of loss arising from the debtor's failure to meet its contractual obligations in a timely manner.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

i) Credit risk management

Credit risk from loans to customers arising from margin financing business and financial assets held under resales agreements mainly including the debtor falsifying the application, failing to repay debts, violating the agreement, violating regulatory discipline of trading behaviour, and providing collateral that involves law dispute, etc. The Group management authorises professional personnel to examine and approve the credit limit of these businesses, as well as adjust such credit limit in accordance with the regular assessment of the debtor's repayment capacity. Risk management division oversights the collaterals and usage of related credit limit, and initiates margin call if necessary. Once the debtor fail to enhance the collateral to the account, the credit risk will be controlled by liquidating the pledged securities.

ii) Measurement of ECL

Since January 1, 2018, The Group has applied the ECL model to measure the expected credit losses for applicable financial assets mainly including loans to customers arising from margin financing business and financial assets held under resale agreements.

The group has used the "3 stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition:

(i) An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The Group will continuously monitor its credit risk;

(ii) An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as an impairment loss occurred instrument;

(iii) An asset moves to stage 3 when impairment losses occurred; and

(iv) The loss impairment for financial instruments in stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The factors the Group considers whether credit risk increases significantly refer to Note 5. In particular, for loans to customers arising from margin financing business and financial assets held under resale agreement, the Group generally believes that when the loan to collateral ratio determined by fair value reaches the warning line, the credit risk increases significantly and needs to be transferred to "stage 2", and when the loan to collateral ratio determined by fair value reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to "stage 3".

The Group uses PD, EAD and LGD to measure credit risks:

(i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;

(ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and

(iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

During the year ended December 31, 2020 and 2019, no significant changes were made in the estimated technology or key assumptions.

The assessment of significant increase in credit risk and the measurement of ECL all involve forward-looking information. When considering macroeconomic forward-looking adjustments, the Group simulates optimistic, extremely optimistic, pessimistic, and extremely pessimistic scenarios by adjusting the coefficients of the baseline scenario, and assigns corresponding weights. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and ECL of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility, including but not limited to Total Loan Growth Rate (Nationwide), Gross Domestic Product ("GDP"), Industrial Product Price Index ("PPI"), M2, Consumers Price Index ("CPI"), Shanghai-Shenzhen 300 Index("CSI 300"), Business Climate Index, Unemployment Rate, RMB to USD Exchange Rate, Total Investment in Fixed Assets, Completed Investment in Fixed Assets, Social Financing Scale, etc.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

In 2020, the Group has considered the impact of COVID-19 when evaluating the forward-looking information used in the ECL model. The key assumptions which contribute most to looking-forward information used by the Group to estimate ECL in different macro-economic scenarios are CSI 300, CPI and PPI.:

The predictive value of CSI 300 at the end of 2021 ranges between 4,738 points to 5,790 points; the predictive value of CPI at the end of 2021 ranges between 1.09 to 1.33; and the predictive value of PPI at the end of 2021 ranges between 1.60 to 1.84.

The Group regularly forecasts the economic condition by selecting various indicators within the macroeconomic indicator pool to make a sound estimation of the ECL.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. The Group accrues the credit loss provisions for the next 12 months for financial assets in Stage 1, and accrues the credit loss provisions for the whole life for those financial assets in Stage 2 and Stage 3. The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

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For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations

In respect of the Group's other operations, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group did not experience significant credit loss on its other operations, and performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract asset	Other financial assets/other items (Note)
Low risk (stage 1)	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful (stage 2)	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL –not credit-impaired
Loss (stage 3)	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: Other financial assets include loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations (Continued)

The table below details the credit risk exposures of the Group's financial assets, contract asset and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	12/31/2020 Gross carrying amount Rmb'000	12/31/2019 Gross carrying amount Rmb'000
Financial assets at amortised cost						
Trade receivables (Note i)	28					
– toll operation		N/A	Low risk	Lifetime ECL	131,896	186,396
– securities operation		N/A	Low risk	Lifetime ECL	207,808	111,731
– others		N/A	Low risk	Lifetime ECL	28,998	25,640
Loans to customers arising from margin financing business						
– securities operation	29	N/A	Low risk	12-month ECL	14,174,263	8,714,108
			Doubtful	Lifetime ECL - not credit-impaired	839,209	37,543
			Loss	Lifetime ECL - credit-impaired	–	1,005
Bank balances, clearing settlement fund, deposit and cash	33	AA to AAA	Low risk	12-month ECL	8,992,053	8,379,324

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For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations (Continued)

The following table below details the credit risk exposures of the Group's financial assets, contract asset and financial guarantee contracts, which are subject to ECL assessment: (Continued)

