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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)**

## **2021 ANNUAL RESULTS ANNOUNCEMENT**

- Revenue was Rmb16,262.60 million, representing an increase of 30.6% year-on-year
- Profit attributable to owners of the Company was Rmb4,762.43 million, representing an increase of 97.1%
- Basic earnings per share was Rmb109.65 cents, and diluted earnings per share was Rmb102.50 cents
- A dividend of Rmb37.50 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, 2021 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb16,262.60 million, representing an increase of 30.6% over 2020. Profit attributable to owners of the Company was Rmb4,762.43 million, representing an increase of 97.1% year-on-year. Basic earnings per share for the Period was Rmb109.65 cents (2020 (Restated): Rmb55.64 cents), and diluted earnings per share for the Period was Rmb102.50 cents (2020 (Restated): Rmb55.19 cents).

The Board of Directors recommended a dividend of Rmb37.5 cents per share (2020: dividend Rmb35.5 cents per share). The dividend is subject to shareholders’ approval at the Company’s 2021 annual general meeting and is expected to be paid on or around June 30, 2022.

The audit committee of the Company has reviewed the Group's consolidated financial statements for 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, 2021, with comparative figures for 2020, and relevant notes to the consolidated financial statements:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<b>For the year ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
			(Restated)
Revenue	4	<b>16,262,601</b>	12,451,534
Including: interest income under effective interest method		<b>2,247,361</b>	1,820,534
Operating costs		<b>(9,521,482)</b>	(8,038,467)
Gross profit		<b>6,741,119</b>	4,413,067
Securities investment gains		<b>1,835,563</b>	1,611,873
Other income and gains and losses	5	<b>733,071</b>	425,319
Administrative expenses		<b>(173,447)</b>	(147,839)
Other expenses		<b>(117,363)</b>	(191,012)
Impairment losses under expected credit loss model, net of reversal		<b>65,391</b>	(183,612)
Share of profit of associates		<b>966,075</b>	688,029
Share of profit of a joint venture		<b>56,249</b>	16,282
Finance costs		<b>(1,942,533)</b>	(2,098,493)
Profit before tax		<b>8,164,125</b>	4,533,614
Income tax expense	6	<b>(1,873,961)</b>	(1,160,027)
Profit for the year		<b>6,290,164</b>	3,373,587
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<b>(4,963)</b>	(2,349)
Share of other comprehensive income (loss) of an associate, net of related income tax		<b>43,607</b>	(24,160)
Other comprehensive income (loss) for the year, net of income tax		<b>38,644</b>	(26,509)
Total comprehensive income for the year		<b>6,328,808</b>	3,347,078

		<b>For the year ended</b>	
		<b>December 31,</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>Rmb'000</i></b>	<i>Rmb'000</i> (Restated)
		<u>                    </u>	<u>                    </u>
Profit for the year attributable to:			
Owners of the Company		<b>4,762,431</b>	2,416,395
Non-controlling interests		<b>1,527,733</b>	957,192
		<u><b>6,290,164</b></u>	<u>3,373,587</u>
Total comprehensive income attributable to:			
Owners of the Company		<b>4,803,862</b>	2,391,092
Non-controlling interests		<b>1,524,946</b>	955,986
		<u><b>6,328,808</b></u>	<u>3,347,078</u>
Earnings per share			
Basic (Rmb cents)	8	<u><b>109.65</b></u>	<u>55.64</u>
Diluted (Rmb cents)		<u><b>102.50</b></u>	<u>55.19</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31, 2021 <i>Rmb'000</i>	As at December 31, 2020 <i>Rmb'000</i> (Restated)	As at January 1, 2020 <i>Rmb'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		<b>5,019,619</b>	4,487,223	4,612,498
Right-of-use assets		<b>666,686</b>	562,535	379,031
Expressway operating rights		<b>26,053,256</b>	25,859,558	28,232,977
Goodwill		<b>86,867</b>	86,867	86,867
Other intangible assets		<b>303,350</b>	207,068	182,851
Interests in associates		<b>9,675,046</b>	6,560,343	6,080,155
Interest in a joint venture		<b>440,574</b>	384,325	368,043
Financial assets at fair value through profit or loss ("FVTPL")		<b>363,878</b>	244,123	16,898
Contract assets		–	1,007,618	686,557
Other receivables and prepayments		<b>1,216,289</b>	2,685,000	–
Financial assets held under resale agreements		<b>10,000</b>	120,000	–
Deferred tax assets		<b>1,617,799</b>	1,589,901	1,256,086
		<b>45,453,364</b>	43,794,561	41,901,963
<b>CURRENT ASSETS</b>				
Inventories		<b>371,714</b>	370,725	333,458
Trade receivables	9	<b>467,892</b>	373,400	335,922
Loans to customers arising from margin financing business		<b>19,394,130</b>	15,013,429	8,751,643
Other receivables and prepayments		<b>1,379,105</b>	3,132,066	424,830
Dividends receivable		<b>128</b>	2,835	2,005
Derivative financial assets		<b>613,718</b>	525,629	6,250
Financial assets at FVTPL		<b>45,445,711</b>	29,158,094	22,235,480
Financial assets held under resale agreements		<b>7,078,206</b>	7,002,471	8,110,354
Bank balances and clearing settlement fund held on behalf of customers		<b>38,392,804</b>	27,090,816	20,141,931
Bank balances, clearing settlement fund, deposits and cash				
– Restricted bank balances and cash		<b>132,090</b>	23,986	–
– Time deposits with original maturity over three months		<b>413,843</b>	313,600	302,726
– Cash and cash equivalents		<b>17,153,977</b>	8,645,085	8,090,694
		<b>130,843,318</b>	91,652,136	68,735,293

