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

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

(Stock code: 0576)

2019 ANNUAL RESULTS ANNOUNCEMENT

- Revenue was Rmb11,955.27 million, representing an increase of 6.8% year-on-year
- Profit attributable to owners of the Company was Rmb3,711.12 million, representing an increase of 5.6%
- Basic earnings per share was Rmb85.45 cents, and diluted earnings per share was Rmb82.37 cents
- A dividend of Rmb35.5 cents per share was recommended

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2019 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb11,955.27 million, representing an increase of 6.8% over 2018. Profit attributable to owners of the Company was Rmb3,711.12 million, representing an increase of 5.6% year-on-year. Basic earnings per share for the Period was Rmb85.45 cents (2018 (Restated): Rmb80.94 cents), and diluted earnings per share for the Period was Rmb82.37 cents (2018 (Restated): Rmb76.27 cents).

The Board of Directors recommended a dividend of Rmb35.5 cents per share (2018: dividend Rmb37.5 cents per share). The dividend is subject to shareholders’ approval at the Company’s 2019 annual general meeting.

The audit committee of the Company has reviewed the Group's consolidated financial statements of the Period. Set out below are the audited consolidated statement of profit or loss and other comprehensive income for the Period and consolidated statement of financial position as at December 31, 2019, with comparative figures for 2018, and relevant notes to the consolidated financial statements:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended	
		December 31,	
		2019	2018
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<u> </u>	<u>(Restated)</u>
Revenue	4	11,955,266	11,192,199
Including: interest income under effective interest method		1,572,835	1,458,476
Operating costs		(6,680,965)	(5,806,810)
Gross profit		5,274,301	5,385,389
Securities investment gains		1,402,684	512,449
Other income and gains and losses	5	260,267	404,128
Administrative expenses		(136,356)	(123,391)
Other expenses		(127,135)	(100,204)
Impairment losses under expected credit loss model, net of reversal		31,877	45,787
Share of profit of associates		652,824	350,578
Share of profit of a joint venture		34,941	30,037
Finance costs		(1,626,809)	(1,396,806)
Profit before tax		5,766,594	5,107,967
Income tax expense	6	(1,351,695)	(1,113,454)
Profit for the year		4,414,899	3,994,513
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		922	2,253
Other comprehensive income for the year, net of income tax		922	2,253
Total comprehensive income for the year		4,415,821	3,996,766

		For the year ended	
		December 31,	
		2019	2018
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i> (Restated)
		<u> </u>	<u> </u>
Profit for the year attributable to :			
Owners of the Company		3,711,118	3,515,095
Non-controlling interests		703,781	479,418
		<u>4,414,899</u>	<u>3,994,513</u>
Total comprehensive income attributable to:			
Owners of the Company		3,711,551	3,516,152
Non-controlling interests		704,270	480,614
		<u>4,415,821</u>	<u>3,996,766</u>
Earnings per share			
Basic (Rmb cents)	8	<u>85.45</u>	<u>80.94</u>
Diluted (Rmb cents)		<u>82.37</u>	<u>76.27</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2019	As at December 31, 2018	As at January 1, 2018
<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i> (Restated)	<i>Rmb'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	4,280,735	3,733,201	3,839,727
Right-of-use assets	379,031	–	–
Prepaid lease payments	–	114,628	119,450
Expressway operating rights	22,867,446	24,783,413	26,650,674
Goodwill	86,867	86,867	86,867
Other intangible assets	182,851	173,680	161,532
Interests in associates	6,080,155	5,211,412	1,686,227
Interest in a joint venture	368,043	333,102	303,065
Financial assets at fair value through profit or loss (“FVTPL”)	16,898	17,200	711,715
Contract assets	686,557	252,868	–
Deferred tax assets	924,602	933,837	940,584
	35,873,185	35,640,208	34,499,841
CURRENT ASSETS			
Inventories	333,261	159,339	133,428
Trade receivables	319,339	245,102	276,127
Loans to customers arising from margin financing business	8,751,643	5,850,084	7,967,473
Other receivables and prepayments	424,182	453,493	497,063
Prepaid lease payments	–	4,822	4,822
Dividends receivable	2,005	–	–
Derivative financial assets	6,250	4,169	4,587
Financial assets at FVTPL	22,235,480	21,558,606	14,671,864
Financial assets held under resale agreements	8,110,354	8,206,182	9,805,161
Bank balances and clearing settlement fund held on behalf of customers	20,141,931	14,742,161	15,035,007
Pledged bank deposit	–	10,000	–
Bank balances, clearing settlement fund, deposits and cash			
– Time deposits with original maturity over three months	302,726	280,913	20,000
– Cash and cash equivalents	8,076,598	6,601,784	5,719,029
	68,703,769	58,116,655	54,134,561

