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

2016 ANNUAL REPORT

Stock Code：0576

Corporate Vision

To be

"An international investment holdings company with a primary focus on expressway infrastructure investment and operation"

Content

Definition of Terms

ADR(s)	American Depositary Receipt(s)
ADS(s)	American Depositary Share(s)
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	Zhejiang Huangshan Yangtze Huihang Expressway Co., Ltd (浙江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 100% 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, 2016 to December 31, 2016
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 70.83% 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, 2016, total assets of the Company and its subsidiaries amounted to Rmb73,761.43 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. As at December 31, 2016, consolidated assets of Communications Group totaled Rmb280,025.13 million.

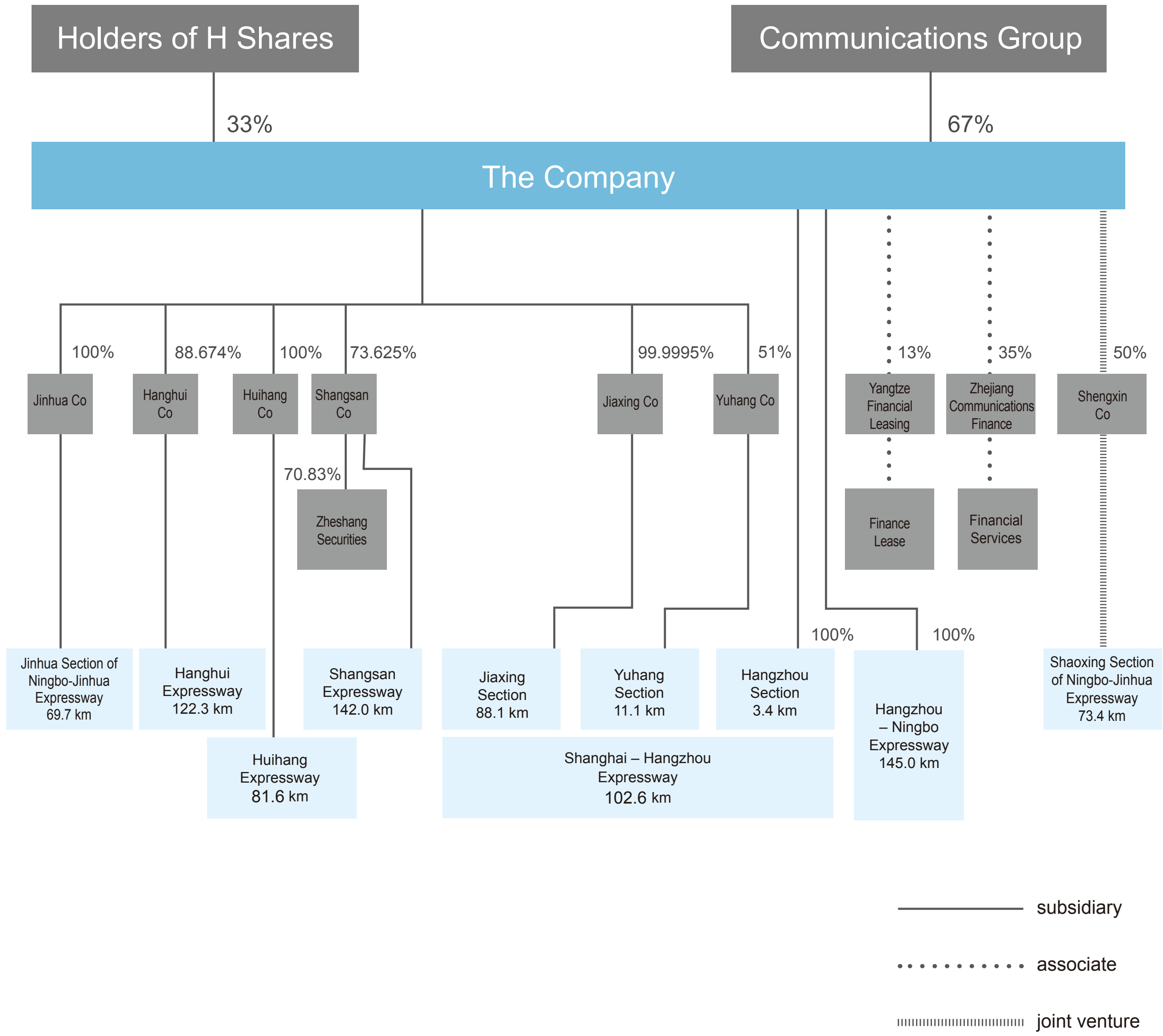
The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

On February 14, 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as the depositary, was established in the United States and became effective.

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, 2016:



Review of Major Corporate Events

1. On March 4, 2016, the second meeting of the union member representative and employee representative for the fifth session of the Company was held.

2. On March 17, 2016, the Company announced its 2015 annual results in Hong Kong and thereafter conducted its annual results presentation in Hong Kong.

3. On May 6, 2016, the Company held its Annual General Meeting, among others, to approve the resolutions regarding the payment of a final dividend of Rmb0.28 per share, the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the international auditors of the Company, the re-appointment of Pan-China Certified Public Accountants Ltd. as the PRC auditors of the Company, and the issuance of super short-term commercial paper of no more than Rmb1,500 million.

4. On May 18, 2016, the Company announced its 2016 first quarterly results.

5. On August 18, 2016, the Company announced its 2016 interim results in Hong Kong and thereafter conducted its interim results presentation in Hong Kong.

6. On August 19, 2016, the Company and Huangshan Travel Group Co., Ltd.* (黃山旅遊集團有限公司) entered into an agreement in relation to the acquisition of 100% equity interest in 82 km section of the Huihang Expressway at a consideration of Rmb570 million.

7. On October 31, 2016, the Company announced its 2016 third quarterly results.

8. On December 12, 2016, the registered capital of Yangtze United Financial Leasing Co., Ltd. was increased to Rmb2,000 million upon approval by CBRC Shanghai Office and the shareholding percentage of the Company was accordingly increased from 9% to 13%.

9. On December 28, 2016, the Company held its Extraordinary General Meeting, among others, to approve the resolutions regarding the disposal of 100% equity interest in Development Co to Zhejiang Communications Investment Group Industrial Development Co., Ltd. at a consideration of approximately Rmb250 million, the payment of an interim dividend of Rmb0.06 per share, the election of Ms. HE Meiyun as an independent supervisor of the Company, and the proposed issuance of H share convertible bonds.

10. On December 30, 2016, the inauguration of Taiping Technology Insurance Co., Ltd.* (太平科技保險股份有限公司) which is held as to 15% by the Company and the first general meeting for 2016 of the Company was held in Hangzhou.

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	12
– Yuhang Section	51%	11.1	6	1	0	1995-1998	12
– Hangzhou Section	100%	3.4	4	2	0	1995	12
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	16.0	4	1	0	1992	11
– Hongken to Duantang section	100%	124.0	8	9	2	1995	11
– Duantang to Dazhujia section	100%	5.0	4	1	0	1996	11
Shangsan Expressway	73.625%	142.0	4	11	3	2000	14
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	14
Hanghui Expressway							
– Changyu Section	88.674%	36.7	4	5	1	2004	13
– Changhang Section	88.674%	85.6	4	8	1	2006	15
Huihang Expressway	100%	81.6	4	5	2	2004	17

CURRENT TOLL RATES ON THE SHANGHAI-HANGZHOU-NINGBO EXPRESSWAY

1. Passenger vehicle classification and toll rates

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

Particulars of Major Road Projects

2. Toll rates on goods vehicles

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

* 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.

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

Financial and Operating Highlights

Results

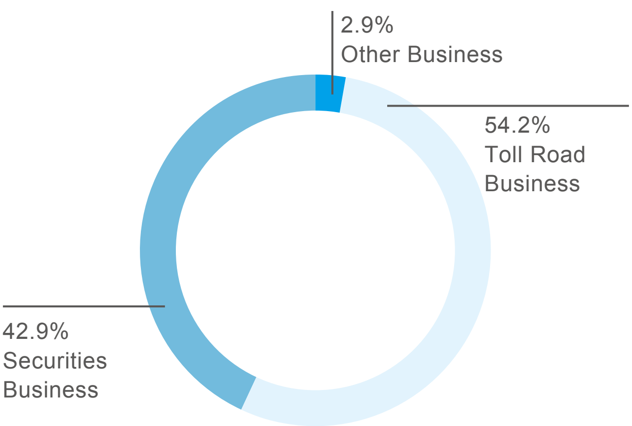
	Year ended December 31,				
	2012 Rmb'000 (Restated)	2013 Rmb'000 (Restated)	2014 Rmb'000 (Restated)	2015 Rmb'000 (Restated)	2016 Rmb'000
Continuing operations:					
Revenue	5,214,019	6,055,104	7,171,810	10,724,781	9,735,347
Profit Before Tax	2,182,592	2,733,424	3,564,510	5,365,724	4,888,585
Income Tax Expense	(599,088)	(720,632)	(882,625)	(1,396,774)	(1,161,570)
Profit for the year from continuing operations	1,583,504	2,012,792	2,681,885	3,968,950	3,727,015
Discontinued operations:					
Profit for the year from discontinued operations	61,466	70,964	64,087	60,830	81,594
Profit for the year (from continuing and discontinued operations) attributable to:					
Owners of the Company	1,503,048	1,801,687	2,264,994	2,989,680	3,037,405
Non-controlling interests	141,922	282,069	480,978	1,040,100	771,204
Earnings Per Share (EPS) (From continuing and discontinued operations)	34.61 cents	41.48 cents	52.15 cents	68.84 cents	69.94 cents