	As at December 31, 2021 <i>Rmb'000</i>	As at December 31, 2020 <i>Rmb'000</i> (Restated)	As at January 1, 2020 <i>Rmb'000</i> (Restated)
<i>Notes</i>			
<b>CURRENT LIABILITIES</b>			
Placements from other financial institutions	<b>500,000</b>	400,000	270,000
Accounts payable to customers arising from securities business	<b>38,069,350</b>	27,054,052	20,024,356
Trade payables	<b>1,387,533</b>	1,098,574	1,536,680
Tax liabilities	<b>1,305,228</b>	1,202,136	537,868
Other taxes payable	<b>916,269</b>	447,898	152,405
Other payables and accruals	<b>5,872,066</b>	6,158,797	2,084,549
Contract liabilities	<b>204,214</b>	79,231	15,674
Dividends payable	–	50	1,342
Derivative financial liabilities	<b>451,368</b>	497,427	5,565
Bank and other borrowings	<b>2,316,307</b>	8,855,320	10,054,271
Short-term financing note payable	<b>7,940,702</b>	6,306,716	6,532,990
Bonds payable	<b>10,455,661</b>	6,361,764	2,281,229
Convertible bonds	–	–	2,793,103
Financial assets sold under repurchase agreements	<b>25,250,426</b>	11,525,087	9,017,680
Financial liabilities at FVTPL	<b>2,925,391</b>	2,910,725	321,883
Lease liabilities	<b>105,699</b>	91,346	70,577
	<b>97,700,214</b>	72,989,123	55,700,172
<b>NET CURRENT ASSETS</b>	<b>33,143,104</b>	18,663,013	13,035,121
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>78,596,468</b>	62,457,574	54,937,084
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	<b>14,427,610</b>	11,119,040	10,626,730
Bonds payable	<b>17,193,430</b>	13,706,383	12,892,042
Convertible bonds	<b>1,714,662</b>	766	2,687,228
Deferred tax liabilities	<b>477,525</b>	386,498	347,331
Lease liabilities	<b>360,216</b>	298,894	188,772
	<b>34,173,443</b>	25,511,581	26,742,103
	<b>44,423,025</b>	36,945,993	28,194,981
<b>CAPITAL AND RESERVES</b>			
Share capital	<b>4,343,115</b>	4,343,115	4,343,115
Reserves	<b>22,807,227</b>	19,267,125	13,463,770
Equity attributable to owners of the Company	<b>27,150,342</b>	23,610,240	17,806,885
Non-controlling interests	<b>17,272,683</b>	13,335,753	10,388,096
	<b>44,423,025</b>	36,945,993	28,194,981

*Notes:*

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance (“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” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

On November 10, 2020, the Company entered into an equity purchase agreement with Communications Group to acquire 100% equity interest in Zhejiang LongLiLiLong Expressway Co., Ltd. (“LongLiLiLong Co”) at a cash consideration of Rmb238,140,000. LongLiLiLong Co is principally engaged in the operation and management of toll collection rights of the LongLi Expressway and LiLong Expressway located in Zhejiang Province, the PRC, with a total length of 222.2 kilometers. The acquisition has been approved on December 23, 2020 and in January 2021, LongLiLiLong Co then became a wholly owned subsidiary of the Company upon the revision of Articles of Association and modification of business registration.

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 AG 5. 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, 2020 and the consolidated statement of financial position as at December 31, 2020 and January 1, 2020 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, 2020.

#### **Amendments to HKFRSs that are mandatorily effective for the current year**

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

### 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, 2021

	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>9,607,199</u>	<u>6,403,024</u>	<u>252,378</u>	<u>16,262,601</u>
Segment profit	<u>3,194,046</u>	<u>2,372,970</u>	<u>723,148</u>	<u>6,290,164</u>

#### For the year ended December 31, 2020 (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>6,888,345</u>	<u>5,087,340</u>	<u>475,849</u>	<u>12,451,534</u>
Segment profit	<u>1,043,236</u>	<u>1,636,161</u>	<u>694,190</u>	<u>3,373,587</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, 2021 <i>Rmb'000</i>	As at December 31, 2020 <i>Rmb'000</i> (Restated)	As at January 1, 2020 <i>Rmb'000</i> (Restated)	As at December 31, 2021 <i>Rmb'000</i>	As at December 31, 2020 <i>Rmb'000</i> (Restated)	As at January 1, 2020 <i>Rmb'000</i> (Restated)
Toll operation	41,373,465	35,140,718	34,926,351	(29,592,173)	(25,654,816)	(29,422,644)
Securities operation	125,941,428	91,994,730	67,965,409	(101,422,949)	(72,133,714)	(52,390,763)
Others	8,894,922	8,224,382	7,658,629	(858,535)	(712,174)	(628,868)
Total segment assets (liabilities)	176,209,815	135,359,830	110,550,389	(131,873,657)	(98,500,704)	(82,442,275)
Goodwill	86,867	86,867	86,867	-	-	-
Consolidated assets (liabilities)	<u>176,296,682</u>	<u>135,446,697</u>	<u>110,637,256</u>	<u>(131,873,657)</u>	<u>(98,500,704)</u>	<u>(82,442,275)</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, 2021**

	<b>Toll operation <i>Rmb'000</i></b>	<b>Securities operation <i>Rmb'000</i></b>	<b>Others <i>Rmb'000</i></b>	<b>Total <i>Rmb'000</i></b>
Income tax expense	1,152,881	718,789	2,291	1,873,961
Interest income from financial institutions	118,247	–	780	119,027
Interest expenses	981,865	928,099	32,569	1,942,533
Impairment losses on loan to customers arising from margin financing business	–	13,157	–	13,157
Impairment losses on trade receivables, net of reversal	32	(955)	(26)	(949)
Interests in associates	2,362,130	739,761	6,573,155	9,675,046
Interest in a joint venture	440,574	–	–	440,574
Share of profit of associates	56,667	193,133	716,275	966,075
Share of profit of a joint venture	56,249	–	–	56,249
Net gains arising from changes in fair value of financial assets at FVTPL	–	1,819,868	–	1,819,868
Gain on changes in fair value in respect of the derivative component of convertible bond	27,453	–	–	27,453
Additions to non-current assets ( <i>Note</i> )	6,409,180	503,291	44,056	6,956,527
Depreciation and amortisation	2,918,751	263,107	36,607	3,218,465