	As at December 31, 2019 <i>Rmb'000</i>	As at December 31, 2018 <i>Rmb'000</i> (Restated)	As at January 1, 2018 <i>Rmb'000</i> (Restated)
	<i>Notes</i>		
CURRENT LIABILITIES			
Placements from other financial institutions	270,000	400,679	–
Accounts payable to customers arising from securities business	20,024,356	14,653,413	14,933,719
Trade payables	10 1,387,856	1,299,098	1,761,166
Tax liabilities	537,868	479,469	608,284
Other taxes payable	149,735	104,216	97,080
Other payables and accruals	2,049,479	1,740,575	5,083,150
Contract liabilities	15,674	7,572	19,614
Dividends payable	1,342	847	261,239
Derivative financial liabilities	5,565	3,818	3,941
Bank and other borrowings	4,598,533	2,625,393	1,193,928
Short-term financing note payable	6,532,990	1,551	765,089
Bonds payable	2,281,229	5,766,458	1,488,098
Convertible bonds	11 2,793,103	–	–
Financial assets sold under repurchase agreements	9,017,680	11,086,710	10,566,693
Financial liabilities at FVTPL	321,883	364,714	373,427
Lease liabilities	70,577	–	–
	50,057,870	38,534,513	37,155,428
NET CURRENT ASSETS	18,645,899	19,582,142	16,979,133
TOTAL ASSETS LESS CURRENT LIABILITIES	54,519,084	55,222,350	51,478,974
NON-CURRENT LIABILITIES			
Bank and other borrowings	6,421,600	9,817,600	9,092,700
Bonds payable	12,892,042	9,450,000	8,850,000
Convertible bonds	11 2,687,228	2,709,663	2,720,654
Deferred tax liabilities	347,331	321,889	394,434
Lease liabilities	188,772	–	–
	22,536,973	22,299,152	21,057,788
	31,982,111	32,923,198	30,421,186
CAPITAL AND RESERVES			
Share capital	4,343,115	4,343,115	4,343,115
Reserves	17,250,900	19,121,111	16,907,893
Equity attributable to owners of the Company	21,594,015	23,464,226	21,251,008
Non-controlling interests	10,388,096	9,458,972	9,170,178
	31,982,111	32,923,198	30,421,186

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance (the “CO”).

2. MERGER ACCOUNTING RESTATEMENT

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the HKICPA.

- (i) 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”) at 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 Bay Bridge (G9211) within National Expressway Network. The acquisition has been approved on March 4, 2019 and subsequently completed on April 9, 2019 and Shenjiahuhang Co then became a wholly owned subsidiary of the Company.
- (ii) 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 Limited (“Zhejiang Grand Hotel”) at a cash consideration of Rmb1,010,144,600. Zhejiang Grand Hotel is principally engaged in the operation of hotel, retail, rental and food and beverages businesses. The acquisition was completed on June 14, 2019 and Zhejiang Grand Hotel then became a wholly owned subsidiary of the Company.

Since Communications Group is the immediate and ultimate holding company of the Company, the above acquisitions were regarded as business combinations involving entities under common control and were accounted for using AG5. As a result, the comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended December 31, 2018 and the consolidated statement of financial position as at December 31, 2018 and January 1, 2018 have therefore been restated, in order to include the financial performance, assets and liabilities of the combining entities since the date on which they first come under common control.

3. PRINCIPAL ACCOUNTING POLICIES

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.

Except as disclosed below, the accounting policies and methods of computation applied in the consolidated financial statements for the Period are consistent with those in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 current year has had no material impact on the Group's positions and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

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 standard 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 or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- v. 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.

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 the relevant group entities range from 4.7512% to 5.0284%.

	At January 1, 2019 <u>Rmb'000</u>
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	<u>(6,382)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at January 1, 2019	<u><u>270,155</u></u>
Analysed as	
Current	67,865
Non-current	<u>202,290</u>
	<u><u>270,155</u></u>

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

	Right-of-use assets <i>Rmb'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	270,155
Reclassified from prepaid lease payments (<i>Note</i>)	119,450
	<u>389,605</u>

Note: Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at December 31, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to Rmb4,822,000 and Rmb14,628,000 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.

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 consolidated statement of financial position at January 1, 2019.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. 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 that the impact on the Group's consolidated statement of financial position at January 1, 2019 is insignificant.

Impacts on each financial statement line item arising from the application of all new standards

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 <i>Rmb'000</i>	Adjustments <i>Rmb'000</i>	Carrying amounts under HKFRS 16 at January 1, 2019 <i>Rmb'000</i>
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 year ended December 31, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

4. 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, 2019

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

For the year ended December 31, 2018 (Restated)