Return on Equity (ROE)

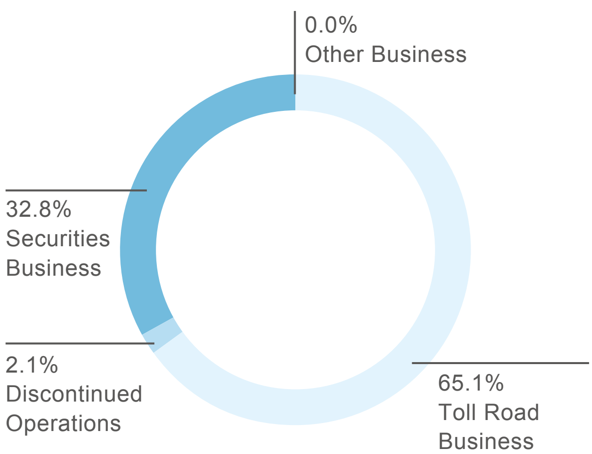
	2012	2013	2014	2015	2016
ROE	9.26%	11.22%	13.32%	17.86%	16.58%

Segmental Revenue / 2016

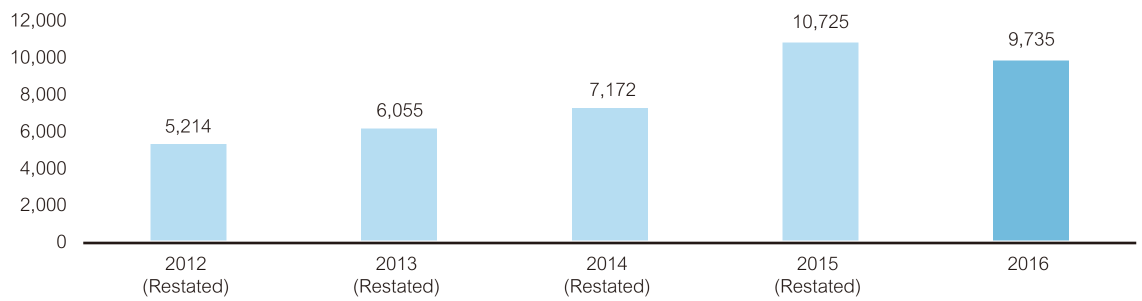
(continuing operations)



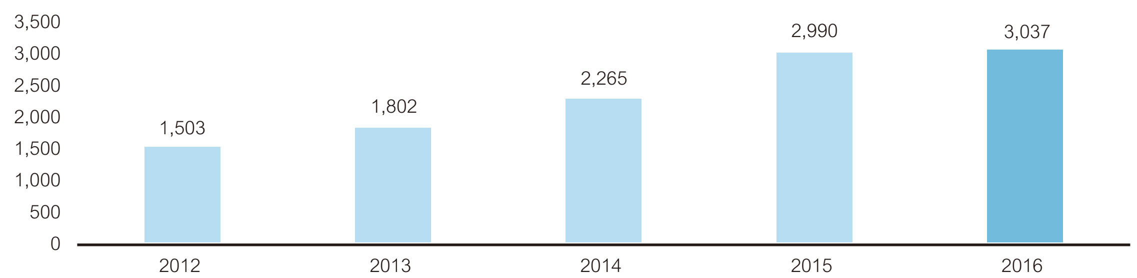
Segmental Net Profit / 2016



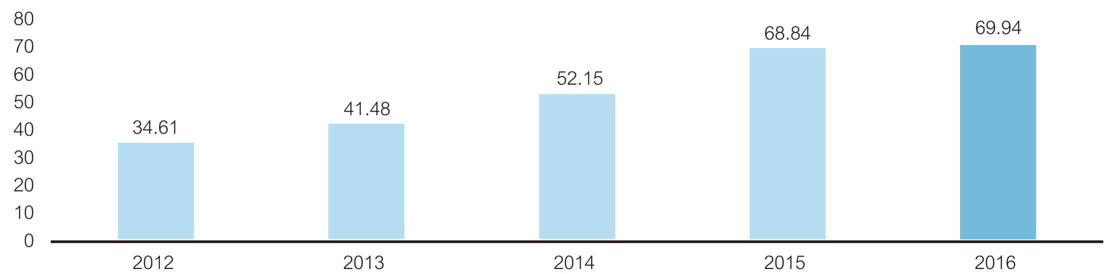
Revenue / Rmb Million (Continuing operations)



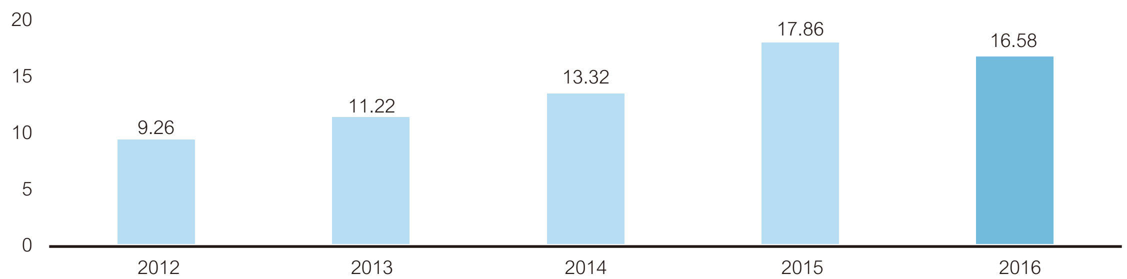
Net profit / Rmb Million (Continuing and discontinued operations)



EPS / Rmb Cents (Continuing and discontinued operations)



ROE / %



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 2016 on behalf of the Board of Directors.

In 2016, China's economy continued to maintain medium-to-high speed growth, as GDP rose 6.7% year-over-year, staying within a reasonable range. The quality and benefit of economic growth both improved, a clear sign of the "new normal" during the past year. During the year, Zhejiang Province took advantage of various initiatives and opportunities to help drive economic development in the region in response to the "new normal". Despite a slowdown in GDP growth within the region to 7.5%, Zhejiang Province's ongoing economic transformation and upgrade continued to progress. In the context of the new normal, the Company's operating results in 2016 grew steadily and beat expectations to hit record highs. In addition, the Company saw significant breakthroughs in key undertakings and successfully accomplished all of its annual goals.

In 2016, the first year of the country's "13th Five-Year Plan", Zhejiang Communications Investment Group Co., Ltd. ("Communications Group"), the controlling shareholder of the Company, completed a merger and reorganization that made it the province's largest state owned enterprise by total assets. In this new stage of development, the Company took the opportunity to define its strategic direction, namely to assume the "three platforms" of the Communications Group: 1) an expressway management and operations platform, 2) a market-oriented transport infrastructure investment and financing platform, and (3) an asset securitization platform. On this basis, the Company established a corporate vision that calls for it to be "an international investment holdings company with a primary focus on expressway infrastructure investment and operation". During the year, the Company adhered to this strategic path and achieved initial results, setting a solid foundation for its future development.

Chairman’s Statement

In September 2016, the Group of Twenty (G20) held their first ever summit in China in Hangzhou, Zhejiang. The Hangzhou Summit brought worldwide attention to the Company’s home province and allowed ZJE to accomplish excellent achievements in the areas of image improvement and safe, smooth operation of its service network. Through the relentless efforts of all of its staff, the Company managed to assure safe and smooth traffic flow across all expressways under management during the Summit, gaining widespread praise from all parties. Management believes that the “post-G20 effect” will last for a period of time, further stimulating tourism and trade development in Hangzhou and the surrounding areas, all of which should help promote local economic development over the long term.

With a strong presence in the industry, the Company continued to proactively explore investment and merger and acquisition opportunities with the aim of expanding and enhancing its core expressway business. During the past year, the Company completed its acquisition of the Huihang Expressway, which extended its expressway network outside of Zhejiang Province for the first time. Integration of the expressway has been smooth since the acquisition. Currently, the Company is looking to further optimize its operational efficiency and has been studying the feasibility of installing automatic card dispensing machines and increasing speed limit at certain sections, while boosting efforts to attract more traffic onto expressways and induce further synergies between the Hanghui Expressway and Huihang Expressway network. Additionally, the Company also sought to improve its management quality and effectiveness through the implementation of new IT-systems, such as mobile payment systems at toll stations along the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway. This new technology greatly sped up toll-paying process, provided a better customer experience, and improved the Company’s internal management capabilities.