For the year ended December 31, 2020 (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	606,269	536,250	17,508	1,160,027
Interest income from financial institutions	56,163	–	623	56,786
Interest expenses	1,219,986	855,550	22,957	2,098,493
Impairment losses on loan to customers arising from margin financing business, reversed in profit	–	(972)	–	(972)
Impairment losses on trade receivables, net of reversal	10	2,271	14	2,295
Impairment losses on contract asset recognised in profit	–	–	482	482
Interests in associates	–	549,645	6,010,698	6,560,343
Interest in a joint venture	384,325	–	–	384,325
Share of profit of associates	–	46,363	641,666	688,029
Share of profit of a joint venture	16,282	–	–	16,282
Net gains arising from financial assets at FVTPL	128,853	1,573,746	–	1,702,599
Gain on changes in fair value in respect of the derivative component of convertible bond	200,178	–	–	200,178
Additions to non-current assets ( <i>Note</i> )	437,580	457,706	398,779	1,294,065
Depreciation and amortisation	2,705,876	240,791	37,554	2,984,221

*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,	
	2021 <i>Rmb'000</i>	2020 <i>Rmb'000</i> (Restated)
Toll operation revenue	<b>9,607,199</b>	6,888,345
Commission and fee income from securities operation	<b>4,155,663</b>	3,266,806
Interest income from securities operation	<b>2,247,361</b>	1,820,534
Hotel and catering revenue	<b>113,526</b>	125,336
Revenue from construction	<b>138,852</b>	350,513
Total	<b>16,262,601</b>	12,451,534

### Geographical information

The Group's operations are located in the PRC. The Group's non-current assets are mainly located in the PRC (country of domicile).

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, 2021 and 2020, 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,	
	2021	2020
	Rmb'000	Rmb'000
		(Restated)
Interest income from financial institutions	119,027	56,786
Rental income ( <i>Note i</i> )	89,441	75,064
Towing income	–	4,303
Gain on changes in fair value in respect of the derivative component of convertible bond	27,453	200,178
Gain on disposal of associates	5,521	–
Exchange gains/(losses), net	231,659	(85,609)
Gains/(losses) on commodity trading, net ( <i>Note ii</i> )	43,716	(63,430)
Management fee income	15,524	36,747
Government subsidy	51,155	58,114
(Losses)/gains arising from deemed disposal of associates	(46,705)	23,904
Gain on disposal of assets	73,460	30,436
Others	122,820	88,826
Total	733,071	425,319

#### Notes:

- (i) Rental income included contingent rent of Rmb1,363,000 (2020: Rmb1,961,000) recognised during the year.
- (ii) The income on commodity trading amounted to Rmb9,752,811,000 (2020: Rmb5,292,848,000) with the cost of Rmb9,709,095,000 (2020: Rmb5,356,278,000). The net gains or losses on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb369,268,000 (2020: Rmb368,020,000) as of December 31, 2021.

## 6. INCOME TAX EXPENSE

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	2020
	<b>Rmb'000</b>	<i>Rmb'000</i>
		(Restated)
	<hr/>	<hr/>
Current Tax:		
PRC Enterprise Income Tax ("EIT")	<b>1,810,332</b>	1,454,675
Deferred tax	<b>63,629</b>	(294,648)
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	<b>1,873,961</b>	1,160,027
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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:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	2020
	<b>Rmb'000</b>	<i>Rmb'000</i>
		(Restated)
	<hr/>	<hr/>
Profit before tax	<b>8,164,125</b>	4,533,614
	<hr/> <hr/>	<hr/> <hr/>
Tax at the PRC EIT rate of 25% (2020: 25%)	<b>2,041,031</b>	1,133,404
Tax effect of share of profit of associates	<b>(241,519)</b>	(172,007)
Tax effect of share of profit of a joint venture	<b>(14,062)</b>	(4,071)
Tax effect of tax losses not recognised	<b>73,392</b>	167,964
Utilisation of unused tax loss previously not recognised	<b>(22,699)</b>	–
Tax effect of expenses not deductible for tax purposes	<b>101,233</b>	88,951
Tax effect of income not subjected to tax purpose	<b>(63,415)</b>	(54,214)
	<hr/>	<hr/>
Income tax expense for the year	<b>1,873,961</b>	1,160,027
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## 7. DIVIDENDS

	<b>For the year ended December 31,</b>	
	<b>2021</b>	2020
	<b><i>Rmb'000</i></b>	<i>Rmb'000</i>
Dividends recognised as distribution during the year:		
2020 – Rmb35.5 cents		
(2020: 2019 – Rmb35.5 cents)	<b>1,541,806</b>	1,541,806

Dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2021 (2020: dividend of Rmb35.5 cents per share in respect of the year ended December 31, 2020) in the total amount of Rmb1,628,668,000 (2020: Rmb1,541,806,000) 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:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	2020
	<b><i>Rmb'000</i></b>	<i>Rmb'000</i>
		(Restated)
Profit for the year attributable to owners of the Company	<b>4,762,431</b>	2,416,395
Earnings for the purpose of basic earnings per share	<b>4,762,431</b>	2,416,395
Effect of dilutive potential ordinary shares arising from	<b>(59,507)</b>	25,281
Earnings for the purpose of diluted earnings per share	<b>4,702,924</b>	2,441,676

### Number of shares

	<b>For the year ended December 31,</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
Number of ordinary shares for the purpose of basic earnings per share	<b>4,343,115</b>	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	<b>245,061</b>	80,969
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,588,176</b>	4,424,084

