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

(A joint stock limited company established in the People's Republic of China with limited liability)

(Stock code: 0576)

2019 INTERIM RESULTS ANNOUNCEMENT

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") announced the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2019 (the "Period"), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb5,722.10 million, representing a year-on-year increase of 6.2%. Profit attributable to owners of the Company was Rmb1,977.61 million, representing a year-on-year increase of 7.8%. Basic earnings per share for the Period was Rmb45.53 cents, representing a year-on-year increase of 7.8%. Diluted earnings per share for the Period was Rmb44.47 cents, representing a year-on-year increase of 17.1%.

The Directors do not recommend the payment of an interim dividend for 2019.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2019 have not been audited or reviewed by the auditors of the Company but have been reviewed by the audit committee of the Company. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2019, with comparative figures for the corresponding period in 2018 and relevant notes to the condensed consolidated financial statements:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the six months ended June 30, 2019 Rmb'000 (Unaudited)	2018 Rmb'000 (Unaudited and restated)
Revenue	4	**5,722,101**	5,390,447
Including: Interest income		**787,455**	704,445
Operating costs		**(2,925,250)**	(2,590,416)
Gross profit		**2,796,851**	2,800,031
Securities investment gains		**658,810**	142,049
Other income and gains and losses	5	**103,789**	277,729
Administrative expenses		**(46,732)**	(49,353)
Other expenses		**(39,656)**	(39,514)
(Recognition) reversal of impairment losses, net		**(2,688)**	20,595
Share of profit of associates		**327,447**	136,133
Share of profit of a joint venture		**12,189**	11,652
Finance costs		**(767,975)**	(652,747)
Profit before tax		**3,042,035**	2,646,575
Income tax expense	6	**(692,971)**	(573,285)
Profit for the Period		**2,349,064**	2,073,290
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**165**	652
Total comprehensive income for the Period		**2,349,229**	2,073,942
Profit for the Period attributable to:			
Owners of the Company		**1,977,610**	1,835,053
Non-controlling interests		**371,454**	238,237
		2,349,064	2,073,290

		For the six months ended June 30,	
	Notes	**2019**	2018
		Rmb'000	*Rmb'000*
		(Unaudited)	(Unaudited and restated)
Total comprehensive income attributable to:			
Owners of the Company		**1,977,688**	1,835,359
Non-controlling interests		**371,541**	238,583
		2,349,229	2,073,942
Earnings per share	7		
Basic (Rmb cents)		**45.53**	42.25
Diluted (Rmb cents)		**44.47**	37.97

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2019** *Rmb'000* **(Unaudited)**	As at December 31, 2018 *Rmb'000* (Unaudited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,689,919**	3,675,252
Right-of-use assets		**370,387**	–
Prepaid lease payments		**–**	114,628
Expressway operating rights		**23,829,987**	24,788,013
Goodwill		**86,867**	86,867
Other intangible assets		**166,895**	173,680
Interests in associates		**5,453,339**	5,211,412
Interest in a joint venture		**345,291**	333,102
Financial assets at fair value through profit or loss ("FVTPL")		**16,898**	17,200
Contract asset		**378,239**	252,868
Deferred tax assets		**1,043,369**	927,652
		35,381,191	35,580,674
CURRENT ASSETS			
Inventories		**188,641**	159,339
Trade receivables	8	**278,367**	242,077
Loans to customers arising from margin financing business		**7,767,607**	5,850,084
Other receivables and prepayments		**501,892**	456,538
Prepaid lease payments		**–**	4,822
Derivative financial assets		**–**	4,169
Financial assets at FVTPL		**24,945,164**	21,558,606
Financial assets held under resale agreements		**10,333,853**	8,206,182
Bank balances and clearing settlement fund held on behalf of customers		**20,581,607**	14,742,161
Pledged bank deposit		**–**	10,000
Bank balances, clearing settlement fund, deposits and cash			
– Time deposits with original maturity over three months		**250,444**	280,913
– Cash and cash equivalents		**8,312,672**	6,601,784
		73,160,247	58,116,675

	Notes	As at June 30, 2019 Rmb'000 (Unaudited)	As at December 31, 2018 Rmb'000 (Unaudited and restated)
CURRENT LIABILITIES			
Placements from other financial institutions		**–**	400,679
Accounts payable to customers arising from securities business		**20,520,983**	14,653,413
Trade payables	9	**1,182,646**	1,299,098
Tax liabilities		**548,302**	479,469
Other taxes payable		**124,698**	104,216
Other payables and accruals		**1,850,050**	1,740,575
Contract liabilities		**13,638**	7,572
Dividends payable		**1,692,681**	847
Derivative financial liabilities		**–**	3,818
Bank and other borrowings		**5,599,388**	2,625,393
Short-term financing note payable		**3,680,818**	1,551
Bonds payable		**5,878,480**	5,766,458
Convertible bonds	10	**1,795**	–
Financial assets sold under repurchase agreements		**13,663,828**	11,086,710
Financial liabilities at FVTPL		**149,004**	364,714
Lease liabilities		**64,450**	–
		54,970,761	38,534,513
NET CURRENT ASSETS		**18,189,486**	19,582,162
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,570,677**	55,162,836
NON-CURRENT LIABILITIES			
Bank and other borrowings		**8,017,600**	9,817,600
Bonds payable		**9,850,000**	9,450,000
Convertible bonds	10	**5,278,974**	2,709,663
Deferred tax liabilities		**317,721**	321,889
Lease liabilities		**190,545**	–
		23,654,840	22,299,152
		29,915,837	32,863,684
CAPITAL AND RESERVES			
Share capital		**4,343,115**	4,343,115
Reserves		**15,457,472**	19,061,597
Equity attributable to owners of the Company		**19,800,587**	23,404,712
Non-controlling interests		**10,115,250**	9,458,972
		29,915,837	32,863,684