With regard to investments in the financial sector, the Company’s previous investments have yielded positive results. Yangtze United Financial Leasing Co., Ltd., in which the Company has a minority stake, recorded solid results, while Taiping Science and Technology Insurance Co., Ltd., another company in which the Company holds a minority stake, was officially approved for establishment during the year and is expected to launch soon. The Company will continue to leverage the resources of Zheshang Securities and the Zhejiang Zheshang Transformation Upgrade Parent Fund (under the management of Zheshang Securities), which could help identify areas where the Company has advantages in investment and financing and in directions that are in line with economic development and nation-wide industrial policies.

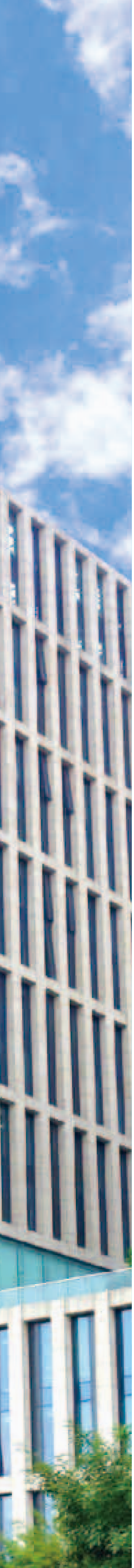
Looking ahead to 2017, macroeconomic risks associated with Brexit, Federal Reserve interest hikes, and various trade policy shake-ups in the US will bring about even more uncertainties for domestic and overseas markets. As a result, growth in China's economy is expected to further slow down. Under this backdrop, the Company expects to face more difficulties in maintaining growth in its core expressway business. However, new opportunities in investments and mergers and acquisitions are likely to arise at the same time. The Group will continue to cultivate its core competitiveness in the expressway business with the aim of becoming "the leading operator in China and a top-notch operator globally". In addition, the Group will accelerate the IPO process for Zheshang Securities, continue to optimize its business structure, strengthen risk management and control capabilities, expand into new and innovative areas, enhance its brand image, and create synergies across different business segments.

On behalf of the Board, I would like to express my gratitude to all of our shareholders and stakeholders for their attention and support. I would also like to thank our management team and all of our staff for their relentless dedication and remarkable achievements. Looking to the future, we will continue to work hard in the coming year and maximize value for all of our shareholders.

ZHAN Xiaozhang
Chairman

March 27, 2017

Guided by the 13th five-year plan, the Company will closely adhere to the theme of "Reform and Innovation". The Company looks to build an industry structure that focuses on nurturing new businesses on the basis of both its core expressway business as well as its financial and securities business.



BUSINESS REVIEW

In 2016, China's economy grew at a slower pace with a 6.7% increase in national GDP during the Period compared with last year due to downward pressure caused by sluggish global economic growth. During the year, Zhejiang Province's economy benefited from the stable increase in fixed asset investment, consumption, and trade demand. In 2016, Zhejiang Province's GDP growth recorded at 7.5%, 0.8 percentage points higher than the national rate.

As Zhejiang Province's economy steadily improved during the Period, traffic volume on the Group's expressways continued to maintain solid organic growth. Revenue from the Group's overall operations decreased 9.2% year-on-year. Total revenue reached Rmb9,735.35 million, of which Rmb5,279.35 million was generated from the five major expressways operated by the Group, representing an increase of 6.4% year-on-year and 54.2% of the total revenue, and Rmb4,175.24 million was from the securities business, representing a decrease of 26.2% year-on-year and 42.9% of the total revenue. A breakdown of the Group's revenue for the Period is set out below:

	2016 Rmb'000	2015 Rmb'000 (Restated)	% Change
Toll revenue			
Shanghai-Hangzhou-Ningbo Expressway	3,342,577	3,148,502	6.2%
Shangsan Expressway	1,112,297	1,019,916	9.1%
Jinhua section, Ningbo-Jinhua Expressway	335,090	344,999	–2.9%
Hanghui Expressway	446,392	448,511	–0.5%
Huihang Expressway	42,992	–	N/A
Securities business revenue			
Commission	2,664,959	3,932,791	–32.2%
Interest income	1,510,281	1,727,837	–12.6%
Other operation revenue			
Hotel operation	83,831	42,421	97.6%
Property sales	196,928	–	N/A
Road maintenance	–	59,804	–100.0%
Total revenue	9,735,347	10,724,781	–9.2%

Management Discussion and Analysis

Director and
General Manager

LUO Jianhu

Toll Road Operations

Driven by Zhejiang Province's economic development momentum, during the Period, traffic volume on the Group's expressways registered decent 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 8.6%,8.5%,8.7%,7.8% and 8.0%, respectively, with the varied rates of growth due to the different regions where the five expressways are located.

During the Period, the opening of the Hangzhou Xiaoshan Airport Expressway and surrounding elevated highways in May 2016 caused certain traffic volume diversion for the Qiantang River Second Bridge of the Hangzhou-Ningbo Expressway operated by the Group. Starting from November 25, 2016, freight vehicles were able to resume and use the Qiantang River Second Bridge, resulting in a significant recovery in truck traffic volume of the section. Additionally, during the G20 Hangzhou Summit in early September 2016, traffic volume on expressways operated by the Company recorded varied rates of decline, as affected by the expressway traffic restrictions policies across Zhejiang Province, namely the "odd-even" license plate and truck traffic restrictions. However, thanks to the "post-G20 effect", the Shanghai-Hangzhou-Ningbo Expressway rebounded strongly afterwards in traffic volume and recorded steady growth in toll revenue.

During the Period, due to the toll rate (2015) increase on the neighboring Hangzhou Bay Bridge, some trucks opted to use the Shangsan Expressway instead. As a result, truck traffic of the Shangsan Expressway grew rapidly, and the overall traffic volume of the section maintained steady growth.

Management Discussion and Analysis

During the Period, the Hangzhou-Jinhua-Quzhou Expressway, which had been closed for construction, reopened in late September 2015, leading to a significant decline in traffic volume of the neighboring Jinhua Section of the Ningbo-Jinhua Expressway. In addition, the Dongyang-Yongkang Expressway was opened to traffic in July 2015 and caused a continuous diversion impact on traffic volume from the Jinhua Section of the Ningbo-Jinhua Expressway. As a result of these factors, there was a notable decrease in the overall traffic volume on the Jinhua Section of the Ningbo-Jinhua Expressway during the Period.

During 2015, a section of the Hangzhou-Jinhua-Quzhou Expressway, which is not operated by the Group but runs parallel to the Hanghui Expressway and the Huihang Expressways, was reopened for traffic following construction, and certain sections of expressways running from Jiangxi to Hangzhou cancelled their truck height limits. As a result, a majority of long-distance trucks have returned to their original routes or chose alternative local roads, causing a significant decrease in the truck traffic volume on the Hanghui Expressway and the Huihang Expressway. In addition, some neighboring expressways in Anhui Province were opened to traffic and created a diversion impact on the traffic volume of several sections to the east of Hangzhou. Despite these negative impacts, during the Period, the Hanghui Expressway and the Huihang Expressway recorded steady growth in overall traffic volume, bolstered by the strong “post-G20 effect” as well as the increased tourism traffic volume due to fine weather conditions in the second half of the year.

During the Period, the average daily traffic volume in full-trip equivalents along the Group’s Shanghai-Hangzhou-Ningbo Expressway was 50,611, representing an increase of 5.7% 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 50,785, representing an increase of 9.8% year-on-year, and that along the Hangzhou-Ningbo Section was 50,487, representing an increase of 3.0% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 27,094, representing an increase of 8.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 17,932, representing a decrease of 4.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 16,177, representing an increase of 5.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 7,413, representing an increase of 3.4% 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 Rmb5,279.35 million. Among which, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb3,342.58 million, representing an increase of 6.2% year-on-year; toll revenue from the Shangsan Expressway was Rmb1,112.30 million, representing an increase of 9.1% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb335.09 million, representing a decrease of 2.9%

year-on-year; and toll revenue from the Hanghui Expressway was Rmb446.39 million, representing an increase of 0.3% year-on-year (on the same basis as last year). The Huihang Expressway, which was acquired by the Group in September 2016, contributed toll revenue of Rmb42.99 million to be consolidated into the Group.

Securities Business

During the Period, due to the volatility in domestic stock markets, trading volume on the Shanghai and Shenzhen stock markets decreased 48.8% year-on-year in total. Moreover, overall brokerage commission rate has been declining as affected by the increasingly fierce market competition and growing popularity of online trading platforms. As a result of these factors, during the Period, though revenue from Zheshang Securities' investment banking business and asset management business experienced growth, its other business segments recorded varied levels of revenue decreases year-on-year.

During the Period, due to continued weak domestic market conditions, Zheshang Securities recorded total revenue of Rmb4,175.24 million, a decrease of 26.2% year-on-year. Of which, commission and fee income declined 32.2% year-on-year to Rmb2,664.96 million, and interest income from the securities business was Rmb1,510.28 million, representing a decrease of 12.6% 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 Rmb205.28 million (2015: gains of Rmb571.50 million).