## 9. TRADE RECEIVABLES

	As at December 31, 2021 <i>Rmb'000</i>	As at December 31, 2020 <i>Rmb'000</i> (Restated)	As at January 1, 2020 <i>Rmb'000</i> (Restated)
Trade receivables:			
– contracts with customers	473,691	380,148	340,375
Less: Allowance for credit losses	(5,799)	(6,748)	(4,453)
	<u>467,892</u>	<u>373,400</u>	<u>335,922</u>
Trade receivables (before allowance for credit losses) comprise:			
Fellow subsidiaries	19,996	16,008	13,373
Third parties	453,695	364,140	327,002
Total trade receivables	<u>473,691</u>	<u>380,148</u>	<u>340,375</u>

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 Linping County of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, Transportation Bureau of Jiaxing, 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:

	<b>As at December 31, 2021 Rmb'000</b>	As at December 31, 2020 Rmb'000 (Restated)	As at January 1, 2020 Rmb'000 (Restated)
Within 3 months	<b>335,308</b>	321,065	307,878
3 months to 1 year	<b>121,753</b>	44,044	17,905
1 to 2 years	<b>7,554</b>	2,972	6,430
Over 2 years	<b>3,277</b>	5,319	3,709
Total	<b>467,892</b>	373,400	335,922

**Movement of allowance for credit losses**

	<b>As at December 31, 2021 Rmb'000</b>	As at December 31, 2020 Rmb'000 (Restated)
At the beginning of the year	<b>6,748</b>	4,453
Impairment recognised for the year	<b>104</b>	2,350
Amount reversed during the year	<b>(1,053)</b>	(55)
At the end of the year	<b>5,799</b>	6,748



## 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:

	<b>As at December 31, 2021 Rmb'000</b>	As at December 31, 2020 Rmb'000 (Restated)	As at January 1, 2020 Rmb'000 (Restated)
Within 3 months	<b>875,632</b>	477,619	1,015,097
3 months to 1 year	<b>114,352</b>	104,616	83,490
1 to 2 years	<b>87,079</b>	177,266	103,727
2 to 3 years	<b>62,461</b>	51,046	38,997
Over 3 years	<b>248,009</b>	288,027	295,369
Total	<b><u>1,387,533</u></b>	<u>1,098,574</u>	<u>1,536,680</u>

## 11. CONVERTIBLE BONDS

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

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

### (1) Conversion right

The Convertible Bond 2021 will, at the option of the holder (the “Bondholders 2021”), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price 2021”) of HK\$8.83 per H share and a fixed exchange rate of HK\$9.5145 to Euro1.00 (the “Fixed Exchange Rate”). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price 2021 was HK\$8.32 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 2021 at 100 percent of its outstanding principal amount on the maturity date of January 20, 2026 (the “Maturity Date 2021”).

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

The Company may, having given not less than 30 nor more than 60 days’ notice, redeem the Convertible Bond 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date.

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

(b) if at any time the aggregate principal amount of the Convertible Bond 2021 outstanding is less than 10 percent of the aggregate principal amount originally issued.

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

The Company will, at the option of the Bondholders, redeem whole or some of that holder’s bond on January 20, 2024 (the “Put Option Date”) at their outstanding principal amount on that Date.

The Convertible Bond 2021 comprises two components:

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

Transaction costs totalling Rmb8,427,515 that relate to the issue of the Convertible Bond 2021 are allocated to the components (including conversion right and redemption options) in proportion to their respective fair values.

Transaction costs amounting to approximately Rmb1,711,247 relating to the derivative component were charged to profit or loss during the year ended December 31, 2021. Transaction costs amounting to approximately Rmb6,716,268 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2021 using the effective interest method.

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

The movement of the debt and derivative components of the Convertible Bond 2021 for the year ended December 31, 2021 is set out as below:

	<b>Debt component at amortised cost</b>		<b>Derivative components at FVTPL</b>		<b>Total</b>	
	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>
Issuance on January 20, 2021	183,297	1,443,009	46,703	367,666	230,000	1,810,675
Issue cost	(853)	(6,716)	–	–	(853)	(6,716)
Exchange realignment	–	(119,100)	–	–	–	(119,100)
Interest charge	7,930	57,252	–	–	7,930	57,252
Gain on change in fair value	–	–	421	(27,449)	421	(27,449)
On December 31, 2021	<u>190,374</u>	<u>1,374,445</u>	<u>47,124</u>	<u>340,217</u>	<u>237,498</u>	<u>1,714,662</u>

No conversion or redemption of the Convertible Bond 2021 has occurred up to December 31, 2021.

## **BUSINESS REVIEW**

In 2021, despite the frequent recurring of the epidemic worldwide, the overall situation improved under the background of accelerated COVID-19 vaccination. The global economy gradually recovered amid fluctuations, but the recovery trends were highly divergent. In the face of the challenging and complex international environment, as well as the sporadic rebound of the epidemic situation at home, the Chinese government adhered to the general keynote of maintaining stable growth with steady progress, coordinated the prevention and control of the epidemic in a scientific manner and maintained economic and social development. With increased support for the real economy, and thorough implementation of strategy to expand domestic demand, the national economy continued to recover steadily, and the national GDP grew by 8.1% year-on-year. In 2021, Zhejiang Province firmly advanced high-quality development to build a demonstration zone of common prosperity. The rapid expansion of the digital economy and the accelerated growth rate of foreign trade have helped Zhejiang Province's economy to grow steadily. The province's GDP increased by 8.5% year-on-year, representing a growth rate which was higher than the national average.