	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	12/31/2020 Gross carrying amount Rmb'000	12/31/2019 Gross carrying amount Rmb'000
Financial assets at amortised cost (Continued)						
Bank balances and clearing settlement fund held on behalf customers – securities operation	32	AA	Low risk	12-month ECL	27,045,398	20,141,931
Financial assets held under resale agreements – securities operation	31	N/A	Low risk	12-month ECL	6,866,057	7,746,527
			Doubtful	Lifetime ECL- not credit-impaired	268,073	205,970
			Loss	Lifetime ECL- credit-impaired	180,000	178,201
Other receivables	30	N/A	Low risk	12-month ECL	2,859,161	295,172
Other items						
Contract asset (Note i) – high grade road construction service	27	N/A	Low risk	Lifetime ECL	1,009,132	687,589
Financial guarantee contracts (Note ii) – toll operation	55	N/A	Low risk	12-month ECL	542,269	643,366

Notes:

i. During the year ended December 31, 2020, the Group provided ECL on trade receivables and contract asset by Rmb6,728,000 (2019: Rmb4,428,000) and Rmb1,514,000 (2019: Rmb1,032,000), respectively.

ii. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Concentration of credit risk

As at December 31, 2020, other than the concentration of credit risk on trade receivables and financial guarantee contract amounting to Rmb428,113,000 (2019: Rmb319,339,000), and Rmb542,269,000 (2019: Rmb643,366,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2020 and 2019 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, pledged bank deposits and cash at December 31, 2020 and 2019 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond 2017 as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months - 1 year Rmb'000	1 - 3 years Rmb'000	3 - 5 years Rmb'000	+5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2020								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business		27,054,052	–	–	–	–	27,054,052	27,054,052
Trade payables	–	974,743	–	–	–	–	974,743	974,743
Other payables	–	279,961	–	–	–	–	279,961	279,961
Bank and other borrowings								
– fixed rate	2.05%-5.30%	1,766,460	863,941	326,615	–	–	2,957,016	2,856,260
– variable rate	0.80%-4.70%	150,133	3,870,668	2,311,977	3,563,741	3,256,331	13,152,850	11,412,312
Short-term financing note payable	3.17%	5,923,943	409,734	–	–	–	6,333,677	6,306,716
Financial assets sold under repurchase agreements	3.31%	11,567,320	–	–	–	–	11,567,320	11,525,087
Placements from banks and other financial institutions	2.80%	400,291	–	–	–	–	400,291	400,000
Bonds payable	4.24%	–	7,119,623	11,017,499	3,266,760	–	21,403,882	20,068,147
Convertible Bonds								
– debt component	4.60%	–	–	762	–	–	762	762
Lease liabilities	3.61%-5.12%	–	95,114	147,438	107,920	109,778	460,250	390,240
Financial guarantee		542,269	–	–	–	–	542,269	–
Financial liabilities at fair value through profit or loss		1,962	2,908,763	–	–	–	2,910,725	2,910,725
		48,661,134	15,267,843	13,804,291	6,938,421	3,366,109	88,037,798	84,179,005

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months - 1 year Rmb'000	1 - 3 years Rmb'000	3 - 5 years Rmb'000	+5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2019								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	20,024,356	–	–	–	–	20,024,356	20,024,356
Trade payables	–	1,387,856	–	–	–	–	1,387,856	1,387,856
Other payables	–	251,169	–	–	–	–	251,169	251,169
Bank and other borrowings								
– fixed rate	3.0%-6.22%	144,754	2,096,935	20,619	20,619	279,097	2,562,024	2,418,237
– variable rate	3.915%-4.41%	243,018	2,494,824	2,287,073	2,090,140	2,698,469	9,813,524	8,601,896
Short-term financing note payable	3.08%	6,700,400	–	–	–	–	6,700,400	6,532,990
Financial assets sold under repurchase agreements	3.31%	8,938,090	83,280	–	–	–	9,021,370	9,017,680
Placements from banks and other financial institutions	2.88%	270,130	–	–	–	–	270,130	270,000
Bonds payable	4.39%	–	2,701,769	10,951,827	2,312,516	792,582	16,758,694	15,173,271
Convertible Bonds								
– debt component	4.60%	6,039	2,852,657	45,295	99,649	3,170,662	6,174,302	5,280,149
Lease liabilities	4.4032%-4.6804%	–	74,033	102,417	65,903	62,261	304,614	259,349
Financial guarantee	–	643,366	–	–	–	–	643,366	–
Financial liabilities at fair value through profit or loss	–	1,389	320,494	–	–	–	321,883	321,883
		38,610,567	10,623,992	13,407,231	4,588,827	7,003,071	74,233,688	69,538,836

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For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

As at December 31, 2020 and 2019, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, financial assets at FVTPL, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities FVTPL, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

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

Fair value measurements recognised in the 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 values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

For the year ended December 31, 2020

Financial Assets	Classified as	Fair value as at 31/12/2020 Rmb'000	Fair value as at 31/12/2019 Rmb'000	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 exchange	Financial assets at FVTPL	1,550,297	722,589	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Financial assets at FVTPL	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.	Discount for lack of marketability	The higher the discount, the lower the fair value.
2) Equity securities traded in inactive market	Financial assets at FVTPL	110,588	110,155	Level 2	Recent transaction prices.	N/A	N/A
3) Unlisted equity investment	Financial assets at FVTPL	80,323	16,898	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 Discounted for lack of marketability	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value.
4) Investment funds	Financial assets at FVTPL	273,630	352,753	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Financial assets at FVTPL	3,920,115	2,000,221	Level 2	Based on the net asset values of the equity investment, with reference to observable market price.	N/A	N/A