Meanwhile, the IPO application of Zheshang Securities was submitted to the Shanghai Stock Exchange in May 2013 and is currently waiting on the China Securities Regulatory Commission's review and approval.

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 Rmb83.83 million for the Period.

Qiyu Apartments opened for sale on November 29, 2015, 410 flats were sold during the Period and realized sales revenue of Rmb196.93 million.

Management Discussion and Analysis

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 17,047, representing an increase of 13.4% year-on-year. Toll revenue during the Period was Rmb364.52 million. During the Period, the joint venture turned profitable for the first time and reported a net profit of Rmb19.59 million.

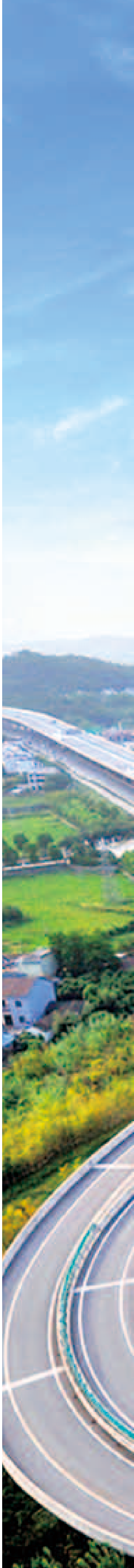
During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company), derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, this associate company realized a net profit of Rmb122.57 million (2015: net profit of Rmb139.61 million).

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate company of the Company, the ownership increased from 9% on December 14, 2016), was involved in the finance leasing business, transferring and receiving the transfer of financial leasing assets, fixed-income securities investment businesses, and other businesses approved by China Securities Regulatory Commission. During the Period, this associate company realized a net profit of Rmb134.15 million (2015: net profit of Rmb4.73 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 Rmb3,037.41 million, representing an increase of 1.6% year-on-year, return on owners’ equity was 16.6%, representing a decline of 7.3% year-on-year, while earnings per share from continuing and discontinued operations for the Company was Rmb69.94 cents.



Investments and Acquisitions to Fuel the Expansion of Expressway Business

The Company completed the acquisition as well as the operational takeover of Huihang Expressway in September 2016, which extended its expressway network coverage outside of Zhejiang Province for the first time. In the future, the Company will continue to seize opportunities to explore new models to further expand the expressway business scale.

Management Discussion and Analysis

Liquidity and financial resources

As at December 31, 2016, current assets of the Group amounted to Rmb52,158.22 million in aggregate (December 31, 2015: Rmb54,359.48 million), of which bank balances and cash accounted for 14.1% (December 31, 2015: 9.7%), bank balances held on behalf of customers accounted for 38.5% (December 31, 2015: 49.8%), held for trading investments accounted for 15.6% (December 31, 2015: 6.9%) and loans to customers arising from margin financing business accounted for 15.2% (December 31, 2015: 19.4%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2016 was 1.2 (December 31, 2015: 1.3). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.4 (December 31, 2015: 1.8).

The amount of held for trading investments of the Group as at December 31, 2016 was Rmb8,144.13 million (December 31, 2015: Rmb3,761.22 million), of which 83.4% was invested in bonds, 0.8% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb4,719.24 million.

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

	As at December 31,	
	2016 Rmb'000	2015 Rmb'000
Cash and cash equivalents		
Rmb	7,148,479	4,935,103
US$ in Rmb equivalent	36,574	33,386
HK$ in Rmb equivalent	13,692	14,562
Time deposits – Rmb	165,000	270,000
Held for trading investments – Rmb	8,144,132	3,761,224
Available-for-sale investments – Rmb	1,342,920	1,032,750
Total	16,850,797	10,047,025
Rmb	16,800,531	9,999,077
US$ in Rmb equivalent	36,574	33,386
HK$ in Rmb equivalent	13,692	14,562

Borrowings and solvency

As at December 31, 2016, total liabilities of the Group amounted to Rmb49,585.51 million (December 31, 2015: Rmb51,893.11 million), of which 4.3% was bank and other borrowings, 9.7% was short-term financing note payable, 19.6% was bonds payable, 15.1% was financial assets sold under repurchase agreements and 40.5% was accounts payable to customers arising from securities business.

As at December 31, 2016, total interest-bearing borrowings of the Group amounted to Rmb16,644.74 million, representing an increase of 14.1% compared to that as at December 31, 2015. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb2,101.40 million, borrowings from other financial institution of Rmb15.00 million, subordinated bonds of Rmb5.50 billion, corporate bonds of Rmb3.40 billion, short-term financing note of Rmb1.50 billion and beneficial certificates of Rmb4,128.34 million. Of the interest-bearing borrowings, 40.3 % was not payable within one year.

As at December 31, 2016, the Group's loans from domestic commercial banks were short-term loans, loans amounted to Rmb1,714.50 million with annual fixed interest rates between 3.915% and 4.35%, and loans amounted Rmb386.90 million with floating interest rate at 2.23%. The floating interest rate for borrowings from other financial institutions was 3.915%. The annual interest rates for short-term financing note were fixed at 2.62% and 2.78%. Beneficial certificates amounted Rmb29.14 million with floating rate at 1.0%, and beneficial certificates amounted Rmb4,099.20 million with fixed rates between 3.7% and 6.0%.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%, while the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

	Gross amount	Maturity Profile: Within 1 year	Maturity Profile: 2-5 years inclusive	Maturity Profile: Beyond 5 years
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Floating rates				
Domestic commercial bank loans	386,895	386,895	–	–
Borrowings from other domestic financial institution	15,000	15,000	–	–
Beneficial certificates	29,140	29,140	–	–
Fixed rates				
Domestic commercial bank loans	1,714,500	1,714,500	–	–
Short-term loan notes	1,500,000	1,500,000	–	–
Beneficial certificates	4,099,200	3,299,200	800,000	–
Subordinated bonds	5,500,000	3,000,000	2,500,000	–
Corporate bonds	3,400,000	–	3,400,000	–
Total as at December 31,2016	16,644,735	9,944,735	6,700,000	–
Total as at December 31,2015	14,584,051	5,394,051	8,860,000	330,000

Total interest expenses and profit before interest and tax from continuing and discontinued operations for the Period amounted to Rmb671.39 million and Rmb5,668.52 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 8.4 (2015: 9.6) times.

	2016 Rmb'000	2015 Rmb'000
Profit before tax and interest	5,668,523	6,079,147
Interest expenses	671,387	635,748
Interest cover ratio	8.4	9.6

Leading Market Position of Zheshang Securities

Brokerage business ranks top 20 in the industry in terms of market share.

Investment banking business achieved record-high results.

With a cautious approach, Zheshang Securities will continue to strengthen risk management and control capabilities, closely monitor market conditions, and prevent systematic and liquidity risks.

As at December 31, 2016, the asset-liability ratio (total liabilities over total assets) of the Group was 67.2% (December 31, 2015: 70.2%). 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 held on behalf of customers) of the Group was 55.0% (December 31, 2015: 53.2%).

Capital structure

As at December 31, 2016, the Group had Rmb24,175.93 million in total equity, Rmb44,473.88 million in fixed-rate liabilities, Rmb431.04 million in floating-rate liabilities, and Rmb4,680.59 million in interest-free liabilities, representing 32.8%, 60.3%, 0.6% and 6.3% 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 122.1% as at December 31, 2016 (December 31, 2015: 113.1%).

	As at December 31, 2016		As at December 31, 2015	
	Rmb'000	**%**	Rmb'000	%
Total equity	**24,175,927**	**32.8%**	21,998,649	29.8%
Fixed rate liabilities	**44,473,878**	**60.3%**	45,859,072	62.1%
Floating rate liabilities	**431,035**	**0.6%**	1,320,000	1.8%
Interest-free liabilities	**4,680,592**	**6.3%**	4,714,042	6.3%
Total	**73,761,432**	**100.0%**	73,891,763	100.0%
Long-term interest-bearing liabilities	**6,700,000**	**9.1%**	9,190,000	12.4%
Gearing ratio 1 (note)		**122.1%**		113.1%
Gearing ratio 2 (note)		**27.7%**		41.8%
Asset-liabilities ratio1 (note)		**67.2%**		70.2%
Asset-liabilities ratio 2 (note)		**55.0%**		53.2%

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 held on behalf of customers.

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb3,164.14 million. Amongst the total capital expenditure, Rmb570.00 million was incurred for acquiring 100% equity interest in Huihang Co, Rmb1,600.00 million was incurred for additional capital contribution in Huihang Co, Rmb656.90 million was incurred for other equity investments, Rmb94.98 million was incurred for acquisition and construction of properties, and Rmb242.26 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2016, the capital expenditure committed by the Group totaled Rmb554.55 million. Amongst the total capital expenditures committed by the Group, Rmb242.40 million will be used for acquisition and construction of properties and Rmb312.15 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, Rmb148.00 million of the bank loans had been repaid. As at December 31, 2016, the remaining bank loan balance is Rmb1,892.00 million.

