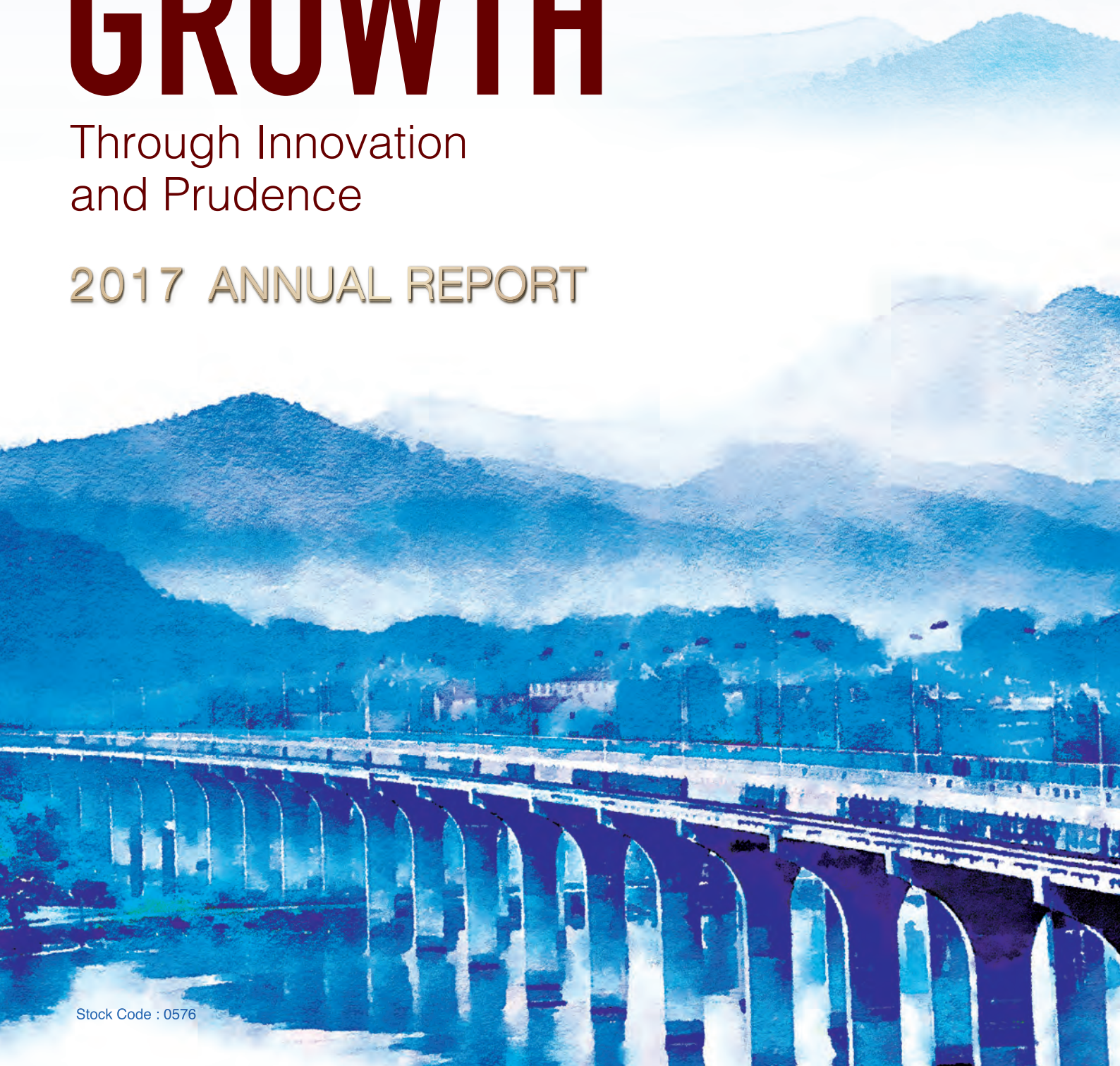
浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

ACHIEVE GROWTH

Through Innovation and Prudence

2017 ANNUAL REPORT



Stock Code : 0576

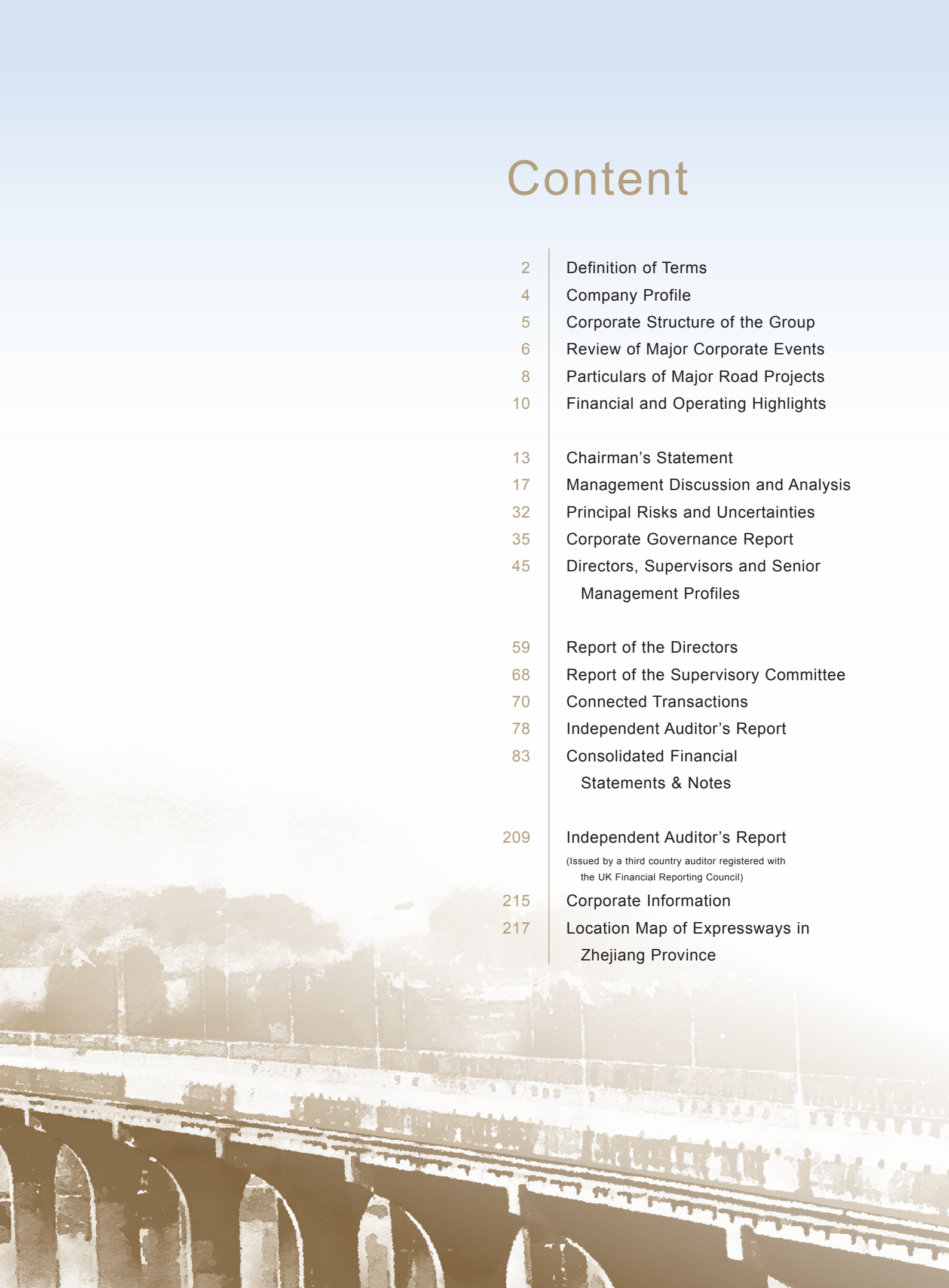
Corporate Vision :

To be
“an international investment holdings company with a primary focus on expressway infrastructure investment and operation”



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Definition of Terms

Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a wholly State-owned enterprise established on December 29, 2001
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company
Huihang Co	Huangshan Yangtze Huihang Expressway Co., Ltd (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd. (浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company

Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd. (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Period	the period from January 1, 2017 to December 31, 2017
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a 73.625% owned subsidiary of the Company
Shareholders	the shareholders of the Company
Shengxin Co	Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company
Supervisory Committee	the supervisory committee of the Company
Yangtze Financial Leasing	Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司), a 13% owned associate of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd. (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 63.74475% owned subsidiary of the Shangsan Co
Zhejiang Communications Finance	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a 35% owned associate of the Company

Company Profile

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating of high-grade roads. The Company and its subsidiaries are also engaged in the expressway related development and operation, as well as securities business.

Major assets under management of the Group include the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway and the 82 km Huihang Expressway, ancillary facilities along the five expressways, and Zheshang Securities. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the four expressways are situated within Zhejiang Province in the PRC. As at December 31, 2017, total assets of the Company and its subsidiaries amounted to Rmb73,650.52 million.

The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province.

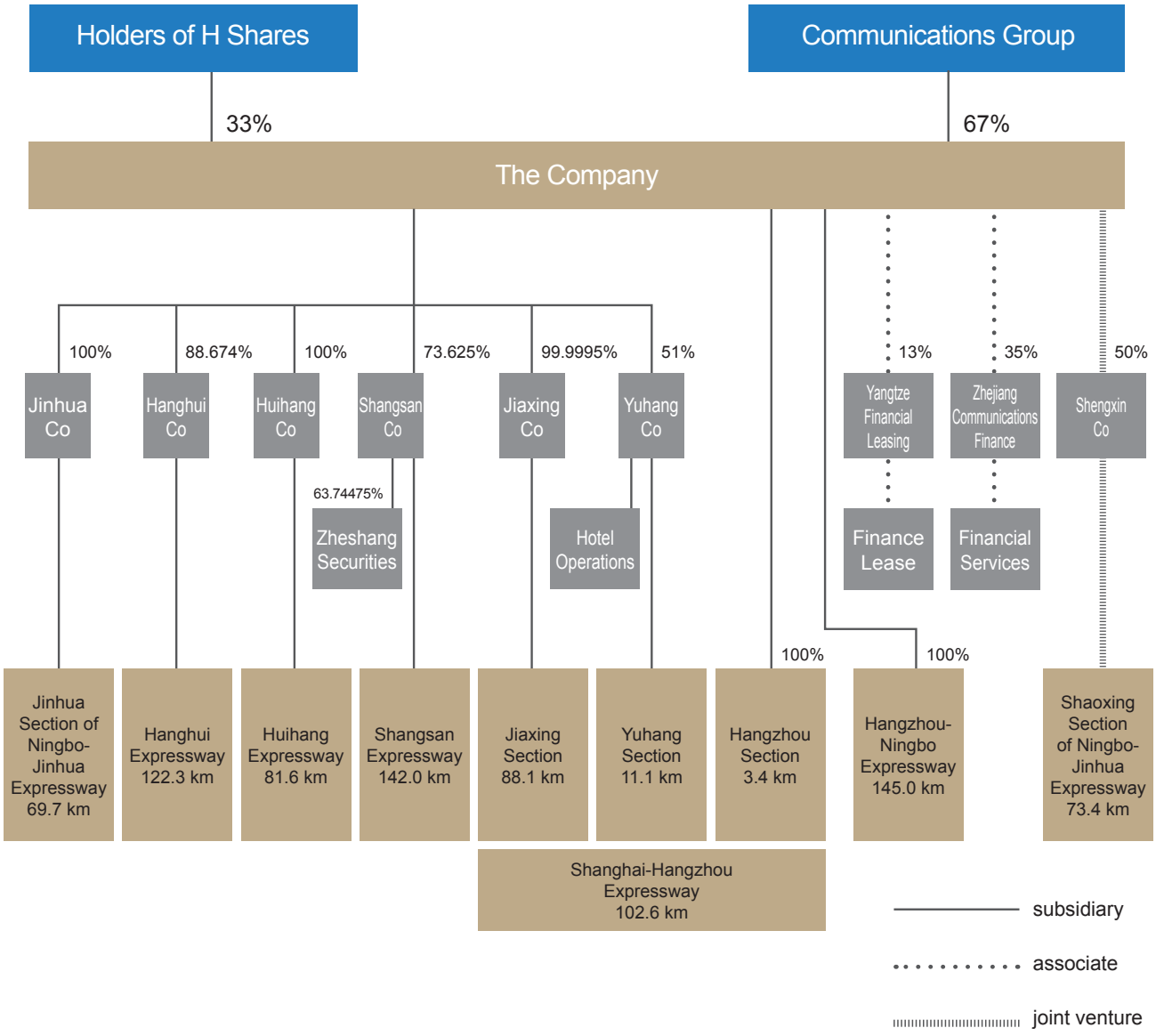
Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a provincial-level communications company which is wholly-owned by the State and established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment,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

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

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

Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at December 31, 2017:



Review of Major Corporate Events

1. On March 27, 2017, the Company announced its 2016 annual results in Hong Kong and thereafter conducted its annual results presentation in Hong Kong and Singapore.

2. On April 21, 2017, the Company issued zero coupon convertible bonds due 2022 in an aggregate amount of Euro365,000,000.

3. On April 28, 2017, the Company published its 2017 first quarterly results.

4. On May 15, 2017, the Company organised a hiking activity in celebration of the 20th anniversary of its establishment and listing.

5. On May 18, 2017, the Company held its Annual General Meeting to approve, inter alia, the resolutions regarding the payment of a final dividend of Rmb0.295 per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the Hong Kong auditors of the Company, the re-appointment of Pan-China Certified Public Accountants LLP. as the PRC auditors of the Company, and the grant of general mandate to the Board to issue, allot and deal in new H shares of no more than 20% of the issued H shares of the Company.

6. On June 26, 2017, Zheshang Securities Co., Ltd., a subsidiary of the Company, was officially listed on the Shanghai Stock Exchange (Stock Code: 601817). The total number of issued shares of Zheshang Securities was 333,333,400 and the issue price was Rmb8.45 per share.

7. On August 23, 2017, the Company published its 2017 interim results and thereafter conducted its interim results presentation in Hong Kong and Singapore.

8. On September 27, 2017, the Company, as one of the syndicate members, participated in the PPP project in relation to the North Link Expressway of Jiaxing Qiantang River Tunnel, responsible for the construction and management of the project and the operation and maintenance upon completion of construction.

9. On October 31, 2017, the Company announced its 2017 third quarterly results.

10. On December 18, 2017, the Company held its Extraordinary General Meeting to approve, among others, the resolutions regarding the payment of the 2017 interim dividend of Rmb0.06 per share and the inclusion of party construction into the articles of association. In addition, upon listing of Zheshang Securities, the amount representing 10% of the total issued shares of the listed company held by Shangsan Co will be transferred to National Social Security Fund and Communications Group, the state-owned shareholder of the Company, shall compensate Rmb0.0328 per share to the H shareholders of the Company. The compensation was paid to the H shareholders of the Company together with the interim dividend on January 19, 2018.

11. On December 27, 2017, the Company entered into the Agreement on Outsourced Operation and Management of S45 Yiwu-Dongyang Expressway with Yiwu Transportation Investment and Construction Group Co., Ltd. with respect to the outsourced management of expressway from Yiwu to Dongyang with a length of approximately 21.6 km, marking the first outsourcing project regarding the management of expressway of the Company.

12. On February 8, 2018, the Company and Zhejiang Hongtu Transportation Construction Company Limited obtained the notice of bid award from Deqing Transportation Bureau, responsible for the PPP project in relation to the construction of bridges, tunnels and public service stations in Deqing.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	8	7	2	1998	11
– Yuhang Section	51%	11.1	6	1	0	1995-1998	11
– Hangzhou Section	100%	3.4	4	2	0	1995	11
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	16.0	4	1	0	1992	10
– Hongken to Duantang section	100%	124.0	8	9	2	1995	10
– Duantang to Dazhujia section	100%	5.0	4	1	0	1996	10
Shangsan Expressway	73.625%	142.0	4	11	3	2000	13
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	13
Hanghui Expressway							
– Changyu Section	88.674%	36.7	4	5	1	2004	12
– Changhang Section	88.674%	85.6	4	8	1	2006	14
Huihang Expressway	100%	81.6	4	5	2	2004	16

CURRENT TOLL RATES ON THE EXPRESSWAYS UNDER THE GROUP

1. Passenger vehicle classification and toll rates

Vehicle Class	Classification Standard	Zhejiang Expressway		Huihang Expressway Mileage fee (No entrance fee)
		Entrance Fee (Rmb/vehicle)	Mileage Fee (Rmb/vehicle/km)	
1	Passenger vehicle with up to 7 seats	5	0.45	0.45
2	Truck with tonnage of 2 tons or below	5	0.45	0.45
	Passenger vehicle with seats 8 to 19	5	0.45	0.80
3	Truck with tonnage of above 2 tons and up to 5 tons	10	0.80	0.80
	Passenger vehicle with seats 20 to 39	10	0.80	1.10
4	Truck with tonnage of above 5 tons and up to 10 tons	15	1.20	1.10
	Passenger vehicle with seats above 40	15	1.20	1.30
5	Truck with tonnage above 10 tons and up to 15 tons	15	1.40	1.30
	Truck with tonnage above 15 tons	20	1.60	1.50

2. Toll rates on goods vehicles on the Zhejiang Expressway

Load	Toll standards	
Legally loaded	Up to 5 tons	Rmb0.09/ton per km
	Above 5 tons and up to 15 tons	Rmb0.09/ton per km x 1.5 is reduced in a linear manner to Rmb0.09/ton per km
	Above 15 tons and up to 30 tons	Rmb0.09/ton per km is reduced in a linear manner to Rmb0.06/ton per km
	Over 30 tons	Based on 30 tons calculation
Overloaded vehicle	Overloaded below 10%	Calculation based on the basic fee standard for legally loaded
	Overloaded up to 30%	The overloaded portion over 10% is calculated based on Rmb0.09/ton per km x 1.2; the remaining portion is calculated based on the fee standard of "Overloaded below 10%"
	Overloaded above 30% and up to 50%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of "Overloaded up to 30%"; the remaining portion is calculated based on Rmb0.09/ton per km x 2
	Overloaded above 50% and up to 100%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of "Overloaded up to 30%"; the remaining portion is calculated based on Rmb0.09/ton per km x 3
	Overloaded over 100%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of "Overloaded up to 30%"; the remaining portion is calculated based on Rmb0.09/ton per km x 4

3. Toll rates on goods vehicles on the Huihang Expressway

Load	Toll standards	
Legally loaded	Up to 10 tons	Rmb0.09/ton per km
	Above 10 tons and up to 40 tons	Rmb0.09/ton per km is reduced in a linear manner to Rmb0.05/ton per km
	Over 40 tons	Rmb0.05/ton per km
Overloaded vehicle	Overloaded up to 30%	Calculation based on the basic fee standard for legally loaded
	Overloaded above 30% and up to 100%	Calculation based on the fee standard X 3 is increased in a linear manner to fee standard X 6
	Overloaded over 100%	Calculation based on the fee standard X 6

* The mileage fee for Class 1 vehicle on the Shangsan Expressway, Jinhua section of Ningbo-Jinhua Expressway and Hanghui Expressway is Rmb0.40/vehicle/km. The toll rates for other passenger vehicles and trucks are the same as those for the Shanghai-Hangzhou-Ningbo Expressway.

Financial and Operating Highlights

Results

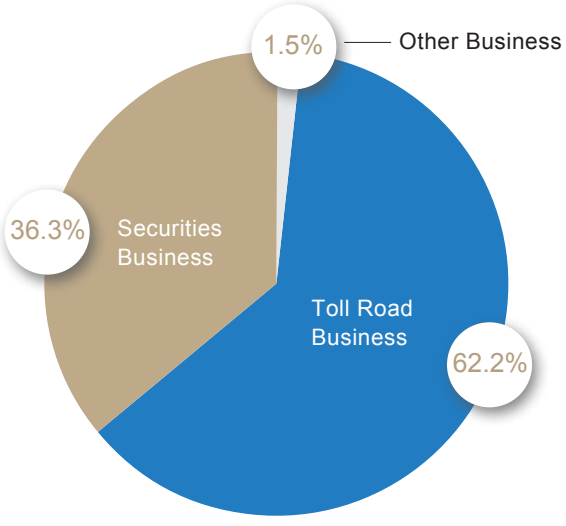
	Year ended December 31,				
	2013 Rmb'000 (Restated)	2014 Rmb'000 (Restated)	2015 Rmb'000 (Restated)	2016 Rmb'000	2017 Rmb'000
Continuing operations:					
Revenue	6,055,104	7,171,810	10,724,781	9,735,347	9,626,340
Profit Before Tax	2,733,424	3,564,510	5,365,724	4,888,585	5,183,301
Income Tax Expense	(720,632)	(882,625)	(1,396,774)	(1,161,570)	(1,192,269)
Profit for the year from continuing operations	2,012,792	2,681,885	3,968,950	3,727,015	3,991,032
Discontinued operations:					
Profit for the year from discontinued operations	70,964	64,087	60,830	81,594	–
Profit for the year (from continuing and discontinued operations) attributable to:					
Owners of the Company	1,801,687	2,264,994	2,989,680	3,037,405	3,202,130
Non-controlling interests	282,069	480,978	1,040,100	771,204	788,902
Basic Earnings Per Share (EPS) (From continuing and discontinued operations)	41.48 cents	52.15 cents	68.84 cents	69.94 cents	73.73 cents

RETURN ON EQUITY (ROE)

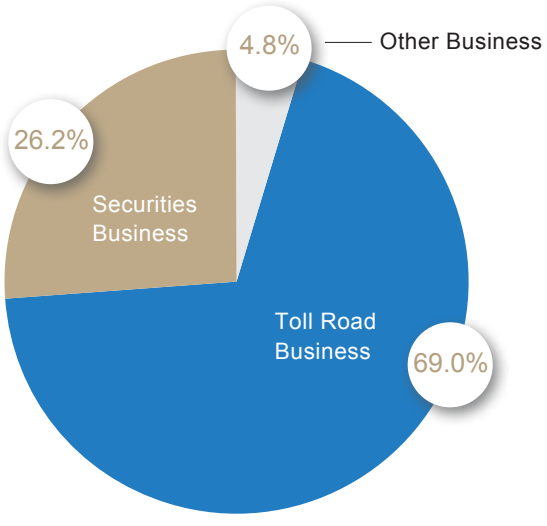
	2013	2014	2015	2016	2017
ROE	11.2%	13.3%	17.9%	16.6%	15.5%

SEGMENTAL REVENUE / 2017

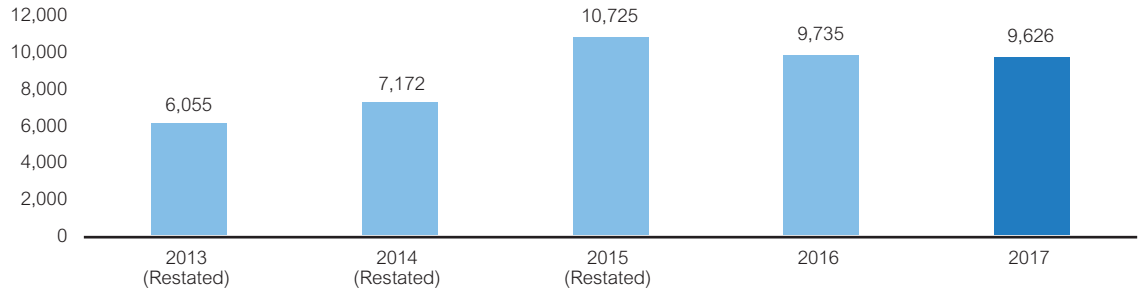
(continuing operations)



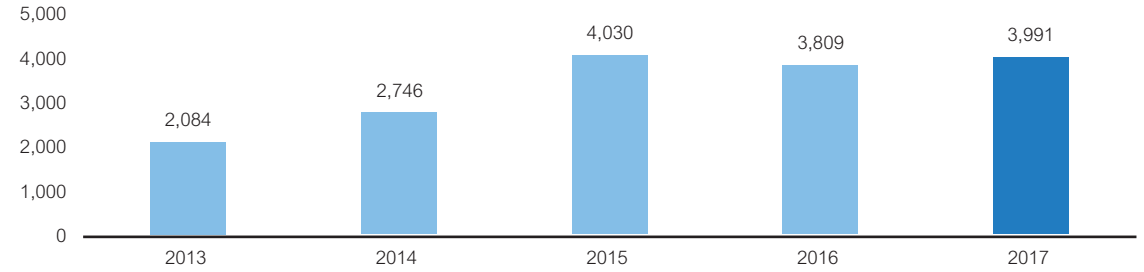
SEGMENTAL NET PROFIT / 2017



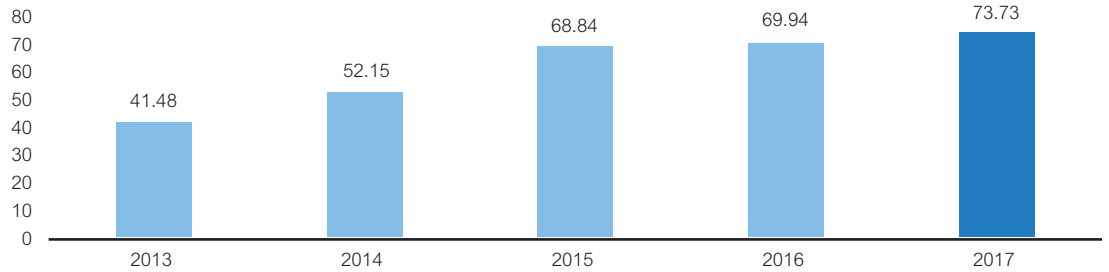
Revenue / Rmb Million (Continuing operations)



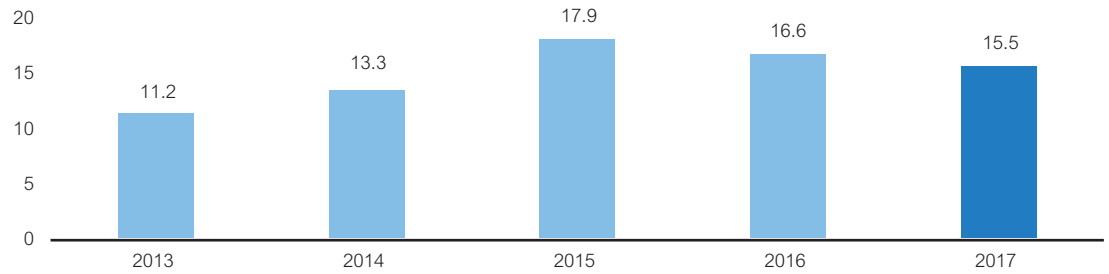
Net profit / Rmb Million (Continuing and discontinued operations)



Basic EPS / Rmb Cents (Continuing and discontinued operations)



ROE / %





ZHAN Xiaozhang

Chairman

Chairman's Statement

Dear Shareholders,

It is my pleasure to present the annual results of Zhejiang Expressway ("ZJE" or "the Company", collectively referred to as "the Group" with subsidiaries) for the year 2017 on behalf of the Board of Directors.