Notes to the Consolidated Financial Statements

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52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2020 (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2020 Rmb'000	Fair value as at 31/12/2019 Rmb'000	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 exchange and debt investment in interbank market	Financial assets at FVTPL	4,937,141	3,881,143	Level 1	Quoted bid prices in an active market.	N/A	N/A
		16,700,789	13,508,343	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
		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	Discount for lack of marketability	The higher the Discount, the lower the fair value.
6) Investments in structured products	Financial assets at FVTPL	1,179,028	957,305	Level 2	The fair value was based on the net value of the underlying assets. The net asset value of the products was calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
7) 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 carves at the end of the reporting period discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2020 (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2020 Rmb'000	Fair value as at 31/12/2019 Rmb'000	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	356,417	702,971	Level 3	The fair value was based on the net value of the underlying assets. The net asset value of the products may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments.	Future cash flows and discount rate	The higher the future cash flows, the higher the fair value. The higher the discounted rate, the lower the fair value.
9) Derivative instruments	Derivative financial assets	525,629	6,250	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 the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2020 (Continued)

Financial Liabilities	Classified as	Fair value as at 31/12/2020 Rmb'000	Fair value as at 31/12/2019 Rmb'000	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	390,611	–	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Financial liabilities at FVTPL	1,962	1,389	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
2) Other investor's interest in consolidation of structured entities.	Financial liabilities at FVTPL	2,463,779	320,494	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
	Financial liabilities at FVTPL	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 Discount for lack of marketability	The higher the multiples the higher the fair value. The higher the discount, the lower the fair value.

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2020 (Continued)

Financial Liabilities	Classified as	Fair value as at 31/12/2020 Rmb'000	Fair value as at 31/12/2019 Rmb'000	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	4	200,182	Level 3	Binomial option pricing model Expected volatility: 30.48% (2019: 28.21%) Dividend yield: nil (2019: nil) Risk-free rate: 0.08% (2019: 1.71%) Share price: HK$6.55 (equivalent to Rmb5.51) (2019: HK$7.1 (equivalent to Rmb6.36)) Exercise price: HK$10.54 (equivalent to Rmb8.87) (2019: HK$11.35 (equivalent to Rmb10.17))	2020：Expected volatility of 30.48% (2019: 28.21%), taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity	The higher the expected volatility, the higher the fair value.
4) Derivative instruments	Derivative financial liabilities	497,427	5,565	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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2020

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	1,550,297	110,588	120,389	1,781,274
– Funds	273,630	3,920,115	–	4,193,745
– Debt investments	4,937,141	16,700,789	13,500	21,651,430
– Asset management schemes and structured deposits	–	1,339,028	–	1,339,028
– Trust products	–	–	356,417	356,417
– Unlisted equity investments	–	–	80,323	80,323
Sub-total	6,761,068	22,070,520	570,629	29,402,217
Derivative assets	–	525,629	–	525,629

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Securities	390,611	1,962	–	392,573
– Structured entities	–	2,463,779	54,373	2,518,152
Sub-total	390,611	2,465,741	54,373	2,910,725
Derivative component of Convertible Bond 2017	–	–	4	4
Derivative liabilities	–	497,427	–	497,427

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2019

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	722,589	110,155	–	832,744
– Funds	352,753	2,000,221	–	2,352,974
– Debt investments	3,881,143	13,508,343	–	17,389,486
– Asset management plans	–	957,305	–	957,305
– Trust products	–	–	702,971	702,971
– Unlisted equity investments	–	–	16,898	16,898
Sub-total	4,956,485	16,576,024	719,869	22,252,378
Derivative assets	–	6,250	–	6,250

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Bonds	–	1,389	–	1,389
– Asset management scheme	–	320,494	–	320,494
Sub-total	–	321,883	–	321,883
Derivative component of Convertible Bond 2017	–	–	200,182	200,182
Derivative liabilities	–	5,565	–	5,565

The following tables represent the changes in Level 3 financial assets at FVTPL during the years ended December 31, 2020 and 2019, respectively. For the changes in Level 3 derivative component of Convertible Bond 2017 during the year ended December 31, 2020 and 2019, please refer to Note 42.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2020

Financial assets at FVTPL:

	Trust products Rmb'000	Restricted shares Rmb'000	Unlisted equity investments Rmb'000	Debts Rmb'000	Total Rmb'000
At beginning of the year	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)
Changes in fair value changes	–	45,290	–	(7,576)	37,714
At end of the year	356,417	120,389	80,323	13,500	570,629

For the year ended December 31, 2019

Financial assets at FVTPL:

	Trust products Rmb'000	Restricted shares Rmb'000	Unlisted equity investments Rmb'000	Total Rmb'000
At beginning of the year	153,332	47,570	17,200	218,102
Additions	818,454	–	–	818,454
Disposal	(268,815)	–	–	(268,815)
Changes in fair value changes	–	–	(302)	(302)
Transfer out of level 3 (Note)	–	(47,570)	–	(47,570)
At end of the year	702,971	–	16,898	719,869

Note: For the year ended December 31, 2019, the Group reclassified restricted shares previously classified as Level 3 to Level 1 with fair value of Rmb47,570,000 as these shares became tradable in exchange market in the current year.