During the Period, toll revenue of the Group's expressways recorded significant growth due to the effect of low base in the same period in 2020. Revenue from the securities business recorded stable growth, benefiting from the positive momentum in the domestic capital markets. During the Period, total revenue of the Group was Rmb16,262.60 million, representing an increase of 30.6% year-on-year, of which Rmb9,607.20 million was generated by the nine major expressways operated by the Group (2020 (restated): Rmb6,888.35 million), representing 59.1% of the total revenue. Revenue generated by the securities business was Rmb6,403.02 million (2020: Rmb5,087.34 million), representing 39.4% of the total revenue.

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

	<b>2021</b> <i>Rmb'000</i>	2020 <i>Rmb'000</i> (Restated)	% change
Toll road operation revenue	<b>9,607,199</b>	6,888,345	39.5%
Shanghai-Hangzhou-Ningbo Expressway	<b>4,288,494</b>	3,216,475	33.3%
Shangsan Expressway	<b>1,225,287</b>	960,320	27.6%
Jinhua section, Ningbo-Jinhua Expressway	<b>542,069</b>	380,889	42.3%
Hanghui Expressway	<b>641,440</b>	450,251	42.5%
Huihang Expressway	<b>151,287</b>	100,792	50.1%
Shenjiahuhang Expressway	<b>777,938</b>	555,322	40.1%
Zhoushan Bay Bridge	<b>933,884</b>	715,537	30.5%
LongLiLiLong Expressways	<b>718,344</b>	508,759	41.2%
Zhajiasu Expressway	<b>328,456</b>	–	Not applicable
Securities business revenue	<b>6,403,024</b>	5,087,340	25.9%
Commission and fee income	<b>4,155,663</b>	3,266,806	27.2%
Interest income	<b>2,247,361</b>	1,820,534	23.4%
Other operation revenue	<b>252,378</b>	475,849	–47.0%
Hotel and catering	<b>113,526</b>	125,336	–9.4%
Construction	<b>138,852</b>	350,513	–60.4%
<b>Total revenue</b>	<b>16,262,601</b>	12,451,534	30.6%

### **Toll Road Operations**

During the Period, the traffic volume of the Group's expressways generally maintained a steady growth as China's economy continued to recover, while toll revenue achieved a significant increase, mainly attributable to the low base of the same period in 2020 as a result of the combined impact of the COVID-19 pandemic and subsequent toll-free policy. The performance of the toll revenue and traffic volume varied among different sections of the Group's expressways due to various factors.

From February 12, 2020 to August 5, 2020, the Zhejiang Provincial Government helped enterprises to resume work and production by expanding the discount rate of tolls to 15% for Class-3 and Class-4 passenger vehicles with ETC registrations, as well as trucks from other provinces with ETC registrations. Starting from August 6, 2020, the discount was restored to the original 5%. The reduction of discounts on ETC concessions for the above vehicles generated certain positive impact on the toll revenue during the Period.

With the approval of the Zhejiang Provincial Government, the relevant local governments have respectively implemented a policy to pay the tolls for local Class-1 passenger vehicles with ETC registration travelling on the Jiaxing City Section of the Shanghai-Hangzhou Expressway from September 1, 2020 to December 31, 2022, the Jiashan Section of the Shanghai-Hangzhou Expressway from November 10, 2020 to December 31, 2022, the Jinhua Jindong Section of the Ningbo-Jinhua Expressway from March 26, 2021 to December 31, 2022 and the expressways within Deqing County from September 1, 2021 to December 31, 2022. This will help the passenger vehicles traffic volume growth of the relevant sections of the Shanghai-Hangzhou-Ningbo Expressway, Ningbo-Jinhua Expressway and Shenjiahuhang Expressway.

However, the traffic volume of the Group's Expressways was still adversely affected by the epidemic containment policies and measures. During the 2021 Chinese New Year, the government encouraged people to celebrate the festival in situ to control the epidemic, and the number of vehicles returning to hometowns and taking road trips decreased significantly in January and February 2021. In the second half of 2021, as the epidemic in Zhejiang Province and the surrounding provinces and cities resurged, some expressways adopted traffic control measures, leading to a decrease in the traffic volume of the Group's expressways. In particular, the Shanghai-Hangzhou-Ningbo Expressway, Shangsanshan Expressway, Zhoushan Bay Bridge and Zhajiasu Expressway were more affected.

In addition, certain sections of the Group's expressways were also affected by the diversion of traffic from neighboring road networks. The Shaoxing-Xinchang Section of the Hangzhou-Shaoxing-Taizhou Expressway has been opened to traffic since July 10, 2020, and the Taizhou Section has been opened to traffic since December 22, 2020, so the traffic volume on Shangsanshan Expressway was affected due to traffic diversion. In order to alleviate traffic congestion, the East-Route of the Hangzhou Ring Expressway (Xiasha East Interchange to Hongken Junction) was closed to semi-trailer traffic from January 28, 2021 to October 30, 2022. In addition, the southern connection of the Qianjiang Channel provided a 60% discount for semi-trailer trucks from February 9, 2021 to July 8, 2021. The traffic volume of semi-trailers on the Shanghai-Hangzhou-Ningbo Expressway was negatively affected. The opening to traffic of the West Parallel of the Hangzhou Ring Expressway since December 22, 2020, and semi-trailers being prohibited from the West-Route of Hangzhou Ring Expressway (from Nanzhuangdou Interchange to Hangzhou South Junction) during the period from January 28, 2021 to October 30, 2022, will have a certain negative impact on the traffic volume of Shenjiahuhang Expressway.

Looking back at 2021, the Group's core expressway business maintained steady development. In terms of operation management, the Group deepened implementation of branding concept in operation, and the cultural brand of "Super Intelligent-Zhejiang Expressway" was honored with the "Excellent Cultural Brand" in the Third Transportation Awards. The intelligent upgrade and innovation project of Zhejiang Expressway was carried out in an orderly manner and was awarded the 2021 China Expressway Informatization Classic Project by the China Highway and Transportation Society. The Group also carried out the guardrail and traffic markings renovation project, strengthened the systematic management of congested road sections with high traffic volume effectively improving the traffic efficiency. In addition, the Group initiated pilot projects for differentiated toll collection and conducted marketing activities such as "Expressways + tourism", to constantly improve its marketing capabilities.