In 2017, China's economy grew 6.9%, which was the first year-over-year improvement in the last seven years and beat the official target of "around 6.5%." The encouraging performance was driven by growth in both the old and new economic sectors. Foreign trade has been recovering, consumer demand remained steady, and a variety of high-tech sectors saw strong growth. Against this backdrop, the economic transformation of Zhejiang Province continued as the Province's GDP reached a record-high of over RMB5 trillion, up 7.8% over the last year.

In line with the macro trend, the Company's operating results in 2017 saw steady growth, with net profit hitting a new high. In particular, toll revenue in the Company's core toll-road operations business rose 13.4% to RMB5.99 billion, contributing 62.2% of the Group's overall revenue.

Our strong toll road operating performance was mainly driven by Zhejiang Province's favorable economic development momentum, and further boosted by our efforts to improve service quality and control costs, in particular by implementing a variety of new technologies, including the ETC (Electronic Toll Collection) lane for trucks and mobile payment. We are also exploring more technology solutions in early 2018 to build a solid foundation as we look to upgrade our technology to a comprehensive smart logistics system that will give us the opportunity to take advantage of big data. We believe advanced technologies will not only help us remain competitive by lowering costs and enhancing efficiency, but will also enable us to become a crucial player in the smart mobility value chain.

Chairman's Statement

On the financial side of our business, we achieved a major milestone when our subsidiary Zheshang Securities successfully listed on the Shanghai Stock Exchange on June 26, 2017. The period since the listing has been especially challenging due to a decline in commission rates in the market, which caused a decline in revenue and net profit for Zheshang Securities. Its investment banking business segment, however, continued to progress steadily. Meanwhile, our minority investments in the financial sector continued to yield positive results. Taiping Science and Technology Insurance Co., Ltd. successfully launched its business in January 2018, and Yangtze United Financial Leasing Co., Ltd. grew rapidly and contributed Rmb265 million in net profit in 2017.

Another highlight of the Company is the financing breakthrough. In addition to the IPO of Zheshang Securities which allows us to have A+H equity platforms, we raised Euro365 million in April by issuing zero coupon convertible bonds on the offshore market, the first Euro-denominated convertible bonds among Chinese issuers. We have demonstrated strong financing capability on both domestic and offshore markets, which will facilitate our business expansion going forward.

2017 also marked the Company's 20th anniversary since its public listing on the Hong Kong Stock Exchange. Back in 1997, when we filed for an IPO, we were only operating the Shanghai-Hangzhou-Ningbo Expressway. 20 years later, as of 31 December 2017, we have become a diversified holdings company that not only has five major expressways under operation within and outside of Zhejiang Province, but also controls the A-share listed Zheshang Securities and holds a range of minority stakes in a number of financial-related businesses, with the aiming of becoming an international investment holdings company. Over the past two decades, the Company's total assets increased by over 6 times from RMB11.5 billion in 1997 to RMB73.7 billion by the end of 2017, and its net assets increased by over 4 times from RMB8.2 billion to RMB29.2 billion, making it the largest subsidiary under the parent Zhejiang Communications Investment Group Co., Ltd. in terms of asset scale.

The Company strives to create shareholder value and improve shareholder return. Throughout the past 20 years, despite cyclical fluctuations in the global and Chinese economy, the Company has delivered a stable dividend policy and distributed a total of nearly RMB20 billion in dividends to shareholders. We remain in continuous dialogue with shareholders and potential investors and uphold a policy of open communication and fair disclosure.

Looking ahead to 2018, we will remain focused on our core toll road business and aim to become "the leading toll-road operator in China and a top-notch operator globally". To create further synergies, we will explore investment opportunities in the infrastructure sector. For Zheshang Securities, we will strengthen its risk management capabilities and expand into more new areas. We will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high-quality and sustainable development.

On behalf of the Board, I would like to thank everyone who has supported the Group, including our investors, shareholders, business partners, customers, management team and employees. As we look ahead to new achievements, we will work hard to safeguard the overall interests of the Company and add value for shareholders.

ZHAN Xiaozhang
Chairman

March 16, 2018

Celebrating 20th Listing Anniversary with 2 Decades of Success

2017 marked the Company's 20th anniversary since its public listing on the Hong Kong Stock Exchange. Over the past 20 years, the Company has become a diversified investment holdings company that not only operate five major expressways within and outside of Zhejiang Province, but also controls the A-share listed Zheshang Securities and holds a range of minority stakes in a number of financial-related businesses. The Company's total assets increased by 6 times to RMB73.7 billion over the past two decades, making it the largest subsidiary under the parent Zhejiang Communications Investment Group Co., Ltd.



Management Discussion and Analysis

BUSINESS REVIEW

The global economy recovered substantially in 2017, continuing with the revival trend. China's economy steadily expanded, with a 6.9% increase in national GDP during the Period compared with last year. During the Period, Zhejiang Province's economy benefited from a stable increase in services, manufacturing, and import and export trade as well as strong consumer demand. In 2017, Zhejiang Province's GDP grew by 7.8% year-on-year, 0.9 percentage points higher than the national rate.

During the Period, revenue from the Group's overall operations decreased 1.1% year-on-year. Total revenue reached Rmb9,626.34 million, of which Rmb5,986.25 million was generated from the five major expressways operated by the Group, representing an increase of 13.4% year-on-year and 62.2% of the total revenue, and Rmb3,491.25 million was from the securities business, representing a decrease of 16.4% year-on-year and 36.3% of the total revenue. A breakdown of the Group's revenue for the Period is set out below:

LUO Jianhu

Director and General Manager



	2017 Rmb'000	2016 Rmb'000	% Change
Toll revenue			
Shanghai-Hangzhou-Ningbo Expressway	**3,772,880**	3,342,577	12.9%
Shangsan Expressway	**1,244,280**	1,112,297	11.9%
Jinhua section, Ningbo-Jinhua Expressway	**362,345**	335,090	8.1%
Hanghui Expressway	**477,656**	446,392	7.0%
Huihang Expressway	**129,088**	42,992	200.3%
Securities business revenue			
Commission and fee income	**2,088,310**	2,664,959	–21.6%
Interest income	**1,402,940**	1,510,281	–7.1%
Other operation revenue			
Property sales	**47,865**	196,928	–75.7%
Hotel operation	**100,976**	83,831	20.5%
Total revenue	**9,626,340**	9,735,347	–1.1%

Toll Road Operations

Benefiting from Zhejiang Province's favorable economic development momentum, during the Period, traffic volume on the Group's expressways registered satisfactory organic growth. During the Period, the organic traffic volume growth rates for the Group's five expressways, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway, and Huihang Expressway, were 9.8%, 10.8%, 9.6%, 9.8% and 7.4%, respectively, with the varied rates of growth due to the different regions where the five expressways are located.

During the Period, driven by a number of positive factors, traffic volume on the Company's expressways registered steady growth. Since the G20 Hangzhou Summit was held in 2016, the "post-G20 effect" has positively impacted the region, leading to rapid development of tourism in Zhejiang Province and also further development of the Internet economy as well as transformation and upgrade of the real economy, leading to different sections of the expressways having recorded varied growth in traffic volume and toll revenue. In addition, the Ministry of Communication and Transport started nationwide special rectification measures following the release of "Regulations on Overloaded Trucks on Roadways" on September 21, 2016. As a result, the increase of truck traffic on the expressways operated by the Company were approximately 5 percentage points higher than that of passenger vehicles. In addition, starting from November 25, 2016, trucks were able to resume and use the Second Bridge over Qiantang River along the Shanghai-Hangzhou-Ningbo Expressway, which is also conducive to the growth of traffic volume between Qiaosi Interchange and Hongken Interchange of the Shanghai-Hangzhou-Ningbo Expressway, a section of approximately 23.7 kilometers.

Upgrading the Core Expressway Business with Smart Technologies

The Company is one of the first operators to adapt smart technologies into its core expressway business, including the deployment of smart toll station on a trial basis, the expansion of ETC lanes and the utilization of a mobile payment processing system. These initiatives help the Company reduce operating costs and improve management efficiency.

In the future, Internet, big data and artificial intelligence are expected to be integrated with the transportation industry, which will gradually change the current industry operating model. The Company will proactively adapt to the smart transportation trend and enhance the competitiveness of its core expressway business by taking advantage of various advanced technologies.



During the Period, the opening of neighboring new roadways caused certain traffic volume diversion for some expressways operated by the Group. On December 1, 2016, the Hangzhou-Xin'anjiang-Jingdezhen Expressway was opened, and during the Period this expressway continued to cause various degrees of diversion impact on traffic volume along the Hanghui Expressway and the Huihang Expressway. In addition, the Dongyang-Yiwu Provincial Highway was opened to traffic on June 30, 2017, leading to a decline in short-distance traffic volume on the Jinhua Section of the Ningbo-Jinhua Expressway.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 57,275, representing an increase of 13.2% year-on-year. In particular, the average daily traffic volume in full trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 59,814, representing an increase of 22.1% year-on-year, and that along the Hangzhou-Ningbo Section was 55,461, representing an increase of 10.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 30,223, representing an increase of 11.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 19,708, representing an increase of 9.9% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 17,500 representing an increase of 8.2% year-on-year. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 7,240, representing a decrease of 2.3% year-on-year.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway and the 82km Huihang Expressway was Rmb5,986.25 million. Among which, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb3,772.88 million, representing an increase of 12.9% year-on-year; toll revenue from the Shangsan Expressway was Rmb1,244.28 million, representing an increase of 11.9% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb362.35 million, representing an increase of 8.1% year-on-year; toll revenue from the Hanghui Expressway was Rmb477.66 million, representing an increase of 7.0% year-on-year; and toll revenue from the Huihang Expressway was Rmb129.09 million.

Securities Business

During the Period, domestic market conditions remained lackluster due to volatility, and trading volume on the Shanghai and Shenzhen stock markets decreased 11.7% year-on-year in aggregate. Though revenue from Zheshang Securities' investment banking business experienced growth, its other business segments including securities brokerage, margin financing and securities lending recorded varied levels of revenue decreases year-on-year.

Zheshang Securities Listed on Shanghai Stock Exchange

On June 26, 2017, Zheshang Securities Co., Ltd., a subsidiary of the Company, was listed on the Shanghai Stock Exchange under the short name “Zheshang Securities” with the stock code “601878”. The IPO offering price was Rmb8.45 per share and the net proceeds raised was Rmb2,757 million.

The listing has created favorable conditions for market financing, market capitalization management and business development. Zheshang Securities continues to strengthen its internal control management and optimize its business structure, stepping up business expansion and bolstering its high-quality project pipeline to overcome the unfavorable operational impact brought about by market conditions.







During the Period, Zheshang Securities recorded total revenue of Rmb3,491.25 million, a decrease of 16.4% year-on-year. Of which, commission and fee income declined 21.6% year-on-year to Rmb2,088.31 million, and interest income from the securities business was Rmb1,402.94 million, representing a decrease of 7.1% year-on-year. In addition, during the Period, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb778.80 million, representing an increase of 279.4% year-on-year (2016: securities investment gains of Rmb205.28 million).

Zheshang Securities was listed and issued new shares (A-shares) on the Shanghai Stock Exchange on June 26, 2017. The listing has created favorable conditions for market financing, market capitalization management and business development. Zheshang Securities continued to strengthen its internal control management, optimize its business structure, stepping up business expansion, and bolstering its high-quality project pipeline to overcome the unfavorable operational impact brought about by the market conditions.

Other Business Operations

Other business income was mainly derived from hotel operations and sales of ancillary apartments, namely the Qiyu Apartments.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb100.98 million for the Period. Qiyu Apartments during the Period realized sales revenue of Rmb47.87 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 the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 19,211, representing an increase of 13.2% year-on-year. Toll revenue during the Period was Rmb399.34 million. During the Period, the joint venture reported a net profit of Rmb35.34 million (2016: net profit of Rmb19.59 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate of the Company), derived 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 realized a net profit of Rmb321.40 million (2016: net profit of Rmb122.57 million).

Management Discussion and Analysis

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate of the Company), was involved in the finance leasing business, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the China Banking Regulatory Commission. During the Period, the associate company realized a net profit of Rmb265.25 million (2016: net profit of Rmb134.15 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 Rmb3,202.13 million, representing an increase of 5.4% year-on-year, basic earnings per share for the Company from continuing and discontinued operations was Rmb73.73 cents, representing an increase of 5.4%, diluted earnings per share for the Company from continuing and discontinued operations was Rmb71.36 cents, representing an increase of 2.0%, and return on owners' equity was 15.5%, representing a decline of 6.6% year-on-year.

Liquidity and financial resources

As at December 31, 2017, current assets of the Group amounted to Rmb53,952.25 million in aggregate (December 31, 2016: Rmb52,158.22 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 10.4% (December 31, 2016: 14.1%), bank balances and clearing settlement fund held on behalf of customers accounted for 27.9% (December 31, 2016: 38.5%), held for trading investments accounted for 23.3% (December 31, 2016: 15.6%) and loans to customers arising from margin financing business accounted for 14.6% (December 31, 2016: 15.2%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2017 was 1.7 (December 31, 2016: 1.2). 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 2.2 (December 31, 2016: 1.4).

The amount of held for trading investments of the Group as at December 31, 2017 was Rmb12,568.69 million (December 31, 2016: Rmb8,144.13 million), of which 97.0% was invested in bonds, 0.6% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash used in the Group's operating activities amounted to Rmb829.67 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.

	As at December 31,	
	2017 Rmb'000	2016 Rmb'000
Cash and cash equivalents	5,588,814	7,198,745
Time deposits	20,000	165,000
Held for trading investments	12,568,694	8,144,132
Available-for-sale investments	1,800,835	1,342,920
Total	19,978,343	16,850,797

Borrowings and solvency

As at December 31, 2017, total liabilities of the Group amounted to Rmb 44,446.17 million (December 31, 2016: Rmb49,585.51 million), of which 1.1% was bank and other borrowings, 1.7% was short-term financing note payable, 22.8% was bonds payable, 6.1% was convertible bond, 23.7% was financial assets sold under repurchase agreements and 33.6% was accounts payable to customers arising from securities business.

As at December 31, 2017, total interest-bearing borrowings of the Group amounted to Rmb14,113.45 million, representing a decrease of 15.2% compared to that as at December 31, 2016. The borrowings comprised outstanding balances of a domestic financial institution of Rmb420.00 million, borrowings from a domestic institution of Rmb60.00 million, subordinated bonds of Rmb5.95 billion, corporate bonds of Rmb3.40 billion, beneficial certificates of Rmb1,562.80 million, and convertible bond denominated in Euro and equivalents to Rmb2,720.65 million. Of the interest-bearing borrowings, 82.4% was not payable within one year.

As at December 31, 2017, the annual floating interest rate of the Group's borrowings from a domestic financial institution was 4.2195%. The annual fixed interest rate from a domestic institution was 3.0%. Beneficial certificates amounted Rmb1.80 million with annual floating rate at 2.0%, and the beneficial certificates amounted Rmb1,561.00 million with annual fixed rates between 3.7% and 5.3%. The annual interest rates for subordinated bonds were fixed at rates between 3.63% and 6.3%. The annual interest rates for corporate bonds were fixed at 3.08% and 4.9%. The annual coupon rate for convertible bond was nil. While the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Management Discussion and Analysis

		Maturity Profile		
	Gross amount	Within 1 year	2-5 years inclusive	Beyond 5 years
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Floating rates				
Borrowings from a domestic financial institution	420,000	420,000	–	–
Beneficial certificates	1,800	1,800	–	–
Fixed rates				
Borrowings from a domestic institution	60,000	–	60,000	–
Beneficial certificates	1,561,000	1,561,000	–	–
Subordinated bonds	5,950,000	500,000	5,450,000	–
Corporate bonds	3,400,000	–	3,400,000	–
Convertible bond	2,720,654	–	2,720,654	–
Total as at December 31, 2017	14,113,454	2,482,800	11,630,654	–
Total as at December 31, 2016	16,644,735	9,944,735	6,700,000	–

Total interest expenses and profit before interest and tax for the Period amounted to Rmb611.75 million and Rmb5,795.05 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 9.5 (2016: 8.4) times.

	2017 Rmb'000	2016 Rmb'000
Profit before tax and interest	5,795,048	5,668,523
Interest expenses	611,747	671,387
Interest cover ratio (times)	9.5	8.4

As at December 31, 2017, the asset-liability ratio (total liabilities over total assets) of the Group was 60.3% (December 31, 2016: 67.2%). 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 50.3% (December 31, 2016: 55.0%).

Capital structure

As at December 31, 2017, the Group had Rmb29,204.35 million in total equity, Rmb39,148.79 million in fixed-rate liabilities, Rmb421.80 million in floating-rate liabilities, and Rmb4,875.58 million in interest-free liabilities, representing 39.7%, 53.2%, 0.6% and 6.5% 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 101.1% as at December 31, 2017 (December 31, 2016: 122.1%).

	As at December 31, 2017		As at December 31, 2016	
	Rmb'000	%	Rmb'000	%
Total equity	29,204,351	39.7%	24,175,927	32.8%
Fixed rate liabilities	39,148,787	53.2%	44,473,878	60.3%
Floating rate liabilities	421,800	0.6%	431,035	0.6%
Interest-free liabilities	4,875,582	6.5%	4,680,592	6.3%
Total	73,650,520	100.0%	73,761,432	100.0%
Long-term interest-bearing liabilities	11,630,654	15.8%	6,700,000	9.1%
Gearing ratio 1 (note)		101.1%		122.1%
Gearing ratio 2 (note)		39.8%		27.7%
Asset-liabilities ratio1 (note)		60.3%		67.2%
Asset-liabilities ratio 2 (note)		50.3%		55.0%

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

Management Discussion and Analysis

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb436.31 million. Amongst the total capital expenditure, Rmb218.91 million was incurred for acquiring equity investments, Rmb51.06 million was incurred for acquisition and construction of properties, and Rmb166.34 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2017, the capital expenditure committed by the Group totaled Rmb812.14 million. Amongst the total capital expenditures committed by the Group, Rmb360.00 million will be used for acquiring equity investments, Rmb162.02 million will be used for acquisition and construction of properties and Rmb290.12 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, Rmb209.00 million of the bank loans had been repaid. As at December 31, 2017, the remaining bank loan balance is Rmb1,683.00 million.

Except for the above, as at December 31, 2017, 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) borrowing HK$432.53 million on June 8, 2016 and repayment on the borrowing on June 8, 2017, and (iii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iv) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro 365.00 million in Hong Kong capital market, the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group completed one-year HK dollar forwards of equivalent amount to hedge the foreign exchange risk derived from the Hong Kong dollar borrowing, which was purchased in 2016. Except for the above, the Group has not used any other financial instruments for hedging purpose during the Period.

OUTLOOK

Looking ahead to 2018, the global economy continues to recover gradually, but still faces multiple uncertainties. Under the Chinese government's prudent macroeconomic policy, the domestic economy is expected to maintain stable growth as it transitions from a high-speed to a high-quality development stage. Zhejiang Province will focus on the real economy as well as growing the new economy with the digital sector as the core component, and accelerating economic restructuring, transformation and upgrading. The performance of the overall economy is expected to be steady and positive, which will provide a stable external environment for the Company's development. The overall traffic volume of the expressways operated by the Company is expected to maintain steady growth in 2018.

The Company will continue to promote the construction of electronic toll collection (ETC) lanes, fully promote mobile payment at all toll stations and set up self-service payment lanes on a trial basis to improve the efficiency of toll collection systems. The Company will continue to apply technological tools to attract more vehicles and improve its service standards in multiple aspects so as to enhance service quality and customer satisfaction. The Company will also increase the usage of big data applications, establish a vehicle confidence system, improve expressway operation capacity under the Group to assure safe and smooth traffic flow, with an aim to establish the Company's brand recognition in the industry. By fully leveraging advantages in expressway operations and management, the Group will seek to export its management capabilities in the expressway sector using market principles.

Achieving high-quality and sustainable development under the new economic environment

The Company will continue to leverage on its development advantages, expand and enhance the core expressway business, and strengthen its securities business. The management will continue to monitor government policies and the external environment to appropriately adjust the Company's operational strategy. With a focus on effective risk control, the Company will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high-quality and sustainable development.



As the government continues to actively promote the healthy development of the multi-tiered capital market and the China Securities Regulatory Commission gradually improves the supervision system of the business chain and facilitates the enhancement of capital market services, these measures will bring new opportunities and challenges to the securities business of the Group. In order to address market and industry challenges and promote the sustainable and healthy development of all its businesses, Zheshang Securities will transform and upgrade its traditional businesses, actively grow innovative businesses, optimize and adjust its business structure and continuously improve profitability and competitiveness.

In order to adapt to the new economic transformation and developments in 2018, the Company will leverage on its development advantages, expand and enhance the core expressway business, and strengthen its securities business. The management will continue to monitor government policies and the external environment to appropriately adjust the Company's operational strategy. With a focus on effective risk control, the Company will continue to explore suitable investment and development projects via different channels, thereby growing its management capability to operate diversified businesses, with the goal of achieving high-quality and sustainable development.

HUMAN RESOURCES

During the Period, the Company actively revamped its human resource management, enhanced its remuneration and performance policy, and prompted the increase in overall payment of remuneration to be linked to the operating performance of Company and the productivity of employees. As at December 31, 2017, there were 6,871 employees within the Group, amongst whom 1,453 worked in the managerial, administrative and technical positions, while 5,418 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

As the global economy continues to struggle for recovery, China's economy is moving into a "new normal" as it downshifts from rapid growth to more moderate levels of growth. The overall economy is still subject to downside pressure to a certain extent. As the expressway toll road business is closely related to the macroeconomy, it is subject to the macroeconomic performance. Growth in the traffic volume and toll revenue of the Group's expressways is expected to remain uncertain, creating uncertainties for the operations, financial conditions and operating results of the Group.

Roads Competition

At present, since the commencement of service of Hangxinjing Expressway from Kaihua section to Jiande section in December 2016, there will be continuing considerable diversion impact on traffic volume of Hanghui Expressway and Huihang Expressway of the Group. Accordingly, we cannot be assured as to whether traffic volume to be generated on the Group's expressways will be maintained at the same levels as before or will increase in the future, or whether or not the operating results of the Group will be negatively affected.

Toll Policy

With the implementation of the toll waiver policy on small passenger vehicles on key festivals and holidays by the PRC government on September 30, 2012, the expressway operators who charge for toll are negatively affected. In addition, due to the introduction of a special project by five ministries and commissions for the rectification of the toll road policy in Zhejiang province, a number of new policies focusing on adjusting the toll policy of expressways within the province such as "Provisions on the Administration of the Running of Transport Vehicles with Out-of-gauge Goods on the Road" (《超限運輸車輛行駛公路處理規定》) were successively issued. At the same time, as the consultation paper "Regulation on Administration of Toll Roads" (《高速公路收費管理條例》) 2015 has not been officially promulgated at present, despite that we expect the possibility of further significant changes in the policies of the expressway industry in the near term is minimal, we cannot be assured that they will not have any adverse effects on the toll revenue of the Group.

SECURITIES BUSINESS RISKS

Market Fluctuations

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

Regulation of the Securities Business

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

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 4, 51 and 52 to the Consolidated Financial Statements.

Principal Risks and Uncertainties

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

The Directors of the Company, whose names and functions are listed on pages 45 to 52, duly confirm that to the best of their knowledge:

– the consolidated financial statements prepared and subject to disclosure under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group, and cover the enterprises that have been consolidated into the Company; and

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

From the beginning of year 2017 up to now, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board
Tony ZHENG
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 16, 2018

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the Period, the Company has complied with all code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

The executive directors of the Company during the Period were:
Mr. ZHAN Xiaozhang *(Chairman)*
Mr. CHENG Tao
Ms. LUO Jianhu *(General Manager)*

The non-executive directors of the Company during the Period were:
Mr. WANG Dongjie
Mr. DAI Benmeng
Mr. ZHOU Jianping (Resigned on December 22, 2017)

The independent non-executive directors of the Company during the Period were:
Mr. ZHOU Jun
Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa

Corporate Governance Report

During the Period, the Board held a total of eight meetings. Individual attendances by the directors (as indicated by the numbers of meetings attended/numbers of relevant meetings held) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. ZHAN Xiaozhang (Chairman)	5/8	1/8	2/8
Mr. CHENG Tao	5/8	1/8	2/8
Ms. LUO Jianhu (General Manager)	6/8		2/8
Mr. WANG Dongjie	1/8	4/8	2/8
Mr. DAI Benmeng	4/8	1/8	2/8
Mr. ZHOU Jianping	6/8		2/8
Mr. ZHOU Jun	4/8	1/8	2/8
Mr. PEI Ker-Wei	6/8		2/8
Ms. LEE Wai Tsang, Rosa	4/8	2/8	2/8

During the Period, the Company held two general meetings of the shareholders. The meetings were chaired by Chairman, and all executive directors were present at the meetings.