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 consolidated statement of financial position approximate their fair values.

	As at 31/12/2020		As at 31/12/2019	
	Carrying amount Rmb'000	Fair value Rmb'000	Carrying amount Rmb'000	Fair value Rmb'000
Debt component of Convertible Bond 2017	762	766	2,588,054	2,625,435
Debt component of Convertible Bond 2019	–	–	2,692,096	2,745,101

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

The fair value of the debt component of Convertible Bond 2017 as at December 31, 2020 and 2019 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 2017 is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond 2017 and discount rate that reflected the credit risk of the Company.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable Rmb'000	Bank and other borrowings Rmb'000	Bonds payable Rmb'000	Convertible Bonds Rmb'000	Lease Liabilities Rmb'000	Short-term financing note payable Rmb'000	Total Rmb'000
At January 1, 2019	847	12,442,993	15,216,458	2,709,663	270,155	1,551	30,641,667
Financing cash flows	(1,826,929)	(1,420,580)	(12,000)	2,666,720	(64,060)	6,498,450	5,841,601
Operating cash flows	–	(607,521)	(746,625)	–	(3,312)	(65,572)	(1,423,030)
Non-cash changes							
New lease entered	–	–	–	–	42,875	–	42,875
Fair value adjustment	–	–	–	(17,547)	–	–	(17,547)
Exchange realignment	(1,347)	–	–	(9,470)	–	–	(10,817)
Accrued dividend	1,828,771	–	–	–	–	–	1,828,771
Interest expenses	–	605,241	715,438	193,878	13,691	98,561	1,626,809
Conversion into shares	–	–	–	(144)	–	–	(144)
Investment income	–	–	–	(62,769)	–	–	(62,769)
At December 31, 2019	1,342	11,020,133	15,173,271	5,480,331	259,349	6,532,990	38,467,416
At January 1, 2020	1,342	11,020,133	15,173,271	5,480,331	259,349	6,532,990	38,467,416
Financing cash flows	(1,759,007)	3,119,296	4,863,782	(2,410,344)	(78,846)	(228,380)	3,506,501
Operating cash flows	–	(486,447)	(660,392)	(6,669)	(3,103)	(194,606)	(1,351,217)
Non-cash changes							
New lease entered	–	–	–	–	196,332	–	196,332
Fair value adjustment	–	–	–	(200,178)	–	–	(200,178)
Exchange realignment	(2,033)	125,770	–	(40,834)	–	–	82,903
Accrued dividend	1,759,748	–	–	–	–	–	1,759,748
Interest expenses	–	489,820	691,486	350,863	16,508	196,712	1,745,389
Conversion into shares	–	–	–	(3,172,403)	–	–	(3,172,403)
At December 31, 2020	50	14,268,572	20,068,147	766	390,240	6,306,716	41,034,491

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

54. OPERATING LEASES

The Group as lessor

The Group leased their service areas and communication ducts and part of spare office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Within one year	65,855	52,399
In the second to fifth year inclusive	151,147	155,388
After five years	136,165	167,298
	353,167	375,085

For certain of the Group's service areas, the rental income are variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

55. CONTINGENT LIABILITIES

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Guarantees given to bank, in respect of a joint venture	542,269	643,366

The Group provided a financial guarantee to Shengxin Co, a 50% owned joint venture of the Group, in favour of a bank for 50% of its outstanding bank borrowings and interest. As at December 31, 2020, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb 1,084,538,000 (2019: Rmb1,286,732,000). The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable, therefore the provision under ECL model for financial guarantee contract is not material as at December 31, 2020 and 2019.

56. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the consolidated financial statements, during the year, the Group also entered into the following significant transactions with related parties:

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

Details of significant transactions with Communications Group are summarised below:

Borrowings

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

Pursuant to the entrusted loan contract entered into between Zhejiang Expressway Co., Ltd. and Communications Group on July 1, 2020, Communications group agreed to provide Zhejiang Shenjiahuhang Expressway Co., Ltd. (Shenjiahuhang Co) borrowings amounting to Rmb 50,000,000 at a fixed interest rate of 2.5% per annum, with maturity date of June 29, 2021.

Pursuant to the entrusted loan contract entered into between the 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, upon one extension and one renewal, the fixed interest rate is 3.915% per annum. The loan was repaid on March 6, 2020.