Notes:

1. BASIS OF PREPARATION

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

2. MERGER ACCOUNTING RESTATEMENT

On December 13, 2018, the Company entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. ("Communications Group") to acquire 100% equity interest in Zhejiang Shenjiahuhang Expressway Co., Ltd. ("Shenjiahuhang Co") from Communications Group for a cash consideration of Rmb2,943,000,000. Shenjiahuhang Co and its subsidiary are principally engaged in the operation and management of Huzhou (S12) and Lianhang (S13) sections of Shenjiahuhang Expressway and Zhoushan Bridge (G9211) within National Expressway Network. Before the above acquisition, Shenjiahuhang Co was a wholly owned subsidiary of Communications Group. The acquisition has been approved by independent shareholders on March 4, 2019 and subsequently completed on April 9, 2019. After the completion of the acquisition, Shenjiahuhang Co then became a wholly owned subsidiary of the Company.

On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group, Zhejiang Shipping Group Co., Ltd. ("Zhejiang Shipping"), to acquire 100% equity interest in Zhejiang Grand Hotel Limited ("Zhejiang Hotel") from Zhejiang Shipping for a cash consideration of Rmb1,010,144,600. Zhejiang Hotel is principally engaged in the operation of hotel, retail, rental and food and beverages businesses. Before the above acquisition, Zhejiang Hotel was a wholly owned subsidiary of Zhejiang Shipping. The acquisition was completed on June 14, 2019. After the completion of the acquisition, Zhejiang Hotel then became a wholly owned subsidiary of the Company.

Since Communications Group is the parent company of the Company, the above acquisitions were regarded as business combinations involving entities under common control and were accounted for using merger accounting method, in accordance with the guidance set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

As a result, the comparative condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended June 30, 2018 and the consolidated statement of financial position as at December 31, 2018 have therefore been restated, in order to include the profits, assets and liabilities of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Group's acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Hotel, has resulted in an increase in total comprehensive income attributable to owners of the Company and an increase in profit attributable to owners of the Company for the six months ended June 30, 2018 by Rmb22,831,000 and Rmb22,831,000, respectively.

The effect of the adoption of merger accounting method in respect of the Group's acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Hotel described above on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2018 by line items is as follows:

	For the six months ended June 30, 2018 *Rmb'000* (Unaudited and originally stated)	**Merger accounting restatement** *Rmb'000*	**For the six months ended June 30, 2018** *Rmb'000* (Unaudited and restated)
Revenue	4,632,296	758,151	5,390,447
Including: Interest income	704,445	–	704,445
Operating costs	(2,058,029)	(532,387)	(2,590,416)
Gross profit	2,574,267	225,764	2,800,031
Securities investment gains	142,049	–	142,049
Other income and gains and losses	261,329	16,400	277,729
Administrative expenses	(37,733)	(11,620)	(49,353)
Other expenses	(33,650)	(5,864)	(39,514)
Reversal (recognition) of impairment losses, net	20,708	(113)	20,595
Share of profit of associates	136,133	–	136,133
Share of profit of a joint venture	11,652	–	11,652
Finance costs	(408,606)	(244,141)	(652,747)
Profit before tax	2,666,149	(19,574)	2,646,575
Income tax expense	(587,921)	14,636	(573,285)
Profit for the Period	2,078,228	(4,938)	2,073,290
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations	652	–	652
Total comprehensive income for the Period	2,078,880	(4,938)	2,073,942

	For the six months ended June 30, 2018 *Rmb'000* (Unaudited and originally stated)	Merger accounting restatement *Rmb'000*	For the six months ended June 30, 2018 *Rmb'000* (Unaudited and restated)
Profit for the Period attributable to:			
Owners of the Company	1,812,222	22,831	1,835,053
Non-controlling interests	266,006	(27,769)	238,237
	2,078,228	(4,938)	2,073,290
Total comprehensive income attributable to:			
Owners of the Company	1,812,528	22,831	1,835,359
Non-controlling interests	266,352	(27,769)	238,583
	2,078,880	(4,938)	2,073,942
Earnings per share			
Basic (Rmb cents)	41.73	0.52	42.25
Diluted (Rmb cents)	37.47	0.50	37.97

The effect of the adoption of merger accounting method in respect of the Group's acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Hotel described above on the consolidated statement of financial position as at January 1, 2018 and December 31, 2018 by line items is as follows:

	As at January 1, 2018 *Rmb'000* (Audited and originally stated)	**Merger Accounting Restatement** *Rmb'000*	**As at January 1, 2018** *Rmb'000* (Unaudited and restated)	**As at December 31, 2018** *Rmb'000* (Audited and originally stated)	**Merger Accounting Restatement** *Rmb'000*	**As at December 31, 2018** *Rmb'000* (Unaudited and restated)
NON-CURRENT ASSETS						
Property, plant and equipment	2,948,134	833,644	3,781,778	2,882,791	792,461	3,675,252
Prepaid lease payments	65,300	54,151	119,451	63,163	51,465	114,628
Expressway operating rights	13,379,674	13,272,066	26,651,740	12,260,548	12,527,465	24,788,013
Goodwill	86,867	–	86,867	86,867	–	86,867
Other intangible assets	161,486	46	161,532	173,658	22	173,680
Interests in associates	1,686,227	–	1,686,227	5,211,412	–	5,211,412
Interest in a joint venture	303,065	–	303,065	333,102	–	333,102
Financial assets at fair value through profit or loss ("FVTPL")	711,715	–	711,715	17,200	–	17,200
Contract asset	–	–	–	252,868	–	252,868
Deferred tax assets	355,803	579,479	935,282	318,236	609,416	927,652
	19,698,271	14,739,386	34,437,657	21,599,845	13,980,829	35,580,674
CURRENT ASSETS						
Inventories	131,261	2,167	133,428	157,416	1,923	159,339
Trade receivables	244,587	28,353	272,940	216,233	25,844	242,077
Loans to customers arising from margin financing business	7,851,609	–	7,851,609	5,850,084	–	5,850,084
Other receivables and prepayments	911,226	16,756	927,982	407,684	48,854	456,538
Prepaid lease payments	2,137	2,685	4,822	2,137	2,685	4,822
Derivative financial assets	4,587	–	4,587	4,169	–	4,169
Financial assets at FVTPL	14,369,529	–	14,369,529	21,558,606	–	21,558,606
Financial assets held under resale agreements	9,793,492	–	9,793,492	8,206,182	–	8,206,182
Bank balances and clearing settlement fund held on behalf of customers	15,035,007	–	15,035,007	14,742,161	–	14,742,161
Pledged bank deposit	–	–	–	10,000	–	10,000
Bank balances, clearing settlement fund, deposits and cash						
– Time deposits with original maturity over three months	20,000	–	20,000	280,913	–	280,913
– Cash and cash equivalents	5,588,814	130,215	5,719,029	6,477,724	124,060	6,601,784
	53,952,249	180,176	54,132,425	57,913,309	203,366	58,116,675

	As at January 1, 2018	Merger Accounting Restatement	As at January 1, 2018	As at December 31, 2018	Merger Accounting Restatement	As at December 31, 2018
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Audited and originally stated)		(Unaudited and restated)	(Audited and originally stated)		(Unaudited and restated)
CURRENT LIABILITIES						
Placements from other financial institutions	–	–	–	400,679	–	400,679
Accounts payable to customers arising from securities business	14,933,719	–	14,933,719	14,653,413	–	14,653,413
Trade payables	628,592	1,112,035	1,740,627	575,465	723,633	1,299,098
Tax liabilities	608,284	–	608,284	478,183	1,286	479,469
Other taxes payable	90,266	6,814	97,080	96,931	7,285	104,216
Other payables and accruals	2,515,399	2,855,754	5,371,153	1,630,327	110,248	1,740,575
Contract liabilities	–	–	–	7,572	–	7,572
Dividends payable	261,239	–	261,239	847	–	847
Derivative financial liabilities	3,941	–	3,941	3,818	–	3,818
Bank and other borrowings	420,000	759,746	1,179,746	200,741	2,424,652	2,625,393
Short-term financing note payable	762,800	–	762,800	1,551	–	1,551
Bonds payable	1,300,000	–	1,300,000	5,766,458	–	5,766,458
Financial assets sold under repurchase agreements	10,523,414	–	10,523,414	11,086,710	–	11,086,710
Financial liabilities at FVTPL	373,427	–	373,427	364,714	–	364,714
	32,421,081	4,734,349	37,155,430	35,267,409	3,267,104	38,534,513
NET CURRENT ASSETS (LIABILITIES)	21,531,168	(4,554,173)	16,976,995	22,645,900	(3,063,738)	19,582,162
TOTAL ASSETS LESS CURRENT LIABILITIES	41,229,439	10,185,213	51,414,652	44,245,745	10,917,091	55,162,836
NON-CURRENT LIABILITIES						
Bank and other borrowings	60,000	9,032,700	9,092,700	60,000	9,757,600	9,817,600
Bonds payable	8,850,000	–	8,850,000	9,450,000	–	9,450,000
Convertible bond	2,720,654	–	2,720,654	2,709,663	–	2,709,663
Deferred tax liabilities	394,434	–	394,434	321,889	–	321,889
	12,025,088	9,032,700	21,057,788	12,541,552	9,757,600	22,299,152
	29,204,351	1,152,513	30,356,864	31,704,193	1,159,491	32,863,684
Capital and reserves						
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Reserves	16,311,385	532,186	16,843,571	18,490,045	571,552	19,061,597
Equity attributable to owners of the Company	20,654,500	532,186	21,186,686	22,833,160	571,552	23,404,712
Non-controlling interests	8,549,851	620,327	9,170,178	8,871,033	587,939	9,458,972
	29,204,351	1,152,513	30,356,864	31,704,193	1,159,491	32,863,684