Except for the above, as at December 31, 2016, 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 (iii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, the Group's principal operations were transacted and booked in Renminbi. During the Period, the Group purchased one-year HK dollar forwards of equivalent amount to hedge the foreign exchange risk derived from the Hong Kong dollar borrowing. Except for the above, during the Period, the Group has not used any other financial instruments for hedging purpose. Therefore, the Group's exposure to exchange fluctuation is limited.

Although the Directors do not foresee any material foreign exchange risks for the Group, there is no assurance that foreign exchange risks will not affect the operating results of the Group in the future.

OUTLOOK

Looking ahead to 2017, though the global economy is still struggling to recover and China's economy slowdown may raise further pressures, the Chinese government is expected to carry on macroeconomic improvements on policies and innovative regulatory measures for positive economic changes. As the economic transformation and related effects are becoming more visible, Zhejiang Province anticipates steady improvements in the overall economy, bringing solid opportunities for the company's steady development. However, as China will still face relatively intense economic pressure, the Group expects that organic traffic volume growth in 2017 is likely to slow down, albeit with a steady increase in overall traffic volume.

Management Discussion and Analysis

In addition, Kaihua-Jiande section of the Hangzhou-Xinanjiang-Jingdezhen Expressway, which was opened for traffic in December 2016, is expected to cause a slight diversion impact on the Hanghui Expressway and Huihang Expressway operated by the Group. However, Jiufeng Road Toll Station along the Hanghui Expressway, which will be put into operation in May 2017, is expected to attract more vehicles to use this section and increase toll revenue. In addition to the synergies provided by the ongoing measures, including strengthening analysis of newly opened networks and attracting more traffic with better road signage, the company will also seek to improve service quality and efficiency through the implementation of new IT-systems, such as mobile payments, to provide a better customer experience. The Group will continue to enhance the quality of expressway operations and services to assure safe and smooth traffic flow.

Though China's stock market remained sluggish and trading volume on the Shanghai and Shenzhen stock markets continues to stay weak, the Chinese government is actively promoting the healthy development of a multi-tiered capital market, while the China Securities Regulatory Commission has also rolled out major initiatives in terms of market supervision, which could bring new opportunities to the Group's securities business. While strengthening cost controls and risk management and actively accelerating its A-Share listing application on the Shanghai Stock Exchange, Zheshang Securities will also look to strengthen its capital base. Zheshang Securities will focus on growing its key businesses where the Company holds advantages, while transforming and upgrading its traditional businesses and developing additional innovative businesses. In addition, Zheshang Securities will optimize and adjust business mix, and enhance profitability and competitiveness to become more resilient to challenges from the current market environment and intense industry competition, in order to promote sustained and healthy development of all its businesses.

As the macroeconomic downturn continues and the capital market is expected to remain sluggish, the Company will keep its foothold upon its development advantages and proactively explore investment and merger and acquisition opportunities, with the aim of expanding and enhancing the core expressway business. In addition, the Company will also strengthen its securities business. The management will keep monitoring policy and external environment to appropriately adjust the Company's operational strategy. With a focus on effective risk control, the Company will explore suitable investment and development project via different channels, thereby cultivating the management capability of operating diversified businesses, in order to promote the Company's overall and sustainable development over the long term.

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, 2016, there were 7,775 employees within the Group, amongst whom 1,754 worked in the managerial, administrative and technical positions, while 6,021 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

Steady Development of Related Business

The Company will continue to leverage the resources of Zheshang Securities and the Zhejiang Zheshang Transformation Upgrade Parent Fund (under the management of Zheshang Securities) to identify areas where the Company has advantages in investment and financing and in directions that are in line with economic development and nation-wide industrial policies.

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 a 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.

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 50, 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 2016 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 27, 2017

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

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

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	6/8		2/8
Ms. LUO Jianhu (General Manager)	6/8		2/8
Mr. WANG Dongjie	3/8	3/8	2/8
Mr. DAI Benmeng	3/8	3/8	2/8
Mr. ZHOU Jianping	6/8		2/8
Mr. ZHOU Jun	6/8		2/8
Mr. PEI Ker-Wei	6/8		2/8
Ms. LEE Wai Tsang Rosa	6/8		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 served as Chairman, and Ms. LUO Jianhu served as General Manager of the Company, respectively. The roles of Chairman and General Manager are fully segregated as expressly set out in the articles of association of the Company.

NON-EXECUTIVE DIRECTORS

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

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	3/4	1/4
Mr. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang Rosa	4/4	
Mr. WANG Dongjie	1/4	3/4
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, the Nomination Committee held a total of one meeting. Individual attendances by the members of the Nomination Committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

	Attendance through communication
Mr. ZHAN Xiaozhang	1/1
Mr. ZHOU Jun	1/1
Mr. PEI Ker-Wei	1/1
Ms. LEE Wai Tsang Rosa	1/1
Mr. DAI Benmeng	1/1

During the Period, the Nomination Committee mainly discussed the candidates for independent supervisors of the Company. Proposed candidates for independent supervisors of the Company that were reviewed by the Nomination Committee were later approved by the extraordinary general meeting of the Company.

During the Period, there were no changes to the remuneration policies of the members of the Board or senior management of the Company; hence the Remuneration Committee had not held any meetings.

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

Corporate Governance Report

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.

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 Rmb3.47 million and Rmb0.89 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants Ltd. (the PRC auditors), respectively, for audit services conducted in 2015. Besides, the Company had paid Rmb0.19 million and Rmb0.44 million to Deloitte Touche Tohmatsu Certified Public Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants Ltd. (the PRC auditors), respectively, 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, 2016, 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, 2016, 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	141,027,621 (L) 5,902,000 (S) 69,336,386 (P)	9.83% 0.41% 4.83%
BlackRock, Inc.	Interest of controlled corporations	127,829,924 (L) 2,426,000 (S)	8.92% 0.17%
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, 2016, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

SHAREHOLDERS' RIGHTS

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 207 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
E-mail: zhenghui@zjec.com.cn

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Wednesday, December 28, 2016 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 28, 2016 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 May, 2017 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 announcement dated December 28, 2016 on resolutions passed at the extraordinary general meeting of the shareholders.

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, established risk management strategy and took risk control measures in response to major risks faced by the Company.

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 implementation of annual budget of the Company, as well as control of the major risk on the Company. 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.

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

Executive Directors

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.

Directors, Supervisors and Senior Management Profiles

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, graduated from the Department of Law at Hangzhou University with a bachelor's degree in law, majoring in Economic Law. 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. 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 General Manager of the Strategic Development and Legal Affairs Department.

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. 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 is currently the Deputy Chief Economist of the Communications Group.

Independent Non-Executive Directors

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.

Directors, Supervisors and Senior Management Profiles

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, is the chairman and an executive director of Grand Investment International Ltd. (a company listed on the Main Board of the Stock Exchange, HK Stock Code: 1160) and oversees its day-to-day investment, operation and administration.

Ms. Lee holds a bachelor degree from the University of Southern California, a Master of Science in Finance from Boston College and a MBA from the University of Chicago.

Ms. Lee is a licensed person for the regulated activities of dealing in securities and futures under the SFO. Ms. Lee is a director of Grand Finance Group Company Ltd. and Tianjin Yishang Friendship Holdings Co., Ltd. Ms. Lee has extensive experience in management, investment, securities and auditing.

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.

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 Yongmin

born in 1963, is an Assistant Professor. Mr. Wu graduated from China University of Political Science and Law with a master's degree.

He was the Deputy Dean of the Department of Law at Hangzhou University, Deputy Dean of the Department of Law at Zhejiang University's Law School, and Director of Zheda Law Firm. Mr. Wu studied at the Christian-Albrechts-Universitat zu Kiel in 1996 as a visiting scholar. He is currently the Dean of the Department of Law at the Law School of Zhejiang University, a Supervisor for master's degree candidates in Business Law, a member of China Business Law Research Council, Deputy Director of Zhejiang Tax Law Research Council, an Arbitrator of Hangzhou Arbitration Committee, and a Lawyer at Zhejiang Zeda Law Firm.

Mr. Wu resigned from his position as an Independent Supervisor of the Company with effect from August 18, 2016.

Mr. ZHANG Guohua

born in 1963, obtained a doctorate degree in human resources management. He is a Senior Economist and the President of China Everbright Bank, Hangzhou Branch. Mr. Zhang graduated from Hangzhou University in 1985 with a bachelor's degree in education and then received a master's degree in educational psychology in 1988. In 2000, he was granted the Graduate Certificate of Completion in finance by the School of Economics of Zhejiang University, and then obtained a doctorate degree in psychology from the College of Science of Zhejiang University in 2007.

Since 1988, Mr. Zhang had successively worked in the headquarters of Industrial and Commercial Bank of China, Hangzhou Institute of Financial Managers, Hangzhou Financial Urban Credit Cooperative and China Everbright Bank, Hangzhou Branch and Wuxi Branch, and Ping An Bank, Hangzhou Branch. He had held the positions of Deputy Director of the Office, Supervisor of the Credit Union, Vice President and President, respectively.