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

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

While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of plans or proposals were usually delegated to the management.

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

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

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

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

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

CHAIRMAN AND GENERAL MANAGER

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

NON-EXECUTIVE DIRECTORS

Terms for the non-executive directors of current session of the Board started on July 1, 2015 and will expire on June 30, 2018.

Corporate Governance Report

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Strategic Committee. Roles and responsibilities for each committee are specified in its terms of reference, details of which can be found under the "Corporate Governance" section in the Company's website.

The Audit Committee comprised of the three independent non-executive directors and two non-executive directors, namely Mr. ZHOU Jun, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. WANG Dongjie and Mr. ZHOU Jianping, of whom Mr. ZHOU Jun serves as the Chairman of the Audit Committee.

The Nomination Committee comprised of the three independent non-executive directors, one executive director and one non-executive director, namely Mr. ZHAN Xiaozhang, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. DAI Benmeng, of whom Mr. ZHAN Xiaozhang serves as Chairman of the Nomination Committee.

The Company believes that diversification of board members is a key element to maintain the Company's competitive advantage, improve business performances, and promoting the Company's continued development. When setting up the board member composition, the Company takes into consideration a number of aspects that determine board member diversification, including but not limited to gender, age, culture, education background, professional experience, work and living background, knowledge and skill, etc. The Company's Nomination Committee is responsible for assessing the board's structure, number of members, as well as a diversified composition, providing recommendation or suggestion on candidates to serve as new directors of the Company to the board when needed. The assessment as well as recommendation or suggestion above would have fully taken into consideration any pros and cons to the diversification of board members.

The Remuneration Committee comprised of the three independent non-executive directors and two non-executive directors, namely, Mr. PEI Ker-Wei, Mr. ZHOU Jun, Ms. LEE Wai Tsang Rosa, Mr. DAI Benmeng and Mr. ZHOU Jianping, of whom Mr. PEI Ker-Wei, serves as Chairman of the Remuneration Committee.

The Strategic Committee comprised of the three executive directors, namely Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu as well as Mr. ZHANG Jingzhong, Mr. WANG Dehua, Mr. Tony ZHENG and several outside experts and advisors, of whom Mr. ZHAN Xiaozhang serves as chairman of the Strategic Committee.

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

	Attendance in person	Attendance by proxy
Mr. ZHOU Jun	2/4	1/4
Mr. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang, Rosa	4/4	
Mr. WANG Dongjie	1/4	2/4
Mr. ZHOU Jianping	4/4	

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

During the Period, there were no changes to the remuneration policies of the members of the Board or senior management of the Company.

During the Period, Mr. ZHOU Jianping submitted his resignation to the Company on December 22, 2017 due to his reaching retirement age. Furthermore, due to posting elsewhere by the Communications Group, Mr. FANG Zhexing was relieved from his position as Deputy General Manager of the Company on December 18, 2017.

Other than the above, there were to other changes to members of the Board of Directors and senior management of the Company.

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

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

Corporate Governance Report

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

AUDITORS' REMUNERATION

During the Period, the Company had paid approximately Rmb3.56 million and Rmb0.89 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants LLP (the PRC auditors), respectively, for audit services conducted in 2017. Besides, the Company had paid Rmb0.26 million to Pan-China Certified Public Accountants LLP (the PRC auditors) for other assurance service provided.

SECRETARY TO THE BOARD

During the Period, the Secretary to the Board had complied with Rule 3.29 of the Listing Rules regarding undergoing relevant professional trainings.

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

As at December 31, 2017, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at December 31, 2017, the interests and short positions of other persons in the shares and underlying shares of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Communications Group	Beneficial owner	2,909,260,000	100%

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H shares)
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	159,925,446 (L) 2,908,345 (S) 61,980,136 (P)	11.01% 0.20% 4.32%
BlackRock, Inc.	Interest of controlled corporations	129,499,281 (L)	9.03%
The Bank of New York Mellon Corporation	Interest of controlled corporations	74,989,261 (L) 69,658,505 (P)	5.23% 4.86%

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

Save as disclosed above, as at December 31, 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association of the Company, two or more Shareholders who in aggregate hold 10% or more of the voting rights of all the shares of the Company having the right to vote may write to the Board to request the convening of an extraordinary general meeting and specifying the agenda of the meeting. Upon receipt of the request in writing, the Board shall convene the extraordinary general meeting as soon as possible. Shareholders who hold in aggregate 5% or more of the voting rights of all the shares of the Company having the right to vote are entitled to propose additional motions in annual general meeting, provided that such motions are served on the Company within 30 days after the issue of the notice of annual general meeting.

Written requests, proposals and enquiries may be sent to the Company through contact details listed on page 215 of this report.

INVESTOR RELATIONS

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

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

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

Mr. Tony ZHENG
Company Secretary
5/F, #2 Mingzhu International Business Center,
199 Wuxing Road, Hangzhou, Zhejiang 310020 the PRC.
Tel: 86-571-87987700
Fax: 86-571-87950329
mail: zhenghui@zjec.com.cn

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Monday, December 18, 2017 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 18, 2017 on resolutions passed at the extraordinary general meeting of the shareholders.

The next annual general meeting of the Company is expected to be held in June, 2018 with exact date and resolutions for review to be specified in notice of annual general meeting when it is published.

The Company has an issued share capital of 4,343,114,500 shares comprised of domestic shares and H shares. The domestic shares are held by Zhejiang Communications Investment Group Co., Ltd. as to 2,909,260,000 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,433,854,500 shares are H shares, representing approximately 33% of the total issued capital of the Company. As at the date of this report, and to the best of the Directors' knowledge, 100% of the H shares of the Company are held by the public.

There were some changes made to the articles of association of the Company during the Period, which were set out in the circular to shareholders dated November 3, 2017.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

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

The Board takes overall responsibility for the risk management and internal control systems, and is responsible for reviewing the effectiveness of these systems.

Corporate Governance Report

The Company's Audit Committee is charged with the duties of reviewing internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal special audit report on the Company's various core businesses prepared by internal audit department on a regular basis. During the Period, the Audit Committee focused on a special audit of electro-mechanic projects of the Company, as well as control of liquidity risk at Zheshang Securities. The internal audit department carried out specific audit into these compliance issues and monitored relevant rectifications, ensuring the effectiveness of the Company's management systems.

The Company's risk management and internal control systems will be reviewed by the Board on an annual basis, which covers the period from 1 January to 31 December each year. During the Period, the Directors of the Company had carried out a view on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient. The risk management of the Company was deemed to be effective and controllable.

DISCLOSURE OF INSIDE INFORMATION

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

MANAGEMENT FUNCTIONS

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

Directors, Supervisors and Senior Management Profiles

DIRECTORS

Chairman



Mr. YU Zhihong

born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University. Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Central District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Central District Office, Secretary of the Central District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Central District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, before he became the Deputy Party Secretary and then Mayor of Shaoxing City in 2013. Mr. Yu Zhihong assumed the position of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Provincial Party Committee since June 2017.



Mr. ZHAN Xiaozhang

born in 1964, is a Senior Economist. He has been appointed as the Chairman of the Company since June 2012. Mr. Zhan holds a bachelor's degree in law. He further obtained a master's degree in public administration from the Business Institute of Zhejiang University in 2005.

From 1985 to 1991, Mr. Zhan worked as an officer at Transport Administrative Division under Waterway Transport Authority of Zhejiang Provincial Bureau of Construction. From 1991 to 1998, he served as Deputy Secretary and Secretary of the Communist Youth League Commission at Zhejiang Provincial Bureau of Communications. From 1998 to 2002, he was Deputy Director of Waterway Transport Authority under Zhejiang Provincial Bureau of Communications. From 2002 to 2003, he was Deputy Director of Human Resources Department at Zhejiang Provincial Bureau of Communications. From 2003 to 2006, Mr. Zhan was Chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. From 2006 to 2008, he became Chairman of Zhejiang Jinji Property Co., Ltd. Mr. Zhan has been Deputy General Manager, Assistant to General Manager and Manager of Research and Development Department at Zhejiang Communications Investment Group Co., Ltd from 2006 to 2016.

He served as an Executive Director and the General Manager of the Company from March 2009 to June 2012. Mr. ZHAN currently also serves as General Manager of Zhejiang Communications Investment Group Co., Ltd.

Mr. ZHAN resigned the position of Chairman of the Company on April 2, 2018.

Directors, Supervisors and Senior Management Profiles

Executive Directors



Mr. CHENG Tao

born in 1964, is the party committee secretary of the Company. Mr. Cheng graduated from Changsha University of Science & Technology with a bachelor's degree in transportation engineering. He is a Senior Administration Engineer and Senior Economist. Mr. Cheng has been appointed as an Executive Director of the Company since July 2015.

Mr. Cheng began his career in September 1983 and held the positions of Secretary of CYL Committee at Zhejiang Shipping and Technical School (浙江省航運技工學校); Secretary of CYL Committee at Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處); Secretary of Party General branch at No.3 Company of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd. (浙江省交通工程建設集團三公司); Party Committee Deputy Secretary of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd.; Vice Chairman, Party Committee Secretary and Chairman of Zhejiang Provincial Transportation Engineering & Construction Group Co., Ltd.



Ms. LUO Jianhu

born in 1971, successively graduated from the Hangzhou University and the Zhejiang University with a bachelor's degree in law and a master's degree in international trade. She graduated from the National Accounting Institute in 2016 with an EMBA degree, majoring in Financial Accounting.. She is a lawyer and Senior Economist. Ms. Luo has been appointed as an Executive Director and the General Manager of the Company since June 2012.

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

Non-Executive Directors



Mr. DAI Benmeng

born in 1965, graduated from the Party School of the Zhejiang Committee of the Communist Party of China (浙江省委黨校) with a bachelor's degree specialising in economics and management and is a Senior Economist. He began working in February 1987 and has been a director and the Deputy General Manager of Wenzhou Shipping Co., Ltd. (溫州海運有限公司), a Director and the General Manager of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. (浙江溫州甬台溫高速公路有限公司), a Director and the General Manager of Zhejiang Jinji Property Co., Ltd. (浙江金基置業有限公司), the person in charge of Zhejiang Province North Zhejiang Expressway Management Co., Ltd. (浙江浙北高速公路管理有限公司), the Chairman of Zhejiang ShenSuZheWan Expressway Co., Ltd. (浙江申蘇浙皖高速公路有限公司), and the General Manager of the Shanghai-Jiaxing-Huzhou-Hangzhou branch of the Communications Group (交通集團申嘉湖杭分公司). Mr. Dai is currently the Department Head of Organization Department of the Communications Group.



Mr. YU Qunli

born in 1968, graduated from Xi'an Roadway Institute with a Bachelor's Degree in Roads and Bridges Engineering. Mr. Yu Qunli also holds a Master's Degree in Structure Engineering and a MBA Degree in Business Administration, both from Zhejiang University. Mr. Yu Qunli started his career in 1990 at Zhejiang Provincial Roads and Bridges Bureau and Zhejiang Communications Engineering Construction Group Co., moved to Zhejiang Communications Engineering Group Co., Ltd. in 2000, and to Zhejiang Communications Investment Group Co., Ltd. in 2002. Starting from 2005, Mr. Yu Qunli served as Deputy General Manager at Zhejiang Zhoushan Continent to Island Construction Expressway Co., Ltd., and from 2006, as Deputy General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Beginning from 2010, Mr. Yu Qunli served as Deputy Manager of Safety Management Department and Manager of Safety Monitoring Management Department at Zhejiang Communications Investment Group Co., Ltd. He served as General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. in 2013, and as General Manager at Zhejiang Taizhou Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Since 2015, Mr. Yu Qunli served as General Manager of Expressway Operations Management Department at Zhejiang Communications Investment Group Co., Ltd., and as General Manager at Communications Operations Management Department since 2016.

Directors, Supervisors and Senior Management Profiles



Mr. WANG Dongjie

born in 1977, graduated from Southeast University majoring in Highway and Railway Engineering with a Master's degree in engineering. He is a Senior Engineer.

Since he started his career in March 2002, Mr. Wang had served as an Engineer of the Executive Commission of Hangzhou Ring Road North Line Project, the Deputy Executive Chief of the Executive Commission for the interflow renovation of Hangzhou airport road, the Engineering Division Chief of Management Office of Chun'an section of Hangqian Expressway and the Director and Deputy General Manager of Hangzhou Transportation Road and Bridge Construction Company.

He joined Zhejiang Communications Investment Group Co., Ltd. in January 2007 and is currently the chairman of Zhejiang Communications Investment Group Industrial Development Co., Ltd.

Mr. WANG resigned the position of Non-Executive Director of the Company on April 2, 2018.



Mr. YU Ji

born in 1975, is an Engineer. He graduated from Zhejiang University with a Master's Degree in Structure Engineering. Mr. Yu Ji began his career at Jinwen Railroad Engineering Construction Project Management Division (Qingtian County Lianggang section) and General Headquarter from 1996, worked at Zhejiang Local Railroad Survey and Design Bureau and Zhejiang Tiezi Engineering Co., Ltd. from 1998, and became a Structure Design Engineer at Zhejiang Urban Construction Design and Research Institute from 2005. Starting from 2007, Mr. Yu Ji worked as staff, Deputy Manager and then Manager at Project Management Department of Zhejiang Railroad Investment Group Co., Ltd., and became General Manager of Railroad Project Department in 2015, Manager of Communications Investment Department of Zhejiang Communications Investment Group Co., Ltd. in 2016. Since 2018, Mr. Yu Ji became General Manager of Strategic Development and Legal Affairs Department of Zhejiang Communications Investment Group Co., Ltd.



Mr. ZHOU Jianping

born in 1957, graduated from Xi'an Highway College (西安公路學院) with a bachelor's degree specialising in vehicular transport and is a Senior Engineer at professor level. He began working in September 1975 and has been the Deputy Supervisor of the Business Management Office, Supervisor of the office, Assistant of the General Manager, and Deputy General Manager of Zhejiang Province Vehicular Transport General Company (浙江省汽車運輸總公司), the Deputy Head of Quzhou Municipal Communications Bureau, Zhejiang Province, the manager of the Asset Management Department of the Communications Group, and the person in charge of the Hangjinqu Branch of the Communications Group (交通集團杭金衢分公司).

Mr. ZHOU resigned the position of Non-executive Director of the Company on December 22, 2017.

Directors, Supervisors and Senior Management Profiles

Independent Non-Executive Directors



Mr. PEI Ker-Wei

born in 1957, is a full Professor of Accountancy at the School of Accountancy at the W. P. Carey School of Business Arizona State University.

Mr. Pei received his Ph.D. degree in Accounting from University of North Texas in 1986. He served as the chairman of the Globalization Committee of the American Accounting Association in 1997 and as the president of the Chinese Accounting Professors Association-North America in 1993 to 1994.

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



Ms. LEE Wai Tsang, Rosa

born in 1977, has been an Executive Director of Grand Investment International Ltd. (Stock code: 1160) since 1 June 2005 and appointed as its Chairman for the period from 1 May 2013 to 15 June 2017. Ms. Lee holds a Bachelor degree from the University of Southern California. She also holds Master of Science in Finance from Boston College and MBA from University of Chicago. Ms. Lee has been working with Grand Investment International Ltd. since its incorporation in April 2003 and overseeing its investment, operation and administration. Ms. Lee is a licensed person for the regulated activities of dealing and advising in securities and asset management under the Securities and Futures Ordinance ("SFO"). Ms. Lee is a Director of Grand Finance Group Company Ltd ("GFG"), and Tianjin Yishang Friendship Holdings Company Ltd.



Mr. CHEN Bin

born in 1967, is a graduate from University of South China in computer science. He also holds a second Bachelor's degree from Chongqing University in management engineering. Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2004, at Webex Group as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2007 to 2008. Mr. Chen became Chief Executive and Funding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008. Mr. Chen also serves as Director at Sundy Land Investment Co., Ltd., (a company listed on Shanghai Stock Exchange, SH Stock Code: 600077) and Shenzhen Fountain Corporation (a company listed on Shenzhen Stock Exchange, SZ Stock Code: 000005).

Directors, Supervisors and Senior Management Profiles



Mr. ZHOU Jun

born in 1969, is the Executive Director and President of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Mr. Zhou graduated from Nanjing University and Fudan University with a bachelor's degree of arts and a master's degree of economics in international finance.

He also serves as the Chairman of S.I. Infrastructure Holdings Ltd. and seven other companies, the Chairman of SIIC Environment Holdings Ltd. in Singapore (SGX: BHK), Executive Director and CEO of Shanghai Industrial Holdings Ltd. (HK Stock Code: 0363), Executive Director of Shanghai Industrial Urban Development Group Ltd. (HK Stock Code: 0563). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co).

Before joining SIIC in April 1996, the management positions he had held within the SIIC group of companies were Deputy General Manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., Shanghai Pharmaceuticals Holding Co., Ltd. (SH Stock Code: 601607 / HK Stock Code: 02607), Managing Director of Shanghai Cyber Galaxy Investment Co., Ltd. and General Manager of the Strategic Investment Department of SIIC. Mr. Zhou has about 20 years' professional experience in general management, financial investment, real estate and project planning.

Mr. Zhou is a member of the Standing Committee of the CPC Shanghai Municipal Committee and is currently the Chairman of Shanghai Shengtai Investment Management Co., Ltd. (上海盛太投資管理有限公司) of Shanghai Charity Foundation.

Mr. ZHOU resigned the position of Independent Non-Executive Director on April 2, 2018.

SUPERVISOR

Supervisor Representing Shareholders



Mr. YAO Huiliang

born in 1972, graduated from the Zhejiang University and is a senior accountant.

Since he started his career in August 1990, Mr. YAO had served as Project Management Manager at Zhejiang Zhetong Road Operation Co., Ltd., Finance Manager of the Management Committee of the Ningbo Second Phase of Yongtaiwen Expressway, Assistant to the General Manager and Finance Manager of the Zhejiang Ningbo-Taizhou-Wenzhou Expressway Co., Limited and Deputy Manager of the Finance Management Department, and Vice Manager of the Finance Center of the Communications Group.

Mr. YAO currently serves as General Manager of the Finance Management Centre of the Communications Group.

Directors, Supervisors and Senior Management Profiles

Independent Supervisors



Ms. HE Meiyun

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

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School (杭州商業學校) and as a Deputy General Manager, General Manager and Vice Chairman at Baida Group Co., Ltd. (百大集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600865). Ms. He currently serves as a General Manager of Ping An Securities Company Limited, Zhejiang Branch. She is also a Vice Chairman of the Professional Committee of the Board Secretary of Listed Company Association of Zhejiang (浙江省上市公司協會).



Mr. WU Qingwang

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

Mr. Wu had worked in Chun'an Justice Bureau (淳安司法局) since 1989 and in Zhejiang Securities Co., Ltd. (浙江證券有限公司) from 1995 to 1996. Since May 1996, Mr. Wu has been working in Zhejiang Xinyun Law Firm (浙江星韻律師事務所) and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the panel of arbitrators in China International Economic and Trade Arbitration Commission. Mr. Wu serves as an Independent Director of the following companies: Yiwu Huading Nylon Co., Ltd. (義烏華鼎錦綸股份有限公司) (stock code: 601113), and Top Choice Medical Investment Co., Inc.(通策醫療投資股份有限公司) (stock code: 600763), both companies listed on the Shanghai Stock Exchange. From August 2011 to April 2016, Mr. Wu served as an Independent Director of OB Telecom Electronics Co., Ltd (杭州中威電子股份有限公司) (stock code: 300270), a company listed on the Shenzhen StockExchange.



Mr. ZHAN Huagang

born in 1961, is the party committee member and labour union chairman of the Company. He is a professor-level Senior Engineer. Mr. Zhan graduated from Zhejiang University with a bachelor's degree of engineering in internal combustion engine from the department of thermophysical engineering.

From July 1982 to June 1991, he worked at Zhejiang Province Vehicular Transport Company (浙江省汽車運輸公司), Zhejiang Office of Motor Vehicles (浙江省車輛監理所) and Zhejiang Highway Management Bureau (浙江省公路管理局). From June 1991 to January 1996, he worked at Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處). From January 1996 to March 1997, he worked at the Operation Division and Maintenance Division of the Zhejiang Provincial Expressway Executive Commission as Senior Engineer.

Since March 1997, he has been working at Zhejiang Expressway Co., Ltd. as Deputy Manager and Manager of the Operations Management Department, Manager of the Investment Development Division, Manager of the Equipment Management Department, Manager of the Engineering Management Department and Head of the Maintenance Management Office. He is concurrently the Deputy General Manager of Zhejiang Expressway Investment Development Co., Ltd. and Chairman and General Manager of Zhejiang Expressway Advertising Co., Ltd.



Mr. LU Xinghai

born in 1967, graduated from the Department of Psychology of the Hangzhou University with a doctorate degree in Management Psychology and is a Senior Economist, the Supervisor Representing Employees of the Company.

Mr. Lu had served as Manager of the Human Resources Department of Hangzhou BC Foods Co., Ltd., Deputy Manager of the Human Resources Department of the Company.

He currently also serves as the Head of the Party-Staff Work Department and Director of Labour Union Office of the Company.

Directors, Supervisors and Senior Management Profiles

OTHER MEMBERS OF SENIOR MANAGEMENT



Mr. FANG Zhexing

born in 1965, is a Senior Engineer, the Deputy General Manager of the Company. Mr. Fang graduated from Zhejiang University where he received a master's degree in engineering in 1991.

From 1986 to 1988 he was the Assistant Engineer in the Project Management Office of the Electric Power and Water Conservancy Bureau in Taizhou, Zhejiang Province. From 1991 until 1997, he was the Engineer in the Project Management Office of Zhejiang Provincial Expressway Executive Commission, where he participated in the project management of Shanghai-Hangzhou-Ningbo Expressway.

Since March 1997, he has served as the Deputy Manager and the Manager of the Planning and Development Department, the Manager of the Project Development Department, the Director of Quality Management Office, the Director of Internal Audit Department of the Company, the Manager of the Human Resources Department and the Secretary of Disciplinary Committee.

Mr. Fang resigned the position of the Deputy General Manager of the Company on December 18, 2017.



Mr. ZHU Yimin

born in 1961, is an Engineer, Mr. Zhu graduated from Chang'an University with professional programme in Roads and Transportation Engineering in July 2007. He joined the People's Liberation Army garrison 83026 from December 1978 to January 1982. From January 1982 to December 1998, he worked in Anji County Water Traffic Control Department, Huzhou Port and Water Traffic Administration Department and Huzhou City Water Traffic Administration Department. From June 1994 to December 1998, he was the Director of Huzhou City Traffic Engineering Department. From December 1998 to September 2000, he served as the Assistant to Director of Huzhou City Water Traffic Control and Administration Department. From January 2003 to August 2004, he was the Assistant Manager of Huzhou City Transportation Investment and Development Corporation. From August 2004 to May 2015, Mr. Zhu has served in different positions including the Deputy General Manager of Zhejiang Shenjiahuhang Expressway Co., Ltd, the Deputy General Manager of Zhejiang Province North Zhejiang Expressway Management Co., Ltd., the Deputy General Manager of Zhejiang Shensuzhewan Expressway Co. Ltd., the Deputy General Manager of Zhejiang Province West Zhejiang Expressway Co., Ltd., and Deputy General Manager of Zhejiang Hanghui Expressway Co. Ltd.

He has been the Deputy General Manager and party committee member of the Company since July 1, 2015.



Mr. WANG Dehua

born in 1974, graduated with an undergraduate degree in Accounting from Hangzhou Institute of Electronics Engineering in 1996. He worked in the Foreign Funds Utilization Audit Department of Zhejiang Provincial Audit Office from 1996 to 2003. Mr. Wang worked at the Corporation Division of the Administrative and Finance Department of Liaison Office of the Central Government in the Hong Kong S.A.R. from 2003 to 2011, serving as its Deputy Director upon departure. Mr. Wang studied at School of Economics and Finance of the Faculty of Business and Economics of the University of Hong Kong from 2005 to 2007, and graduated in 2007 with a master's degree in Economics. Mr. Wang has professional accounting qualifications, including CPA, HKICPA, FCCA, etc. He worked at Zhejiang Communications Investment Group Co., Ltd. from 2011 to 2014, serving as its Deputy General Manager upon departure.

Mr. Wang Dehua has been appointed as the Chief Financial Officer of the Company with effect from March 17, 2014.



Mr. Tony ZHENG

born in 1969, is the Deputy General Manager and Company Secretary of the Company. Mr. Zheng graduated from University of California at Berkeley in 1995 with a BS degree in Civil Engineering. He joined the Company in June 1997, and has served as Deputy Director of the Secretarial Office to the Board and Assistant Company Secretary. Mr. Zheng continues to serve as Director of the Secretarial Office to the Board, and Director of Hong Kong Representative Office of the Company.

Directors, Supervisors and Senior Management Profiles



Ms. ZHANG Xiuhua

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

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

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2017 Environmental and Social Responsibility Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the People's Republic of China ("PRC"). Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2017 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2017 and the state of financial position at that date are set out in the financial statements on pages 83 to 208.

An interim dividend of Rmb0.06 per share (approximately HK$0.072) was paid on January 19, 2018. The Directors have recommended the payment of a final dividend of Rmb0.30 (approximately HK$0.363) per share in respect of the year. The final dividend is subject to shareholders' approval at the 2017 annual general meeting of the Company and is expected to be paid by no later than August 31, 2018. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 48.8% during the Period. Further details of the dividends are set out in note 15 to the financial statements.