	For the year ended 12/31/2020 Rmb'000	For the year ended 12/31/2019 Rmb'000
Interest expenses incurred	2,771	8,228

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiaries, pursuant to which, the Company would provide the management and administrative services for six toll roads, including Shensuzhewan Expressway, South Line of Qianjiang Channel, Ningbo Yongtaiwen Expressway, Taizhou Yongtaiwen Expressway, Yueqingwan Bay Bridge and Taijin Expressway. According to the agreements, the Company would charge the Communications Group and its subsidiaries management fee on actual cost basis. During this year, a total management fee of Rmb8,381,000 (2019: Rmb9,772,000) has been charged.

Prepayments of acquisition consideration

The extraordinary general meeting of the Company held on December 23, 2020 approved the agreements dated November 10, 2020 entered into between the Company and Communications Group in relation to the acquisition of 30% equity interest in HangNing at the consideration of RMB2,685,000,000 and entire equity interest in LongLiLiLong at the consideration of RMB238,140,000. The Company transferred such consideration on December 31, 2020 and December 25, 2020 respectively and recognized as prepayments as no effective influence or control was to exercise as at December 31, 2020.

Other transactions

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Toll road service area leasing income earned (Note a)	11,342	11,353
Toll road service area management fee paid (Note a)	3,200	3,075
Property leasing income earned	805	143
Road maintenance service expenses incurred	403,689	429,338
Construction cost incurred (Note b)	319,523	522,719
System development and maintenance, expressway mechanical and electrical engineering services expenses incurred	39,895	427,618
Toll road related inspection services expense incurred	8,033	7,229
Financial advisory service income earned	972	1,123
Underwriting and sponsor service income earned	2,693	–

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Other transactions (Continued)

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 57), Zhejiang Hanghui Expressway Co., Ltd. ("Hanghui Co", a non-wholly-owned subsidiary of the Company), Shenjiahuhang Co, Zhejiang Zhoushan Bay Bridge Co., Ltd. (Zhoushan Co) and Zhejiang Commercial Group Co., Ltd. ("Zhejiang Commercial Group", a fellow subsidiary of Communications Group), the toll road service areas were leased to Zhejiang Communications Group, and Zhejiang Communications 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.

(b) In 2018, Deqing County De'an Highway Construction Co., Ltd. (De'an Co) 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 contracts, 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.

Other transaction balances

In addition to the transaction balances already disclosed in the report, the other material transaction balances in relation to the transactions disclosed above with related parties are listed below.

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Other receivables	20,651	52,814
Trade payables	248,904	533,172
Other payables	136,627	228,254

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.

Notes to the Consolidated Financial Statements

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties

Financial service provided by Zhejiang Communications Finance

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

Loan advanced from Zhejiang Communications Finance

During the year, Zhejiang Communications Finance Co., Ltd provided the Company with short-term loans with a total principal amount of Rmb2,760,000,000 (2019: Rmb2,530,000,000) at fixed interest rates of 3.600% per annum. During the year, a total amount of Rmb1,800,000,000 were repaid (2019: Rmb1,990,000,000).

During the year, Zhejiang Communications Finance provided Hanghui Co with short-term loan with aggregated principal amount of Rmb560,000,000 (2019: Rmb730,000,000) and fixed interest rate of 3.85% per annum (2019: floating interest rate of 3.915% per annum). The principal amount of short-term loans Rmb670,000,000 were repaid during the year (2019: Rmb320,000,000).

During the year, Zhejiang Communications Finance Co., Ltd provided Zhoushan Bay Bridge with short-term loans with a aggregated principal amount of Rmb320,000,000 (2019: Rmb868,000,000) and fixed rate of 3.8200% and 4.1325% per annum (2019: 4.1325% and 4.35%). During the year, principal amount of short-term loans Rmb688,000,000 were repaid (2019: Rmb777,000,000).

During the year, Zhejiang Communications Finance Co., Ltd offered Zhoushan Bay Bridge long-term loans with aggregated principal amount of Rmb2,088,000,000 (2019: nil) and fixed interest rate of 4.2100% per annum. Zhoushan Bay Bridge has repaid long-term loans with aggregated principal amount of Rmb1,781,000,000 during the year.

During the year, principal amount of a long-term loan Rmb420,000,000 provided by Zhejiang Communications Finance to Shenjiahuhang was repaid (2019: Rmb100,000,000). In 2019, Shenjiahuhang Expressway Co., Ltd. also repaid a short-term loan with aggregated principal amount of Rmb1,120,000,000 and floating interest rate of 4.41% to 4.263% per annum to Zhejiang Communications Finance.