Mr. Zhang resigned from his position as an Independent Supervisor of the Company with effect from March 17, 2016.

Mr. SHI Ximin

born in 1960, obtained a doctorate degree in Accounting from the Central University of Finance and Economics, and holds a doctorate degree in Management.

Since he started his career in July 1983, Mr. Shi had served as Deputy Dean of the Accounting Department, and Director of Graduate School of the Zhejiang University of Finance & Economics, as well as Dean of the Zhejiang Business College. Mr. Shi currently serves as a professor in the Accounting Department of the Zhejiang University of Finance & Economics, Deputy Chairman of the Zhejiang Association of CFO, and independent director of Wolong Real Group Estate Co., Ltd. (SH: 600173) and Zhejiang Jianfeng Group Co., Ltd. (SH: 600668) (both companies listed on the Shanghai Stock Exchange).

Mr. Shi resigned from his position as an Independent Supervisor of the Company with effect from October 21, 2016.

Supervisor Representing Employees

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.

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. 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.

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, 2016.

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.

SEGMENT INFORMATION

During the year, 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, 2016 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2016 and the state of financial position at that date are set out in the financial statements on pages 82 to 85.

An interim dividend of Rmb0.06 per share (approximately HK$0.067) was paid on January 25, 2017. The Directors have recommended the payment of a final dividend of Rmb0.295 (approximately HK$0.330) per share in respect of the year. The final dividend is subject to shareholders' approval at the 2016 annual general meeting of the Company and if approved by the shareholders, is expected to be paid on or before June 26, 2017. 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 50.8% 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	**2016** **Rmb'000**	2015 Rmb'000 (Restated)	2014 Rmb'000 (Restated)	2013 Rmb'000 (Restated)	2012 Rmb'000 (Restated)
Continuing operations					
Revenue	**9,735,347**	10,724,781	7,171,810	6,055,104	5,214,019
Operating costs	**(4,596,048)**	(5,278,650)	(3,617,851)	(3,137,004)	(2,883,625)
Gross profit	**5,139,299**	5,446,131	3,553,959	2,918,100	2,330,394
Security investment gains	**223,573**	584,114	278,252	99,663	99,783
Other income	**289,390**	191,887	144,016	171,295	242,885
Administrative expenses	**(81,687)**	(88,421)	(87,462)	(81,754)	(80,350)
Other expenses	**(85,099)**	(158,714)	(83,098)	(63,946)	(51,555)
Share of profit(loss) of associates	**64,699**	48,289	65,020	21,537	(4,513)
Share of profit(loss) of a joint venture	**9,797**	(25,067)	(33,277)	(36,010)	(3,516)
Finance costs	**(671,387)**	(632,495)	(272,900)	(295,461)	(350,536)
Profit before tax	**4,888,585**	5,365,724	3,564,510	2,733,424	2,182,592
Income tax expense	**(1,161,570)**	(1,396,774)	(882,625)	(720,632)	(599,088)
Profit for the year from continuing operations	**3,727,015**	3,968,950	2,681,885	2,012,792	1,583,504
Discontinued operations					
Profit for the year from discontinued operations	**81,594**	60,830	64,087	70,964	61,466
Profit for the year	**3,808,609**	4,029,780	2,745,972	2,083,756	1,644,970
Profit for the year attributable to Owners of the Company					
– Continuing operations	**2,957,291**	2,932,903	2,204,982	1,741,694	1,451,430
– Discontinued operations	**80,114**	56,777	60,012	59,993	51,618
Profit for the year attributable to non-controlling interest					
– Continuing operations	**769,724**	1,036,047	476,903	271,098	132,074
– Discontinued operations	**1,480**	4,053	4,075	10,971	9,848
Earnings per share					
From continuing and discontinued operations – basic and diluted	**69.94 cents**	68.84 cents	52.15 cents	41.48 cents	34.61 cents
From continuing operations – basic and diluted	**68.09 cents**	67.53 cents	50.77 cents	40.10 cents	33.42 cents

	As at December 31,				
	2016	2015	2014	2013	2012
Assets and liabilities	**Rmb'000**	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Total assets	**73,761,432**	73,891,763	54,987,056	35,947,318	35,532,636
Total liabilities	**49,585,505**	51,893,114	33,858,586	16,175,239	15,676,614
Net assets	**24,175,927**	21,998,649	21,128,470	19,772,079	19,856,022

Notes:

1. The consolidated results of the Group for the four 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, 2016 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 82 of the financial report.

2. The 2016 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, 2016 of Rmb3,037,405,000 (2015: Rmb2,989,680,000) and the 4,343,114,500 (2015: 4,343,114,500) Ordinary shares in issue during the year.

3. Differences in Financial Statements prepared under PRC GAAP and HKFRSs

	Profit for the year ended December 31,		**Net assets as at December 31,**	
	2016	2015	**2016**	2015
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	**3,816,689**	4,038,913	**24,458,407**	22,272,330
HK GAAP adjustments:				
(a) Goodwill	**–**	–	**(199,769)**	(199,769)
(b) Amortization provided, net of deferred tax	**(1,952)**	(1,952)	**(169,012)**	(167,060)
(c) Assessment on impact of appreciation, net of deferred tax	**(3,658)**	(3,658)	**49,133**	52,791
(d) Others	**719**	(334)	**7,666**	7,666
(e) Non-controlling interests	**(3,189)**	(3,189)	**29,502**	32,691
As restated in the financial statements	**3,808,609**	4,029,780	**24,175,927**	21,998,649

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 has entered into with its subsidiary and fellow subsidiary are set out in note to the financial statements. The transactions including the deposit services provided by Zhejiang Communications Investment Group Finance Co., Ltd, the maintenance services provided by Zhejiang Expressway Maintenance Co., Ltd, and the information system redevelopment services provided by Zhejiang Expressway Information Technology Engineering Co., Ltd, constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules. Please refer to the section headed "Connected Transactions" below for further details about such connected transactions. 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 Rmb2,055,000 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, 2016 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 86 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2016, 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 Rmb3,129,084,000. 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, 2016, other than the deposits placed with a non-bank financial institution of Rmb867,892,000, the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

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

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. WANG Dongjie
Mr. DAI Benmeng
Mr. ZHOU Jianping

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.

Report of the Directors

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, 2016 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.

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.

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 27, 2017

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 eight meetings held by the Board and two general meetings of shareholders. The Supervisory Committee considered that the Company took active efforts and fully accomplished the targets set at the beginning of the year by adhering to its strategic positioning, focusing on reform and innovation, improving the management efficiency and benefits, building the benchmark on main highway business and striving to strengthen the market competitiveness on the profit-making business. The operating results of the Company set a new record high alongside with expanding the highway business to other province and trying to maintain steady development trend on profit-making business. The effective implementation of reform measures in the areas of toll service quality, road maintenance management, road traffic safety, business acquisitions and integration, cost control and IT development generated fruitful results.

The Supervisory Committee has reviewed the financial statements of the Company for 2016 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 2016, 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.

Report of the Supervisory Committee

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 27, 2017

Connected Transactions

During the year ended December 31, 2016, the Company had the following non-exempt connected transactions and continuing connected transactions.

Connected Transactions

1. Construction Services at the Shengzhou Service Station

On March 10, 2016, Shangsan Co and 浙江滬杭甬養護工程有限公司 (Zhejiang Expressway Maintenance Co., Ltd.) ("Maintenance Co") entered into the Shengzhou Service Station Agreement, pursuant to which Maintenance Co agreed to provide the certain construction services to Shangsan Co at the consideration of Rmb19,756,666 (please refer to the announcement of the Company dated March 10, 2016 on Connected Transaction for details).

Communications Group, which holds approximately 67% of the issued share capital of the Company, 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 entering into the Shengzhou Service Station Agreement constitutes a connected transaction for the Company.

As the land requisition and relocation relating to the expansion of the Shengzhou Service Station failed to complete, the Shengzhou Service Station Agreement entered into between Shangsan Co and Maintenance Co was terminated during the year under review.

2. Disposal of Maintenance Equipment

On September 8, 2016, the Company and its subsidiaries entered into four disposal agreements (the "Disposal Agreements") with Maintenance Co, pursuant to which the Company and its relevant subsidiaries agreed to dispose of certain road maintenance equipment to Maintenance Co, at a consideration of RMB35,532,756. After the disposal of the entire equity interest in Maintenance Co by the Company in September 2015, certain maintenance equipment has become redundant for the Company and it would be appropriate to dispose of such equipment in return for cash. Please refer to the announcement of the Company dated September 8, 2016 for details.