Report of the Directors

FIVE YEAR SUMMARY FINANCIAL INFORMATION

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

	Year ended December 31,				
Results	2017 Rmb'000	2016 Rmb'000	2015 Rmb'000 (Restated)	2014 Rmb'000 (Restated)	2013 Rmb'000 (Restated)
Continuing operations					
Revenue	9,626,340	9,735,347	10,724,781	7,171,810	6,055,104
Operating costs	(4,656,163)	(4,596,048)	(5,278,650)	(3,617,851)	(3,137,004)
Gross profit	4,970,177	5,139,299	5,446,131	3,553,959	2,918,100
Security investment gains	774,885	223,573	584,114	278,252	99,663
Other income and gains and losses	103,639	289,390	191,887	144,016	171,295
Administrative expenses	(98,496)	(81,687)	(88,421)	(87,462)	(81,754)
Other expenses	(134,327)	(85,099)	(158,714)	(83,098)	(63,946)
Share of profit of associates	161,502	64,699	48,289	65,020	21,537
Share of profit/(loss) of a joint venture	17,668	9,797	(25,067)	(33,277)	(36,010)
Finance costs	(611,747)	(671,387)	(632,495)	(272,900)	(295,461)
Profit before tax	5,183,301	4,888,585	5,365,724	3,564,510	2,733,424
Income tax expense	(1,192,269)	(1,161,570)	(1,396,774)	(882,625)	(720,632)
Profit for the year from continuing operations	3,991,032	3,727,015	3,968,950	2,681,885	2,012,792
Discontinued operations					
Profit for the year from discontinued operations	–	81,594	60,830	64,087	70,964
Profit for the year	3,991,032	3,808,609	4,029,780	2,745,972	2,083,756
Profit for the year attributable to owners of the Company					
– Continuing operations	3,202,130	2,957,291	2,932,903	2,204,982	1,741,694
– Discontinued operations	–	80,114	56,777	60,012	59,993
Profit for the year attributable to non-controlling interests					
– Continuing operations	788,902	769,724	1,036,047	476,903	271,098
– Discontinued operations	–	1,480	4,053	4,075	10,971
Earnings per share					
From continuing and discontinued operations					
Basic (Rmb cents)	73.73	69.94	68.84	52.15	41.48
Diluted (Rmb cents)	71.36	69.94	68.84	52.15	41.48
From continuing operations					
Basic (Rmb cents)	73.73	68.09	67.53	50.77	40.10
Diluted (Rmb cents)	71.36	68.09	67.53	50.77	40.10

	As at December 31,				
	2017	2016	2015	2014	2013
Assets and liabilities	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Total assets	73,650,520	73,761,432	73,891,763	54,987,056	35,947,318
Total liabilities	44,446,169	49,585,505	51,893,114	33,858,586	16,175,239
Net assets	29,204,351	24,175,927	21,998,649	21,128,470	19,772,079

Notes:

1. The consolidated results of the Group for the three years ended December 31, 2015 have been restated in accordance with relevant Hong Kong Financial Reporting Standard issued by Hong Kong Institute of Certified Public Accountants, while those for the year ended December 31, 2017 and December 31, 2016 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 83 of the financial report.

2. The 2017 basic earnings per share (from continuing and discontinued operations) is based on the profit attributable to owners of the Company for the year ended December 31, 2017 of Rmb3,202,130,000 (2016: Rmb3,037,405,000) and the 4,343,114,500 (2016: 4,343,114,500) ordinary shares in issue during the year.

   The 2017 diluted earnings per share (from continuing and discontinued operations) is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2017 of Rmb3,218,310,000 and the 4,509,861,000 weighted average number of ordinary shares for the purpose of diluted earnings per share during the year. The diluted earnings per share is the same as the basic earnings per share for 2016.

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

	Profit for the year ended December 31,		Net assets as at December 31,	
	2017	2016	2017	2016
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	3,999,920	3,816,689	29,495,719	24,458,407
HK GAAP adjustments:				
(a) Goodwill	–	–	(199,769)	(199,769)
(b) Amortization provided, net of deferred tax	(2,041)	(1,952)	(171,053)	(169,012)
(c) Assessment on impact of appreciation, net of deferred tax	(3,475)	(3,658)	45,658	49,133
(d) Others	–	719	7,666	7,666
(e) Non-controlling interests	(3,372)	(3,189)	26,130	29,502
As restated in the financial statements	3,991,032	3,808,609	29,204,351	24,175,927

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RELATED PARTY TRANSACTIONS

During the year, details of the related party transactions that the company and its subsidiaries have entered into with Communications Group and its subsidiaries of are set out in note to the consolidated financial statements. The transactions including the deposit services provided by Zhejiang Communications Finance, the road maintenance services provided by Zhejiang Expressway Maintenance Co., Ltd, the asphalt road geothermal power regeneration services provided by Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd, the information system redevelopment services, the data center infrastructure platform development project, the highway equipment management system, the monitoring system improvement phase II project, and the electronic toll collection construction project provided by Zhejiang Expressway Information Engineering Technology Co., Ltd, the technological cooperation and service provided by Zhejiang Intelligent Expressway Services Co., Ltd, and etc, constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. For further details in relation to the connected transactions, please refer to the section of "Connected Transactions". Save as disclosed in the Company's announcement dated March 16, 2018, the Company has complied with the disclosure requirements in respect of such connected transactions in accordance with Chapter 14A of the Listing Rules.

DONATION

During the year, the total amount of donation made by the group is Rmb5,373,000 for charitable or other purposes.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2017 are set out in note 50 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 87 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2017, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HKGAAP, amounted to Rmb3,491,910,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2017, other than the deposits placed with a non-bank financial institution of Rmb1,301,639,000, the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

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

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

Report of the Directors

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. ZHAN Xiaozhang *(Chairman)*
Mr. CHENG Tao
Ms. LUO Jianhu *(General Manager)*

NON-EXECUTIVE DIRECTORS

Mr. WANG Dongjie
Mr. DAI Benmeng
Mr. ZHOU Jianping (Resigned on December 22, 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Jun
Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 45 to 58 in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service agreement with the Company, which effect from July 1, 2015 to June 30, 2018.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2017 or during the year, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

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

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

Report of the Directors

TAXATION AND TAX RELIEF

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

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

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to insurance arrangements taken out by the Company, every director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers. The Company arranged appropriate directors' and officers' liability insurance coverage for the director and officers of the Group during the year ended 31 December 2017.

AUDITORS

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

By Order of the Board
ZHAN Xiaozhang
Chairman

Hangzhou, Zhejiang Province, the PRC
March 16, 2018

Report of the Supervisory Committee

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

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

During the Period, the Supervisory Committee held a total of two meetings of its own, and attended six meetings held by the Board and two general meetings. The Supervisory Committee considered that the Company has strengthened the accountability system, stepped up reform and innovation and seized the implementation of tasks by capitalising on the strategic positioning of "three platforms" and centering around the growth objective of becoming the "leading operator in China and a top-notch operator globally" to fully accomplish various targets set at the beginning of the year. The operating results of the Company set another record high alongside with full-scale optimisation and upgrade of the highway business as well as effective attempts made in the capital operations. Industry development continued to grow steadily with a more comprehensive and effective risk management system.

The Supervisory Committee has reviewed the financial statements of the Company for 2017 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2017, and complied with the relevant laws, regulations and the Company ' s Articles of Association. The Company maintained a relatively stable dividend in recent years, providing satisfactory return to its shareholders.

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

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

By the order of the Supervisory Committee
YAO Huiliang
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 16, 2018

Connected Transactions

During the year ended December 31, 2017, the Company had the following non-exempt connected transactions and continuing connected transactions.

Connected Transaction

1. Financial Adviser Agreement

On May 12, 2017, Zheshang Securities entered into the Independent Financial Adviser Agreement with Zhejiang Communications Technology Co., Ltd. ("Zhejiang Communications Technology"), pursuant to which Zheshang Securities agreed to provide financial advisory services with respect to its substantial assets transaction to Zhejiang Communications Technology at the consideration of Rmb19,200,000. Such assets transaction refers to the acquisition of 100% equity interests in Zhejiang Communications Engineering Group Co., Ltd. by Zhejiang Communications Technology and the raising of counterpart funds (please refer to the announcement of the Company dated March 16, 2018 on Connected Transaction – Independent Financial Adviser Agreement for details).

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. Zhejiang Communications Technology is a non-wholly-owned subsidiary of Communications Group. Zheshang Securities is an indirect non-wholly owned subsidiary of the Company. Therefore, Zhejiang Communications Technology is a connected person of the Company and as a result, the transaction under the Independent Financial Adviser Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

1. Daily Road Maintenance Services

On April 8, 2016, the Company and the relevant subsidiaries of the Company entered into a number of Road Maintenance Agreements with Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co"), pursuant to which Maintenance Co agreed to provide the daily maintenance services to the Group's four expressways, namely: the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, Jinhua section, Ningbo-Jinhua Expressway and the Hanghui Expressway. Each of the Road Maintenance Agreements has a term of three years from January 1, 2016 to December 31, 2018. The total service fees in respect of the daily maintenance services shall be Rmb182,307,362 and the aggregate annual service fees payable by the Group to Maintenance Co in respect of the daily maintenance services shall not exceed Rmb85 million (please refer to the announcement of the Company dated April 8, 2016 on Continuing Connected Transactions for details).

Communications Group is a controlling shareholder of the Company. Maintenance Co (being a subsidiary of Communications Group) is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of daily maintenance services constitutes a continuing connected transaction for the Company.

During the period, the total service fees paid by the Company and its subsidiaries to Maintenance Co in respect of the daily road maintenance services amounted to Rmb63,411,000.

2. Information System Redevelopment

On September 13, 2016, the Company and the relevant subsidiaries of the Company entered into the Information System Redevelopment Agreements with Zhejiang Expressway Information Technology Engineering Co., Ltd. ("Zhejiang Information", a wholly-owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Information agreed to provide the Information System Redevelopment Services to the Target Expressways for a period of 12 months ending September 12, 2017 at the consideration of Rmb30,984,318.61 (please refer to the announcement of the Company dated September 13, 2016 on Continuing Connected Transaction – Information System Redevelopment Agreements for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information (being a wholly-owned subsidiary of Communications Group) is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the transaction under the Information System Redevelopment Agreements constitutes a continuing connected transaction for the Company.

During the period, the service fees paid by the Company and its subsidiaries to Zhejiang Information with respect to the continuing connected transaction under the Information System Redevelopment Agreements amounted to Rmb11,598,000.

Connected Transactions

3. Deposit Services with Zhejiang Communications Finance

Pursuant to the new financial services agreement (the "New Financial Services Agreement") dated March 30, 2016 entered into between the Company and Zhejiang Communications Finance, Zhejiang Communications Finance agreed to provide the Company and its subsidiaries with a range of financial services including certain deposit services (the "Deposit Services") for a term of three years from the date of the New Financial Services Agreement subject to the terms and conditions provided therein (please refer to the announcement of the Company dated March 30, 2016 on Continuing Connected Transactions in relation to New Financial Services Agreement with Zhejiang Communications Investment Group Finance Co., Ltd. for details).

As the issued share capital of Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. ("Ningbo Expressway Co") respectively, Zhejiang Communications Finance is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of Deposit Services constitutes a continuing connected transaction for the Company.

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

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

During the period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement amounted to Rmb1,301,639,000.

4. Road Maintenance Agreement and Asphalt Road Geothermal Power Regeneration Agreement

On June 23, 2017, the Company entered into the Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide maintenance services to four expressways of the Group at the consideration of Rmb244,412,627 (please refer to the announcement of the Company dated June 23, 2017 on Continuing Connected Transactions in relation to the Provision of Services by Maintenance Co and Zhejiang Shunchang for details).

On June 23, 2017, the Company entered into the Asphalt Road Geothermal Power Regeneration Agreement with Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. ("Zhejiang Shunchang"), pursuant to which Zhejiang Shunchang agreed to provide the Regeneration Services to the Group's five expressways at the consideration of Rmb34,683,906 (please refer to the announcement of the Company dated June 23, 2017 on Continuing Connected Transactions in relation to the Provision of Services by Maintenance Co and Zhejiang Shunchang for details).

Communications Group, is a controlling shareholder of the Company. Maintenance Co and Zhejiang Shunchang, as subsidiaries of Communications Group, are connected persons of the Company and as a result, the transactions under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are entered into by the Group with parties who are connected with one another within a 12-month period and are similar in nature, the continuing connected transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement should be aggregated in accordance with Rule 14A.81 of the Listing Rules.

Connected Transactions

During the period, the total service fees in respect of the daily maintenance services paid to Maintenance Co by the Company and its subsidiaries under the Road Maintenance Agreement amounted to Rmb240,979,000; and Zhejiang Shunchang has fulfilled the Asphalt Road Geothermal Power Regeneration Agreement and the total Service Fees (Regeneration) paid by the Company and its subsidiaries to Zhejiang Shunchang under the Asphalt Road Geothermal Power Regeneration Agreement amounted to Rmb32,455,000.

5. Agreements on Data Center Infrastructure Platform Development Project and etc

5.1 Data Center Infrastructure Platform Development Project

On January 9, 2017, the Company entered into the Agreement on Data Center Infrastructure Platform Development Project with Zhejiang Information (a wholly owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Information agreed to provide the data center infrastructure platform development services to the Company in 2017 at the consideration of Rmb8,985,000 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions – Zhejiang Information Transactions for details).

5.2 Highway Equipment Management System

On January 12, 2017, the Company entered into the Agreement on Highway Equipment Management System with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the highway equipment management system development and implementation services to the Company in 2017 at the consideration of Rmb353,590 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions – Zhejiang Information Transactions for details).

5.3 Monitoring System Improvement Phase II Project

On August 1, 2017, the Company entered into the Agreement on Monitoring System Improvement Phase II Project with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the monitoring system and security facilities improvement services to the Company in 2017 at the consideration of Rmb280,000 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions – Zhejiang Information Transactions for details).

5.4 Electronic Toll Collection ("ETC") Construction Project

On December 15, 2017, the Company and certain of its subsidiaries entered into the Agreement on ETC Construction Project with Zhejiang Information, pursuant to which Zhejiang Information agreed to provide the ETC construction services to the Company and certain of its subsidiaries for a term ended on March 15, 2018 at the consideration of Rmb19,955,733 (please refer to the supplemental announcement of the Company dated January 4, 2018 on the Continuing Connected Transactions – Zhejiang Information Transactions for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information is a wholly-owned subsidiary of Communications Group. Therefore, Zhejiang Information is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the transaction under the Zhejiang Information Transactions constitutes a continuing connected transaction for the Company.

During the period, the total service fees in respect of road maintenance paid by the Company and certain of its subsidiaries pursuant to the Agreement on Data Center Infrastructure Platform Development Project to Zhejiang Information amounted to Rmb8,985,000; the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on Highway Equipment Management System to Zhejiang Information amounted to Rmb212,000; the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on Monitoring System Improvement Phase II Project to Zhejiang Information amounted to Rmb280,000; and the total service fees paid by the Company and certain of its subsidiaries pursuant to the Agreement on ETC Construction Project to Zhejiang Information amounted to Rmb17,532,000.

Connected Transactions

6. Technological Cooperation and Service Agreements

On December 22, 2017, the Company and certain of its subsidiaries entered into the Technological Cooperation and Service Agreements with Zhejiang Intelligent Expressway Services Co., Ltd. ("Zhejiang Intelligent", a non-wholly-owned subsidiary of the controlling shareholder of the Company), pursuant to which Zhejiang Intelligent agreed to provide the highway operations monitoring and public travel information services to the Company and certain of its subsidiaries in 2017 at the consideration of Rmb9,267,000 (please refer to the announcement of the Company dated December 22, 2017 on the Continuing Connected Transactions – Technological Cooperation and Service Agreements for details).

Communications Group is a controlling shareholder of the Company. Zhejiang Information is a wholly-owned subsidiary of Communications Group, and Zhejiang Intelligent is a 89.36% owned subsidiary of Zhejiang Information. Therefore, Zhejiang Information and Zhejiang Intelligent are connected persons of the Company and as a result, the transactions under the Zhejiang Information Transactions and the transactions under the Technological Cooperation and Service Agreements with Zhejiang Intelligent constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the the Zhejiang Information Transactions and the transactions contemplated under the Technological Cooperation and Service Agreements were entered into with parties who are connected with one another and within a 12-month period, the Zhejiang Information Transactions and the transactions with Zhejiang Intelligent are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

During the period, the total service fees paid by the Company and certain of its subsidiaries pursuant to the Technological Cooperation and Service Agreements to Zhejiang Intelligent amounted to Rmb9,267,000.

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

(a) In the ordinary and usual course of business of the Company;

(b) On normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

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

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

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.

浙江滬杭甬高速公路股份有限公司

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 208, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of available for sale ("AFS") equity instruments measured at fair value	
We identified the impairment of AFS equity instruments measured at fair value, which included equity securities, funds, and other investments, as a key audit matter as the Group applied significant judgement in determining the impairment of AFS equity instruments measured at fair value of Rmb2,495,253,000 as at December 31, 2017. For those AFS equity instruments measured at fair value, the Group applied significant judgement in assessing whether there is objective evidence of impairment. As disclosed in note 4, for listed AFS equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be the objective evidence of impairment. The cumulative amount of impairment recognised up to December 31, 2017 was Rmb34,865,000 as disclosed in Note 25.	Our procedures in relation to the impairment assessment of AFS equity instruments measured at fair value included: • Understanding the processes and controls in determining impairment of AFS equity instruments measured at fair value; • Challenging and assessing the management judgement in determining the criteria of impairment; • Checking, on a sample basis, the data used by the management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; and • Checking the management's calculations of the impairment allowance for AFS equity instruments measured at fair value.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope	
We identified the determination of consolidation scope as a key audit matter as the Group held a number of interests in structured entities including collective asset management schemes and investment funds where the Group was involved as an investment manager. The Group applied significant judgement in determining whether such investments fall within the consolidation scope under HKFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities would have significant impact on the consolidated financial statements of the Group. As disclosed in note 4, for collective asset management schemes and investment funds where the Group involved as a manager, the Group assessed whether the combination of investments it was together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that was of such significance that it indicated that the Group is a principal. The collective asset management schemes and investment funds were consolidated if the Group acted in the role of principal. Details of consolidated structured entities and unconsolidated structured entities were set out in notes 44 and 58 to the consolidated financial statements, respectively.	Our procedures in relation to the management's determination of consolidation scope included: • Understanding the process and controls of the management in determining the consolidation scope as set out in HKFRS10 of interests in structured entities; • Checking the information used by the management in accessing the consolidation criteria of significant structured entities against the related supporting, including sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year; and • Challenging and assessing the management judgement in applying HKFRS 10 to each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 16, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTES	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Continuing operations			
Revenue	5	**9,626,340**	9,735,347
Operating costs		**(4,656,163)**	(4,596,048)
Gross profit		**4,970,177**	5,139,299
Securities investment gains	6	**774,885**	223,573
Other income and gains and losses	7	**103,639**	289,390
Administrative expenses		**(98,496)**	(81,687)
Other expenses		**(134,327)**	(85,099)
Share of profit of associates		**161,502**	64,699
Share of profit of a joint venture		**17,668**	9,797
Finance costs	8	**(611,747)**	(671,387)
Profit before tax	9	**5,183,301**	4,888,585
Income tax expense	10	**(1,192,269)**	(1,161,570)
Profit for the year from continuing operations		**3,991,032**	3,727,015
Discontinued operations			
Profit for the year from discontinued operations	11	**–**	81,594
Profit for the year		**3,991,032**	3,808,609
Profit for the year attributable to Owners of the Company			
– Continuing operations		**3,202,130**	2,957,291
– Discontinued operations		**–**	80,114
		3,202,130	3,037,405
Profit for the year attributable to non-controlling interests			
– Continuing operations		**788,902**	769,724
– Discontinued operations		**–**	1,480
		788,902	771,204

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTES	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Other comprehensive income	12		
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Fair value gain during the year		**276,849**	114,883
– Reclassification adjustments for cumulative gain upon disposal		**(105,560)**	(64,791)
Share of other comprehensive expense of associates		**(2,672)**	(205)
Exchange differences arising on translation		**(605)**	511
Income tax relating to items that may be reclassified subsequently		**(42,822)**	(12,523)
Other comprehensive income for the year, net of income tax		**125,190**	37,875
Total comprehensive income for the year		**4,116,222**	3,846,484
Total comprehensive income attributable to:			
Owners of the Company		**3,259,347**	3,057,158
Non-controlling interests		**856,875**	789,326
		4,116,222	3,846,484
Earnings per share	16		
From continuing and discontinued operations			
Basic (Rmb cents)		**73.73**	69.94
Diluted (Rmb cents)		**71.36**	69.94
From continuing operations			
Basic (Rmb cents)		**73.73**	68.09
Diluted (Rmb cents)		**71.36**	68.09

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**2,948,134**	3,066,571
Prepaid lease payments	18	**65,300**	52,522
Expressway operating rights	19	**13,379,674**	14,498,800
Goodwill	20	**86,867**	86,867
Other intangible assets	21	**161,486**	148,906
Interests in associates	23	**1,686,227**	1,310,486
Interest in a joint venture	24	**303,065**	285,397
Available-for-sale investments	25	**711,715**	1,790,978
Deferred tax assets	43	**355,803**	362,681
		19,698,271	21,603,208
CURRENT ASSETS			
Inventories		**131,261**	206,814
Trade receivables	26	**244,587**	275,318
Loans to customers arising from margin financing business	27	**7,851,609**	7,910,032
Other receivables and prepayments	28	**911,226**	2,855,099
Prepaid lease payments	18	**2,137**	1,639
Derivative financial assets	41	**4,587**	10,931
Available-for-sale investments	25	**1,800,835**	1,342,920
Held for trading investments	29	**12,568,694**	8,144,132
Financial assets held under resale agreements	30	**9,793,492**	3,965,329
Bank balances and clearing settlement fund held on behalf of customers	31	**15,035,007**	20,082,265
Bank balances, clearing settlement fund, deposits and cash			
– Time deposits with original maturity over three months	32	**20,000**	165,000
– Cash and cash equivalents	32	**5,588,814**	7,198,745
		53,952,249	52,158,224

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
CURRENT LIABILITIES			
Placements from other financial institutions	33	–	700,000
Accounts payable to customers arising from securities business	34	14,933,719	20,073,435
Trade payables	35	628,592	784,300
Tax liabilities		608,284	455,249
Other taxes payable		90,266	76,631
Other payables and accruals	36	2,515,399	2,431,148
Dividends payable		261,239	261,046
Derivative financial liabilities	41	3,941	413
Bank and other borrowings	37	420,000	2,116,395
Short-term financing note payable	38	762,800	4,828,340
Bonds payable	40	1,300,000	3,000,000
Financial assets sold under repurchase agreements	39	10,523,414	7,486,743
Financial liabilities at fair value through profit or loss	44	373,427	293,658
		32,421,081	42,507,358
NET CURRENT ASSETS		21,531,168	9,650,866
TOTAL ASSETS LESS CURRENT LIABILITIES		41,229,439	31,254,074
NON-CURRENT LIABILITIES			
Bank and other borrowings	37	60,000	–
Bonds payable	40	8,850,000	6,700,000
Convertible bond	42	2,720,654	–
Deferred tax liabilities	43	394,434	378,147
		12,025,088	7,078,147
		29,204,351	24,175,927
CAPITAL AND RESERVES			
Share capital	45	4,343,115	4,343,115
Reserves		16,311,385	13,974,042
Equity attributable to owners of the Company		20,654,500	18,317,157
Non-controlling interests	46	8,549,851	5,858,770
		29,204,351	24,175,927

The consolidated financial statements on pages 83 to 208 were approved and authorised for issue by the board of directors on March 16, 2018 and are signed on its behalf by:

DIRECTOR
ZHAN Xiaozhang

DIRECTOR
LUO Jianhu

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to owners of the Company											
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000 (Note i)	Capital reserve Rmb'000	Investment revaluation reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000 (Note ii)	Retained profits Rmb'000	Sub-total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
At January 1, 2016	4,343,115	3,355,621	4,505,773	1,712	56,332	191	1,216,072	18,666	3,239,176	16,736,658	5,261,991	21,998,649
Profit for the year	–	–	–	–	–	–	–	–	3,037,405	3,037,405	771,204	3,808,609
Other comprehensive income for the year	–	–	–	–	19,486	267	–	–	–	19,753	18,122	37,875
Total comprehensive income for the year	–	–	–	–	19,486	267	–	–	3,037,405	3,057,158	789,326	3,846,484
Dividend declared to non-controlling-interests	–	–	–	–	–	–	–	–	–	–	(178,816)	(178,816)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(8,731)	(8,731)
Withdrawal of non-controlling-interests	–	–	–	–	–	–	–	–	–	–	(5,000)	(5,000)
2016 interim dividend	–	–	–	–	–	–	–	–	(260,587)	(260,587)	–	(260,587)
2015 final dividend	–	–	–	–	–	–	(1,216,072)	–	–	(1,216,072)	–	(1,216,072)
Proposed 2016 final dividend	–	–	–	–	–	–	1,281,219	–	(1,281,219)	–	–	–
Transfer to reserves	–	–	262,051	–	–	–	–	–	(262,051)	–	–	–
At December 31, 2016	4,343,115	3,355,621	4,767,824	1,712	75,818	458	1,281,219	18,666	4,472,724	18,317,157	5,858,770	24,175,927
Profit for the year	–	–	–	–	–	–	–	–	3,202,130	3,202,130	788,902	3,991,032
Other comprehensive income (expense) for the year	–	–	–	–	57,513	(296)	–	–	–	57,217	67,973	125,190
Total comprehensive Income (expense) for the year	–	–	–	–	57,513	(296)	–	–	3,202,130	3,259,347	856,875	4,116,222
Dividend declared to non-controlling-interests	–	–	–	–	–	–	–	–	–	–	(109,176)	(109,176)
Dilution impact arising from Spin-off and Offering (as defined and see details in Note iii)	–	–	–	–	–	–	–	790,449	–	790,449	2,026,219	2,816,668
Share issue cost in respect of Spin-off and Offering (Note iii)	–	–	–	–	–	–	–	(28,096)	–	(28,096)	(31,770)	(59,866)
Payment to National Social Security Fund upon Spin-off and Offering as deemed distribution (Note iii)	–	–	–	–	–	–	–	(142,551)	–	(142,551)	(51,067)	(193,618)
2017 interim dividend	–	–	–	–	–	–	–	–	(260,587)	(260,587)	–	(260,587)
2016 final dividend	–	–	–	–	–	–	(1,281,219)	–	–	(1,281,219)	–	(1,281,219)
Proposed 2017 final dividend	–	–	–	–	–	–	1,302,934	–	(1,302,934)	–	–	–
Transfer to reserves	–	–	267,192	–	–	–	–	–	(267,192)	–	–	–
At December 31, 2017	4,343,115	3,355,621	5,035,016	1,712	133,331	162	1,302,934	638,468	5,844,141	20,654,500	8,549,851	29,204,351

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

Notes:

(i) Statutory reserves comprise:

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

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

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

(ii) As at January 1, 2017, special reserves mainly comprise:

(a) Other reserve which was arising from the Group's acquisition of additional interest in a subsidiary and the difference between the carrying value of net assets attributable to the Group acquired and the payment consideration arising from acquisition; and

(b) Merger reserve which was arising from the acquisition of subsidiaries under common control using the merger accounting method. This includes the capital of the combining entities at their existing book values since the first date they were under common control and were reduced by the Group's payment of cash consideration to the controlling party and the excess in payment for the acquisition of additional interest to non-controlling interest of its carrying amount to the controlling party.