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue – external customers	<u>7,854,484</u>	<u>2,921,274</u>	<u>416,441</u>	<u>11,192,199</u>
Segment profit	<u>3,147,606</u>	<u>468,665</u>	<u>378,242</u>	<u>3,994,513</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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		
	As at December 31, 2019 <i>Rmb'000</i>	As at December 31, 2018 <i>Rmb'000</i> (Restated)	As at January 1, 2018 <i>Rmb'000</i> (Restated)	As at December 31, 2019 <i>Rmb'000</i>	As at December 31, 2018 <i>Rmb'000</i> (Restated)	As at January 1, 2018 <i>Rmb'000</i> (Restated)
Toll operation	28,943,860	30,090,897	32,789,270	(19,575,212)	(17,159,312)	(18,510,053)
Securities operation	67,965,409	57,254,963	53,215,230	(52,390,763)	(43,326,330)	(39,424,352)
Others	7,580,818	6,324,136	2,543,035	(628,868)	(348,023)	(278,811)
Total segment assets (liabilities)	104,490,087	93,669,996	88,547,535	(72,594,843)	(60,833,665)	(58,213,216)
Goodwill	86,867	86,867	86,867	-	-	-
Consolidated assets (liabilities)	<u>104,576,954</u>	<u>93,756,863</u>	<u>88,634,402</u>	<u>(72,594,843)</u>	<u>(60,833,665)</u>	<u>(58,213,216)</u>

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

Other segment information

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

For the year ended December 31, 2019

	Toll operation	Securities operation	Others	Total
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Income tax expense	1,024,200	318,907	8,588	1,351,695
Interest income on bank balances and entrusted loan receivables	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	–	–	(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

For the year ended December 31, 2018 (Restated)

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Income tax expense	943,976	161,225	8,253	1,113,454
Interest income on bank balances and entrusted loan receivables	61,483	–	305	61,788
Interest expenses	690,837	694,454	11,515	1,396,806
Impairment losses on loan to customers arising from margin financing business, reversed in profit	–	37,190	–	37,190
Impairment losses on trade receivables net of reversal	(352)	(711)	(11)	(1,074)
Impairment losses on contract assets	–	–	(380)	(380)
Interests in associates	–	297,896	4,913,516	5,211,412
Interest in a joint venture	333,102	–	–	333,102
Share of (loss) profit of associates	–	(2,904)	353,482	350,578
Share of profit of a joint venture	30,037	–	–	30,037
Net gains arising from financial assets at FVTPL	–	526,479	–	526,479
Gain on changes in fair value in respect of the derivative component of convertible bond	127,094	–	–	127,094
Additions to non-current assets (<i>Note</i>)	216,514	98,976	3,226,013	3,541,503
Depreciation and amortisation	2,125,937	113,943	37,598	2,277,478

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

Revenue from major services

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

	For the year ended December 31,	
	2019	2018
	<i>Rmb'000</i>	<i>Rmb'000</i> (Restated)
Toll operation revenue	8,061,007	7,854,484
Commission and fee income from securities operation	1,727,942	1,462,798
Interest income from securities operation	1,572,835	1,458,476
Hotel and catering revenue	169,576	177,861
Revenue from construction	423,906	238,580
Total	<u>11,955,266</u>	<u>11,192,199</u>

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, 2019 and 2018, there was no individual customer with sales over 10% of the total revenue of the Group.

5. OTHER INCOME AND GAINS AND LOSSES

	For the year ended	
	December 31,	
	2019	2018
	Rmb'000	Rmb'000
		(Restated)
	<u> </u>	<u> </u>
Interest income on bank balances and entrusted loan receivables	34,369	61,788
Rental income (<i>Note i</i>)	68,532	74,364
Handling fee income	278	3,188
Towing income	6,368	6,572
Gain on changes in fair value in respect of the derivative component of convertible bond	17,547	127,094
Exchange gain, net	14,269	55,637
Gain (loss) on commodity trading, net (<i>Note ii</i>)	6,443	(17,893)
Management fee income	34,313	26,949
Others	78,148	66,429
	<u> </u>	<u> </u>
Total	<u>260,267</u>	<u>404,128</u>

Notes:

- (i) Rental income included contingent rent of Rmb2,158,000 (2018: Rmb3,895,000) recognised during the year.
- (ii) The income on commodity trading amounted to Rmb2,289,986,000 with the cost of 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 Rmb329,704,000 as of December 31, 2019.

6. INCOME TAX EXPENSE

	For the year ended	
	December 31,	
	2019	2018
	Rmb'000	Rmb'000
		(Restated)
	<u> </u>	<u> </u>
Current tax:		
PRC Enterprise Income Tax ("EIT")	1,317,018	1,179,252
Deferred tax	34,677	(65,798)
	<u> </u>	<u> </u>
	<u>1,351,695</u>	<u>1,113,454</u>

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.