In terms of investment and financing, the Group successfully acquired a 55% controlling stake in Jiaxing Zhajiasu Expressway Co. Ltd. ("Zhajiasu Company") in May 2021, increasing its controlling mileage by 50 kilometers and expanding the scale of its core expressway business. In June 2021, the Hanghui Expressway public REITs project was successfully listed on the Shanghai Stock Exchange, which was conducive to revitalizing the stock assets and innovating financing model. The successful issuance of 230 million Euro convertible bonds and 470 million USD bonds fully leveraged the functions of the listing platform and continuously expanded its financing channels in the capital market.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsang Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways and the 50km Zhajiasu Expressway was Rmb9,607.20 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 below:

The Group's Expressway Sections	Daily Average Traffic Volume <i>(in Full-Trip Equivalents)</i>	Year-on-year Growth	Toll Revenue <i>(Rmb million)</i>	Year-on-year Growth
Shanghai-Hangzhou-Ningbo Expressway	73,924	2.45%	4,288.49	33.3%
– Shanghai-Hangzhou Section	71,934	–0.22%		
– Hangzhou-Ningbo Section	75,377	4.39%		
Shangsan Expressway	33,863	–8.59%	1,225.29	27.6%
Jinhua Section, Ningbo-Jinhua Expressway	30,894	6.57%	542.07	42.3%
Hanghui Expressway	24,161	3.99%	641.44	42.5%
Huihang Expressway	9,290	10.20%	151.29	50.1%
Shenjiahuhang Expressway	34,526	4.78%	777.94	40.1%
Zhoushan Bay Bridge	22,183	6.18%	933.88	30.5%
LongLiLiLong Expressways	14,076	8.89%	718.34	41.2%
Zhajiasu Expressway	37,910	2.21%	328.46	Not applicable

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



## **Securities Business**

With the establishment of Beijing Stock Exchange and the simultaneous launch of the pilot run of the registration-based IPO system, as well as amid the positive market environment as a result of capital market reform, securities trading activities increased and the domestic capital market flourished. Zheshang Securities has actively grasped the market opportunities and continuously improved its compliance and risk control standards as well as core competitiveness, resulting in stable and progressive operating results. In particular, the brokerage business and securities margin trading business grew significantly, while the investment banking business maintained a sound development momentum. Meanwhile, Zheshang Securities completed the work of private placement during the Period, effectively replenishing capital to support and ensure the development of various businesses.

During the Period, Zheshang Securities recorded total revenue of Rmb6,403.02 million, an increase of 25.9% year-on-year, of which, commission and fee income increased 27.2% year-on-year to Rmb4,155.66 million, and interest income from the securities business was Rmb2,247.36 million, an increase of 23.4% 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 Rmb1,835.56 million (2020: Rmb1,483.02 million).

## **Hotel and Catering Business**

The recurring epidemic at home and abroad in 2021 affected the recovery of real world business operations and the resumption of business travel demand, disrupting the recovery pace of the hotel and catering business. The Group's two hotels strived to overcome the impact of the epidemic, implemented business transformative and innovative business models progressively, and gradually resumed normal operations.

Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb45.45 million for the Period (2020: Rmb51.45 million).

Grand New Century Hotel, owned by Zhejiang Linping Expressway Co. Ltd. (a 51% owned subsidiary of the Company, which was formerly known as "Zhejiang Yuhang Expressway Co., Ltd."), recorded revenue of Rmb68.08 million for the Period (2020: Rmb73.89 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 27,102, representing an increase of 1.40% year-on-year. Toll revenue of Rmb504.47 million (2020: Rmb378.18 million). During the Period, the joint venture recorded a net profit of Rmb112.50 million (2020: Rmb32.56 million).

Zhejiang HangNing Expressway Co., Ltd. (a 30% owned associate of the Company) operates the 99km HangNing Expressway. From February to December 2021, the associate company recorded a net profit of Rmb188.89 million.

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company) derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb890.25 million (2020: Rmb636.83 million).

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) was primarily engaged in the finance leasing business, 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 Rmb440.11 million (2020: Rmb330.90 million).

During the Period, Shanghai Rural Commercial Bank Co., Ltd. (a 4.85% owned associate of the Company) was primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses approved by the China Banking and Insurance Regulatory Commission. The associate was successfully listed on the Shanghai Stock Exchange on August 19, 2021. As of the date of this announcement, the associate company has not yet released its audited financial data for the year 2021.

During the Period, Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership) (a 24.99% owned associate of the Company) was primarily engaged in equity investments, investment management and investment consultation. During the Period, the share of profit of the associate attributable to the Company is Rmb178.44 million (2020: Rmb42.24 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 Rmb4,762.43 million, representing an increase of 97.1% year-on-year, basic earnings per share was Rmb109.65 cents, representing an increase of 97.1% year-on-year, diluted earnings per share was Rmb102.50 cents, representing an increase of 85.7% year-on-year, and return on owners' equity was 17.5%, representing an increase of 71.6% year-on-year.

### **Liquidity and financial resources**

As at December 31, 2021, current assets of the Group amounted to Rmb130,843.32 million in aggregate (December 31, 2020 (restated): Rmb91,652.14 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 13.5% (December 31, 2020 (restated): 9.8%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.3% (December 31, 2020 (restated): 29.6%), financial assets at FVTPL accounted for 34.7% (December 31, 2020 (restated): 31.8%) and loans to customers arising from margin financing business accounted for 14.8% (December 31, 2020 (restated): 16.4%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2021 was 1.30 (December 31, 2020 (restated): 1.30). 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, 2020 (restated): 1.40).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2021 was Rmb45,445.71 million (December 31, 2020: Rmb29,158.09 million), of which 77.4% was invested in bonds, 6.9% was invested in stocks, 6.4% was invested in equity funds, and the rest were invested in structured products and trust products.