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Financial service provided by Zhejiang Communications Finance (Continued)

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Outstanding loan payable balances:		
repayable within one year	2,325,578	1,843,515
1 to 5 years	2,292,000	–
over 5 years	–	2,405,000
	4,617,578	4,248,515

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Interest expenses incurred	190,218	218,420

Deposits to Zhejiang Communications Finance

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
Bank balances and cash		
– Cash and cash equivalents	1,791,157	1,742,825

	Year ended 12/31/2020 Rmb'000	Year ended 12/31/2019 Rmb'000
Interest income earned	30,399	21,512

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56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Sales of asset management schemes and beneficial certificates to Zhejiang Communications Finance

During the Period, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) sold 1,265,000,000 units (2019:568,711,000 units) (equivalent to Rmb1,265,000,000 (2019: Rmb568,711,000)) of the asset management schemes to Zhejiang Communications Finance and Zhejiang Zheshang Financial Holdings, Co., Ltd. (A subsidiary of Communications Group). Management fee income of Rmb2,426,686 was earned.

During the Period, Asset Management sold 345,000,000 units (2019: nil) (equivalent to Rmb345,000,000 (2019: nil)) of the asset management schemes to Zhejiang Zheshang Financial Holdings, Co., Ltd. Management fee income of Rmb320,471 was earned.

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", our joint venture company) provides entrusted loan

According to the entrusted loan contract signed between the Company and Shengxin on March 29, 2019, Shengxin company provides a entrusted loan of Rmb25,000,000 with a floating annual interest rate of 4.1325%. The loan was repaid on March 29, 2020. Interest expense incurred during the period was Rmb220,974.

Purchase/Sales of inventory from/to Zheshang Development Group Co., Ltd. and its subsidiaries (collectively referred to as "Zheshang Development Group")

During the year, Zhejiang Zheqi Co., Ltd. ("Zhejiang Zheqi", an indirect subsidiary of the Company) purchased and sold commodities of Rmb82,057,085 (2019: nil) and Rmb31,564,016 (2019: nil) respectively from and to Zheshang Development Group, to operate commodity trading business.

As at December 31, 2020, Zhejiang Zheqi received deposits of Rmb49,278,424 (2019: nil) from Zheshang Development Group.

Derivatives contract business with ZheShang Development Group

During the year, Zhejiang Zheqi carried out derivatives contract business with Zheshang Development Group, and the investment loss was Rmb75,414,317 (2019: nil) in total. The nominal principal amount of the derivative contracts was Rmb1,608,777,070 (2019: nil).

(iii) Key management emoluments

The remuneration of the directors, supervisors and key management personnel during the year was Rmb7,478,000 (2019: Rmb6,738,000) including retirement benefit scheme contribution of Rmb238,000 (2019: Rmb186,000) which is determined by the performance of the individuals and the market trends.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital Rmb	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			12/31/2020 %	12/31/2019 %	12/31/2020 %	12/31/2019 %	
Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co")	Note 1	75,223,000	51	51	–	–	Management of the Yuhang Section of the Shanghai-Hangzhou Expressway
Jiaxing Co	Note 2	359,200,000	99.9995	99.9995	–	–	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 3	5,380,000,000	73.625	73.625	–	–	Management of the Shangsan Expressway
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 4	8,000,000	100	100	–	–	Provision of vehicle towing, repair and emergency rescue services
Zheshang Securities	Note 5	3,614,044,514	–	–	*43.2868	*46.9319	Operation of securities business
Zheshang Futures	Note 6	1,000,000,000	–	–	**43.2868	**46.9319	Operation of securities business
Zheshang Capital Management	Note 7	500,000,000	–	–	**43.2868	**46.9319	Operation of securities business
Asset Management	Note 8	1,200,000,000	–	–	**43.2868	**46.9319	Provision of asset . management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 9	1,000,000	–	–	**43.2868	**46.9319	Provision of investment management and advisory services
Ningbo Dongfang Jujin Jiahua Investment Management Center (Limited Partnership) ("Dongfang Jujin Jiahua")	Note 10	–	–	–	–	**14.7317	Provision of investment management and advisory and private equity investments
Zhejiang Zheqi Co., Ltd.	Note 11	1,000,000,000	–	–	**43.2868	**46.9319	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 12	1,350,000,000	100	100	–	–	Management of the Jinhua Section of the Ningbo-Jinhua Expressway

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
		Rmb	12/31/2020 %	12/31/2019 %	12/31/2020 %	12/31/2019 %	
Hanghui Co	Note 13	3,101,853,000	88.674	88.674	–	–	Management of the Zhejiang Section of the Hangzhou-Ruili Expressway
Hangzhou Jujin Jiawei Investment Management (Limited Partnership) ("Jujin Jiawei")	Note 14	206,103,000	–	–	**19.4912	**21.13229	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 15	41,591,000	–	–	**43.2868	**46.9319	Trading of future
Huihang Co	Note 16	580,000,000	100	100	–	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway
Deqing Co	Note 17	320,000,000	80.1	80.1	–	–	Construction and management
Shenjiahuhang Expressway	Note 18	1,720,000,000	100	100	–	–	Management of the Huzhou Section of the Huzhou-Lianhang Expressway
Zhoushan Co	Note 19	4,114,690,000	–	–	51	51	Management of the Zhoushan Bay Bridge
Zhejiang Grand Hotel	Note 20	306,662,167	100	100	–	–	Operation of hotel
Zheshang Securities Investment Co., Ltd.***	Note 21	1,000,000,000	–	–	**43.2868	–	Provision of investment management and advisory and private equity investments

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. On March 12, 2019, Zheshang Securities issued a convertible bond and the conversion of shares during the year ended December 31, 2020 resulted in the dilution of the equity interest attributed to the Company.