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:

	For the year ended	
	December 31,	
	2019	2018
	<i>Rmb'000</i>	<i>Rmb'000</i>
		(Restated)
	<u> </u>	<u> </u>
Profit before tax	5,766,594	5,107,967
	<u> </u>	<u> </u>
Tax at the PRC enterprise income tax rate of 25% (2018: 25%)	1,441,649	1,276,992
Tax effect of share of profit of associates	(163,206)	(87,645)
Tax effect of share of profit of a joint venture	(8,735)	(7,509)
Tax effect of tax losses not recognised	37,164	9,931
Utilisation of unused tax loss previously not recognised	(5,630)	(53,377)
Tax effect of expenses not deductible for tax purposes	58,128	12,962
Tax effect of income not subjected to tax purpose	(7,675)	(37,900)
	<u> </u>	<u> </u>
Income tax expense for the year	1,351,695	1,113,454
	<u> </u>	<u> </u>

7. DIVIDENDS

	For the year ended	
	December 31,	
	2019	2018
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u> </u>	<u> </u>
Dividends recognised as distribution during the year:		
2018 – Rmb37.5 cents		
(2018: 2017 Final – Rmb30.0 cents per share)	1,628,668	1,302,934
	<u> </u>	<u> </u>

Dividend of Rmb35.5 cents per share in respect of the year ended December 31, 2019 (2018: Rmb37.5 cents per share in respect of the year ended December 31, 2018) in the total amount of Rmb1,541,806,000 (2018: Rmb1,628,668,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

8. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	For the year ended	
	December 31,	
	2019	2018
	<i>Rmb'000</i>	<i>Rmb'000</i>
		(Restated)
Profit for the year attributable to owners of the Company	<u>3,711,118</u>	<u>3,515,095</u>
Earnings for the purpose of basic earnings per share	3,711,118	3,515,095
Effect of dilutive potential ordinary shares arising from convertible bond:		
Interest expense	105,589	102,703
Exchange (gain) loss (net of income tax)	(7,103)	10,050
Gain on changes in fair value on derivative component	<u>(17,547)</u>	<u>(127,094)</u>
Earnings for the purpose of diluted earnings per share	<u><u>3,792,057</u></u>	<u><u>3,500,754</u></u>

Number of shares

	For the year ended	
	December 31,	
	2019	2018
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	<u>4,343,115</u>	<u>4,343,115</u>
Effect of dilutive potential ordinary shares arising from convertible bond	<u>260,386</u>	<u>246,632</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>4,603,501</u></u>	<u><u>4,589,747</u></u>

For the year ended December 31, 2019, the computation of diluted earnings per share does not assume to the conversion of outstanding convertible bond of Zheshang Securities Co., Ltd. (“Zheshang Securities”), since their exercise would result in an increase in earnings per share.

9. TRADE RECEIVABLES

	As at December 31, 2019 <i>Rmb'000</i>	As at December 31, 2018 <i>Rmb'000</i> (Restated)	As at January 1, 2018 <i>Rmb'000</i> (Restated)
Trade receivables			
– contracts with customers	323,767	248,409	278,360
Less: Allowance for credit losses	(4,428)	(3,307)	(2,233)
	319,339	245,102	276,127
Trade receivables (before allowance for credit losses) comprise:			
Fellow subsidiaries	9,245	14,005	13,741
Third parties	314,522	234,404	264,619
Total trade receivables	323,767	248,409	278,360

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.

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 December 31, 2019 Rmb'000	As at December 31, 2018 Rmb'000 (Restated)	As at January 1, 2018 Rmb'000 (Restated)
Within 3 months	291,295	208,011	252,550
3 months to 1 year	17,905	30,578	21,449
1 to 2 years	6,430	4,437	2,039
Over 2 years	3,709	2,076	89
Total	319,339	245,102	276,127

Movement of allowance for credit losses

	As at December 31, 2019 Rmb'000	As at December 31, 2018 Rmb'000 (Restated)
At the beginning of the year	3,307	2,233
Impairment recognised for the year	1,243	1,074
Amount reversed during the year	(122)	–
At the end of the year	4,428	3,307

10. TRADE PAYABLES

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

	As at December 31, 2019 Rmb'000	As at December 31, 2018 Rmb'000 (Restated)	As at January 1, 2018 Rmb'000 (Restated)
Within 3 months	906,748	366,135	380,565
3 months to 1 year	83,490	72,282	75,340
1 to 2 years	81,291	61,285	137,871
2 to 3 years	31,842	70,527	102,436
Over 3 years	284,485	728,869	1,064,954
Total	<u>1,387,856</u>	<u>1,299,098</u>	<u>1,761,166</u>

11. CONVERTIBLE BONDS

Convertible Bond 2017

On April 21, 2017, the Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365,000,000 (the "Convertible Bond 2017"). The Convertible Bond 2017 is listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

(1) Conversion right

The Convertible Bond 2017 will, at the option of the holder (the "Bondholders 2017"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2017") of HK\$13.10 per H share and a fixed exchange rate of HK\$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2017 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at December 31, 2019, the Conversion Price 2017 was 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 2017 at 100 percent of its outstanding principal amount on the maturity date of April 21, 2022 (the "Maturity Date 2017").

(ii) *Redemption at the option of the Company*

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

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

(iii) *Redemption at the option of the Bondholders 2017*

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

The Convertible Bond 2017 comprises two components:

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

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond 2017 are allocated to the (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 ended December 31, 2017. Transaction costs amounting to approximately Euro1,855,000 (equivalent to Rmb13,646,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2017 using the effective interest method.