During the Period, net cash from the Group's operating activities amounted to Rmb2,823.00 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 December 31, 2021, total liabilities of the Group amounted to Rmb131,873.66 million (December 31, 2020 (restated): Rmb98,500.70 million), of which 12.7% was bank and other borrowings, 6.0% was short-term financing note, 21.0% was bonds payable, 19.1% was financial assets sold under repurchase agreements and 28.9% was accounts payable to customers arising from securities business.

As at December 31, 2021, total interest-bearing borrowings of the Group amounted to Rmb54,048.37 million, representing an increase of 16.6% compared to that as at December 31, 2020. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb14,534.41 million, borrowings from other domestic financial institutions of Rmb2,152.57 million, borrowings from other domestic institutions of Rmb56.94 million, short-term financing note of Rmb6,526.56 million, beneficial certificates of Rmb1,414.14 million, long-term beneficial certificates of Rmb1,005.62 million, mid-term notes of Rmb3,062.37 million, subordinated bonds of Rmb10,041.65 million, corporate bonds of Rmb10,596.63 million, asset backed securities of Rmb2,942.82 million, and convertible bond denominated in Euro that equivalents to Rmb1,714.66 million. Of the interest-bearing borrowings, 61.7% was not payable within one year.

As at December 31, 2021, the Group's borrowings from domestic commercial banks bore annual fixed interest rates ranged from 4.13% to 4.85%, annual floating interest rates ranged from 4.08% to 4.70%, the annual fixed interest rates of other domestic financial institutions ranged from 3.82% to 4.13%, and the annual fixed interest rates of other domestic institutions ranged was 3.0%. As at December 31, 2021, the annual fixed interest rates of beneficial certificates was 3.25%, the annual floating interest rates of beneficial certificates ranged from 3.0% to 19.0%. The annual fixed interest rates for short-term financing notes ranged from 2.61% to 2.8%. The annual fixed interest rates for long-term beneficial certificates ranged was 4.10%,. The annual fixed interest rate for a mid-term note were 3.64% and 3.86%. The annual fixed annual interest rates for subordinated bonds ranged from 3.50% to 4.60%. The annual fixed interest rate for corporate bond ranged from 1.638% to 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, 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 Rmb1,942.53 million and Rmb10,106.66 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.2 (Corresponding period of 2020 (restated): 3.2 times).

As at December 31, 2021, the asset-liability ratio (total liabilities over total assets) of the Group was 74.8% (December 31, 2020 (restated): 72.7%). 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 68.0% (December 31, 2020 (restated): 65.9%).

### **Capital structure**

As at December 31, 2021, the Group had Rmb44,423.03 million in total equity, Rmb100,209.19 million in fixed-rate liabilities, Rmb18,124.87 million in floating-rate liabilities, and Rmb13,539.59 million in interest-free liabilities, representing 25.2%, 56.8%, 10.3% and 7.7% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 211.2% as at December 31, 2021 (December 31, 2020 (restated): 193.4%).

### **Capital expenditure commitments and utilization**

During the Period, capital expenditure of the Group totaled Rmb 2,015.34 million. Amongst the total capital expenditure of the Group, Rmb815.09 million was incurred for acquiring equity investments, Rmb186.82 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb1,013.43 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2021, the capital expenditure committed by the Group amounted to Rmb3,624.36 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb210.00 million will be used for acquiring equity investments, Rmb1,516.88 million will be used for acquisition and construction of properties, Rmb1,897.48 million for acquisition and construction of equipment, facilities and ancillary facilities.

The Group will first consider financing the above-mentioned capital expenditure commitments with internal resources, and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

### **Contingent liabilities and pledge of assets**

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co. with joint guarantee for its bank loans of Rmb2.20 billion, in accordance with their proportionate equity interests in Shengxin Co. During the Period, Rmb210.00 million of the bank loans had been repaid. As at December 31, 2021, the remaining bank loan balance was Rmb873.00 million.

Zhejiang Shenjiahuhang Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd., the subsidiaries of the Company, pledged their rights of toll on expressway for their bank borrowing, as at December 31, 2021, the remaining bank loan balance was Rmb1,919.60 million and Rmb6,114.46 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, 2021, the remaining bank loan balance was Rmb611.96 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, 2021, the remaining balance was Rmb1,193.27 million.

LongLiLiLong, a subsidiary of the Company, pledged its right of toll on expressway for its bank and other borrowing, as at December 31, 2021, the remaining bank and other borrowing balance was Rmb5,100.00 million.

Zhajiasu, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, as at December 31, 2021, the remaining bank loan balance was Rmb1,818.32 million.

During the Period, Rmb2,013.00 million of the senior class securities had been repaid for the Rmb47.70 million Zhejiang Expressway's Huihang Expressway asset backed securities issued on September 23, 2019, the remaining Rmb806.31 million will be secured by the Company.

Except for the above, as at December 31, 2021, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

### **Foreign exchange exposure**

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars; (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong; (iii) issuance of the zero coupon convertible bond with a principal amount of Euro230 million in Hong Kong capital market in January 2021, which will be due in January 2026; (iv) the short term international commercial bank borrowing with a principal amount of Euro130 million, which was borrowed in April 2021 and repaid in July 2021; and (v) issuance of the senior fixed-rate bonds with a principal amount of USD470 million in Hong Kong capital market in July 2021, which will be due in July 2026 and has an coupon rate of 1.638%; the Group's principal operations were transacted and booked in Renminbi.