** These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

*** The English translated name is for identification only.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Yuhang Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the directors attending the meetings.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 5: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. The Group's equity interest of Zheshang Securities was diluted resulting from the conversion of shares by outside shareholders. See Note 42 for more details.

Note 6: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company.

Note 7: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company. The registered capital of Zheshang Capital Management has been increased from Rmb100,000,000 to Rmb170,000,000 during the year ended December 31, 2016.

Note 8: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 9: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 10: Dongfang Jujin Jiahua was established on April 11, 2014 in the PRC as a limited partnership and pursuant to the board resolution, Dongfang Jujin Jiahua was dissolved on December 16, 2020.

Note 11: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Note 12: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 13: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co.

Note 14: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 15: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability Company.

Note 16: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Huihang Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Note 17: Deqing Co was established on April 12, 2018 in the PRC as a limited liability company. The registered capital of Deqing Co has been increased from Rmb100,000,000 to Rmb320,000,000 during the year ended December 31, 2020, of which Rmb17,421,750 was contributed by the Company, Rmb4,328,250 was contributed by Zhejiang Hongtu and the rest were converted from capital reserve.

Note 18: Shenjiahuhang Expressway was established on July 13, 2018 in the PRC as a limited liability company and was acquired from Communications Group.

Note 19: Zhoushan Co was established on as a limited liability company. On July, 2018, Shenjiahuhang Expressway entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. to acquire 51% equity interest in Zhoushan Co.

Note 20: Zhejiang Grand Hotel was established on January 6, 1998 in the PRC as a limited liability company and was acquired from Communications Group. On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group to acquire 100% equity interest in Zhejiang Grand Hotel at a cash consideration of Rmb1,010,144,600. The consideration was adjusted in the current year, and the Group received an amount of Rmb76,662,000 from Communications Group.

Note 21: Zheshang Securities Investment Co., Ltd. was established on November 26, 2019 in the PRC as a limited liability company.

Except that Zheshang International Financial Holding Co., Limited is operating in Hong Kong, all of the Company's other subsidiaries are operating in Mainland China. As at December 31, 2020, Zheshang Securities has issued subordinated bonds, corporate bonds, convertible bonds, short-term financing bonds and beneficial certificates at the total principal amount of Rmb 12,459,771,800, 2,000,000,000, nil, 4,500,000,000 and 1,771,620,000 (2019: Rmb7,550,000,000, 3,488,000,000.00, 3,019,537,000, 6,500,000,000 and nil), respectively.

58. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group held interests as investor or acted as investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the years ended December 31, 2020 and 2019. Except for the structured entities the Group has consolidated as disclosed in Note 44, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests or acted as investment manager are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to Rmb140,322,176,000 and Rmb146,673,182,000 as at December 31, 2020 and 2019, respectively.

The Group classified the investments in unconsolidated funds and asset management schemes as financial assets at FVTPL. As at December 31, 2020 and 2019, the carrying amounts of the Group's interests in unconsolidated funds and asset management schemes are Rmb5,809,513,000 and Rmb4,013,250,000, respectively.

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	679,244	710,114
Right-of-use assets	14,545	15,136
Expressway operating rights	2,156,204	2,501,437
Other receivables and prepayments	2,923,140	–
Other intangible assets	12,973	6,956
Interests in subsidiaries	13,000,212	12,906,128
Interests in associates	4,931,954	4,769,371
Interest in a joint venture	373,470	373,470
	24,091,742	21,282,612
CURRENT ASSETS		
Trade receivables	27,947	49,222
Other receivables and prepayments	88,350	93,611
Amount due from subsidiaries	3,098,317	4,188,180
Dividends receivable	1,673,070	856,393
Bank balances and cash		
– Cash and cash equivalents	1,316,079	1,639,855
	6,203,763	6,827,261

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2020 Rmb'000	12/31/2019 Rmb'000
CURRENT LIABILITIES		
Trade payables	104,208	237,786
Tax liabilities	231,672	196,997
Other taxes payable	24,568	12,949
Other payables and accruals	223,850	185,044
Amount due to subsidiaries	5,516,082	5,007,555
Bonds payable	62,374	62,066
Convertible Bond	–	2,788,235
Bank and other borrowings	4,585,267	826,379
	10,748,021	9,317,011
NET CURRENT LIABILITIES	(4,544,258)	(2,489,750)
TOTAL ASSETS LESS CURRENT LIABILITIES	19,547,484	18,792,862
NON-CURRENT LIABILITIES		
Bonds payable	3,000,000	3,000,000
Convertible Bond	766	–
Deferred tax liabilities	70,867	74,794
	3,071,633	3,074,794
	16,475,851	15,718,068
CAPITAL AND RESERVES		
Share capital	4,343,115	4,343,115
Reserves	12,132,736	11,374,953
	16,475,851	15,718,068

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement of share capital and reserve of the Company was set out below.