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

The movement of the debt and derivative components of the Convertible Bond 2017 for the years ended December 31, 2018 and 2019 is set out as below:

	Debt component at		Derivative		Total	
	amortised cost		components at			
	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>
As at January 1, 2018	304,504	2,375,831	44,195	344,823	348,699	2,720,654
Exchange realignment	–	13,400	–	–	–	13,400
Interest charge	13,049	102,703	–	–	13,049	102,703
Gain on changes in fair value	–	–	(16,449)	(127,094)	(16,449)	(127,094)
As at December 31, 2018	<u>317,553</u>	<u>2,491,934</u>	<u>27,746</u>	<u>217,729</u>	<u>345,299</u>	<u>2,709,663</u>
Exchange realignment	–	(9,470)	–	–	–	(9,470)
Interest charge	13,591	105,589	–	–	13,591	105,589
Gain on change in fair value	–	–	(2,132)	(17,547)	(2,132)	(17,547)
As at December 31, 2019	<u>331,144</u>	<u>2,588,053</u>	<u>25,614</u>	<u>200,182</u>	<u>356,758</u>	<u>2,788,235</u>

No conversion or redemption of the Convertible Bond 2017 has occurred up to December 31, 2019.

Convertible Bond 2019

On March 12, 2019, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due 2025 in an aggregate principal amount of Rmb3,500,000,000 (the “Convertible Bond 2019”). The Convertible Bond 2019 is listed and trading on Shanghai Stock Exchange. The coupon rate is 0.2% per annum for the first year, 0.5% per annum for the second year, 1.0% per annum for the third year, 1.5% per annum for the fourth year, 1.8% per annum for the fifth year, 2.0% per annum for the sixth year, and will be paid annually.

Out of the principal amount of Rmb3,500,000,000, Rmb875,000,000 was subscribed by Zhejiang Shangsang Expressway Co., Ltd. (“Shangsang Co”), another subsidiary of the Group.

The principal terms of the Convertible Bond 2019 are set out below:

(1) Conversion right

The Convertible Bond 2019 will, at the option of the holders (the “Bondholders 2019”), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from September 19, 2019 up to March 11, 2025, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price 2019”) of Rmb12.53 per share. The Conversion Price 2019 will be adjusted when Zheshang Securities distributes stock dividends, capitalises common reserves into share capital, issues new shares or places new shares, distributes cash dividend (excluding the increase in share capital due to the conversion of the Convertible Bond 2019 issued). When the share price of Zheshang Securities is less than 80% of the Conversion Price 2019 for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond 2019 (the “Maturity Date 2019”), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on conversion price 2019, and submits it to the shareholder’s meeting of Zheshang Securities for approval. As at December 31, 2019, the Conversion Price 2019 was Rmb12.46 per share.

(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 Maturity Date 2019.

(ii) Redemption on condition

During the conversion period of the Convertible Bond 2019, upon the occurrence of any of the following two conditions, Zheshang Securities is entitled to redeem all or part of the outstanding Convertible Bond 2019 based on the par value and interest in arrears;

- (a) During the conversion period of the Convertible Bond 2019, for any 15 business days within a period of 30 consecutive business days, the closing share price of Zheshang Securities is not less than 130 percent (including 130 percent) of the Conversion Price 2019;

- (b) When the aggregate principal amount of the outstanding Convertible Bond 2019 is less than Rmb30,000,000.

Convertible Bond 2019 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2019 was separated from the liability component. As the Convertible Bond 2019 was issued by a subsidiary of the Company and is convertible into that subsidiary's own shares, the equity element is considered as non-controlling interests. The effective interest rate of the liability component is 4.1431% per annum.

Changes in the liability and equity components of the Convertible Bond 2019 since the issuance of Convertible Bond 2019 to December 31, 2019 are set out as below:

	Liability component	Equity component
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u> </u>	<u> </u>
Issuance on March 12, 2019	2,272,833	352,167
Issue cost	(10,408)	(1,613)
Interest charge	88,289	–
Addition (<i>Note i</i>)	341,526	53,174
Conversion into shares (<i>Note ii</i>)	<u>(144)</u>	<u>(22)</u>
At December 31, 2019	<u><u>2,692,096</u></u>	<u><u>403,706</u></u>

Notes:

- (i) During the year ended December 31, 2019, Shangsang Co disposed of the Convertible Bond 2019 held on hand with the principal amount of 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, 2019, the Bondholders 2019 converted part of the Convertible Bond 2019 with a principal amount of Rmb13,000 to the shares of Zheshang Securities.

As at December 31, 2019, Zheshang Securities had not exercised the redemption rights.

BUSINESS REVIEW

Global economic growth slowed down in 2019, as international financial markets were volatile and international trade slowed. Domestic economic activity remained stable, posting a 6.1% increase in GDP during the Period. Zhejiang Province's GDP grew by 6.8% year-on-year, which was 0.7 percentage points higher than the national rate, as it benefited from a moderate increase in the province's international trade, consumer demand and fixed assets investment.