The effect of the adoption of merger accounting method in respect of the Group's acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Hotel described above on the Group's equity as at January 1, 2018 and December 31, 2018 is as follows:

	As at January 1, 2018	Merger Accounting Restatement	As at January 1, 2018	December 31, 2018	Merger Accounting Restatement	December 31, 2018
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Audited and originally stated)		(Unaudited and restated)	(Audited and originally stated)		(Unaudited and restated)
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Share premium	3,355,621	–	3,355,621	3,355,621	–	3,355,621
Statutory reserve	5,035,016	–	5,035,016	5,220,278	379	5,220,657
Capital reserve	1,712	–	1,712	1,712	–	1,712
Share of differences arising on translation	162	–	162	1,219	–	1,219
Special reserves	638,468	2,440,426	3,078,894	638,468	2,442,563	3,081,031
Dividend reserve	1,302,934	–	1,302,934	1,628,668	–	1,628,668
Retained profits	5,977,472	(1,908,240)	4,069,232	7,644,079	(1,871,390)	5,772,689
Non-controlling interests	8,549,851	620,327	9,170,178	8,871,033	587,939	9,458,972
Total	29,204,351	1,152,513	30,356,864	31,704,193	1,159,491	32,863,684

3. PRINCIPAL ACCOUNTING POLICIES

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

Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the Period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the Period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations. The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

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 on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

<u>Short-term leases</u>

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

<u>Right-of-use assets</u>

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

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 is 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 condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") 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 recognizes 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 as 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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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.

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.

Taxation

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 relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

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

Lease modification

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.

Transition and summary of effects arising from initial application of HKFRS 16

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16 C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of Rmb270,155,000 and right-of-use assets of Rmb389,605,000 at January 1, 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities range from 4.7512% to 5.0284%.

	At January 1, 2019
	Rmb'000
Operating lease commitments disclosed as at December 31, 2018	**338,383**
Lease liabilities discounted at relevant incremental borrowing rates	**276,537**
Less: Recognition exemption – short-term leases	**(6,382)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at January 1, 2019	**270,155**
Analysed as:	
Current	**67,865**
Non-current	**202,290**
	270,155

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets
	Rmb'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	270,155
Reclassified from prepaid lease payments *(Note)*	119,450
	389,605
By class:	
Leasehold lands	119,450
Land and buildings	270,155
	389,605

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to Rmb4,822,000 and Rmb114,628,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at January 1, 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at January 1, 2019.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the management considered the impact insignificant and therefore such deposits were not adjusted to reflect the discounting effect at transition.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018	Adjustments	Carrying amounts under HKFRS 16 at January 1, 2019
	Rmb'000	*Rmb'000*	*Rmb'000*
NON-CURRENT ASSETS			
Prepaid lease payments	114,628	(114,628)	–
Right-of-use assets	–	389,605	389,605
CURRENT ASSETS			
Prepaid lease payments	4,822	(4,822)	–
CURRENT LIABILITIES			
Lease liabilities	–	67,865	67,865
NON-CURRENT LIABILITIES			
Lease liabilities	–	202,290	202,290

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

Except for the below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

Convertible bonds

Convertible bonds contain equity component

The component parts of the convertible bonds 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 capital and share premium. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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.

4. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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

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

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

For the six months ended June 30, 2018 (Unaudited and restated)

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Revenue – external customers	3,789,669	1,513,651	87,127	5,390,447
Segment profit	1,674,081	251,648	147,561	2,073,290

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

Revenue from major services

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

	For the six months ended June 30,	
	2019	2018
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Toll operation revenue	**3,882,344**	3,789,669
Commission and fee income from securities operation	**853,765**	809,206
Interest income from securities operation	**787,455**	704,445
Hotel and catering revenue	**80,085**	87,127
Construction revenue	**118,452**	–
Total	**5,722,101**	5,390,447

5. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2019	2018
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Interest income on bank balances and entrusted loan receivables	**15,636**	29,233
Rental income	**33,965**	34,449
Handling fee income	**254**	2,008
Towing income	**3,043**	3,232
(Loss) gain on change in fair value in respect of the derivative component of convertible bond	**(21,002)**	109,334
Exchange gain, net	**11,853**	66,823
Gain (loss) on commodity trading, net	**7,887**	(9,102)
Management fee income	**15,338**	11,493
Others	**36,815**	30,259
Total	**103,789**	277,729

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2019	2018
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**812,856**	639,800
Deferred tax	**(119,885)**	(66,515)
	692,971	573,285

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

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

7. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	For the six months ended June 30,	
	2019	2018
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Profit for the Period attributable to owners of the Company	**1,977,610**	1,835,053
Earnings for the purpose of basic earnings per share	**1,977,610**	1,835,053
Effect of dilutive potential ordinary shares arising from convertible bond	**66,730**	(94,405)
Earnings for the purpose of diluted earnings per share	**2,044,340**	1,740,648

Number of shares

	For the six months ended June 30,	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic earnings per share	**4,343,115**	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	**253,866**	241,482
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,596,981**	4,584,597

For the six months ended June 30, 2019, the computation of diluted earnings per share does not assume to the conversion of outstanding convertible bond issued by Zheshang Securities Co., Ltd. ("Zheshang Securities"), since their exercise would result in an increase in earnings per share.