As Maintenance Co is a connected person of the Company as mentioned above, the transactions under the Disposal Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

3. Capital Increase in Zhejiang Communications Finance

On October 14, 2016, the Company entered into a capital contribution agreement (the "Capital Contribution Agreement") with Zhejiang Communications Finance and its other existing shareholders, pursuant to which the Company agreed to contribute an amount of RMB350,000,000 by way of cash, into the equity capital of Zhejiang Communications Finance. The capital contribution is necessary for the progressive development of Zhejiang Communications Finance and enables Zhejiang Communications Finance to cope with the enhanced regulatory requirements on capital sufficiency and capital management by non-bank financial institutions imposed by regulators. Please refer to the announcement of the Company dated October 14, 2016 for details.

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. As Communications Group directly and indirectly holds 65% of the issued share capital of Zhejiang Communications Finance, Zhejiang Communications Finance is a connected person of the Company and as a result, the transaction under the Capital Contribution Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

4. Disposal of 100% equity interest in Development Co

On October 17, 2016, the Company and 浙江交通投資集團實業發展有限公司 (Zhejiang Communications Investment Group Industrial Development Co., Ltd.) ("Zhejiang Communications Investment") entered into a share purchase agreement (the "Share Purchase Agreement") pursuant to which the Company agreed to sell and Zhejiang Communications Investment agreed to purchase 100% equity interest in 浙江高速投資發展有限公司 (Zhejiang Expressway Investment Development Co., Ltd.) ("Development Co") at a cash consideration of RMB249,660,000 (the "Disposal"). The Disposal allows the Company to focus on the expressway operation business, and will streamline the Company's business segments and operations, and sharpen the Company's strategic focus on its core business. Please refer to the announcement of the Company dated October 17, 2016 for details.

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. As Zhejiang Communications Investment is a wholly-owned subsidiary of Communications Group, it is a connected person of the Company and as a result, the Disposal constitutes a connected transaction for the Company. On December 28, 2016, an extraordinary general meeting was held at which independent shareholders of the Company approved the resolutions in relation to the Disposal.

Continuing Connected Transactions

1. Petroleum Supply and the Service Stations Management

On October 12, 2015, the Company and Zhejiang Communications Investment entered into a share purchase agreement, pursuant to which the Company agreed to sell and Zhejiang Communications Investment agreed to purchase 50% of the equity interest held by the Company in 浙江高速石油發展有限公司 (Zhejiang Expressway Petroleum Development Co., Ltd.) ("Petroleum Co") at a cash consideration of RMB135,676,000.

On January 28, 2016, Development Co and Petroleum Co entered into (i) a petroleum supply agreement in relation to the supply of petroleum to the service stations owned by Development Co (the "Petroleum Supply Agreement"); and (ii) a service stations management agreement in relation to the day-to-day management of the service stations (the "Service Stations Management Agreement"), pursuant to which Petroleum Co agreed to supply petroleum and provide management service to the service stations. The aforesaid agreements had a term from January 28, 2016 to April 30, 2016, and the cap during the term for the petroleum fees paid by Development Co to Petroleum Co is Rmb380,000,000, and no fees are payable for the management services to be provided by Petroleum Co under the Service Stations Management Agreement (please refer to the announcement of the Company dated January 28, 2016 on Completion of Major and Connected Transaction in relation to Disposal of 50% Equity Interest in Petroleum Co and Continuing Connected Transactions for details).

During the year under review, the petroleum supply fees paid by Development Co to Petroleum Co under the Petroleum Supply Agreement amounted to Rmb315,676,000.

Substantial completion of the above share purchase agreement took place by the end of 2015. Upon completion, the Company has ceased to hold any interest in Petroleum Co. Further, 50% of the equity interest in Petroleum Co is held by Zhejiang Communications Investment, which is a wholly-owned subsidiary of Communications Group, the controlling shareholder of the Company. Therefore, Petroleum Co is an associate of Zhejiang Communications Investment and a connected person of the Company, and the entering into of the Petroleum Supply Agreement and the Service Stations Management Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Petroleum Co had been supplying petroleum to Development Co and providing management services to Development Co prior to Petroleum Co became a connected person of the Company, the entering into of the Petroleum Supply Agreement and the Service Stations Management Agreement enables Development Co to continue purchasing petroleum and obtaining management services from Petroleum Co pending the entering into of an agreement for the contracting out of the operation of the service stations to Petroleum Co.

2. 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 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 payable by the Group to Maintenance Co 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, which holds approximately 67% of the issued share capital of the Company, 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 year under review, the total service fees paid by the Group to Maintenance Co in respect of the daily maintenance services amounted to Rmb47,404,000.

3. Contracting Out Operation of Petrol Stations

On May 27, 2016, Development Co and Petroleum Co entered into a series of lease agreements, pursuant to which for a term expiring on December 31, 2018, Development Co has agreed to (i) contract out the operation of the Target Petrol Stations to Petroleum Co and (ii) lease the relevant buildings, facilities and equipment in connection with the Target Petrol Stations to Petroleum Co. As a consideration for the contracting out arrangement, Petroleum Co has agreed to pay the rental to Development Co on an annual basis. During the term of the Lease Agreement, the annual rental payable by Petroleum Co to Development Co during 2016 to 2018 shall not exceed Rmb46.0 million, Rmb75.5 million and Rmb83.0 million, respectively (please refer to the announcement of the Company dated May 27, 2016 on Continuing Connected Transactions in relation to Contracting Out Operation of Petrol Stations).

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. Accordingly, Petroleum Co (being a subsidiary of Zhejiang Communications Investment, a wholly-owned subsidiary of Communications Group) is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, contracting out operation of petrol stations constitutes a connected transaction for the Company.

During the year under review, the rental paid by Petroleum Co to Development Co under a series of lease agreements amounted to Rmb33,357,000. On December 29, 2016, the Company sold 100% equity interest in Development Co to Zhejiang Communications Investment, pursuant to which the aforesaid Lease Agreement entered into between Development Co and Petroleum Co shall no longer constitute a continuing connected transaction of the Company.

Connected Transactions

4. Specific Road Maintenance Services

On June 13, 2016, the Company and the relevant subsidiaries of the Company entered into the Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide the specific road 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 for a term from May 1, 2016 to November 30, 2016. The service fees payable by the Group to Maintenance Co under the Specific Road Maintenance Agreement shall not exceed Rmb275,420,000 (Please refer to the announcement of the Company dated June 13, 2016 on Continuing Connected Transaction in relation to Specific Road Maintenance Services).

Communications Group, which holds approximately 67% of the issued share capital of the Company, 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 specific road maintenance services constitutes a continuing connected transaction for the Company.

During the year under review, Maintenance Co completed the specific road maintenance services and the specific road maintenance service fees paid by the Company and the relevant subsidiaries of the Company to Maintenance Co under the Specific Road Maintenance Agreement amounted to Rmb241,486,000.

5. Information System Redevelopment

On September 13, 2016, the Company and the relevant subsidiaries of the Company entered into the Information System Redevelopment Agreements with 浙江高速信息工程技術有限公司(Zhejiang Expressway Information Technology Engineering Co., Ltd.) ("Zhejiang IT Engineering Co"), pursuant to which Zhejiang IT Engineering Co agreed to provide the Information System Redevelopment Services to the Target Expressways for a period of 12 months ending September 12, 2017. The aggregate service fees payable by the Group to Zhejiang IT Engineering Co under the Information System Redevelopment Agreements shall be Rmb30,984,318.61 with a cap in respect of the annual aggregate fees not exceeding Rmb30,984,318.61 (please refer to the announcement of the Company dated September 13, 2016 on Continuing Connected Transaction – Information System Redevelopment Agreements).

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. Zhejiang IT Engineering Co (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 provision of Information System Redevelopment Services constitutes a continuing connected transaction for the Company.

During the year under review, the service fees paid by the Company to Zhejiang IT Engineering Co under the Information System Redevelopment Agreements amounted to Rmb18,537,000.

6. 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.).

As the issued share capital of Zhejiang Communications Finance is owned as to 35%, 40%, 15.625% and 9.375% by the Company, Communications Group, 浙江寧波甬台溫高速公路有限公司 (Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd.) ("Ningbo Expressway Co") and 浙江台州甬台溫高速公路有限公司 (Zhejiang Taizhou Yongtaiwen Expressway Co., Ltd.) ("Taizhou 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 year under review, 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 Rmb1,379,066,000.

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 82 to 200, which comprise the consolidated statement of financial position as at December 31, 2016, 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, 2016, 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 equity available-for-sale financial assets measured at fair value	
We identified the measured at fair value impairment of available-for-sale equity instruments, which include equity securities, funds, and other investments, as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments of measured at fair value Rmb3,059,301,000 as at December 31, 2016. For those available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in note 4, for listed available-for-sale 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. An impairment allowance of Rmb33,942,000 was recorded as at December 31, 2016 as disclosed in note 25.	Our procedures in relation to the impairment assessment of available-for-sale equity instrument measured at fair value included: • Understanding the processes and controls in determining impairment of available-for-sale 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 management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; • Checking management's calculations of the impairment allowance for available-for-sale financial assets 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 holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor. The Group applied significant judgement in determining whether such investments fall within the consolidation scope under IFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities will 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 involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates 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. Details of consolidated structured entities and unconsolidated structured entities are set out in notes 44 and 58 to the consolidated financial statements respectively.	Our procedures in relation to management's determination of consolidation scope included: • Understanding the process and controls of management in determining the consolidation scope as set out in IFRS10 of interests in structured entities; • Checking the information used by the management in accessing the consolidation criteria of significant structured entities against the related 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.; • Challenging and assessing management judgement in applying IFRS 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 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.