During the Period, the growth rate of traffic volume and toll revenue of the Group slowed down due to the adverse impact of the Sino-U.S. trade war. Revenue from Zheshang Securities recorded significant growth as supported by the pick-up of Chinese capital markets, which resulted a year-on-year increase of 6.8% in the Group's total revenue. Total revenue of the Group was Rmb11,955.27 million, of which Rmb8,061.01 million was generated by the seven major expressways operated by the Group (2018 (Restated): total revenue of Rmb7,854.48 million), representing 67.4% of the total revenue. The revenue generated by the securities business was Rmb3,300.78 million (2018: total revenue of Rmb2,921.27 million), representing 27.6% of the total revenue. A breakdown of the Group's revenue for the Period is set out below:

	2019	2018	
	<i>Rmb'000</i>	<i>Rmb'000</i>	% change
Toll revenue			
Shanghai-Hangzhou-Ningbo			
Expressway	4,142,879	4,018,598	3.1%
Shangsan Expressway	1,187,813	1,232,410	-3.6%
Jinhua section, Ningbo-Jinhua			
Expressway	437,095	386,722	13.0%
Hanghui Expressway	579,551	527,181	9.9%
Huihang Expressway	138,506	137,459	0.8%
Shenjiahuhang Expressway	694,497	696,791	-0.3%
Zhoushan Bay Bridge	880,666	855,323	3.0%
Securities business revenue			
Commission and fee income	1,727,942	1,462,798	18.1%
Interest income	1,572,835	1,458,476	7.8%
Other operation revenue			
Hotel operations	169,576	177,861	-4.7%
Construction revenue	423,906	238,580	77.7%
Total revenue	<u>11,955,266</u>	<u>11,192,199</u>	<u>6.8%</u>

Toll Road Operations

During the Period, traffic volume and toll revenue on the Group's expressways recorded mixed performance with varied growth rates.

During the Period, the Yuhang District Government and the Lin'an District Government of Hangzhou City, the Yiwu Municipal Government and the Huzhou Municipal Government offered to pay the toll for all passenger vehicles that have ETC registration and are travelling on the expressways within their jurisdictions, which benefited the traffic volume growth on the Yuhang Section of the Shanghai-Hangzhou-Ningbo Expressway, the Lin'an Section of the Hanghui Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway and the Huzhou Section of the Shenjiahuhang Expressway, respectively.

However, during the Period, the toll discount policies for vehicles that have ETC registration had negative impact on toll revenue of the Group's expressways in varied degrees. From January 1, 2019, all trucks that have ETC registration enjoyed a 15% discount on tolls. From July 1, 2019, all vehicles that have ETC registration enjoyed a 5% discount on tolls when travelling on the expressways of Zhejiang Province.

In addition, certain sections of expressways operated by the Group encountered traffic diversions caused by neighboring roadways. The traffic volume on the Shanghai-Hangzhou-Ningbo Expressway was negatively impacted by the opening of the Yuhang section of the Hangzhou Urban Elevated Highway and the completion of construction of the National Highway G320. The Ningbo-Taizhou-Wenzhou Expressway, which is connected to the Shangsans Expressway, had construction works that closed off traffic, and the Zhangzhen toll station on National Highway G104 parallel to the Shangsans Expressway ceased toll collection on June 1, 2018. Both factors have negatively affected traffic volume on the Shangsans Expressway. The opening of North Qiushi Road in December 2018, which is parallel to the Lianshi-Hangzhou Section of the Shenjiahuhang Expressway, caused significant traffic volume diversion and a decrease in toll revenue for the section. The opening of Zhoushan Fuchimen Bridge on September 29, 2019 also caused certain traffic volume diversion to the Zhoushan Bay Bridge.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsans 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 Rmb8,061.01 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:

2019 The Group's expressways	Traffic Volume		Toll Revenue	
	Average Traffic Volume in Full-Trip Equivalents (Vehicle)	Year-on-year Growth	Toll Revenue (RMB)	Year-on-year Growth
Shanghai-Hangzhou-Ningbo Expressway	64,127	4.03%	4,142.88 million	3.1%
– Shanghai-Hangzhou Section	64,490	-1.54%		
– Hangzhou-Ningbo Section	63,867	7.66%		
Shangsan Expressway	30,347	-0.56%	1,187.81 million	-3.6%
Jinhua Section, Ningbo-Jinhua Expressway	24,332	15.56%	437.09 million	13.0%
Hanghui Expressway	21,430	11.42%	579.55 million	9.9%
Huihang Expressway	7,962	2.03%	138.51 million	0.8%
Shenjiahuhang Expressway	30,575	7.77%	694.50 million	-0.3%
Zhoushan Bay Bridge	21,834	5.28%	880.67 million	3.0%

Securities Business

During the Period, accumulated trading volumes of A-shares and funds in Shanghai and Shenzhen Stock markets increased by 37.1% year-on-year as it benefited from the recovery of domestic capital markets and active trading. With the exception of investment consulting business, all other business segments including securities brokerage, future brokerage, investment banking, asset management, as well as margin financing and securities lending recorded varied levels of growth in revenue.