(iii) On June 26, 2017, an indirect non-wholly-owned subsidiary of the Company, Zheshang Securities Co., Ltd. ("Zheshang Securities"), which is held by Zhejiang Shangsan Expressway Co., Ltd ("Shangsan Co"), has completed the spin-off and separate listing on the Shanghai Stock Exchange (the "Spin-off and Offering"). On the date of the Spin-off and Offering, Zheshang Securities issued 333,333,400 new ordinary shares at Rmb8.45 each, the net proceeds after deducting the issuance costs amounted to Rmb2,756,802,000 (representing proceeds on offering of Rmb2,816,668,000, net of the share issue cost of Rmb59,866,000). Upon completion of the Spin-off and Offering, the Group's effective interest in Zheshang Securities has been diluted from approximately 52.15% to approximately 46.93%, the directors of the Company (the "Directors") are of the view that, the Group is still able to exert control over Zheshang Securities. The dilution impact of the Group's interest in Zheshang Securities has resulted in an increase in non-controlling interests of Rmb1,994,449,000 and the resulting gain of Rmb762,353,000 recognised in special reserves.

Pursuant to the "Implementing Measures for the Transfer of Certain State-owned Shares from the Domestic Securities Market to the National Social Security Fund" (Cai Qi No.【2009】94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企【2009】94號)), the state-owned shareholders of Zheshang Securities are required, upon the listing, to transfer a number of shares in Zheshang Securities they hold which, in aggregate, represents 10% of the total number of shares issues under the Listing to the National Social Security Fund ("NSSF"). Such obligation was fully fulfilled by Shangsan Co, a non-wholly-owned subsidiary of the Company and the direct shareholder of Zheshang Securities in cash payment of Rmb193,618,000 on August 15, 2017, according to the "Reply on the Proposal of the State-owned Share Transfer in the Initial Public Offerings of Zheshang Securities Co., Ltd. In A Shares Market" (Zhe Guo Zi Chan Quan No.【2013】9) (《關於浙商證券股份有限公司A股首發上市國有股轉持方案的批復》(浙國資產權【2013】9號)). Such payment has been accounted for as deemed distribution.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Profit before tax	5,183,301	4,997,136
Adjustments for:		
Finance costs	611,747	671,387
Interest income	(26,017)	(31,281)
Foreign exchange loss	119,653	20,156
Gain on additional investment in an associate	–	(5,555)
Share of profit of associates	(161,502)	(64,699)
Share of profit of a joint venture	(17,668)	(9,797)
Depreciation of property, plant and equipment	266,217	264,267
Amortisation of expressway operating rights	1,119,126	1,034,202
Release of prepaid lease payments	1,639	1,939
Amortisation of other intangible assets	26,101	24,095
Impairment loss on available-for-sale investments	11,621	33,942
Cumulative gain reclassified from equity on disposal of Available-for-sale investments	(105,560)	(64,791)
Interest income and dividend from available-for-sale investments	(21,223)	(57,290)
Loss (gain) on disposal of property, plant and equipment	3,565	(648)
Allowance for write-down of inventories	5,993	2,638
Allowance for trade receivables and other receivables	1,713	1,141
Reversal of allowance for advance to customers arising from margin financing business	(294)	(13,269)
Recognition (reversal) of allowance for financial assets held under the resale agreement	40,076	(14,167)
Gain on disposal of a subsidiary	–	(56,993)
Gain on decrease in fair value in respect of derivative component of Convertible Bond (as defined in note 42)	(149,479)	–
Issue cost relating to derivative component of Convertible Bond	3,079	–
Operating cash flows before movements in working capital	6,912,088	6,732,413
Decrease in inventories	21,383	87,421
Decrease (increase) in trade receivables	29,909	(126,158)
Decrease in loans to customers arising from margin financing business	58,717	2,653,827
Decrease (increase) in other receivables and prepayments	1,572,255	(1,860,076)
Increase in held for trading investments	(4,424,562)	(4,382,908)
(Increase) decrease in financial assets held under resale agreements	(5,868,239)	1,007,993
Decrease in bank balances and clearing settlement fund held on behalf of customers	5,047,258	6,996,309
Decrease (increase) in net derivative financial assets	9,872	(12,488)
(Decrease) increase in placements from other financial institutions	(700,000)	500,000
Decrease in accounts payable to customers arising from securities business	(5,139,716)	(6,936,206)
(Decrease) increase in trade payables	(9,656)	54,335
Increase (decrease) in other taxes payable	13,635	(8,863)
Increase (decrease) in other payables and accruals	162,913	(207,065)
Increase in financial liabilities at fair value through profit or loss	79,769	293,658
Increase in financial assets sold under repurchase agreement	3,036,671	2,101,363
Cash generated from operations	802,297	6,893,555
Income taxes paid	(1,044,791)	(1,427,772)
Interest paid	(587,173)	(746,547)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(829,667)	4,719,236

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	NOTES	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
INVESTING ACTIVITIES			
Interest received		28,979	62,104
Investment in associates		(218,911)	(656,900)
Proceeds from disposal of an associate		–	42,018
Proceeds from disposal of a subsidiary	49	–	111,373
Net cash outflows arising from acquisition of Huihang Co (as defined in Note 48)	48	(28,500)	(541,264)
Dividends received from associates		2,000	20,494
Proceeds on disposal of property, plant and equipment		30,003	3,210
Entrusted loans to a related party		(210,000)	(540,000)
Repayment of entrusted loans from a related party		552,350	720,000
Purchases of property, plant and equipment		(276,703)	(480,906)
Purchases of other intangible assets		(38,681)	(17,889)
Purchases of prepaid lease payments		(14,915)	–
Purchase of available-for-sale investments		(1,161,943)	(397,949)
Proceeds on disposal of available-for-sale investments		2,069,742	70,890
Placement of time deposits		(20,000)	(165,000)
Withdrawal of time deposits		165,000	270,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		878,421	(1,499,819)
FINANCING ACTIVITIES			
Dividends paid		(1,537,627)	(1,216,072)
Dividends paid to non-controlling shareholders		(108,983)	(178,690)
Issue of Convertible Bond		2,684,880	–
Issue cost in respect of Convertible Bond		(16,725)	–
New bank and other borrowings raised		2,490,000	2,916,239
Repayment of bank and other borrowings		(4,117,269)	(5,832,951)
New issue of bonds payable		3,450,000	4,700,000
Repayment of bonds payable		(3,000,000)	(5,600,000)
Issue of short-term financing note payable		762,800	7,928,340
Repayment of short-term financing note payable		(4,828,340)	(3,716,100)
Capital reduction by non-controlling-interests		–	(5,000)
Proceeds on Spin-off and Offering		2,816,668	–
Share issue cost in respect of Spin-off and Offering paid		(59,866)	–
Payment to National Security Fund upon Spin-off and Offering		(193,618)	–
NET CASH USED IN FINANCING ACTIVITIES		(1,658,080)	(1,004,234)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,609,326)	2,215,183
CASH AND CASH EQUIVALENTS AT JANUARY 1		7,198,745	4,983,051
Effect of foreign exchange rate changes		(605)	511
CASH AND CASH EQUIVALENTS AT DECEMBER 31	32	5,588,814	7,198,745

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

(c) the operation of hotel, the provision of catering service and sales of properties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 53. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 53, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for annual periods beginning on or after January 1, 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2021

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the Directors anticipate the following potential impacts on initial application of HKFRS 9:

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

HKFRS 9 Financial Instruments (Continued)

Classification and measurement

- Equity instruments, funds and other investments classified as AFS financial assets carried at fair value as disclosed in note 25: Equity instruments are qualified for designation as measured at FVTOCI under HKFRS 9 and the Group does not elect this option, while funds and other investments are not qualified for the designation at FVTOCI. Therefore, all these financial assets will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits as at January 1, 2018.

- Equity instruments classified as AFS financial assets carried at costs less impairment as disclosed in note 25: All of these financial assets are qualified for designation as measured at FVTOCI under HKFRS 9 but the Group will not elect this option for designation at FVTOCI for the financial assets carried at cost less than impairment. Therefore, these financial assets will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair values changes, representing the differences between the cost less impairment and fair value, will be adjusted to retained profits as at January 1, 2018.

- All other financial assets and liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets will increase and decrease the retained profits and the investment revaluation reserve as at January 1, 2018 respectively by less than 1% of the total equity attributable to owners of the Company as at December 31, 2017. The net impact to the total equity attributable to owners of the Company as at January 1, 2018 is insignificant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarification to HKFRS15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Revenue of the Group comprises primarily toll revenue, sales of properties, hotel and catering revenue, commission on securities and futures dealing and broking, interest income arising from margin financing and securities lending, deposits and financial assets under resale agreements, asset management and fund management fees and underwriting and financial advisory fees. Interest income is not under the scope of HKFRS15. The Group has assessed the impact of HKFRS 15 on the remaining revenue and does not expect that the application of HKFRS15 will have a significant impact on recognition or measurement of income from majority of these operations. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-for-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating flows by the Group.

Under HKAS 17, the Group has already recognised an asset for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of Rmb101,668,000 as disclosed in note 54. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

HKFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of Rmb8,126,000 and refundable rental deposits received of Rmb1,714,000 as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRs issued by 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.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

Change in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate of a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of the profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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

Investments in associates and a joint venture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture (Continued)

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income is recognised when services are provided.

Revenue from room rental, food and beverage sales and other ancillary service in the hotel are recognised when the relevant service have been rendered.

Commission income from securities broking business is recognised on a trade date basis.

Advisory and handling fee income are recognised when the relevant transactions have been provided or the relevant services have been rendered.

Underwriting and sponsors fees are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

Asset management fee income is recognised when management services are provided in accordance with the management contracts.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

Intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Expressway operating rights under service concession arrangements

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

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

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

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

When it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

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

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

Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets classified as at FVTPL include financial asset held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'securities investment gains' line item. Fair value is determined in the manner described in Note 52(c).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investment whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, loans to customers arising from margin financing business, other receivables, financial assets held under resale agreements, bank balances and clearing settlement fund held on behalf of customers and bank balances, clearing settlement fund, deposits and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see the accounting policy in respect of impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans to customers arising from margin financing business, where the carrying amount is reduced through the use of an allowance account.

When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For the loans to customers arising from margin financing business, the Group reviews its advances to customers to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group reviews the value of the securities collateral received from the customers firstly on individual basis, then on collective basis in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

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

Convertible bond

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

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

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

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets held under resale agreements

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

Financial assets sold under repurchase agreements

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

Securities lending arrangement

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

Financial guarantee contracts

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

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts (Continued)

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Provisions

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

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

Impairment of AFS investments

The determination of whether an AFS investment is impaired requires significant judgment. For listed AFS equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the consolidated financial statements regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions. For AFS debt instruments, the Group makes the judgments as to whether there is an objective evidence of impairment which indicates a measurable decrease in the estimated future cash flows of these debt instruments. For unlisted AFS equity instruments measured at cost, the Group makes the judgement as to whether there is an objective evidence of impairment exists based on the investee's financial conditions and business prospects, including industry environment, as well as operating and financing cash flows. This requires a significant level of management judgement which would affect the amount of impairment losses in profit or loss. Details of the AFS investments are set out in Note 25.

Determination of consolidation scope

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

Critical judgements in applying accounting policies (Continued)

Determination of consolidation scope (Continued)

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

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costed The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2016: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 22.

Estimated impairment of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of themselves or the cash-generating unit to which they belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from themselves or the cash-generating unit to which they belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amounts of intangible assets with indefinite useful lives were Rmb68,235,000 (without accumulated impairment loss) (2016: Rmb66,563,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 22.

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

Key sources of estimation uncertainty (Continued)

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

The Group reviews its loans to customers arising from margin financing business and financial assets held under resale agreements to assess impairment on a periodic basis. When there is objective evidence of impairment loss for loans to customers arising from margin financing business and financial assets held under resale agreements, the Group takes into consideration the estimation of future cash flows. Specifically, the Group reviews the value of the cash and securities collateral received from the customers firstly on an individual basis, then on a collective basis in determining the impairment.

The policy for collective impairment allowances for loans to customers arising from margin financing business and financial assets held under resale agreements of the Group is based on the evaluation of probability of default, loss given default and exposure at default of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans to customers arising from margin financing business and financial assets held under resale agreements, including the current creditworthiness, and the past collection history. Details are set out in Notes 27 and 30.

Estimated impairment of interests in a joint venture and associates

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of the Group's interest in a joint venture or associates are lower than their respective recoverable amount. The Group tests for impairment for the interests in a joint venture and associates whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2017, the carrying amount of interest in a joint venture was Rmb303,065,000 (without accumulated impairment loss) (2016: Rmb285,397,000 (without accumulated impairment loss)), and the carrying amount of interests in associates was Rmb1,686,227,000 (without accumulated impairment loss) (2016: Rmb1,310,486,000 (without accumulated impairment loss)).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

Key sources of estimation uncertainty (Continued)

Provision for financial guarantee contract

The Directors based on its best estimate of the financial position and credit rating of the guarantee to determine the probability of incurring a claim by the counterparty to the Company to estimate fair value or the respective obligation under the financial guarantee contract. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. As at December 31, 2017, in respect of the financial guarantee contract provided to a joint venture of the Group in the amount of Rmb842,643,000 (2016: Rmb947,275,000), the Directors considered that the fair value of the financial guarantee obligation was insignificant on the date of initial recognition and determined that no provision was recognised for both years.

Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available, Where Level 1 inputs are not available, the Group engages qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the valuation committee's findings to the board of directors of the Group at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets and liabilities.

5. SEGMENT INFORMATION

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 broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Other operation – properties development, hotel operation 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, 2017

Continuing operations

	Toll operation	**Securities operation**	**Others**	**Total**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Revenue – external customers	**5,986,249**	**3,491,250**	**148,841**	**9,626,340**
Segment profit	**2,754,152**	**1,045,237**	**191,643**	**3,991,032**

For the year ended December 31, 2016

Continuing operations

	Toll operation	Securities operation	Others	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue – external customers	5,279,348	4,175,240	280,759	9,735,347
Segment profit	2,477,506	1,247,877	1,632	3,727,015

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	12/31/2017	12/31/2016	**12/31/2017**	12/31/2016
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Continuing operations				
Toll operation	**18,261,586**	17,883,833	**(4,995,482)**	(5,261,742)
Securities operation	**53,215,230**	53,839,312	**(39,424,352)**	(44,172,118)
Others	**2,086,837**	1,951,420	**(26,335)**	(151,645)
Total segment assets (liabilities)	**73,563,653**	73,674,565	**(44,446,169)**	(49,585,505)
Goodwill	**86,867**	86,867	**–**	–
Consolidated assets (liabilities)	**73,650,520**	73,761,432	**(44,446,169)**	(49,585,505)

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

5. SEGMENT INFORMATION (Continued)

Other segment information

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

For the year ended December 31, 2017

Continuing operations

	Toll operation	Securities operation	Others	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Income tax expense	845,248	339,462	7,559	1,192,269
Interest income on bank balances and entrusted loan receivables	25,945	–	72	26,017
Interest expense	135,275	476,472	–	611,747
Interests in associates	–	317,163	1,369,064	1,686,227
Interest in a joint venture	303,065	–	–	303,065
Share of (loss) profit of associates	–	(7,466)	168,968	161,502
Share of profit of a joint venture	17,668	–	–	17,668
Gain on fair value changes on held for trading investments	174	525,491	–	525,665
Gain on decrease in fair value in respect of the derivative component of Convertible Bond (as defined in Note 42)	149,479	–	–	149,479
Additions to non-current assets (Note)	106,652	306,397	30,356	443,405
Depreciation and amortisation	1,283,545	110,401	19,137	1,413,083
Loss on disposal of property, plant and equipment	2,484	1,081	–	3,565

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended December 31, 2016

Continuing operations

	Toll operation	Securities operation	Others	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Income tax expense	761,688	399,882	–	1,161,570
Interest income on bank balances and entrusted loan receivables	27,459	–	40	27,499
Interest expense	134,351	537,036	–	671,387
Interests in associates	–	109,401	1,201,085	1,310,486
Interest in a joint venture	285,397	–	–	285,397
Share of profit of associates	–	5,397	59,302	64,699
Share of profit of a joint venture	9,797	–	–	9,797
Gain on fair value changes on held for trading investments	6,819	198,434	–	205,253
Additions to non-current assets (Note)	2,564,064	169,388	595,094	3,328,546
Depreciation and amortisation	1,174,338	104,227	17,849	1,296,414
(Gain) loss on disposal of property, plant and equipment	(2,414)	(239)	2	(2,651)

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

5. SEGMENT INFORMATION (Continued)

Revenue from major services

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

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Toll operation revenue	**5,986,249**	5,279,348
Commission and fee income from securities operation	**2,088,310**	2,664,959
Interest income from securities operation	**1,402,940**	1,510,281
Revenue from sales of properties	**47,865**	196,928
Hotel and catering revenue	**100,976**	83,831
	9,626,340	9,735,347

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, 2017 and 2016, there are no individual customer with sales over 10% of the total revenue of the Group.

6. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Continuing operations		
Gain on held for trading investments	**525,665**	205,253
Cumulative gain reclassified from equity on disposal of AFS investments	**105,560**	64,791
Interest income and dividends from AFS investments	**21,223**	57,290
Gain (loss) on fair value changes on derivatives financial instruments	**122,437**	(103,761)
	774,885	223,573

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7. OTHER INCOME AND GAINS AND LOSSES

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Continuing operations		
Interest income on bank balances and entrusted loan receivables	**26,017**	27,499
Rental income (Note)	**42,498**	38,696
Handling fee income	**2,818**	2,449
Towing income	**7,128**	7,718
Gain on decrease in fair value in respect of the derivative component of Convertible Bond	**149,479**	–
Exchange loss, net	**(212,146)**	(22,758)
Gain on commodity trading, net	**21,125**	126,905
Others	**66,720**	108,881
	103,639	289,390

Note: Rental income included contingent rent of approximately Rmb3,817,000 (2016: Rmb3,649,000) during the year.

8. FINANCE COSTS

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Continuing operations		
Bank and other borrowings	**61,626**	121,860
Short-term loan note	**121,289**	69,284
Bonds payable	**362,891**	480,243
Convertible Bond	**65,941**	–
Total finance costs	**611,747**	671,387

9. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations has been arrived at after charging (crediting):

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Depreciation of property, plant and equipment	266,217	236,493
Release of prepaid lease payments	1,639	1,639
Amortisation of expressway operating rights (included in operating costs)	1,119,126	1,034,202
Amortisation of other intangible assets (included in operating costs)	26,101	24,080
Total depreciation and amortisation	1,413,083	1,296,414
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	1,183,475	1,216,231
– Pension scheme contributions	127,207	128,127
	1,310,682	1,344,358
Auditors' remuneration	8,374	9,081
Reversal of allowance for loans to customers arising from margin financing business	(294)	(13,269)
Allowance for trade receivables	822	253
Allowance for other receivables	891	975
Recognition (reversal) of allowance for financial assets held under resale agreements	40,076	(14,167)
Loss (gain) on disposal of property, plant and equipment	3,565	(2,651)
Impairment loss on AFS investments	11,621	33,942
Allowance for write-down of inventories	5,993	2,638

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

10. INCOME TAX EXPENSE

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	**1,211,926**	1,216,487
Deferred tax (Note 43)	**(19,657)**	(54,917)
	1,192,269	1,161,570

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

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

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Profit before tax	**5,183,301**	4,888,585
Tax at the PRC enterprise income tax rate of 25% (2016:25%)	**1,295,825**	1,222,146
Tax effect of share of profit of associates	**(40,376)**	(16,174)
Tax effect of share of profit of a joint venture	**(4,417)**	(2,449)
Utilisation of unused tax loss previously not recognised	**(35,505)**	(24,045)
Tax effect of expenses not deductible for tax purposes	**25,126**	13,143
Tax effect of income not subjected to tax purposes	**(48,384)**	(31,051)
Tax charge for the year	**1,192,269**	1,161,570

11. DISCONTINUED OPERATION

As set out in Note 49, for the year ended December 31, 2016, the Company disposed of its 100% equity interest in Zhejiang Expressway Development Investment Co., Ltd ("Development Co"), which carried out substantially all of the Group's toll related operation. The disposal was effected in order to allow the Company to focus on the toll operation business. This disposal was completed on December 29, 2016, on which date control of Development Co passed to the acquirer.

The profit for the year ended December 31, 2016 from the discontinued toll related operation was set out below.

	Year ended 12/31/2016 Rmb'000
Profit of toll related operation for the year	39,943
Gain on disposal of toll related operation (see Note 49)	56,993
Income tax from gain on disposal of toll related operation	(15,342)
	81,594

The results of the toll related operation for the period from January 1, 2016 to December 29, 2016, which had been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the Period from 1/1/2016 to 12/29/2016 Rmb'000
Revenue	654,227
Cost of sales	(693,470)
Other income	122,605
Administrative expenses	(20,432)
Other expenses	(11,372)
Profit before tax	51,558
Income tax expense	(11,615)
Profit for the period	39,943
Profit for the year ended December 31, 2016 from discontinued operating include the following:	
Loss on disposal of property, plant and equipment	2,003
Auditor's remuneration	144

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

11. DISCONTINUED OPERATION (Continued)

During the year ended December 31, 2016, Development Co contributed Rmb82,622,000 to the Group's net operating cash inflows, paid Rmb41,542,000 in respect of investing activities, and paid Rmb28,716,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Development Co at the date of disposal were disclosed in Note 49.

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income is as follows:

	Year ended 12/31/2017			Year ended 12/31/2016		
	Before-tax amount	Tax impact	Net-of-income-tax amount	Before-tax amount	Tax impact	Net-of-income-tax amount
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Fair value gain on AFS financial assets arising during the year	276,849	(69,212)	207,637	114,883	(28,721)	86,162
Reclassification adjustments for the cumulative gain included upon disposal of AFS financial assets	(105,560)	26,390	(79,170)	(64,791)	16,198	(48,593)
Other comprehensive expense arising from associates	(2,672)	–	(2,672)	(205)	–	(205)
Share of exchange differences of a subsidiary	(605)	–	(605)	511	–	511
Total	168,012	(42,822)	125,190	50,398	(12,523)	37,875

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

The emoluments paid or payable to each of the 9 (2016: 9) directors and 5 (2016: 6) supervisors are as follows:

	Zhan Xiaozhang@	Cheng Tao@	Luo Jianhu@	Wang Dongjie^	Dai Benmeng^	Zhou Jianping^	Zhou Jun*	Pei Ker-wei*	Lee Wai Tsang*	Yao Huiliang#	Wu Yongmin#	Zhang Guohua#	Shi Ximin#	Lu Xinghai#	He Meiyun#	Wu Qingwang#	Zhan Huagang#	Total
	Rmb'000	Rmb'000 (note v)	Rmb'000 (note v)	Rmb'000	Rmb'000	Rmb'000 (note viii)	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000 (note iii)	Rmb'00 (note i)	Rmb'000 (note ii)	Rmb'000	Rmb'000 (note iv)	Rmb'000 (note vii)	Rmb'000 (note vi)	Rmb'000
2017																		
Salaries, allowances and benefits in kind	300	406	406	1	3	6	–	226	226	4	–	–	–	–	4	2	–	1,584
Bonuses paid and payable	448	496	496	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,440
Pension scheme contributions	24	24	24	–	–	–	–	–	–	–	–	–	–	–	–	–	–	72
Total emoluments	772	926	926	1	3	6	–	226	226	4	–	–	–	–	4	2	–	3,096
2016																		
Salaries, allowances and benefits in kind	225	469	469	3	3	6	1	210	214	7	–	2	4	–	–	–	–	1,613
Bonuses paid and payable	521	459	459	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,439
Pension scheme contributions	22	22	22	–	–	–	–	–	–	–	–	–	–	–	–	–	–	66
Total emoluments	768	950	950	3	3	6	1	210	214	7	–	2	4	–	–	–	–	3,118

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

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

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

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

Notes:

(i) Resigned on March 17, 2016.

(ii) Resigned on October 21, 2016.

(iii) Resigned on August 18, 2016.

(iv) Appointed on December 28, 2016.

(v) Ms. Luo Jianhu and Cheng Tao are also the senior management of the Company and their emoluments disclosed above include those services rendered by them as senior management.