8. TRADE RECEIVABLES

	As at June 30, 2019	As at December 31, 2018
	Rmb'000	*Rmb'000*
	(Unaudited)	(Unaudited and restated)
Trade receivables		
– goods and services	**281,721**	245,313
Less: Allowance for credit losses	**(3,354)**	(3,236)
	278,367	242,077
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	**4,757**	10,910
Third parties	**276,964**	234,403
Total trade receivables	**281,721**	245,313

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 respect expressway fee settlement centre of Zhejiang Province and Anhui Province, Transportation Bureau of Yuhang County of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, which are normally settled within 3 months. All of these trade receivables were not past due in both periods.

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

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

	As at June 30, 2019 *Rmb'000* **(Unaudited)**	As at December 31, 2018 *Rmb'000* (Unaudited and restated)
Within 3 months	**229,086**	205,921
3 months to 1 year	**44,661**	30,004
1 to 2 years	**2,327**	4,077
Over 2 years	**2,293**	2,075
Total	**278,367**	242,077

9. TRADE PAYABLES

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

	As at June 30, 2019 *Rmb'000* **(Unaudited)**	As at December 31, 2018 *Rmb'000* (Unaudited and restated)
Within 3 months	**303,774**	366,135
3 months to 1 year	**177,611**	72,282
1 to 2 years	**52,849**	61,285
2 to 3 years	**76,999**	70,527
Over 3 years	**571,413**	728,869
Total	**1,182,646**	1,299,098

10. CONVERTIBLE BONDS

Convertible bond denominated in Euro

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 I"). The Convertible Bond I is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

(1) Conversion right

The Convertible Bond I will, at the option of the holder (the "Bondholders I"), 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 I") 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 I is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at June 30, 2019, the Conversion Price I is HK$11.35 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 I at 100 percent of its outstanding principal amount on April 21, 2022 (the "Maturity Date I").

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

(a) at any time after April 21, 2020 but prior to the Maturity Date I, 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 I (translated into Euro at the Fixed Exchange Rate); or

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

(iii) Redemption at the option of the Bondholders I

The Company will, at the option of the Bondholders I, 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 the Put Option Date.

The Convertible Bond I comprises two components:

(1) Debt component was initially measured at fair value amounted to approximately Euro297,801,000 (equivalent to Rmb2,190,578,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.28%.

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

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond I 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 of the corresponding period of 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 I using the effective interest method.

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

The movement of the debt and derivative components of the Convertible Bond I for the Period 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*
Opening balance (Audited)	317,553	2,491,934	27,746	217,729	345,299	2,709,663
Exchange realignment	–	(9,023)	–	–	–	(9,023)
Interest charge	6,792	52,495	–	–	6,792	52,495
Loss on change in fair value	–	–	2,794	21,002	2,794	21,002
Closing balance (Unaudited)	324,345	2,535,406	30,540	238,731	354,885	2,774,137

No conversion or redemption of the Convertible Bond I has occurred up to June 30, 2019.

Convertible bond denominated in Rmb

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 II"). The Convertible Bond II was listed on Shanghai Stock Exchange. The coupon rate is 0.2% for the first year, 0.5% for the second year, 1.0% for the third year, 1.5% for the fourth year, 1.8% for the fifth year, 2.0% for the sixth year, and will be paid annually.

Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), a subsidiary of the Group, subscribed the Convertible Bond II with a principal of Rmb875,000,000 upon issuance of Convertible Bond II, and sold part of which to independent third parties through the open market subsequently during the Period.

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

(1) Conversion right

The Convertible Bond II will, at the option of the holders of the Convertible Bond II ("Bondholders II"), 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 with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price II") of Rmb12.53 per share. The Conversion Price II will be adjusted when Zheshang Securities distributes stock dividends, capitalizes 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 II issued). When the share price of Zheshang Securities is less than 80% of the Conversion Price II for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond II (the "Maturity Date II"), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on Conversion Price II, and submits it to the shareholder's meeting of Zheshang Securities for approval. As at June 30, 2019, the latest Conversion Price II was Rmb12.46 per share.

(2) Redemption rights

(i) Redemption at maturity

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

(ii) Redemption on condition

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

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

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

At initial recognition, the equity component of the Convertible Bond II was separated from the debt component. The equity component is recorded as non-controlling interests. The early redemption option is considered as closely related to the debt component.

Changes in the debt component of the Convertible Bond II since the issuance of Convertible Bond II to June 30, 2019 is set out as below:

	As at June 30, 2019
	Rmb'000
Balance on issuance day	**2,211,479**
Issue cost	**(10,126)**
Interest charge	**31,350**
Addition *(Note)*	**273,929**
Closing balance (Unaudited)	**2,506,632**

Note: Shangsan Co subscribed the Convertible Bond II with a principal of Rmb875,000,000 upon issuance of Convertible Bond II, and sold part of which to independent third parties through the open market subsequently during the Period.