During the Period, Zheshang Securities recorded total revenue of Rmb3,300.76 million, an increase of 13.0% year-on-year, of which, commission and fee income increased 18.1% year-on-year to Rmb1,727.94 million, and interest income from the securities business was Rmb1,572.82 million, an increase of 7.8% 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 Rmb1,343.47 million (2018: securities investment gains of Rmb512.45 million).

During the Period, Zheshang Securities refined its risk management system, seized market opportunities to expand its service scope and project portfolio, continuously optimized its business structure, and steadily enhanced competitiveness of its various business lines.

Other Business Operations

Other business revenue was mainly derived from hotel operations and road construction. Zhejiang Grand Hotel, operated by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb71.24 million for the Period (2018: revenue of Rmb71.76 million). Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb98.34 million for the Period (2018: revenue of Rmb106.10 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 21,655, representing an increase of 4.72% year-on-year. Toll revenue was Rmb426.73 million (2018: toll revenue of Rmb417.38 million). The joint venture reported a net profit of Rmb69.88 million (2018: net profit of Rmb60.07 million).

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., the controlling shareholder of the Company. During the Period, the associate company recorded a net profit of Rmb400.77 million (2018: net profit of Rmb409.80 million).

Yangtze United Financial Leasing Co., Ltd. (an associate of the Company, the equity stake of which was diluted to 10.612% in December 2019 from 13% at beginning of the Period) is primarily engaged in the finance leasing business, which includes the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb155.76 million (2018: net profit of Rmb271.92 million).

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. The associate company has not disclosed 2019 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 Rmb3,711.12 million, representing an increase of 5.6% year-on-year, basic earnings per share for the Company was Rmb85.45 cents, representing an increase of 5.6%, diluted earnings per share for the Company was Rmb82.37 cents, representing an increase of 8.0%, and return on owners' equity was 17.2%, representing an increase of 14.7% year-on-year.

Liquidity and financial resources

As at December 31, 2019, current assets of the Group amounted to Rmb68,703.77 million in aggregate (December 31, 2018 (Restated): Rmb58,116.66 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 12.2% (December 31, 2018 (Restated): 11.8%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.3% (December 31, 2018 (Restated): 25.4%), financial assets at FVTPL accounted for 32.4% (December 31, 2018 (Restated): 37.1%), and loans to customers arising from margin financing business accounted for 12.7% (December 31, 2018 (Restated): 10.1%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2019 was 1.40 (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 1.60 (December 31, 2018 (Restated): 1.80).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2019 was Rmb22,235.48 million (December 31, 2018: Rmb21,558.61 million), of which 78.2% was invested in bonds, 3.7% was invested in stocks, 10.6% 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 Rmb382.75 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.

Borrowings and solvency

As at December 31, 2019, total liabilities of the Group amounted to Rmb72,594.84 million (December 31, 2018 (Restated): Rmb60,833.67 million), of which 15.2% was bank and other borrowings, 9.0% was short-term financing note, 20.9% was bonds payable, 7.5% was Convertible Bonds, 12.4% was financial assets sold under repurchase agreements and 27.6% was accounts payable to customers arising from securities business.

As at December 31, 2019, total interest-bearing borrowings of the Group amounted to Rmb38,206.73 million, representing an increase of 25.8% compared to that as at December 31, 2018. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb4,572.23 million, borrowings from a domestic financial institution of Rmb4,248.52 million, borrowings from domestic institutions of Rmb2,199.39 million, short-term financing notes of Rmb6,532.99 million, mid-term notes of Rmb3,062.06 million, subordinated bonds of Rmb7,692.18 million, corporate bonds of Rmb3,509.99 million, asset backed securities of Rmb909.03 million, convertible bonds denominated in Rmb of Rmb2,692.10 million, and convertible bonds denominated in Euro that equivalent to Rmb2,788.24 million. Of the interest-bearing borrowings, 42.4% was not payable within one year.

As at December 31, 2019, the Group's borrowings from domestic commercial banks bore an annual floating interest of 4.41%, and annual fixed interest rates ranged from 3.6975% to 5.22%, 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% to 6.22% and an annual floating interest rate of 4.1325%. As at December 31, 2019, the annual fixed interest rates of short-term financing notes ranged from 2.99% to 3.19%, 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 4.4% and 5.3%. The annual fixed interest rates for corporate bonds were 3.48% and 3.85%. The annual fixed interest rate for asset backed securities was 3.70%. The annual coupon rate for convertible bond 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 Rmb1,626.81 million and Rmb7,393.40 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 4.5 (2018 (Restated): 4.7) times.