(vi) Appointed on March 30, 2017.

(vii) Appointed on April 3, 2017.

(viii) Resigned on December 22, 2017.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

The emoluments paid or payable to each of the other 6 (2016: 8) senior managements are as follows:

	Ding Huikang Rmb'000 note	Zhang Jingzhong Rmb'000 note	Fang Zhexing Rmb'000	Zhu Yimin Rmb'000	Wang Dehua Rmb'000	Zhan Huagang Rmb'000	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000	Total Rmb'000
2017									
Salaries, allowances and benefits in kind	–	–	335	335	335	335	335	335	2,010
Bonuses paid and payable	–	–	367	367	367	367	367	367	2,202
Pension scheme contributions	–	–	24	24	24	24	24	24	144
Total emoluments	–	–	726	726	726	726	726	726	4,356
2016									
Salaries, allowances and benefits in kind	60	74	445	445	445	445	445	445	2,804
Bonuses paid and payable	306	337	342	301	337	337	337	337	2,634
Pension scheme contributions	–	3	22	22	22	22	22	22	135
Total emoluments	366	414	809	768	804	804	804	804	5,573

Note: Resigned on February 18, 2016.

The emoluments of each of the senior managements were below HK$1,000,000 (equivalent to Rmb835,900 (2016: Rmb894,510)) in both years. Bonuses paid to senior managements are performance-rated and are determined by the board of Directors.

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Salaries, allowances and benefits in kind	4,912	4,329
Bonuses paid and payable (Note)	32,023	33,404
Pension scheme contributions	220	165
	37,155	37,898

Note: The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2017 and 2016.

No emoluments nor incentive was waived as an inducement to join the Company and no compensation for loss of office was paid to any five highest paid individuals in the Group during both years. Bonuses are determined by reference to the individual performance of the five highest paid individuals in the Group.

The five individuals with the highest emoluments in the Group during the year included five (2016: five) non-director employees.

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2017	Year ended 12/31/2016
HK$6,000,001 to HK$6,500,000 (equivalent to Rmb5,015,401 (2016: Rmb5,367,061) to Rmb5,433,350 (2016: Rmb5,814,315))	–	2
HK$7,000,001 to HK$7,500,000 (equivalent to Rmb5,851,301 (2016: Rmb6,261,571) to Rmb6,269,250 (2016: Rmb6,708,825))	1	1
HK$8,000,001 to HK$8,500,000 (equivalent to Rmb6,687,201 (2016: Rmb7,156,081) to Rmb7,105,150 (2016: Rmb7,603,335))	1	–
HK$8,500,001 to HK$9,000,000 (equivalent to Rmb7,105,151 (2016: Rmb7,603,336) to Rmb7,523,100 (2016: Rmb8,050,590))	2	–
HK$10,500,001 to HK$11,000,000 (equivalent to Rmb8,776,951 (2016: Rmb9,392,356) to Rmb9,194,900 (2016: Rmb9,839,610))	–	1
HK$11,500,001 to HK$12,000,000 (equivalent to Rmb9,612,851 (2016: Rmb10,286,866) to Rmb10,030,800 (2016: Rmb10,734,120))	1	–
HK$12,000,001 to HK$12,500,000 (equivalent to Rmb10,030,801 (2016: Rmb10,734,121) to Rmb10,448,750 (2016: Rmb 11,181,375))	–	1

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15. DIVIDENDS

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Dividends recognised as distribution during the year:		
2017 Interim – Rmb6 cents (2016: 2016 interim Rmb6 cents) per share	260,587	260,587
2016 Final – Rmb29.5 cents (2016: 2015 Final Rmb28 cents) per share	1,281,219	1,216,072
	1,541,806	1,476,659

Final dividend of Rmb30.0 cents per share in respect of the year ended December 31, 2017 (2016: final dividend of Rmb29.5 cents per share in respect of the year ended December 31, 2016) in the total amount of Rmb1,302,934,000 (2016: Rmb1,281,219,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

16. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Profit for the year attributable to owners of the Company	3,202,130	3,037,405
Less:		
Profit for the year from discontinued operations	–	(80,114)
Earnings for the purpose of basic earnings per share from continuing operations	3,202,130	2,957,291
Effect of dilutive potential ordinary shares arising from Convertible Bond:		
Interest expense	65,941	–
Exchange loss (net of income tax)	99,718	–
Gain on decrease in fair value on derivative component	(149,479)	–
Earnings for the purpose of diluted earnings per share from continuing operations	3,218,310	2,957,291

16. EARNINGS PER SHARE (Continued)

Number of shares

	Year ended 12/31/2017 '000	Year ended 12/31/2016 '000
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from Convertible Bond	166,746	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,509,861	4,343,115

For continuing and discontinued operations

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

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	3,202,130	3,037,405
Effect of dilutive potential ordinary shares arising from Convertible Bond:		
Interest expense	65,941	–
Exchange loss (net of income tax)	99,718	–
Gain on decrease in fair value on derivative component	(149,479)	–
Earnings for the purpose of diluted earnings per share	3,218,310	3,037,405

For discontinued operations

For the year ended December 31, 2016, basic earnings per share for discontinued operations was Rmb1.85 cents per share, based on profit for the year attributable to owners of the Company from the discontinued operations of Rmb80,114,000 and the denominators detailed above. Diluted earnings per share was the same as basic earnings per share since there were no potential ordinary shares outstanding as at December 31, 2016.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Hotel	Ancillary facilities	Communication and signaling equipment	Motor vehicles	Machinery and equipment	Construction in progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost								
At January 1, 2016	1,591,310	549,543	1,232,092	413,440	227,129	818,558	102,169	4,934,241
Additions	8,334	–	5,639	19,670	11,364	48,117	231,220	324,344
Acquired on acquisition of a subsidiary	467	–	26,740	4,506	309	484	1,326	33,832
Transfer	7,643	–	49,155	362,338	–	(172,236)	(246,900)	–
Transfer from inventory	15,470	–	–	–	–	–	–	15,470
Disposals	(6,300)	–	(8,810)	(48,601)	(40,808)	(137,623)	–	(242,142)
Disposal of a subsidiary (Note 49)	(4,311)	–	(307,571)	(27,178)	(13,907)	(48,268)	(829)	(402,064)
At December 31, 2016	1,612,613	549,543	997,245	724,175	184,087	509,032	86,986	4,663,681
Additions	566	27,218	5,625	20,602	12,998	48,759	55,130	170,898
Transfer	35,951	15,469	16,971	43,904	–	142	(112,437)	–
Disposals	(11)	–	(5,782)	(4,534)	(13,496)	(77,856)	–	(101,679)
At December 31, 2017	1,649,119	592,230	1,014,059	784,147	183,589	480,077	29,679	4,732,900
DEPRECIATION								
At January 1, 2016	308,504	10,365	425,641	276,554	154,981	579,702	–	1,755,747
Provided for the year	64,701	17,769	64,816	50,878	14,864	51,239	–	264,267
Transfer	1,040	–	(4,558)	142,130	–	(138,612)	–	–
Disposals	(6,300)	–	(7,920)	(44,077)	(32,715)	(114,097)	–	(205,109)
Disposal of a subsidiary (Note 49)	(1,966)	–	(146,778)	(21,210)	(8,939)	(38,902)	–	(217,795)
At December 31, 2016	365,979	28,134	331,201	404,275	128,191	339,330	–	1,597,110
Provided for the year	55,917	19,060	45,607	73,388	11,690	60,555	–	266,217
Disposals	(11)	–	(2,506)	(4,341)	(12,683)	(59,020)	–	(78,561)
At December 31, 2017	**421,885**	**47,194**	**374,302**	**473,322**	**127,198**	**340,865**	**–**	**1,784,766**
CARRYING VALUES								
At December 31, 2017	1,227,234	545,036	639,757	310,825	56,391	139,212	29,679	2,948,134
At December 31, 2016	1,246,634	521,409	666,044	319,900	55,896	169,702	86,986	3,066,571

The property, plant and equipment are located in the PRC.

18. PREPAID LEASE PAYMENTS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Analysed for reporting purposes as:		
Current assets	2,137	1,639
Non-current assets	65,300	52,522
	67,437	54,161

The amount represents prepayment of rentals under operating leases for "land use rights" of land situated in the PRC.

19. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2016	23,963,062
Acquired on acquisition of a subsidiary (Note 48)	2,303,560
At December 31, 2016 and 2017	26,266,622
Amortisation	
At January 1, 2016	10,733,620
Charge for the year	1,034,202
At December 31, 2016	11,767,822
Charge for the year	1,119,126
At December 31, 2017	12,886,948
Carrying values	
At December 31, 2017	13,379,674
At December 31, 2016	14,498,800

The above expressway operating rights were granted by the Zhejiang Provincial Government and Anhui Provincial Government for a period ranging from 25 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway, Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, Hanghui Expressway and Huihang Expressway and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at nil consideration.

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20. GOODWILL

	Rmb'000
Cost and carrying VALUES	
At January 1, 2016, December 31, 2016 and December 31, 2017	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 22.

21. OTHER INTANGIBLE ASSETS

	Customer bases	Securities/ futures firm licenses	Trading seats	Software	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost					
At January 1, 2016	101,147	63,083	3,480	125,691	293,401
Additions	–	–	–	17,889	17,889
Disposal of a subsidiary (Note 49)	–	–	–	(154)	(154)
At December 31, 2016	101,147	63,083	3,480	143,426	311,136
Additions	–	–	1,672	37,009	38,681
At December 31, 2017	101,147	63,083	5,152	180,435	349,817
Amortisation					
At January 1, 2016	66,679	–	–	71,503	138,182
Charge for the year	6,266	–	–	17,829	24,095
Disposal of a subsidiary (Note 49)	–	–	–	(47)	(47)
At December 31, 2016	72,945	–	–	89,285	162,230
Charge for the year	6,266	–	–	19,835	26,101
At December 31, 2017	79,211	–	–	109,120	188,331
CARRYING VALUES					
At December 31, 2017	21,936	63,083	5,152	71,315	161,486
At December 31, 2016	28,202	63,083	3,480	54,141	148,906

The customer bases of Zheshang Securities and Zheshang Futures Broker Co., Ltd. ("Zheshang Futures") are amortised on a straight-line basis over fifteen years and three years, respectively.

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have indefinite useful lives because they can be renewed at minimal cost even though the current licenses are effective for three years.

21. OTHER INTANGIBLE ASSETS (Continued)

The trading seats of the securities operation is considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 20 and 21 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets (net of accumulated impairment losses) as at December 31, 2017 and 2016 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Toll operation						
– Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	75,137	75,137	–	–	–	–
– Shangsan Co	10,335	10,335	–	–	–	–
Securities operation						
– Zheshang Securities	–	–	51,783	51,783	2,080	2,080
– Zheshang Futures	1,395	1,395	11,300	11,300	3,072	1,400
	86,867	86,867	63,083	63,083	5,152	3,480

During the years ended December 31, 2017 and 2016, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

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22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Jiaxing Co and Shangsan Co

The recoverable amounts of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and a discount rate the management considered appropriate. No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 11 years (2016: 12 years) and 13 years (2016: 14 years) for Jiaxing Co. and Shangsan Co., respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Co's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

Zheshang Securities & Zheshang Futures

The recoverable amounts of Zheshang Securities & Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believe appropriate. Growth rate beyond the five-year period is assumed to be 1%. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities & Zheshang Futures' other intangible assets to exceed its aggregate recoverable amounts.

23. INTERESTS IN ASSOCIATES

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Unlisted investments in associates, at cost less impairment	**1,358,560**	1,139,649
Share of post-acquisition profit and other comprehensive expense, net of dividends received	**327,667**	170,837
	1,686,227	1,310,486

23. INTERESTS IN ASSOCIATES (Continued)

At December 31, 2017 and 2016, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			12/31/2017	12/31/2016	
			%	%	
Zhejiang Concord Property Investment Co., Ltd. ("Zhejiang Concord Property")	Corporate	The PRC	45	45	Investment and real estate development
Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance")	Corporate	The PRC	35	35	Finance and investment
Zheshang Fund Management Co., Ltd. ("Zheshang Fund") (Note i)	Corporate	The PRC	25	25	Asset fund management
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note ii)	Corporate	The PRC	13	13	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	40	40	Investment management and consulting
Zhejiang Big Data Exchange Center Co., Ltd. (''Zhejiang Big Data") (Note iii)	Corporate	The PRC	19.8	19.8	Big data asset transaction
Ningbo Equity Exchange Co., Ltd. (''Ningbo Equity Exchange")	Corporate	The PRC	40	40	Listing, registration, custody, settlement service for equity product
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note iv)	Corporate	The PRC	15	15	Science and technology related insurance
Hangzhou XingYuanJuJin Investment Management LP (''XingYuan Investment') (Note v)	Partnership	The PRC	5.05	5.05	Investment management
Pujiang JuJinFengAn Investment Management LP ("FengAn Investment") (Note v)	Partnership	The PRC	17.86	–	Investment management
Zheshang FoF for Industry Transformation and Upgrading LP ("Zheshang FoF") (Note vi)	Partnership	The PRC	24.99	24.99	Investment management and consulting

All of the above associates are accounted for using the equity method in these consolidated financial statements.

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23. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company.

On August 14, 2014, Zheshang Securities, together with one of the shareholders of Zheshang Fund, Yangshengtang Co., Ltd., auctioned off their respective 25% equity interest (totalling 50%) in Zheshang Fund. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd. ("Tonglian Capital"), another shareholder of Zheshang Fund which is independent to the Group, and Zheshang Securities will receive a consideration of Rmb207,000,000 accordingly.

As at December 31, 2017, the disposal transaction has not been completed and the refundable deposit of Rmb165,600,000 (2016: Rmb165,600,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 36.

The Directors consider the disposal required approval by China Securities Regulatory Commission and equity transfer registration, which was a lengthy process and they are not able to estimate the timing when and whether such approval would be granted. The amount of deposit received would be refundable to Tonglian Capital if the transfer eventually cannot be completed.

(ii) The Group is able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company.

(iii) Zheshang Captial Management Co., Ltd. (''Zheshang Capital Management"), a subsidiary of Group, contributed capital of Rmb19,800,000 for 19.8% shareholding of Zhejiang Big Data. The Group is able to exercise significant influence over Zhejiang Big Data because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

(iv) The Group is able to exercise significant influence over Taiping Insurance because it has the power to appoint one out of eleven directors of that company under the provisions stated in the Articles of Association of that company.

(v) XingYuan Investment and FengAn Investment were established on January 7, 2016 and April 24, 2017, respectively, as limited partnerships. Dong Fang Ju Jin (as defined in Note 57) is the general partner of XingYuan Investment and FengAn Investment who holds 0.05% and 0.1786% partnership shares, respectively, and Zheshang Capital Management is one of their limited partners who holds 5% and 17.6786% partnership shares, respectively. The Group is able to exercise significant influence over XingYuan Investment and FengAn Investment because it has voting rights in the investment committee of XingYuan Investment and FengAn Investment. Rmb10,100,000 and Rmb2,911,000 were contributed by the Group for the partnership shares in XingYuan Investment and FengAn Investment in 2016 and 2017, respectively.

(vi) The Company hold 24.99% partnership shares and is able to exercise significant influence. Rmb200,000,000 was contributed to Zheshang FoF by the Company in 2017.

23. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's material associates at the end of the reporting period is set out below. This represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Zhejiang Communications Finance

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Current assets	19,575,483	12,102,365
Non-current assets	11,250,792	6,307,941
Current liabilities	28,241,765	16,144,368

	Year ended 12/31/2017	Year ended 12/31/2016
	Rmb'000	Rmb'000
Revenue	817,525	315,685
Profit for the year	321,398	122,565
Other comprehensive expense for the year	(2,826)	–
Total comprehensive income for the year	318,572	122,565
Dividends received from the associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Communications Finance recognised in the consolidated financial statements:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Net asset of the associate	2,584,510	2,265,938
Proportion of the Group's ownership interest in Zhejiang Communications Finance	35%	35%
Carrying amount of the Group's interest in Zhejiang Communications Finance	904,579	793,079

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23. INTERESTS IN ASSOCIATES (Continued)

Yangtze United Financial Leasing

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Current assets	846,378	1,049,557
Non-current assets	21,926,541	14,794,597
Current liabilities	19,868,790	13,605,278
Non-current liabilities	500,000	100,000

	Year ended 12/31/2017	Year ended 12/31/2016
	Rmb'000	Rmb'000
Revenue	1,389,035	775,746
Profit for the year	265,253	134,147
Dividends received from the associate during the year	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yangtze United Financial Leasing recognised in the consolidated financial statements:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Net asset of the associate	2,404,129	2,138,876
Proportion of the Group's ownership interest in Yangtze United Financial Leasing	13%	13%
	312,537	278,054

23. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
The Group's share of profit, net of dividends received	12,530	9,728
The Group's share of other comprehensive expense	(1,683)	(205)
The Group's share of total comprehensive income, net of dividends received	10,847	9,523
Aggregate carrying amount of the Group's interests in these associates	469,111	239,353

24. INTEREST IN A JOINT VENTURE

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Unlisted investment in a joint venture, at cost less impairment	373,470	373,470
Share of post-acquisition loss	(70,405)	(88,073)
	303,065	285,397

At December 31, 2017 and 2016, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			12/31/2017	12/31/2016	
			%	%	
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	50	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

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24. INTEREST IN A JOINT VENTURE (Continued)

The summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Shengxin Co

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Current assets	64,152	65,467
Non-current assets	2,326,551	2,500,949
Current liabilities	43,541	41,127
Non-current liabilities	1,741,031	1,954,495
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	55,679	58,221
Non-current financial liabilities (excluding trade and other payables and provisions)	1,683,000	1,892,000

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Revenue	399,335	364,515
Profit for the year	35,337	19,594
Dividend received from the joint venture	–	–
The above profit for the year includes the following:		
Depreciation and amortisation	(180,867)	(180,977)
Interest income	663	810
Interest expense	(79,240)	(88,376)
Income tax expense	(4,464)	(4,464)

24. INTEREST IN A JOINT VENTURE (Continued)

The summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs: (Continued)

Shengxin Co (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shengxin Co recognised in the consolidated financial statements:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Net asset of the joint venture	606,131	570,794
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in Shengxin Co	303,065	285,397

25. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Non-current assets:		
Unlisted equity securities investments, at cost (Note i)	21,294	48,594
Listed equity securities investments, at fair value (Note ii)	694,418	315,878
Other investments (Note iii)	–	1,430,503
Less: provision for impairment loss	(3,997)	(3,997)
	711,715	1,790,978
Current assets:		
Equity securities	264,537	297,492
Funds	402,144	92,804
Corporate bonds	6,500	36,500
Other investments (Note iii)	1,169,019	956,567
Less: provision for impairment loss (Note iv)	(41,365)	(40,443)
	1,800,835	1,342,920
	2,512,550	3,133,898

As at December 31, 2017, the Group has entered into securities lending arrangement with clients that resulted in the transfer of listed AFS investments with total fair value of Rmb3,511,000 (2016: Rmb1,958,000) to external clients, which did not result in derecognition of the financial assets. Details of the collaterals were set out in Note 30.

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25. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes:

(i) Unlisted equity securities investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimated is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

(ii) Listed equity securities investments represent stocks listed in PRC with lock-up period for 3 years since the subscription. The financial instruments was measured at fair value based on a valuation model taking into account the relevant features including the restrictions.

(iii) Except for the investment described below, others comprise of financial products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

As at December 31, 2016, balance of AFS financial assets included the unlisted equity investment in a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). Pursuant to the agreement the Company entered into with the CSFCL, the Company contributed to a special account managed by the CSFCL in 2015. The Company is entitled to the profit or loss derived from the special account in proportion to the funding portion contributed. The Company determined the total fair value of the investment according to the evaluation report provided by the CSFCL. The investment was fully disposed during the current year.

(iv) Included in the balance as at December 31, 2017, Rmb34,865,000 (2016: Rmb33,942,000) is the cumulative amount of impairment recognised in relation to AFS equity instruments measured at fair value.

26. TRADE RECEIVABLES

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Trade receivables comprise:		
Fellow subsidiaries	**10,207**	8,068
Third parties	**236,608**	268,656
Total trade receivables	**246,815**	276,724
Less: Allowance for doubtful debts	**(2,228)**	(1,406)
	244,587	275,318

26. TRADE RECEIVABLES (Continued)

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respect expressway fee settlement centre of Zhejiang Province and Anhui Province, which are normally settled within 3 months. All of these trade receivables were neither past due nor impaired in both years.

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 doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Within 3 months	**222,020**	263,822
3 months to 1 year	**20,468**	9,409
1 to 2 years	**2,010**	1,484
Over 2 years	**89**	603
	244,587	275,318

Movement of allowance for doubtful debts

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
At the beginning of the year	**1,406**	1,292
Impairment recognised for the year	**947**	449
Amount reversed during the year	**(125)**	(244)
Disposal of a subsidiary	**–**	(91)
At the end of the year	**2,228**	1,406

The Group determines the allowance for impaired debts based on the evaluation of collectability and aged analysis of accounts and on the management's judgement including the assessment of change in credit quality and the past collection history of each client. The Directors consider the credit risk of the balance to be minimal.

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27. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Loans to margin clients	7,893,616	7,952,333
Less: Allowance for doubtful debts	(42,007)	(42,301)
	7,851,609	7,910,032

The Group has provided customers with margin financing and security lending for securities transactions, the credit facility limits to margin clients are determined by the discounted market value of the pledged securities accepted by the Group or the market value of cash collaterals.

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at December 31, 2017, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities and cash collaterals. The undiscounted market value of the stock security collaterals was amounted to Rmb22,140,435,000 (2016: Rmb27,105,442,000). Cash collateral of Rmb491,032,000 (2016: Rmb1,298,722,000) received from clients was included in accounts payable to customers arising from securities business in Note 34. As of December 31, 2017 and 2016, no individual customer with fair value of pledged securities fell below the carry amount of its respective margin loan.

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Movement in the allowance for doubtful debts

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Allowance for doubtful debts at the beginning of the year	42,301	55,570
Amount reversed during the year	(294)	(13,269)
At end of the year	42,007	42,301

27. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

Movement in the allowance for doubtful debts (Continued)

The directors of the Group are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no ageing analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and the management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base, being large and unrelated.

28. OTHER RECEIVABLES AND PREPAYMENTS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Entrusted loan and interest receivable from a related party (Note 56(ii))	78,300	423,613
Interest receivables	449,848	298,741
Prepayments	73,173	77,563
Advances in relation to asset management plans	229,070	1,973,221
Receivables from Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co") in relation to disposal of maintenance equipment (Note 56(i)(b))	24,021	34,471
Others	56,814	47,490
	911,226	2,855,099

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29. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Listed securities in the PRC, at fair value:		
Equity securities	**76,734**	68,996
Open-end equity funds	**300,502**	1,279,339
Bonds in the PRC, at fair value:		
Listed in Shanghai/Shenzhen Stock Exchange with fixed interest ranging from 0.2% to 9.5% (2016: 0.2% to 11.8%) per annum	**5,569,010**	4,686,320
Unlisted with fixed interest ranging from 2.7% to 8.6% (2016: 2.6% to 8.6%) per annum	**6,622,448**	2,109,477
	12,568,694	8,144,132

30. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Analysed by collateral type:		
Bonds	**5,147,924**	1,865,992
Stock securities	**4,645,568**	2,099,337
	9,793,492	3,965,329
Analysed by market:		
Inter bank market	**2,687,848**	1,340,492
Shanghai/Shenzhen Stock Exchange	**7,105,644**	2,624,837
	9,793,492	3,965,329

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2017, the fair value of equity securities and debt securities held as collaterals was Rmb11,098,959,000 (2016: Rmb6,394,960,000) and Rmb4,523,618,000 (2016: Rmb1,871,182,000), respectively.

31. BANK BALANCES AND CLEARING SETTLEMENT FUND HELD ON BEHALF OF CUSTOMERS

For the Group's securities operation carried out by Zheshang Securities, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.35% to 6% (2016: 1.55% to 2.37%) per annum.

Bank balances and clearing settlement fund held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2017	18,093	97,592
As at December 31, 2016	20,669	108,693

32. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Time deposits with original maturity over three months	20,000	165,000
Unrestricted bank balances and cash	5,583,691	7,160,804
Time deposits with original maturity of less than three months	5,123	37,941
Cash and cash equivalents	5,588,814	7,198,745
	5,608,814	7,363,745

Bank balances carry interest at the average market rate is 0.35% (2016: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 0.80% to 2.06% (2016: 0.20% to 2.25%) per annum.

Bank balances, clearing settlement fund, deposits and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2017	46,096	1,560,278
As at December 31, 2016	13,692	36,574

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33. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
CSFCL (secured)	–	700,000

As at December 31, 2016, the placements carried interest at a fixed rate of 3.00% per annum are repayable within 1 year from the end of the reporting period. The placements were secured by a cash deposit of Rmb51,494,000 and debt and equity securities with total fair value of Rmb123,219,000 as at December 31, 2016. The amount has been repaid by the Group upon its maturity during the year ended December 31, 2017.

34. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts mainly represent money held on behalf of clients at the banks and clearing houses by the Group.

The amounts also include payables for securities/futures business as well as cash collaterals from customers for securities lending and/or margin financing arrangement.

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. No aged analysis is disclosed as in the opinion of the Directors, an aged analysis does not give any additional value in view of the nature of the business.