	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves Rmb'000	Investment revaluation reserve Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Total Rmb'000
At January 1, 2019	4,343,115	3,645,726	2,364,430	–	1,628,668	18,666	2,952,835	14,953,440
Total comprehensive income for the year	–	–	–	–	–	–	2,393,296	2,393,296
2018 dividend	–	–	–	–	(1,628,668)	–	–	(1,628,668)
Proposed dividend	–	–	–	–	1,541,806	–	(1,541,806)	–
At December 31, 2019	4,343,115	3,645,726	2,364,430	–	1,541,806	18,666	3,804,325	15,718,068
Profit for the year	–	–	–	–	–	–	2,259,194	2,259,194
Other comprehensive expense for the year	–	–	–	(24,160)	–	–	–	(24,160)
Total comprehensive (expense) income for the year	–	–	–	(24,160)	–	–	2,259,194	2,235,034
Consideration paid for acquisition of subsidiaries-under common control	–	–	–	–	–	76,662	–	76,662
Recognition of the Company's share of the equity change of the investee	–	–	–	–	–	(12,107)	–	(12,107)
2019 dividend	–	–	–	–	(1,541,806)	–	–	(1,541,806)
Proposed dividend	–	–	–	–	1,541,806	–	(1,541,806)	–
At December 31, 2020	4,343,115	3,645,726	2,364,430	(24,160)	1,541,806	83,221	4,521,713	16,475,851

60. EVENTS AFTER THE REPORTING PERIOD

Aside from the disclosure in Note 56, as at reporting date, upon the revision of Articles of Association and modification of business registration of the Acquirees, HangNing became an associate of the Company and LongLiLiLong became a subsidiary of the Company under common control.

Independent Auditor's Report

Deloitte. 德勤

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.
浙江滬杭甬高速公路股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 108 to 263, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses ("ECL") for loans to customers arising from margin financing business and financial assets held under resale agreements	
We identified the measurement of ECL for the Group's loan to customers arising from margin financing business and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement. As disclosed in Note 5 to the consolidated financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit impaired, using appropriate models and assumptions, determining the key inputs including probability of default ("PD"), loss given default ("LGD") and forward-looking information. As at December 31, 2020, the Group held loans to customers arising from margin financing business of Rmb 15,013,472 thousands, less impairment allowance of Rmb 43 thousands as disclosed in Note 29 to the consolidated financial statements and financial assets held under resale agreements of Rmb 7,314,130 thousands, less impairment allowance of Rmb 191,659 thousands as disclosed in Note 31 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information; • Evaluating the determination of the criteria for significant increase in credit risk ("SICR") and credit impaired by management and, on sample basis, testing its application; • On a sample basis, examining the major data input into the ECL model, including PD and LGD; • For credit impaired assets, assessing the impairment allowances made by management based on the expected future cash flow with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate; • Checking the calculation process of the ECL.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes, investment funds and limited partnership enterprises. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates the Group controlled the structured entities. As disclosed in Notes 44 and 58 to the consolidated financial statements, as at December 31, 2020, the total assets of the consolidated structured entities amounted to Rmb 5,485,843 thousands and the total assets of the unconsolidated structured entities managed by the Group amounted to Rmb 140,322,176 thousands, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu Certified Public Accounts LLP
Certified Public Accountants
(Registered as a Third Country Auditor with The UK Financial Reporting Council)
Shanghai, China
March 23, 2021

Corporate Information

CHAIRMAN

YU Zhihong

EXECUTIVE DIRECTORS

CHEN Ninghui *(Appointed on May 15, 2020)*
CHENG Tao *(Resigned on May 15, 2020)*
LUO Jianhu *(General Manager)*

NON-EXECUTIVE DIRECTORS

DAI Benmeng
YUAN Yingjie *(Appointed on February 3, 2020)*
YU Qunli *(Resigned on February 3, 2020)*
FAN Ye *(Appointed on May 15, 2020)*
YU Ji *(Resigned on May 15, 2020)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

PEI Ker-Wei
LEE Wai Tsang, Rosa
CHEN Bin

SUPERVISORS

ZHENG Ruchun *(Appointed on February 3, 2020)*
YAO Huiliang *(Resigned on February 3, 2020)*
HE Meiyun
WU Qingwang
ZHAN Huagang
WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong
LUO Jianhu

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As to PRC law:
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PRC 310007

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Hong Kong
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Fax: 852-2117 0869

PRINCIPAL BANKERS

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

H SHARE REGISTRAR AND TRANSFER OFFICE

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

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange plc
Code: ZHEH

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1 Harbour Road
Wan Chai, Hong Kong
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Location Map of Expressways in Zhejiang Province