As at June 30, 2019, none of the Bondholders II has exercised any conversion rights and Zheshang Securities has not exercised the redemption rights as well.

BUSINESS REVIEW

In the first half of 2019, the Chinese economy maintained stable growth with a positive outlook, despite the relatively complicated macroeconomic conditions both in China and abroad. As the economy in China continued to evolve, national GDP rose 6.3% year-on-year. During the Period, Zhejiang Province's GDP rose 7.1% year-on-year, which was 0.8 percentage points higher than the national rate. The total output value of services, consumption, imports and exports, and digital economy in Zhejiang Province increased 8.3%, 9.3%, 5.7% and 11.6% year-on-year, respectively, which drove the province's overall economy to achieve medium-to-high growth.

During the Period, global economy and trade slowed as a result of a number of uncertainties in the international markets. Meanwhile, the Chinese economy is still facing prominent structural problems and downward pressure. The traffic volume on the Group's expressways continued to grow, but at a slower pace. Revenue from Zheshang Securities increased as supported by the pick-up in the Chinese capital markets. The Group's total revenue was Rmb5,722.10 million, representing an increase of 6.2% year-on-year, of which Rmb3,882.34 million was generated by the seven major expressways operated by the Group, representing an increase of 2.4% year-on-year and 67.8% of total revenue. The revenue generated by the securities business was Rmb1,641.22 million, representing an increase of 8.4% year-on-year and 28.7% of the total revenue.

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

	For the six months ended June 30,		
	2019	2018	
	Rmb'000	*Rmb'000*	% Change
Toll revenue			
Shanghai-Hangzhou-Ningbo Expressway	**1,997,255**	1,930,874	3.4%
Shangsan Expressway	**585,824**	616,614	-5.0%
Jinhua section, Ningbo-Jinhua Expressway	**204,034**	184,333	10.7%
Hanghui Expressway	**287,703**	259,853	10.7%
Huihang Expressway	**76,652**	74,173	3.3%
Shenjiahuhang Expressway	**330,300**	334,782	-1.3%
Zhoushan Bridge	**400,576**	389,040	3.0%
Securities business revenue			
Commission and fee income	**853,765**	809,206	5.5%
Interest income	**787,455**	704,445	11.8%
Other operation revenue			
Hotel operations	**80,085**	87,127	-8.1%
Construction revenue	**118,452**	–	N/A
Total revenue	**5,722,101**	5,390,447	6.2%

Toll Road Operations

During the Period, traffic volume on the Group's expressways experienced solid organic growth, benefitting from Zhejiang Province's favorable economic development. The varied rates of growth reflect the different regions in which the seven expressways are located.

The traffic volume on a number of the Group's expressways increased, benefitting from an adjustment of toll collection rules made by the Yuhang District Government and the Lin'an District Government of Hangzhou City, as well as the Yiwu Municipal Government.

According to the new rules, during a two-year period that started on September 28, 2017, the Yuhang District Government pays the toll between the Yuhang and Hangzhou sections of the Shanghai-Hangzhou Expressway for all Hangzhou passenger vehicles that have ETC registration. In addition, for a two-year period that started on September 15, 2018, the Yiwu Municipal Government pays the toll for all passenger vehicles that have ETC registration and are travelling on expressways within the border of Yiwu. For a one-year period that started on January 1, 2019, the Lin'an District Government also pays the toll for all passenger vehicles that have ETC registration and are travelling on the Hangzhou-Lin'an section of the Hanghui Expressway.

In addition, the "Regulations on Overloaded Trucks on Expressways" in Zhejiang Province were implemented on January 1, 2019. The new policy served to boost truck traffic on the Group's expressways.

During the Period, the following factors had a negative impact on the traffic volume and toll income on the Group's expressways.

For a two-year period that started on January 1, 2019, all qualified trucks that are in compliance with regulations and use Zhejiang Province's non-cash payment cards or ETC cards enjoy a 15% discount on tolls on a trial basis when travelling on the state-owned expressways of Zhejiang Province. The new rule caused a decrease in the overall toll income on the Group's expressways.

The traffic volume on the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was adversely impacted by the completion of construction of the Yuhang section of the Hangzhou urban elevated highway and the National Highway G320, which is parallel to the section, while the traffic control on the F Ramp of the Hongken Hub in the Xiaoshan District of Hangzhou City affected traffic volume on the Hangzhou-Ningbo section of the Shanghai-Hangzhou-Ningbo Expressway.

The Zhangzhen toll station on National Highway G104, which is parallel to the Shangsan Expressway, ceased toll collection on June 1, 2018, which negatively affected traffic volume on the Shangsan Expressway.

In addition, the Hangzhou-Huangshan High-speed Railway opened on December 25, 2018, which caused a decrease in passenger vehicle volume on the Huihang and Hanghui Expressways.

During the Period, 20 days of cut-off construction on the Lianshi-Hangzhou Section of the Shenjiahuhang Expressway, and road construction in the surrounding areas, resulted in a decrease in traffic volume on the Shenjiahuhang Expressway.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km 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 Bridge was Rmb3,882.34 million.