As at December 31, 2017, Rmb491,032,000 (2016: Rmb1,298,722,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2017	18,093	97,592
As at December 31, 2016	20,669	108,693

35. TRADE PAYABLES

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. The following is an aged analysis of trade payables presented based on the invoice date:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Within 3 months	267,464	339,391
3 months to 1 year	73,433	117,706
1 to 2 years	112,374	190,561
2 to 3 years	70,812	38,879
Over 3 years	104,509	97,763
	628,592	784,300

36. OTHER PAYABLES AND ACCRUALS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Other liabilities:		
Accrued payroll and welfare	1,190,986	1,454,992
Advance from rental and other customers	44,879	33,079
Toll collected on behalf of other toll roads	9,543	9,149
Retention payable	98,713	77,746
Deposit received for disposal of an associate (Note 23(i))	165,600	165,600
Other investors' interests in consolidated limited partnership	421,782	178,180
Payables to fund management companies for clients	130,731	8,830
Consideration payable for acquisition of Huihang Co (as defined in Note 48)	–	28,500
Others	219,270	199,811
	2,281,504	2,155,887
Other accruals	233,895	275,261
	2,515,399	2,431,148

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37. BANK AND OTHER BORROWINGS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Bank loans, unsecured	–	2,101,395
Loan from related parties, unsecured (Note 56(i), 56(ii))	480,000	15,000
	480,000	2,116,395
Carrying amount repayable:		
Within one year	420,000	2,116,395
More than two years but not more than five years	60,000	–
	480,000	2,116,395
Less: Amounts due within one year	(420,000)	(2,116,395)
Amounts shown under non-current liabilities	60,000	–

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
The bank and other borrowings comprise:		
Fixed-rate borrowings	60,000	1,714,500
Variable-rate borrowings	420,000	401,895
	480,000	2,116,395

The range of effective interest rates (which are also agreed to contracted interest rates) on the Group's borrowings are as follows:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Effective interest rate:		
Fixed-rate borrowings	3.00%	3.92%-4.35%
Variable-rate borrowings	4.22%	2.23%-3.92%

Except that the Group's borrowings of $432,527,000 were dominated in Hong Kong Dollars as at December 31, 2016, the Group's other borrowings were all dominated in the functional currency of the group entities as at December 31, 2017 and 2016.

38. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Unsecured:		
Short-term loan note (Note i)	–	1,500,000
Beneficial certificates (Note ii)	762,800	3,328,340
	762,800	4,828,340

Notes:

(i) During the year ended December 31, 2016, the Company issued short-term loan notes at the principle amount of Rmb700,000,000 and Rmb800,000,000, which beared fixed interest rates of 2.62% and 2.78% per annum, respectively. These amounts had been repaid in full upon maturity during the year ended December 31, 2017.

(ii) During the year ended December 31, 2017, there were Rmb762,800,000 (2016: Rmb5,428,340,000) principals received from investors for subscription of beneficial certificates issued by Zheshang Securities, which bear interest rates ranging from 2.0% to 5.3% (2016: 1.0% to 6.0%) per annum, and Rmb3,328,340,000 (2016: Rmb2,116,100,000) was matured and repaid. As at December 31, 2017, the remaining beneficial certificates and its interests are repayable upon maturity.

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Analysed as collateral type:		
Bonds	8,263,414	5,186,743
Other rights and interests in debt instruments	2,260,000	2,300,000
	10,523,414	7,486,743
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	4,018,588	3,119,475
Inter-bank market	4,244,826	2,067,268
Over the counter	2,260,000	2,300,000
	10,523,414	7,486,743

As of December 31, 2017, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, with maturities within 1 year.

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39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. The cash proceed received is recognised as financial liability.

As at December 31, 2017, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities as at December 31, 2017 and December 31, 2016.

	Held for trading investments	Financial assets held under resale agreements	Loans to customers arising from margin financing business	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As at December 31, 2017				
Carrying amount of transferred assets	7,228,533	1,887,301	2,382,625	11,498,459
Carrying amount of associated liabilities	(6,429,268)	(1,834,146)	(2,260,000)	(10,523,414)
Net position	799,265	53,155	122,625	975,045
As at December 31, 2016				
Carrying amount of transferred assets	4,382,376	918,296	2,495,669	7,796,341
Carrying amount of associated liabilities	(4,294,522)	(892,221)	(2,300,000)	(7,486,743)
Net position	87,854	26,075	195,669	309,598

40. BONDS PAYABLE

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Subordinated bonds with redemption option (Note i)	2,500,000	4,000,000
Subordinated bonds without redemption option (Note ii)	6,850,000	4,900,000
Long term beneficial certificates (Note iii)	800,000	800,000
	10,150,000	9,700,000
Less: subordinated bonds due within 1 year	(500,000)	(3,000,000)
Less: beneficial certificates due within 1 year	(800,000)	–
	(1,300,000)	(3,000,000)
Amounts shown under non-current liabilities	8,850,000	6,700,000

Notes:

i) This balance represented 2 (2016: 3) subordinated bonds due by year 2020 to 2021 (2016: 2019 to 2021) issued by Zheshang Securities carried fixed interest rate ranging from 3.63% to 4.90% (2016: 3.63% to 5.80%) per annum, with redemption option of the Group exercisable at the second or third anniversary since the date of issue. If the redemption option is not exercised, the interest rate would be increased to a fixed rate of 6.63% (2016: 6.63% to 8.80%) per annum for the remaining period till maturity.

As at December 31, 2017, these subordinated bonds carried at fixed interest rates ranging from 3.63% to 4.9% (2016: 3.63% to 5.80%) per annum.

ii) This balance represented 5 (2016: 5) subordinated bonds due by year 2018 to 2021 (2016: 2017 to 2021) issued by Zheshang Securities, without redemption option, with a fixed interest rates ranging from 3.08% to 6.30% (2016: 3.08% to 6.30%) per annum.

iii) Long term beneficial certificates due by 2018 issued by Zheshang Securities bear fixed interest rates rated ranging from 3.70% to 3.79% per annum.

41. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial assets of Rmb4,587,000 and derivative financial liabilities of Rmb3,941,000 has been recognised for the fair values of commodity options as at December 31, 2017.

Derivative financial assets of Rmb10,931,000 and derivative financial liabilities of Rmb413,000 has been recognised for the fair values of those foreign exchange forward transaction and commodity options as at December 31, 2016.

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42. CONVERTIBLE BOND

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"). The Convertible Bond is listed on the Stock Exchange.

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

(1) Conversion right

The Convertible Bond will, at the option of the holder (the "Bondholders"), 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") 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 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 is HK$12.54 per H share.

(2) Redemption

(i) Redemption at maturity

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

(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 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, 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 (translated into Euro at the Fixed Exchange Rate); or

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

42. CONVERTIBLE BOND (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the Bondholders

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

The Convertible Bond 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, redemption option of the Company, and redemption option of the Bondholders.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond 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 immediately. 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 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.

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42. CONVERTIBLE BOND (Continued)

The movement of the debt and derivative components of the Convertible Bond for the year is set out as below:

	Debt component		Derivative Components		Total	
	Euro'000	Rmb'000	Euro'000	Rmb'000	Euro'000	Rmb'000
Convertible Bond issued on April 21, 2017	297,801	2,190,578	67,199	494,302	365,000	2,684,880
Issue cost	(1,855)	(13,646)	–	–	(1,855)	(13,646)
Exchange realignment	–	132,958	–	–	–	132,958
Interest charge	8,558	65,941	–	–	8,558	65,941
Gain on decrease in fair value	–	–	(23,004)	(149,479)	(23,004)	(149,479)
Total	304,504	2,375,831	44,195	344,823	348,699	2,720,654

No conversion or redemption of the Convertible Bond has occurred up to December 31, 2017. The detailed key inputs the valuer uses to calculate the fair value of the derivative component refer to Note 52(c).

43. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Deferred tax assets	**355,803**	362,681
Deferred tax liabilities	**(394,434)**	(378,147)
	(38,631)	(15,466)

43. DEFERRED TAXATION (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Changes in fair value of held for trading and available-for-sale investments	Difference in tax and accounting depreciation of property plant and equipment and expressway operating rights	Fair value adjustment of long term assets	Temporary differences of accrued expenses and impairment losses	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At January 1, 2016	83,550	23,350	95,595	(269,893)	(67,398)
Acquired on acquisition of a subsidiary	–	–	125,258	–	125,258
Credit to profit or loss	(3,846)	(18,744)	(9,784)	(23,867)	(56,241)
Charge to other comprehensive income	12,523	–	–	–	12,523
Disposal of a subsidiary	–	–	–	1,324	1,324
At December 31, 2016	92,227	4,606	211,069	(292,436)	15,466
(Credit) charge to profit or loss	(27,729)	(24,155)	(14,402)	46,629	(19,657)
Charge to other comprehensive income	42,822	–	–	–	42,822
At December 31, 2017	107,320	(19,549)	196,667	(245,807)	38,631

As at December 31, 2017, the Group had unused tax losses of approximately Rmb227,964,000 (2016: Rmb388,004,000). No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within 2021.

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44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Financial liabilities held for trading:		
– Bonds borrowing	223,234	196,363
Financial liabilities designated at fair value through profit or loss:		
– Financial liabilities arising from consolidation of structured entities (Note)	150,193	97,295
	373,427	293,658

Note:

Financial liabilities arising from consolidation of structured entities represents the third party unit holders' interests in the consolidated structure schemes and funds which are reflected as a liability since they can be put back to the Group for cash. Interests in all consolidated structured entities directly held by the Group amounted to fair value of Rmb115,627,000 and Rmb36,661,000 at December 31, 2017 and 2016, respectively.

The Group has designated these liabilities as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

45. SHARE CAPITAL

	Number of shares 12/31/2016 and 2017 '000	Share capital 12/31/2016 and 2017 Rmb'000
Registered, issued and fully paid:		
Domestic shares of Rmb1 each	2,909,260	2,909,260
H Shares of Rmb1 each	1,433,855	1,433,855
	4,343,115	4,343,115

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

46. NON-CONTROLLING INTERESTS

	Rmb'000
Balance at January 1, 2016	5,261,991
Share of total comprehensive income	789,326
Disposal of a subsidiary	(8,731)
Capital reduction by non-controlling interests	(5,000)
Dividend declared to non-controlling interests	(178,816)
At December 31, 2016	5,858,770
Share of total comprehensive income	856,875
Increase due to Spin-off and Offering	1,943,382
Dividend declared to non-controlling interests	(109,176)
At December 31, 2017	8,549,851

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For the year ended December 31, 2017

46. NON-CONTROLLING INTERESTS (Continued)

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Shangsan Co and its subsidiaries and Yuhang Co (as defined in Note 57) at the end of the reporting period are set out below. The summarised financial information below represents amounts before intragroup elimination.

Shangsan Co and its subsidiaries

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Current assets	51,893,532	51,271,695
Non-current assets	4,146,760	5,387,726
Current liabilities	30,683,157	36,070,840
Non-current liabilities	9,000,315	8,304,014
Equity attributable to owners of the Company	8,410,241	6,967,869
Non-controlling interests	7,946,579	5,316,698

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Revenue	4,735,530	5,287,538
Expenses	(2,982,545)	(3,425,204)
Profit for the year	1,752,985	1,862,334
Other comprehensive income for the year	128,083	37,870
Total comprehensive income for the year	1,881,068	1,900,204
Profit attributable to owner of the Company	1,036,344	1,106,203
Profit attributable to non-controlling interests	716,641	756,131
	1,752,985	1,862,334
Total comprehensive income attributable to owner of the Company	1,096,455	1,125,951
Total comprehensive income attributable to non-controlling interests	784,613	774,253
	1,881,068	1,900,204

46. NON-CONTROLLING INTERESTS (Continued)

Shangsan Co and its subsidiaries (Continued)

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Dividends paid to non-controlling shareholders	(98,115)	(45,947)
Net cash used in operating activities	(4,606,648)	(1,238,549)
Net cash from (used in) investing activities	920,489	(901,876)
Net cash from financing activities	75,645	4,016,689
Net cash (outflow) inflow	(3,610,514)	1,876,264

Yuhang Co

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Current assets	114,948	147,804
Non-current assets	819,186	853,514
Current liabilities	72,119	242,973
Non-current liabilities	7,323	7,679
Equity attributable to owners of the Company	435,894	382,840
Non-controlling interests	418,798	367,826

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Revenue	305,606	383,760
Expenses	(179,014)	(372,246)
Profit for the year	126,592	11,514

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46. NON-CONTROLLING INTERESTS (Continued)

Yuhang Co (Continued)

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Profit and total comprehensive income		
– attributable to owner of the Company	64,562	5,872
– attributable to non-controlling interests	62,030	5,642
	126,592	11,514
Dividends paid to non-controlling shareholders	(11,058)	(9,215)
Net cash from operating activities	214,436	234,319
Net cash used in investing activities	(77,903)	(47,629)
Net cash used in financing activities	(92,620)	(180,434)
Net cash inflow	43,913	6,256

47. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

48. ACQUISITION OF A SUBSIDIARY

For the year ended December 31, 2016

On September 14, 2016, the Group acquired 100% equity interest in Huangshan Yangtse Huihang Expressway Co., Ltd. (" Huihang Co") for cash consideration of Rmb570,000,000, among which Rmb541,500,000 and Rmb28,500,000 were paid in 2016 and 2017, respectively. This acquisition had been accounted for using acquisition method. No goodwill was recognised as a result of the acquisition, as consideration transferred equals to the fair value of net assets acquired. Huihang Co was engaged in toll operation business. Huihang Co was acquired so as to continue the expansion of the Group's toll operations.

Acquisition-related costs amounting to Rmb584,000 had been excluded from the consideration transferred and have been recognised as an expense for the year ended December 31, 2016, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at date of acquisition were as follows:

	Rmb'000
Property, plant and equipment	33,832
Expressway operating rights	2,303,560
Inventories	31
Trade receivables	2,516
Other receivables and prepayments	2,087
Bank balances and cash	
– Cash and cash equivalents	236
Trade payables	(10,756)
Other taxes payable	(644)
Other payables and accruals	(490,604)
Bank borrowings	(1,145,000)
Deferred tax liabilities	(125,258)
	570,000

The fair value of trade receivables and other receivables and the gross contractual amounts of those trade receivables and other receivables acquired at the date of acquisition amounted to Rmb4,024,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

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48. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow arising on acquisition

	Rmb'000
Consideration paid in cash	(541,500)
Less: Cash and cash equivalents acquired	236
	(541,264)

Included in the profit for the year ended December 31, 2016 was loss of Rmb29,189,000 attributable to the additional business generated by Huihang Co. Revenue for the year 2016 included Rmb42,992,000 generated from Huihang Co.

Had the acquisition been completed on January 1, 2016, total group revenue for the year ended December 31, 2016 would have been Rmb9,829,566,000, and the amount of the profit for the year 2016 would have been Rmb3,765,880,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor was it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Huihang Co been acquired at the beginning of the year 2016, the Directors had calculated amortisation of expressway operating rights acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

49. DISPOSAL OF A SUBSIDIARY

For the year ended December 31, 2016

On October 17, 2016, the Company entered into an agreement with Zhejiang Communications Investment Co., Ltd. ("Zhejiang Communications Investment"), a fellow subsidiary of the Communications Group, pursuant to which the Company sold 100% equity interest in Development Co to Zhejiang Communications Investment at a cash consideration of Rmb249,660,000. The disposal was completed on December 29, 2016.

	Rmb'000
Consideration received:	
Cash received	249,660

	29/12/2016 Rmb'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	184,269
Prepaid lease payments	3,584
Other intangible assets	107
Deferred tax assets	1,324
Inventories	4,216
Trade receivables	3,805
Other receivables and prepayments	17,245
Bank balances and cash	
– Cash and cash equivalents	141,028
Trade payables	(14,522)
Tax liabilities	(3,353)
Other taxes payables	(3,172)
Other payables and accruals	(133,133)
Net assets disposed of	201,398
Gain on disposal of a subsidiary:	
Consideration received	249,660
Less: Net assets disposed of	(201,398)
Add: Non-controlling interest	8,731
Gain on disposal	56,993
Net cash inflow arising on disposal:	
Cash received	249,660
Less: bank balances and cash disposed of	(141,028)
	108,632

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50. COMMITMENTS

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Authorised but not contracted for:		
– Purchase of machinery and equipment	290,121	312,150
– Acquisition and construction of properties	162,019	242,400
– Equity investments	360,000	–
	812,140	554,550

51. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 37, 38, 39, 40 and 42, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

52. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Financial assets		
AFS investments		
– at cost	17,297	44,597
– at fair value	2,495,253	3,089,301
Fair value through profit or loss		
Held for trading investments	12,568,694	8,144,132
Derivative financial assets	4,587	10,931
Loans and receivables (including cash and cash equivalents)	39,371,562	42,374,225
Financial liabilities		
Fair value through profit or loss		
Derivative financial liabilities	3,941	413
Financial liabilities at fair value through profit or loss	373,427	293,658
Convertible Bond – derivative component	344,823	–
Amortised cost	40,491,420	45,984,544

(b) Financial risk management objectives and policies

The Group's major financial instruments include AFS investments, held for trading investments, trade receivables, other receivables, loans to customers arising from margin financing business, financial assets held under resale agreements, bank balances, clearing settlement fund, deposits and cash, bank balances and clearing settlement fund held on behalf of customers, trade payables, other payables, placements from other financial institutions, accounts payable to customers arising from securities business, derivative financial assets, derivative financial liabilities, bank and other borrowings, short-term financing note payable, financial assets sold under repurchase agreements, financial liabilities at fair value through profit or loss, bonds payable, convertible bond and financial guarantee. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans to customers arising from margin financing business, fixed-rate entrusted loans, financial assets held under resale agreements, fixed-rate time deposits, placement from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, financial assets sold under repurchase agreements, bonds payable, debt component of convertible bond and financial liabilities at fair value through profit or loss (see notes 27, 28, 30, 32, 33, 37, 38, 39, 40, 42 and 44 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 31, 32 and 37 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 30 basis points (2016: 30 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2016: 30 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2017 would have increased/decreased by Rmb45,459,000 (2016: Rmb60,478,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2017	12/31/2016	**12/31/2017**	12/31/2016
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Hong Kong dollar (" HKD")	**64,189**	34,361	**18,093**	407,564
United States dollar (" USD")	**1,657,870**	145,266	**97,593**	108,693
Euro dollar (" EUR") (Note)	**–**	–	**2,720,654**	–

Note: Amount represented both the debt and derivative component of the Convertible Bond issued by the Company.

Sensitivity analysis

The Group is mainly exposed to USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2016: 5%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2016: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2016: 5%) against the relevant currency. For a 10% (2016: 5%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The impact of HKD is not presented, since the outstanding monetary items denominated in HKD is not significant and their impact is immaterial.

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52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) currency risk (Continued)

Sensitivity analysis (Continued)

	USD impact		EUR impact	
	12/31/2017	12/31/2016	**12/31/2017**	12/31/2016
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Profit or loss	**(117,021)**	(1,372)	**204,049**	–

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its held for trading, AFS listed investments, derivative financial assets and liabilities and financial liabilities at fair value through profit or loss.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

If the prices of the respective equity and debt instruments had been 5% (2016: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2017 would have increased/decreased by Rmb471,326,000 (2016: Rmb305,405,000) as a result of the changes in fair value of held for trading investments.

- investment valuation reserve would have increased/decreased by Rmb93,572,000 (2016: Rmb115,849,000) for the Group as a result of the changes in fair value of AFS listed investments, or the investment revaluation reserve would decrease by the same amount and the Group would consider any potential impairment effect, if necessary.

For derivative component of Convertible Bond

The Group are required to estimate the fair values of the derivative component of Convertible Bond issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate, the Company's share price, share price volatility and foreign currency exchange rate. Details of the Convertible Bond issued by the Company are set out in Note 42.

The sensitivity analyses below have been determined based on the exposure to the Company's share price, volatility and foreign currency exchange rate at the reporting date only as the Directors consider that the change in risk-free rate may not have significant financial impact on the fair values of derivative component of Convertible Bond. The exposure to foreign currency exchange rate of the Convertible Bond had been covered in Note 52(b)(ii) already.

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52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Conversion option derivatives of Convertible Bond.

1) Changes in share price

If the share price of the Company had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Higher by 10%	**(61,770)**	NA
Lower by 10%	**51,085**	NA

2) Changes in volatility

If the volatility to the valuation model had been 10% higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Higher by 10%	**(35,954)**	NA
Lower by 10%	**37,153**	NA

Credit risk

As at December 31, 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 55.

The Group reviews the recoverable amount of each individual trade debt and entrusted loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has no credit period granted to its trade customers of toll operation businesses. All the Group's trade receivable balance for toll operation business are toll receivables from the government-operated organisation.

The Group also provides clients with margin financing business, and have financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral.

In respect of the margin financing and securities lending business of the Group's securities operation, which was carried out by Zheshang Securities, Zheshang Securities has appointed a group of authorised persons who are charged with the responsibility of determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, Zheshang Securities reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within the next trading day. Failure to meet margin calls will result in the liquidation of the customers' position. Zheshang Securities seeks to maintain strict control over its outstanding receivables. It will also adhere to the Group's policies and procedures to conduct periodic credit assessment and manage any concentration in the following exposures and perform regular reporting to the management:

(i) exposures to a particular client/counterparty or group of related clients/counterparties; and

(ii) exposures to a particular investment product.

The Investment Committee of Zheshang Securities is also responsible for the credit risk arising from its proprietary trading operation, including the investments in AFS investments and held for trading investments. The Investment Committee assesses the financial performance of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. It has set portfolio size limits and single issuer limits to limit Zheshang Securities' exposure to the credit risk. Zheshang Securities also monitors the credit rating and market news of the issuers for any indication of potential credit deterioration.

The credit risk on liquid funds is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

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52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

As at December 31, 2017, other than the concentration of credit risk on trade receivables, entrusted loan receivables and financial guarantee contract amounting to Rmb244,587,000 (2016: Rmb275,318,000), Rmb78,300,000 (2016: Rmb423,613,000), and Rmb842,643,000 (2016: Rmb947,275,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2017 and 2016 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, deposits and cash at December 31, 2017 and 2016 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate	On demand or Less than 3 months	3 months–1 year	1–3years	3–5 years	+5 years	Total undiscounted cash flows	Carrying amount at 31/12/2017
	%	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2017								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	14,933,719	–	–	–	–	14,933,719	14,933,719
Trade payables	–	628,592	–	–	–	–	628,592	628,592
Other payables	–	637,064	–	–	–	–	637,064	637,064
Bank and other borrowings								
– fixed rate	3.00	–	1,800	63,600	–	–	65,400	60,000
– variable rate	4.22	4,370	433,206	–	–	–	437,576	420,000
Short-term financing note payable	5.01	101,182	676,842	–	–	–	778,024	762,800
Financial assets sold under repurchase agreements	4.25	8,494,317	1,899,899	86,001	90,239	36,521	10,606,977	10,523,414
Bonds payable	4.60	1,133,566	650,371	5,615,440	3,986,620	–	11,385,997	10,150,000
Convertible Bond								
– debt component	4.28	–	–	–	2,847,840	–	2,847,840	2,375,831
Financial guarantee	–	842,643	–	–	–	–	842,643	–
Financial liabilities at fair value through profit or loss	–	223,234	150,193	–	–	–	373,427	373,427
		26,998,687	3,812,311	5,765,041	6,924,699	36,521	43,537,259	40,864,847
2016								
Non-derivative financial liabilities								
Placements from other financial institutions	3.00	710,675	–	–	–	–	710,675	700,000
Accounts payable to customers arising from securities business	–	20,073,435	–	–	–	–	20,073,435	20,073,435
Trade payables	–	784,300	–	–	–	–	784,300	784,300
Other payables	–	295,331	–	–	–	–	295,331	295,331
Bank and other borrowings								
– fixed rate	3.93	16,856	1,740,727	–	–	–	1,757,583	1,714,500
– variable rate	2.29	2,304	404,438	–	–	–	406,742	401,895
Short-term financing note payable	4.51	1,390,932	3,572,430	–	–	–	4,963,362	4,828,340
Financial assets sold under repurchase agreements	3.97	5,388,337	1,889,902	529,515	–	–	7,807,754	7,486,743
Bonds payable	4.61	1,779,000	1,718,520	1,569,728	5,992,040	–	11,059,288	9,700,000
Financial guarantee	–	947,275	–	–	–	–	947,275	–
Financial liabilities at fair value through profit or loss	–	206,387	87,271	–	–	–	293,658	293,658
		31,594,832	9,413,288	2,099,243	5,992,040	–	49,099,403	46,278,202

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52. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

As at December 31, 2017 and 2016, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, held-for-trading investments, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities at fair value through profit or loss, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2017 Rmb'000	Fair value as at 31/12/2016 Rmb'000	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Equity investments listed in exchange	Held for trading investments	76,734	68,996	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Equity securities traded in inactive market	AFS investments	179,274	272,392	Level 2	Recent transaction prices.	N/A	N/A
		751,530	315,878	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability.	The higher the discount, the lower the fair value.
3) Listed funds	Held for trading investments	300,502	1,279,339	Level 1	Quoted bid prices in an active market.	N/A	N/A
	AFS investments	63,881	89,993	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Unlisted fund investments	AFS investments	59,970	–	Level 2	Based on the net asset values of the equity investment, with reference to observable market price.	N/A	N/A
		271,579	–	Level 3	Net asset of the fund which is determined by the fair value of underlying investments.	The fair value of underlying investments	The higher the fair value of underlying investments, the higher the fair value.
5) Debt investments listed in exchange and debt investment in interbank market	Held for trading investments	5,569,010	4,597,320	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Held for trading investments	6,622,448	2,198,477	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
	AFS investments	–	30,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
6) Investments in structured products	AFS investments	868,579	857,148	Level 2	The fair value was based on the net value of the underlying assets. The net asset value of the products was calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
		46,214	133,387	Level 3	Discounted cash flows. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustment of related expenses.	Future cash flows and discount rate	The higher the future cash flows, the higher the fair value. The higher the discounted rate, the lower the fair value
7) Investments in trust products	AFS investments	254,226	10,000	Level 3	Discounted cash flows. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustment of related expenses.	Future cash flows and discount rate	The higher the future cash flows, the higher the fair value. The higher the discounted rate, the lower the fair value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2017 Rmb'000	Fair value as at 31/12/2016 Rmb'000	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
8) Unlisted equity investment at fair value	AFS investments	–	1,380,503	Level 2	Calculated based on the fair value of the underlying investments which are listed equity securities, after making adjustments of related expenses.	N/A	N/A