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

## OUTLOOK

In 2022, the negative impact of the epidemic on the global economy is expected to diminish continuously as the vaccination rate continues to rise and the development of effective drugs advances. However, the global economic recovery is still facing uncertainties caused by virus variants and epidemic resurgence. Despite the burdens of contracted demand, supply chain disruption and weakening expectations as well as uncertainties brought on by the ongoing Russia-Ukraine conflict, China's economy is expected to achieve stable growth in 2022 with the support of the government's sound and effective macro policies and initiatives to smooth the economic circulations. Zhejiang Province will actively implement policies to strengthen enterprises by reducing their encumbrances, vigorously develop the digital economy, focus on organizing the Hangzhou Asian Games to ensure its success and give full play of the event to jointly boost the high-quality development in building a demonstration zone of common prosperity, in which case a favorable environment for the development of the Group's relevant businesses will be created. Under the premise of controlled epidemic, the overall traffic volume on the Group's expressways is expected to achieve stable growth in 2022.

On January 20, 2022, changing in the industrial and commercial registration for the absorption and merger of Zhejiang Jiaxing Expressway Co. Ltd. ("Jiaxing Company") by LongLiLiLong Company was completed and the principal assets and business of Jiaxing Company were transferred to the "Jiaxing Branch of Zhejiang LongLiLiLong Expressway Co. Ltd." for the continuation of the company. This will be conducive to the coordination of internal management resources, enhancing operational management efficiency. It will improve the optimal allocation of financial resources and create incremental revenue from integration, improve overall profitability and achieve sustainable operation.

It has been the Group's steadfast principle to uphold high-quality and sustainable development, focusing on technology empowerment, customer service, capacity development, deepening reform and safety management. The Group will actively accelerate the construction of the intelligent Shanghai-Hangzhou-Ningbo Expressway (Phase II), enrich and improve data integration applications such as "Intelligent Expressway", and continue to steer the digital reform process. It will focus on optimizing the comprehensive road environment and improving the capability of branding operation, deepen the implementation of marketing strategies such as reward program, "Expressway + Tourism" and "Expressway + Service Area", study differentiated toll collection to achieve a discount system with a win-win situation, and continuously innovate personalized services to enhance customer stickiness. The Group will carry out research on relevant expressway widening, deepen the utilization plan of the resources along expressways, and actively expand low-cost financing channels to meet the operational development needs of its core business. It will also actively carry out reforms of its systems and mechanisms, strengthen the building of talent team, and constantly activate its organic growth capabilities. It will also strictly implement regular epidemic prevention and control, continuously improve its safety and risk control abilities to ensure smooth traffic flow, laying a solid foundation for high-quality development.

Meanwhile, in order to meet the growing trend of traffic volume, the Group is expected to allocate approximately RMB1.2 billion to add and expand service areas along some of the expressways. However, due to factors such as land acquisition, the exact amount of investment and project progress will be subject to the actual situation. The addition and expansion of service areas will help optimize the layout of expressway service areas, improve the service functions and facilities, and enhance the overall image of the service areas. New traffic volume will be attracted by strengthening the comprehensive service capacity of expressways and improving the conditions of public travelling, improving the operation capacity of service areas and creating new landmarks for consumption upgrade.

The Chinese government will scale up in depth capital market reforms by focusing on the full implementation of the registration-based IPO system for stock issuance as the main theme and optimize the market-based and legal-based bond default handling mechanism to encourage the standardized and healthy development of the capital market. Zheshang Securities will grasp the opportunities of capital market reform and development, actively adapt to the profound changes in the industry brought by the registration-based IPO system reform, focus on increasing the reserve of investment banking projects and proactively connect to the business of Beijing Stock Exchange. Zheshang Securities will focus on pushing forward the issuance of convertible bonds and exploring innovative equity financing methods to accelerate the pace of multi-channel financing. In addition, Zheshang Securities will continue to push for the mixed ownership reform of Zheshang Futures Co., Ltd. and introduce high-quality strategic investors to further enhance market competitiveness. Zheshang Securities will also effectively leverage on the resource endowment of Zhejiang local brokerage firms, dig deep into local high-quality project resources, and continuously facilitate the coordinated development of various business segments.

In the face of the complex and volatile domestic and international economic situation, the Group will continue to strengthen its expressway business and optimize its securities and finance business based on its own strength. The management will actively study the changes in government policy and market environment, focus on exploring the investment opportunities of high-quality expressway projects under the premise of risk control, and continuously expand the scale of its core business. Meanwhile, the management will also leverage the Group's brand and experience advantages in the field of transportation infrastructure REITs to enhance the financing capacity of the public REITs listing platform and increase research efforts on transportation-related infrastructure projects to drive the high-quality and sustainable development of the Company.

#### **IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD**

There have been no other important events affecting the Group since the end of the Period.



## **DATE OF ANNUAL GENERAL MEETING**

As at the date of this announcement, the Company has not yet fixed a date for its 2021 annual general meeting (the “AGM”). The Company will give further notice on relevant matters such as the date of the AGM and the book closing period, the last day of transfer and record date for the purpose of the AGM and to determine the shareholders of the Company who qualify for the proposed dividend.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

On March 26, 2021, the Company has redeemed all of the outstanding Euro365 million zero coupon convertible bonds due 2022 at the principal amount of Euro100,000 together with accrued interest.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company’s listed securities during the Period.

## **COMPLIANCE WITH LISTING RULES APPENDIX 14**

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

## **PUBLICATION OF FINANCIAL INFORMATION**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.zjec.com.cn](http://www.zjec.com.cn)). The annual report of the Company for the twelve months ended December 31, 2021 will be dispatched to shareholders of the Company and will be available on the above websites in due course.

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

Hangzhou, the PRC, March 24, 2022

*As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive Directors of the Company are Mr. CHEN Ninghui and Mr. YUAN Yingjie; the other non-executive Directors of the Company are: Mr. JIN Chaoyang, Mr. FAN Ye and Mr. HUANG Jianzhang; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.*