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

The Group's Expressways	**Traffic Volume**		**Toll**	
	Average Traffic Volume in Full-Trip Equivalents *(Vehicle)*	**Year-on-year Growth**	**Toll Revenue** *(Rmb million)*	**Year-on-year Growth**
Shanghai-Hangzhou-Ningbo Expressway	60,737	0.9%	1,997.26	3.4%
– Shanghai-Hangzhou Section	60,832	-4.4%		
– Hangzhou-Ningbo Section	60,670	4.2%		
Shangsan Expressway	29,945	-4.1%	585.82	-5.0%
Jinhua Section, Ningbo-Jinhua Expressway	23,195	13.7%	204.03	10.7%
Hanghui Expressway	21,842	11.9%	287.70	10.7%
Huihang Expressway	9,235	4.9%	76.65	3.3%
Shenjiahuhang Expressway	28,832	5.0%	330.30	-1.3%
Zhoushan Bridge	20,113	5.4%	400.58	3.0%

Securities Business

During the Period, as the domestic stock market started to pick up, trading volume on the Shanghai and Shenzhen stock markets increased by a total of 29.4% year-on-year, which helped to drive growth at Zheshang Securities. During the Period, the securities brokerage and proprietary trading businesses experienced favorable growth, whereas the investment banking, asset management, margin financing and securities lending businesses recorded varied levels of declines.

During the Period, Zheshang Securities recorded total revenue of Rmb1,641.22 million, an increase of 8.4% year-on-year, of which, commission and fee income increased 5.5% year-on-year to Rmb853.77 million, and interest income from the securities business was Rmb787.45 million, an increase of 11.8% year-on-year. In addition, during the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb609.28 million, an increase of 328.9% year-on-year.

Other Business Operations

During the Period, other business revenue was mainly derived from hotel operations and road construction.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb46.55 million for the Period. Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company, which was acquired for a cash consideration of Rmb1,010,144,600 on June 5, 2019), recorded revenue of Rmb33.54 million for the Period.

Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company), recorded road construction revenue of Rmb118.45 million for the Period.

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 20,735, representing an increase of 1.86% year-on-year. Toll revenue was Rmb203.55 million. The joint venture reported a net profit of Rmb24.38 million, representing an increase of 4.6% year-on-year.

Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate of the Company) derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd. ("Communications Group"), the controlling shareholder of the Company. During the Period, as interest expense increased substantially year-on-year, the associate company recorded a net profit of Rmb214.57 million, representing a decrease of 11.6% year-on-year.

Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate of the Company) is primarily engaged in the finance leasing business, which includes the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the China Banking Regulatory Commission. During the Period, due to an increase in provisions caused by a substantial increase in non-performing assets ratio, the associate company recorded a net profit of Rmb135.54 million, representing a decrease of 19.6% year-on-year.

Shanghai Rural Commercial Bank Co., Ltd. (a 5.36% owned associate of the Company) is primarily engaged in commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. During the Period, the share of profit of this associate included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb235.63 million.

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 Rmb1,977.61 million, representing an increase of 7.8% over the corresponding period of 2018, basic earnings per share for the Company was Rmb45.53 cents, representing an increase of 7.8% year-on-year, diluted earnings per share for the Company was Rmb44.47 cents, representing an increase of 17.1%, and return on owners' equity was 10.0%, representing an increase of 19.0% year-on-year.

Liquidity and financial resources

As at June 30, 2019, current assets of the Group amounted to Rmb73,160.25 million in aggregate (December 31, 2018 (Restated): Rmb58,116.68 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 11.7% (December 31, 2018 (Restated): 11.8%), bank balances and clearing settlement fund held on behalf of customers accounted for 28.1% (December 31, 2018 (Restated): 25.4%), financial assets at fair value through profit or loss accounted for 34.1% (December 31, 2018 (Restated): 37.1%) and loans to customers arising from margin financing business accounted for 10.6% (December 31, 2018 (Restated): 10.1%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2019 was 1.30 (December 31, 2018 (Restated): 1.50). 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, 2018 (Restated): 1.80).

The amount of financial assets at fair value through profit or loss included in current assets of the Group as at June 30, 2019 was Rmb24,945.16 million (December 31, 2018: Rmb21,558.61 million), of which 85.2% was invested in bonds, 3.7% was invested in stocks, 5.5% was invested in equity funds, and the rest were invested in structured products and trust products.

During the Period, net cash used in the Group's operating activities amounted to Rmb2,186.44 million, net cash generated from the Company's operating activities amounted to Rmb934.96 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

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

Borrowings and solvency

As at June 30, 2019, total liabilities of the Group amounted to Rmb78,625.60 million (December 31, 2018 (Restated): Rmb60,833.67 million), of which 17.3% was bank and other borrowings, 4.7% was short-term financing note, 20.0% was bonds payable, 6.7% was convertible bonds, 17.4% was financial assets sold under repurchase agreements and 26.1% was accounts payable to customers arising from securities business.