As at December 31, 2019, the asset-liability ratio (total liabilities over total assets) of the Group was 69.4% (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 62.3% (December 31, 2018 (Restated): 58.4%).

Capital structure

As at December 31, 2019, the Group had Rmb31,982.11 million in total equity, Rmb59,376.44 million in fixed-rate liabilities, Rmb8,401.67 million in floating-rate liabilities, and Rmb4,816.73 million in interest-free liabilities, representing 30.6%, 56.8%, 8.0% and 4.6% 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 164.4% as at December 31, 2019 (December 31, 2018 (Restated): 140.3%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb5,303.22 million. Amongst the total capital expenditure, Rmb4,303.15 million was incurred for acquiring equity investments, Rmb252.31 million was incurred for acquisition and construction of properties, and Rmb747.76 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2019, the capital expenditure committed by the Group totaled Rmb2,041.28 million. Amongst the total capital expenditures committed by the Group, Rmb1,106.91 million will be used for acquiring equity investments, Rmb322.56 million will be used for acquisition and construction of properties and Rmb611.81 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, Rmb188.00 million of the bank loans had been repaid. As at December 31, 2019, the remaining bank loan balance was Rmb1,285.00 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, 2019, the remaining bank balance was Rmb1,379.46 million and Rmb2,568.46 million respectively.

Deqing County De'an Highway Construction Co., Ltd. a subsidiary of the Company, pledged its trade receivables for its bank borrowing, as at December 31, 2019, the remaining bank balance was Rmb237.35 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, 2019, the remaining balance was Rmb1,300.09 million.

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

Except for the above, as at December 31, 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) operating in Hong Kong, and (iii) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro365.00 million in Hong Kong capital market in April 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

At the start of 2020, the novel coronavirus ("Covid-19") epidemic occurred in China. The Chinese government attaches great importance to containing the epidemic. The government at all levels and relevant departments cooperatively conducted comprehensive and strict measures to ensure the smooth implementation of the containment plans.

Upon the consent of the State Council, Ministry of Transport of the People's Republic of China issued the Notice on Toll Waiver for Toll Roads during the Containment Period of the Novel Coronavirus (Jiao Gong Lu Ming Dian [2020] No.62) (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電[2020]62號) to waive the tolls for all vehicles on all toll roads from 00:00, February 17, 2020 until the end of the epidemic containment. The Company will abide to the abovementioned notice until further notice from the Chinese government.

Since the epidemic outbreak, the Company's management has enforced strict implementation of the government's deployment and requirements regarding epidemic containment. Management came to the forefront of the battle against epidemic containment to organize and coordinate resources, in assuring smooth traffic flow on the Group's expressways and smooth transportation of epidemic containment materials. Management also promoted work resumption in an orderly pace and proactively promoted business development, ensuring normal operation of the toll road business and other businesses. The company will make full utilization of tax reduction and exemption policies and preferential financing policies to minimize the negative financial impact of the coronavirus outbreak.

The Company will continue to promote the implementation of intelligent renovation of the Shanghai-Hangzhou-Ningbo Expressway to ensure intelligent operations along the entire expressway. The Company will accelerate the establishment of a transportation data platform, increase the application of big data technology to strengthen operating capabilities and ensure safe and smooth traffic flow. The Company will improve its overall services and optimize its expressway operating service system. The Company will also strengthen its brand image and comprehensively leverage branding opportunities to enhance operational management in all business lines of its expressways with the aim of building a brand for expressway operations and services in China.

The Chinese government continues to proactively implement financial markets development and has enacted the newly amended Securities Law from March 1, 2020. It will also further improve the regulatory and settlement systems of the securities industry, promote the upgrading of capital market services and accelerate the opening of the capital markets. These changes will create both new opportunities and challenges for the securities business of the Group. Zheshang Securities will actively respond to market demands, comply with regulatory changes and industry trends, fully leverage market opportunities, optimize and adjust its business structure, improve its service capabilities in investment and financing, and continuously improve its profitability and competitiveness in an effort to address new challenges from the market and industry, and facilitate the sustainable and healthy development of its business.

In order to adapt to the transformation of economic development in 2020, the Company will leverage its competitive advantages, continue to enhance and expand its core toll road business, and optimize and strengthen its securities business. Management will continue to monitor government policies and the external environment to appropriately adjust the Company's operating strategy in a timely manner, take advantage of merger and acquisition opportunities to strengthen the Company's operating capabilities and execute the equity transfer of Turkey's ICA project company in a timely manner. The Company will also focus on maintaining effective risk controls to proactively conduct market-oriented merger and acquisition investments, extend the Company's international footprint steadily, and promote high-quality and sustainable development.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

Except for the aforementioned ongoing Covid-19 outbreak, there has been no other 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.

On behalf of the Board
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

Hangzhou, the PRC, March 20, 2020

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 other non-executive Directors of the Company are: Mr. DAI Benmeng, Mr. YUAN Yingjie 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.