Financial Liabilities	Classified as	Fair value as at 31/12/2017 Rmb'000	Fair value as at 31/12/2016 Rmb'000	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Investments in interbank market	Fair value through profit or loss	223,234	196,363	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
2) Investments in asset management scheme	Fair value through profit or loss	150,193	97,295	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	N/A	N/A
3) Derivative component of Convertible Bond	Derivative component of Convertible Bond	344,823	–	Level 3	Binomial option pricing model Expected volatility: 31.82% Dividend yield: nil Risk-free rate: 1.54% Share price: HK$8.59 (equivalent to Rmb7.18) Exercise price: HK$12.54 (equivalent to Rmb10.48)	Expected volatility of 31.82%, taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity	The higher the expected volatility, the higher the fair value

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

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2017

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	48,500	–	–	48,500
b. Financial services	4,039	–	–	4,039
c. information technology service	9,101	–	–	9,101
d. Transportation, storage and portal service	1,223	–	–	1,223
e. Energy and water services	793	–	–	793
f. Real Estate	7,061	–	–	7,061
g. Water conservancy, environment and public facilities management	790	–	–	790
h. Culture, sports and entertainment	–	–	–	–
i. Wholesaling	1,512	–	–	1,512
j. Others	3,715	–	–	3,715
	76,734	–	–	76,734
– Open-ended fund	300,502	–	–	300,502
– Bonds	5,569,010	6,622,448	–	12,191,458
Sub-total	5,946,246	6,622,448	–	12,568,694

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For the year ended December 31, 2017

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2017 (Continued)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
AFS investments				
– Equity				
a. Manufacturing	–	71,612	57,112	128,724
b. Information technology service	–	38,144	694,418	732,562
c. Financial services	–	7,067	–	7,067
d. Transportation, storage and postal service	–	3,221	–	3,221
e. Construction	–	4,137	–	4,137
f. Energy service	–	–	–	–
g. Wholesaling	–	15,326	–	15,326
h. Agriculture, forestry, fishing and Animal husbandry	–	–	–	–
i. Others	–	39,767	–	39,767
	–	179,274	751,530	930,804
– Fund	63,881	59,970	271,579	395,430
– Debt investments	–	–	–	–
– Structured products	–	868,579	46,214	914,793
– Trust products	–	–	254,226	254,226
Sub-total	63,881	1,107,823	1,323,549	2,495,253
Financial liabilities at fair value through profit or loss				
– Bonds	–	223,234	–	223,234
– Asset management scheme	–	150,193	–	150,193
Sub-total	–	373,427	–	373,427
Derivative component of Convertible Bond	–	–	344,823	344,823

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2016

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	40,680	–	–	40,680
b. Financial services	8,991	–	–	8,991
c. Information technology service	4,718	–	–	4,718
d. Transportation, storage and portal service	2,227	–	–	2,227
e. Energy and water services	7,075	–	–	7,075
f. Real Estate	108	–	–	108
g. Water conservancy, environment and public facilities management	59	–	–	59
h. Culture, sports and entertainment	58	–	–	58
i. Wholesaling	5,076	–	–	5,076
j. Others	4	–	–	4
	68,996	–	–	68,996
– Open-ended fund	1,279,339	–	–	1,279,339
– Bonds	4,597,320	2,198,477	–	6,795,797
Sub-total	5,945,655	2,198,477	–	8,144,132

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For the year ended December 31, 2017

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2016 (Continued)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
AFS investments				
– Equity				
a. Manufacturing	–	118,619	–	118,619
b. Information technology service	–	79,133	315,878	395,011
c. Financial services	–	7,134	–	7,134
d. Transportation, storage and postal service	–	8,170	–	8,170
e. Construction	–	8,693	–	8,693
f. Energy service	–	2,554	–	2,554
g. Wholesaling	–	20,428	–	20,428
h. Agriculture, forestry, fishing and Animal husbandry	–	2,603	–	2,603
i. Others	–	1,405,561	–	1,405,561
	–	1,652,895	315,878	1,968,773
– Fund	89,993	–	–	89,993
– Debt investments	–	30,000	–	30,000
– Structured products	–	857,148	133,387	990,535
– Trust products	–	–	10,000	10,000
Sub-total	89,993	2,540,043	459,265	3,089,301
Financial liabilities at fair value through profit or loss				
– Bonds	–	196,363	–	196,363
– Asset management scheme	–	97,295	–	97,295
Sub-total	–	293,658	–	293,658

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

The following table represents the changes in Level 3 AFS investments during the years ended December 31, 2017 and 2016. For the changes in Level 3 derivative component of Convertible Bond during the year ended December 31, 2017, please refer to Note 42.

For the year ended December 31, 2017

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares Rmb'000	Funds Rmb'000	Total Rmb'000
At beginning of the year	133,387	10,000	315,878	–	459,265
Addition	45,100	250,000	27,500	258,881	581,481
Disposal	(132,580)	(10,000)	–	–	(142,580)
Total gain recognised in other comprehensive income	307	4,226	134,807	12,698	152,038
Recognised in other fair value changes	–	–	273,345	–	273,345
At end of the year	46,214	254,226	751,530	271,579	1,323,549

For the year ended December 31, 2016

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares Rmb'000	Funds Rmb'000	Total Rmb'000
At beginning of the year	141,418	10,000	202,441	–	353,859
Addition	27,500	–	–	–	27,500
Disposal	(34,000)	–	–	–	(34,000)
Total (loss) gain recognised in other comprehensive (expense) income	(1,531)	–	37,301	–	35,770
Recognised in other fair value changes	–	–	76,136	–	76,136
At end of the year	133,387	10,000	315,878	–	459,265

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities at amortised costs recognised in the consolidated statement of financial position approximate their fair values.

	As at 31/12/2017		As at 31/12/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Debt component of Convertible Bond	2,375,831	2,402,383	NA	NA

The fair value of the debt component of Convertible Bond as at December 31, 2017 is under level 3 category and was determined by the Directors with reference to the valuation performed by a frim of independent professional valuers. The fair value of the debt component of Convertible Bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond and discount rate that reflected the credit risk of the Company.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash liabilities arising financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Dividends payable	Bank and other borrowings	Bonds payable	Convertible Bond	Accrued issue cost for Convertible Bond	Short-term financing note payable	Accrued share issue cost in respect of Spin-off	
	Note 15	Note 37	Note 40	Note 42	Note 42	Note 38	and Offering	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'0000	Rmb'000	Rmb'000
At January 1, 2017	261,046	2,116,395	9,700,000	–	–	4,828,340	–	16,905,781
Financing cash flows	(1,646,610)	(1,627,269)	450,000	2,684,880	(16,725)	(4,065,540)	(59,866)	(4,281,130)
Non-cash changes								
Fair value adjustment	–	–	–	(149,479)	–	–	–	(149,479)
Exchange realignment	(4,179)	(9,126)	–	132,958	–	–	–	119,653
Interest expense	–	–	–	65,941	–	–	–	65,941
Dividends declared to owners of the Company and non-controlling interests	1,650,982	–	–	–	–	–	–	1,650,982
Upon completion of Spin-off and Offering	–	–	–	–	–	–	59,866	59,866
Issue cost relating to derivative component of Convertible Bond	–	–	–	–	3,079	–	–	3,079
At December 31, 2017	261,239	480,000	10,150,000	2,734,300	(13,646)	762,800	–	14,374,693

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

54. OPERATING LEASES

The Group as lessee

	Year ended 12/31/2017 Rmb'000	Year ended 12/31/2016 Rmb'000
Minimum lease payments	70,917	93,725
Contingent rental expenses	–	323
	70,917	94,048

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	12/31/2017 Rmb'000	12/31/2016 Rmb'000
Within one year	42,266	51,256
In the second to fifth year inclusive	58,657	53,749
Over five years	745	–
	101,668	105,005

Operating lease payments mainly represent rentals payable by the Group for the operating branches of Zheshang Securities and Zheshang Futures. They are negotiated for an average term of three to ten years. The above commitment represented the minimum lease payments payable to lessors only and do not include any contingent rent elements.

The Group as lessor

The Group leased their service areas and communication ducts and part of spare office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

54. OPERATING LEASES (Continued)

The Group as lessor (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Within one year	26,849	30,247
In the second to fifth year inclusive	58,815	50,651
After five years	20,661	19,766
	106,325	100,664

For certain of the Group's service areas, the rental income are variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

55. CONTINGENT LIABILITIES

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Guarantees given to bank, in respect of a joint venture (Note)	842,643	947,275

Note: The Group provided a financial guarantee to Shengxin Co, a 50% owned joint venture of the Group, in favour of a bank for 50% of its outstanding bank borrowings and interest. As at December 31, 2017, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb1,683,000,000 (2016: Rmb1,892,000,000) and Rmb2,287,000 (2016: Rmb2,549,000), respectively. The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable as at December 31, 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the consolidated financial statements, during the year, the Group also entered into the following significant transactions with related parties:

(i) Transactions and balances with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (" government-related entities"). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group's toll road and securities business, the Directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC. Details of other significant transactions with Communications Group are summarised below:

Entrusted loans

Pursuant to the entrusted loan contracts entered into between Hanghui Expressway Co., Ltd (" Hanghui Co") and Communications Group on August 10, 2015, Communications Group agreed to provide Hanghui Co with entrusted loans amounting to Rmb570,000,000 at a fixed interest rate of 4.55% per annum, with maturity date of August 10, 2018. The entrusted loan had been early repaid in full in 2016.

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited (" Logistic Co") on September 28, 2017, Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb60,000,000 at a fixed interest rate of 3.00% per annum, with maturity date of September 28, 2020.

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Interest expenses incurred	**475**	16,353

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiary, Hangzhou Santongdao South Line Engineering Co., Ltd (" Santongdao Co"), pursuant to which, the Company would provide the management and administrative services for three toll roads, including Shenjiahuhang Expressway, Shensuzhewan Expressway and South Line of Qianjiang Channel. According to the agreements, the Company would charge the Communications Group and Santongdao Co management fee on actual cost basis. During this year, a total management fee of Rmb1,199,000 (2016: Rmb1,130,000) has been charged.

Other transactions

	For the year ended 12/31/2017 Rmb'000	For the year ended 12/31/2016 Rmb'000
Toll road service area leasing income earned (Note a)	**9,876**	9,564
Toll road service area management fee paid (Note a)	**2,809**	3,100
Property leasing income earned	**5,614**	5,280
Road maintenance service expenses incurred	**343,527**	303,513
Gain from disposal of maintenance equipment (Note b)	**–**	8,090
Information system related development expenses incurred	**38,608**	18,537
Operation information services expenses incurred	**9,267**	9,267
Toll road related inspection services expense incurred	**9,478**	10,561
Purchase of petroleum products (Note c)	**–**	401,203
Petrol stations leasing income earned (Note c)	**–**	33,357
Financial advisory service income earned	**12,075**	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

Other transactions (Continued)

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 57) and Zhejiang Communications Investment, Jinhua Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area and the advertising business in respect of the toll road service area. Such business began from January 1, 2011 and will be expired at the same time with the operating right in 2030.

Pursuant to the leasing and operation agreements entered into between Hanghui Co and Zhejiang Communications Investment, Hanghui Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area. Such business began from January 1, 2011 and will be expired at the same time with the operating right for respective expressway sections in 2029 to 2031.

(b) Pursuant to the disposal agreements entered into between the Company and Maintenance Co, the Group disposed certain maintenance equipment with net book value of approximately Rmb26,537,000 to Maintenance Co at a cash consideration of Rmb35,533,000 in 2016. Disposal gain of Rmb8,090,000 was recorded after deduction of relevant transaction costs and expenses for the year ended December 31, 2016.

(c) These transactions were entered into between Development Co. and Zhejiang Expressway Petroleum Development Co., Ltd. As the Company had sold the 100% equity interest in Development Co to Zhejiang Communications Investment on December 29, 2016, no amount is recorded for the year ended December 31, 2017, accordingly.

Others

The Group has entered into various significant transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institution which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(ii) Transactions and balances with associates and other non-government related parties

Financial service provided by Zhejiang Communications Finance

The Group entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with the deposit services, the loan and financial leasing services, the clearing services and other financial services.

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

Loan advanced from Zhejiang Communications Finance

In prior years, Zhejiang Communications Finance provided Huihang Co with several short-term loans with aggregated amount of Rmb15,000,000 at fixed interest rates of 3.915% per annum, with maturities in 2017. All these loans were repaid in the current year.

During the year, Zhejiang Communications Finance provided Hanghui Co with short-term loan which bears variable interest rates of 3.915% to 4.2195% with aggregated amount of Rmb1,580,000,000. The short-term loans totalling Rmb1,160,000,000 had been repaid during the current year and the outstanding loan balance was amounted to Rmb420,000,000 as at December 31, 2017.

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Outstanding loan payable balances:		
repayable within one year	**420,000**	15,000

	For the year ended 12/31/2017	For the year ended 12/31/2016
	Rmb'000	Rmb'000
Interest expenses incurred	**18,529**	12,463

Deposits to Zhejiang Communications Finance

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Bank balances and cash		
– Cash and cash equivalents	**1,301,639**	867,892

	For the year ended 12/31/2017	For the year ended 12/31/2016
	Rmb'000	Rmb'000
Interest income earned	**6,612**	8,149

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

Sales of asset management schemes to Zhejiang Communication Finance

Zheshang Securities Asset Management Co., Ltd (" Asset Management"), an indirect subsidiary of the Company, had entered into certain asset management agreements which Zhejiang Communications Finance in 2016 and 2017. The Group did not consolidate these asset management schemes. During the year ended December 31, 2017, the management fee and performance fee income earned by the Group from managing these asset management schemes amounted to Rmb4,401,000 and Rmb3,848,000 (2016: Rmb6,807,000 and Rmb582,000).

Short-term loan advanced to Zhejiang Canal Concord Property Co., Ltd. (" Zhejiang Canal Concord")

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
Outstanding loan receivable balances	**77,650**	420,000
Interest receivables	**650**	3,613
	78,300	423,613
Analysed for reporting purpose as:		
Current assets (Note 28)	**78,300**	423,613

	For the year ended 12/31/2017	For the year ended 12/31/2016
	Rmb'000	Rmb'000
Interest income earned	**11,125**	20,911

During the year, the Group advanced additional entrusted loans to Zhejiang Canal Concord, a subsidiary of Zhejiang Concord Property, totalling Rmb210,000,000 (2016: Rmb540,000,000) and received settlement of loan principals and interests amounting to Rmb552,350,000 (2016: Rmb720,000,000) and Rmb14,754,000 (2016: Rmb54,317,000), respectively. The amounts were unsecured and repayable in accordance with the terms of entrusted loan agreements entered into between the Group and Zhejiang Canal Concord. The amounts carried interests at an effective interest rate of 3.915% (2016: ranging from 3.915% to 8.00%) per annum. All entrusted loans in both years were guaranteed by Zhejiang World Trade Property Development Co., Ltd., which is the controlling shareholder of Zhejiang Concord Property, an independent third party of the Group, in full.

(iii) Key management emoluments

The remuneration of the directors, supervisors and key management personnel during the year was Rmb7,454,000 (2016: Rmb8,691,000) including retirement benefit scheme contribution of Rmb216,000 (2016: Rmb201,000) which is determined by the performance of the individuals and the market trends.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			12/31/2017	12/31/2016	12/31/2017	12/31/2016	
			%	%	%	%	
Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co")	Note 1	75,223,000	51	51	-	–	Management of the Yuhang Section of the Shanghai-Hangzhou Expressway
Jiaxing Co	Note 2	1,859,200,000	99.9995	99.9995	-	–	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 3	2,400,000,000	73.625	73.625	-	–	Management of the Shangsan Expressway
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 4	8,000,000	100	100	-	–	Provision of vehicle towing, repair and emergency rescue services
Zheshang Securities	Note 5	3,333,333,400	-	–	*46.9321	*52.1467	Operation of securities business
Zheshang Futures	Note 6	500,000,000	-	–	**46.9321	**52.1467	Operation of securities business
Zheshang Capital Management	Note 7	170,000,000	-	–	**46.9321	**52.1467	Operation of securities business
Asset Management	Note 8	500,000,000	-	–	**46.9321	**52.1467	Provision of asset management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 9	1,000,000	-	–	**46.9321	**52.1467	Provision of investment management and advisory services
Ningbo Dongfang Jujin Jiahua Investment Management Center (Limited Partnership) ("Dongfang Jujin Jiahua")	Note 10	29,150,000	-	–	**14.7317	**16.3688	Provision of investment management and advisory and private equity investments
Zhejiang Zheqi Co., Ltd. ("Zhejiang Zheqi")	Note 11	200,000,000	-	–	**46.9321	**52.1467	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 12	1,900,000,000	100	100	-	–	Management of the Jinhua Section of the Ningbo-Jinhua Expressway

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			12/31/2017	12/31/2016	12/31/2017	12/31/2016	
			%	%	%	%	
Hanghui Co	Note 13	1,812,280,000	88.674	88.674	-	–	Management of the Zhejiang Section of the Hangzhou-Ruili Expressway
Hangzhou Jujin Jiawei Investment Management (Limited Partnership) ("Jujin Jiawei")	Note 14	206,103,000	-	–	**21.1323	**23.4817	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 15	8,011,000	-	–	**46.9321	**52.1467	Trading of future
Huihang Co	Note 16	1,950,000,000	100	100	-	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway

* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. Details please refer to Note iii to the consolidated statement of changes in equity.

** These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Yuhang Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the directors attending the meetings.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 5: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company.

Note 6: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Note 7: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company. The registered capital of Zheshang Capital Management has been increased from Rmb100,000,000 to Rmb170,000,000 during the year ended December 31, 2016.

Note 8: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 9: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 10: Dongfang Jujin Jiahua was established on April 11, 2014 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other two individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Dongfang Jujin Jiahua unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 11: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

Note 12: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 13: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co.

Note 14: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 15: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability company.

Note 16: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Except that Zheshang International Financial Holding Co., Limited is operating in Hong Kong, all of the Company's other subsidiaries are operating in Mainland China. As at December 31, 2017, Zheshang Securities has issued subordinated bonds, corporate bonds and beneficial certificates at the total principal amount of Rmb3,500,000,000, nil and Rmb762,800,000 (2016: Rmb5,500,000,000, Rmb3,400,000,000 and Rmb4,128,340,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

58. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the years ended December 31, 2017 and 2016. Except for the structured entities the Group has consolidated as disclosed in Note 44, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to Rmb171,366,885,000 and Rmb138,379,856,000 as at December 31, 2017 and 2016, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as AFS financial investments and held for trading as appropriate. As at December 31, 2017 and 2016, the carrying amounts of the Group's interests in unconsolidated funds and asset management schemes are Rmb1,744,411,000 and Rmb2,597,101,000, respectively.

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	489,863	532,374
Prepaid lease payments	15,728	1,405
Expressway operating rights	3,191,903	3,537,136
Other intangible assets	10,386	663
Interests in subsidiaries	11,271,077	11,821,077
Interests in associates	1,195,221	1,000,776
Interest in a joint venture	373,470	373,470
	16,547,648	17,266,901

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
CURRENT ASSETS		
Inventories	–	750
Trade receivables	42,651	34,024
Other receivables	161,783	500,077
Prepaid lease payments	592	95
Held for trading investment	–	80,000
Amount due from subsidiaries	1,234,205	1,524,639
Dividend receivable	–	217,625
Derivative financial asset	–	10,562
Bank balances and cash		
– Cash and cash equivalents	2,345,458	746,679
	3,784,689	3,114,451
CURRENT LIABILITIES		
Trade payables	88,181	72,253
Tax liabilities	188,317	122,437
Other taxes payable	8,529	7,797
Other payables and accruals	199,783	246,488
Amount due to subsidiaries	2,859,792	2,524,533
Bank borrowings	–	2,031,895
Dividend payable	260,587	260,587
Short-term financing note payable	–	1,500,000
	3,605,189	6,765,990
NET CURRENT ASSETS (LIABILITIES)	179,500	(3,651,539)
TOTAL ASSETS LESS CURRENT LIABILITIES	16,727,148	13,615,362

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2017	12/31/2016
	Rmb'000	Rmb'000
NON-CURRENT LIABILITIES		
Bank and other borrowings	60,000	–
Convertible Bond	2,720,654	–
Deferred tax liabilities	82,647	89,214
	2,863,301	89,214
	13,863,847	13,526,148
CAPITAL AND RESERVES		
Share capital	4,343,115	4,343,115
Reserves	9,520,732	9,183,033
	13,863,847	13,526,148

Movement of share capital and reserve of the Company was set out below.

	Share capital	Share premium	Statutory reserves	Investment valuation reserve	Dividend reserve	Special reserves	Retained profits	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At December 31, 2015	4,343,115	3,645,726	2,364,430	(5)	1,216,072	18,666	1,651,508	13,239,512
Total comprehensive income for the year	–	–	–	5	–	–	1,763,290	1,763,295
Interim dividend	–	–	–	–	–	–	(260,587)	(260,587)
Final dividend	–	–	–	–	(1,216,072)	–	–	(1,216,072)
Proposed final dividend	–	–	–	–	1,281,219	–	(1,281,219)	–
At December 31, 2016	4,343,115	3,645,726	2,364,430	–	1,281,219	18,666	1,872,992	13,526,148
Total comprehensive income for the year	–	–	–	–	–	–	1,879,505	1,879,505
Interim dividend	–	–	–	–	–	–	(260,587)	(260,587)
Final dividend	–	–	–	–	(1,281,219)	–	–	(1,281,219)
Proposed final dividend	–	–	–	–	1,302,934	–	(1,302,934)	–
At December 31, 2017	4,343,115	3,645,726	2,364,430	–	1,302,934	18,666	2,188,976	13,863,847

Independent Auditor's Report

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

Deloitte. 德勤

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.

浙江滬杭甬高速公路股份有限公司

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 208, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

Key audit matter	How our audit addressed the key audit matter
Impairment of AFS equity instruments measured at fair value	
We identified the impairment of AFS equity instruments measured at fair value, which included equity securities, funds, and other investments, as a key audit matter as the Group applied significant judgement in determining the impairment of AFS equity instruments measured at fair value of Rmb2,495,253,000 as at December 31, 2017. For those AFS equity instruments measured at fair value, the Group applied significant judgement in assessing whether there is objective evidence of impairment. As disclosed in note 4, for listed AFS equity investments and other equity related investments measured at fair value, a significant or prolonged decline in fair value below cost is considered to be the objective evidence of impairment. The cumulative amount of impairment recognised up to December 31, 2017 was Rmb34,865,000 as disclosed in Note 25.	Our procedures in relation to the impairment assessment of AFS equity instruments measured at fair value included: • Understanding the processes and controls in determining impairment of AFS equity instruments measured at fair value; • Challenging and assessing the management judgement in determining the criteria of impairment; • Checking, on a sample basis, the data used by the management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; and • Checking the management's calculations of the impairment allowance for AFS equity instruments measured at fair value.

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope	
We identified the determination of consolidation scope as a key audit matter as the Group held a number of interests in structured entities including collective asset management schemes and investment funds where the Group was involved as an investment manager. The Group applied significant judgement in determining whether such investments fall within the consolidation scope under HKFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities would have significant impact on the consolidated financial statements of the Group. As disclosed in note 4, for collective asset management schemes and investment funds where the Group involved as a manager, the Group assessed whether the combination of investments it was together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that was of such significance that it indicated that the Group is a principal. The collective asset management schemes and investment funds were consolidated if the Group acted in the role of principal. Details of consolidated structured entities and unconsolidated structured entities were set out in notes 44 and 58 to the consolidated financial statements, respectively.	Our procedures in relation to the management's determination of consolidation scope included: • Understanding the process and controls of the management in determining the consolidation scope as set out in HKFRS10 of interests in structured entities; • Checking the information used by the management in accessing the consolidation criteria of significant structured entities against the related supporting, including sales and purchase agreements and other related service agreements of investments in structured entities newly acquired or with changes in investment holdings or terms during the year; and • Challenging and assessing the management judgement in applying HKFRS 10 to each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.

Independent Auditor's Report

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

(Issued by a Third Country Auditor registered with The UK Financial Reporting Council)

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

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Certified Public Accountants
(Registered as a Third Country Auditor with the UK Financial Reporting Council)

Shanghai, China
March 16, 2018

Corporate Information

CHAIRMAN

YU Zhihong (Appointed on April 2, 2018)
ZHAN Xiaozhang (Resigned on April 2, 2018)

EXECUTIVE DIRECTORS

CHENG Tao
LUO Jianhu *(General Manager)*

NON-EXECUTIVE DIRECTORS

DAI Benmeng
YU Qunli (Appointed on April 2, 2018)
WANG Dongjie (Resigned on April 2, 2018)
YU Ji (Appointed on April 2, 2018)
ZHOU Jianping (Resigned on December 22, 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

PEI Ker-Wei
LEE Wai Tsang, Rosa
CHEN Bin (Appointed on April 2, 2018)
ZHOU Jun (Resigned on April 2, 2018)

SUPERVISORS

YAO Huiliang
HE Meiyun
WU Qingwang (Appointed on May 18, 2017)
ZHAN Huagang
LU Xinghai

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong (Appointed on April 2, 2018)
ZHAN Xiaozhang (Resigned on April 2, 2018)
LUO Jianhu

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Corporate Information

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PRINCIPAL BANKERS

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Jiefang Road Branch
Shanghai Pudong Development Bank,
Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

LONDON STOCK EXCHANGE PLC

Code: ZHEH

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Location Map of Expressways in Zhejiang Province