As at June 30, 2019, total interest-bearing borrowings of the Group amounted to Rmb38,307.06 million, representing an increase of 26.1% compared to that as at December 31, 2018. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb6,270.32 million, borrowings from a domestic financial institution of Rmb5,145.55 million, borrowings from domestic institutions of Rmb2,201.12 million, beneficial certificates of Rmb158.37 million, short-term financing notes of Rmb3,522.45 million, mid-term notes of Rmb1,407.70 million, subordinated bonds of Rmb12,375.73 million, corporate bonds of Rmb1,945.05 million, convertible bonds denominated in Rmb of Rmb2,506.63 million, and convertible bonds denominated in Euro that equivalents to Rmb2,774.14 million. Of the interest-bearing borrowings, 60.4% was not payable within one year.

As at June 30, 2019, the Group's borrowings from domestic commercial banks bore annual floating interest rates ranged from 4.41% to 4.9% and an annual fixed interest rate of 3.6975%, borrowings from a domestic financial institution bore annual floating interest rates ranged from 3.915% to 4.41%, borrowings from the domestic institutions bore annual fixed interest rates ranged from 3.0% and 6.22% and an annual floating interest of 4.1325%. As at June 30, 2019, the annual fixed interest rates of beneficial certificates were 3.0% and 3.15%, the annual floating interest rate of beneficial certificates was 2.4%, the annual fixed interest rate for short-term financing notes was 3.04%, the annual fixed interest rate for mid-term notes was 3.86%, the fixed annual interest rates for subordinated bonds were between 3.63% and 5.68%, the annual fixed interest rate for corporate bonds was 3.08%, the annual coupon rate for convertible bonds denominated in Euro was nil, and the annual coupon rate for convertible bonds denominated in Rmb was 0.2%. While the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses and profit before interest and tax for the Period amounted to Rmb767.98 million and Rmb3,810.01 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.0 (Corresponding period of 2018 (Restated): 5.1) times.

As at June 30, 2019, the asset-liability ratio (total liabilities over total assets) of the Group was 72.4% (December 31, 2018 (Restated): 64.9%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 66.1% (December 31, 2018 (Restated): 58.5%).

Capital structure

As at June 30, 2019, the Group had Rmb29,915.84 million in total equity, Rmb61,407.96 million in fixed-rate liabilities, Rmb11,338.91 million in floating-rate liabilities, and Rmb5,878.74 million in interest-free liabilities, representing 27.6%, 56.6%, 10.4% and 5.4% 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 194.2% as at June 30, 2019 (December 31, 2018 (Restated): 140.5%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb4,144.33 million. Amongst the total capital expenditure, Rmb3,953.15 million was incurred for acquiring equity investments, Rmb156.96 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb34.22 million was incurred for purchase and construction of equipment and facilities.

As at June 30, 2019, the remaining capital expenditure committed by the Group amounted to Rmb2,058.47 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb750.00 million will be used for acquiring equity investments, Rmb276.90 million will be used for acquisition and construction of properties and ancillary facilities, Rmb1,031.57 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 loan principal of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb85.00 million of the bank loan principal had been repaid. As at June 30, 2019, the remaining bank loan principal balance is Rmb1,388.00 million.

Except for the above, as at June 30, 2019, 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 Co., Ltd.) operating in Hong Kong, and (iii) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro 365.00 million in Hong Kong capital market in 2017, which will be due in April 2022, the Group's principal operations were transacted and booked in Renminbi.

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

OUTLOOK

In the first half of 2019, amid the slowdown in the global economy and intensified trade frictions, China's economy continued to make steady progress as it continued its transition to high-quality development. Looking ahead to the second half of 2019, it is expected that the economy will continue to face downward pressure as the economic landscape at home and abroad remains complicated. The overall toll income on the Group's expressways is expected to continue to grow, but at a slower rate.

Given that China has announced that it will remove expressway toll stations on provincial borders, the Company will continue to promote the construction of ETC lanes to enhance traffic efficiency at its toll stations, improve its expressway service capabilities, and deepen its efforts to build up the Company brand. The Company will also speed up the implementation of intelligent applications for the Shanghai-Hangzhou-Ningbo Expressway and improve its big data analytic capabilities for road networks, with an aim to increase traffic volume, assure safe and smooth traffic flow, and actively strengthen the Company's core competitiveness in intelligent expressways.

As China further improves its capital markets and steadily opens up its capital account, the Group anticipates that new opportunities will present themselves for its securities business. Zheshang Securities will exercise prudent judgment and thoroughly understand policy guidance as it actively pushes forward with its business transformation, continues to develop unique advantages in financial services, strengthens its competitive differentiation and improves its influence in the market.

In the second half of 2019, the management of the Company will focus on improving its service quality and business operations, and consolidating its core business while exploring new opportunities. In particular, the Company will continue to strengthen its main toll road business and make sure that all of its expressway toll stations on provincial borders are removed as scheduled to provide a better experience for passengers and drivers, and make a greater contribution to the country's social and economic development. For the securities business, the Company will continue to grow and optimize its business and fully improve its core competitiveness. The Company will also seek suitable investment opportunities through diversified channels to further expand its asset base and profitability.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's shares during the Period

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

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

Hangzhou, the PRC, August 23, 2019

As at the date of this announcement, the Chairman of the Company is Mr.YU Zhihong; the executive Directors of the Company are: Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive Directors of the Company are: Mr. DAI Benmeng, Mr. YU Qunli, and Mr. YU Ji; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, and Mr. CHEN Bin.