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

	NOTES	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Continuing operations			
Revenue	5	**9,735,347**	10,724,781
Operating costs		**(4,596,048)**	(5,278,650)
Gross profit		**5,139,299**	5,446,131
Securities investment gains	6	**223,573**	584,114
Other income	7	**289,390**	191,887
Administrative expenses		**(81,687)**	(88,421)
Other expenses		**(85,099)**	(158,714)
Share of profit of associates		**64,699**	48,289
Share of profit (loss) of a joint venture		**9,797**	(25,067)
Finance costs	8	**(671,387)**	(632,495)
Profit before tax	9	**4,888,585**	5,365,724
Income tax expense	10	**(1,161,570)**	(1,396,774)
Profit for the year from continuing operations		**3,727,015**	3,968,950
Discontinued operations			
Profit for the year from discontinued operations	11	**81,594**	60,830
Profit for the year		**3,808,609**	4,029,780
Profit for the year attributable to Owners of the Company			
– Continuing operations		**2,957,291**	2,932,903
– Discontinued operations		**80,114**	56,777
		3,037,405	2,989,680
Profit for the year attributable to non-controlling interest			
– Continuing operations		**769,724**	1,036,047
– Discontinued operations		**1,480**	4,053
		771,204	1,040,100

	NOTES	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
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		114,883	137,431
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(64,791)	(65,826)
Share of other comprehensive income of an associate		(205)	–
Share of differences arising on translation		511	367
Income tax relating to items that may be reclassified subsequently		(12,523)	(17,901)
Other comprehensive income for the year, net of income tax		37,875	54,071
Total comprehensive income for the year		3,846,484	4,083,851
Total comprehensive income attributable to:			
Owners of the Company		3,057,158	3,017,800
Non-controlling interest		789,326	1,066,051
		3,846,484	4,083,851
Earnings per share	16		
From continuing and discontinued operations – basic and diluted		Rmb69.94 cents	Rmb68.84 cents
From continuing operations – basic and diluted		Rmb68.09 cents	Rmb67.53 cents

Consolidated Statement of Financial Position

At December 31, 2016

	NOTES	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	3,066,571	3,178,494
Prepaid lease payments	18	52,522	57,745
Expressway operating rights	19	14,498,800	13,229,442
Goodwill	20	86,867	86,867
Other intangible assets	21	148,906	155,219
Interests in associates	23	1,310,486	583,537
Interest in a joint venture	24	285,397	275,600
Available-for-sale investments	25	1,790,978	1,635,858
Deferred tax assets	43	362,681	329,526
		21,603,208	19,532,288
CURRENT ASSETS			
Inventories	26	206,814	316,528
Trade receivables	27	275,318	151,083
Loans to customers arising from margin financing business	28	7,910,032	10,550,590
Other receivables and prepayments	29	2,855,099	1,231,799
Prepaid lease payments	18	1,639	1,939
Dividend receivable		–	20,494
Derivative financial assets	42	10,931	2,288
Available-for-sale investments	25	1,342,920	1,032,750
Held for trading investments	30	8,144,132	3,761,224
Financial assets held under resale agreements	31	3,965,329	4,959,155
Bank balances held on behalf of customers	32	20,082,265	27,078,574
Bank balances and cash			
– Time deposits with original maturity over three months	33	165,000	270,000
– Cash and cash equivalents	33	7,198,745	4,983,051
		52,158,224	54,359,475

	NOTES	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
CURRENT LIABILITIES			
Placements from other financial institutions	34	**700,000**	200,000
Accounts payable to customers arising from securities business	35	**20,073,435**	27,009,641
Trade payables	36	**784,300**	908,616
Tax liabilities		**455,249**	641,606
Other taxes payable		**76,631**	88,022
Other payables and accruals	37	**2,431,148**	2,809,079
Dividends payable		**261,046**	333
Derivative financial liabilities	42	**413**	4,258
Bank and other borrowings	38	**2,116,395**	1,777,951
Short-term financing note payable	39	**4,828,340**	616,100
Bonds payable	41	**3,000,000**	3,000,000
Financial assets sold under repurchase agreements	40	**7,486,743**	5,385,380
Financial liabilities at fair value through profit or loss	44	**293,658**	–
		42,507,358	42,440,986
NET CURRENT ASSETS		**9,650,866**	11,918,489
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,254,074**	31,450,777
NON-CURRENT LIABILITIES			
Bank and other borrowings	38	**–**	1,590,000
Bonds payable	41	**6,700,000**	7,600,000
Deferred tax liabilities	43	**378,147**	262,128
		7,078,147	9,452,128
		24,175,927	21,998,649
CAPITAL AND RESERVES			
Share capital	45	**4,343,115**	4,343,115
Reserves		**13,974,042**	12,393,543
Equity attributable to owners of the Company		**18,317,157**	16,736,658
Non-controlling interests	46	**5,858,770**	5,261,991
		24,175,927	21,998,649

The consolidated financial statements on pages 82 to 200 were approved and authorised for issue by the board of directors on March 27, 2017 and are signed on its behalf by:

ZHAN Xiaozhang	**LUO Jianhu**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory reserve	Capital reserve	Investment revaluation reserve	Share of differences arising on translation	Dividend reserve	Special reserves	Retained profits	Total	Non-controlling interests	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
			(Note i)					(Note ii)				
At January 1, 2015	4,343,115	3,645,726	3,907,055	1,712	28,403	-	1,150,925	1,599,088	2,324,873	17,000,897	4,127,573	21,128,470
Profit for the year	-	-	-	-	-	-	-	-	2,989,680	2,989,680	1,040,100	4,029,780
Other comprehensive income for the year	-	-	-	-	27,929	191	-	-	-	28,120	25,951	54,071
Total comprehensive income for the year	-	-	-	-	27,929	191	-	-	2,989,680	3,017,800	1,066,051	4,083,851
Dividend paid to non-controlling-interests	-	-	-	-	-	-	-	-	-	-	(107,812)	(107,812)
Arising from the acquisition of a subsidiary under common control	-	(118,926)	-	-	-	-	-	(1,580,422)	-	(1,699,348)	-	(1,699,348)
Contribution by non-controlling-interests	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Acquisition of additional interest of a non-wholly owned subsidiary (note iii)	-	(171,179)	-	-	-	-	-	-	-	(171,179)	171,179	-
2015 interim dividend	-	-	-	-	-	-	-	-	(260,587)	(260,587)	-	(260,587)
2014 final dividend	-	-	-	-	-	-	(1,150,925)	-	-	(1,150,925)	-	(1,150,925)
Proposed 2015 final dividend	-	-	-	-	-	-	1,216,072	-	(1,216,072)	-	-	-
Transfer to reserves	-	-	598,718	-	-	-	-	-	(598,718)	-	-	-
At December 31, 2015	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 paid 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

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

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

(b) General risk reserve

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

(c) Transaction risk reserve

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

(ii) Special reserves mainly comprise:

(a) Other reserve which was arising from the Group's 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) It represented the effect in relation to an additional capital contribution of Rmb1,500,000,000 unilaterally made by the Group to Hanghui Co, a subsidiary of the Group, in December 2015, which resulted in a debt of share premium amounting to Rmb171,179,000.

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
Profit before tax	**4,997,136**	5,446,652
Adjustments for:		
Finance costs	**671,387**	632,495
Interest income	**(31,281)**	(62,193)
Foreign exchange loss	**20,156**	–
Gain on additional investment in an associate	**(5,555)**	–
Share of profit of associates	**(64,699)**	(48,289)
Share of (profit) loss of a joint venture	**(9,797)**	25,067
Depreciation of property, plant and equipment	**264,267**	243,599
Amortisation of expressway operating rights	**1,034,202**	991,800
Release of prepaid lease payments	**1,939**	2,004
Amortisation of other intangible assets	**24,095**	23,632
Impairment loss on (reversal of) available-for-sale investments	**33,942**	(58)
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**(64,791)**	(65,826)
Interest income from available-for-sale investments	**(57,290)**	(69,419)
Gain on disposal of part of expressway operating rights	**–**	(52,500)
(Gain) loss on disposal of property, plant and equipment	**(648)**	6,746
Write-down of inventories	**2,638**	–
Loss on disposal of prepaid lease payment	**–**	1,850
Allowance for trade receivables and other receivables	**1,141**	531
(Reversal of) allowance for advance to customers arising from margin financing business	**(13,269)**	36,182
(Reversal of) allowance for financial assets held on the resale agreement	**(14,167)**	44,836
Gain on disposal of subsidiaries	**(56,993)**	(879)
Gain on disposal of an associate	**–**	(916)
Operating cash flows before movements in working capital	**6,732,413**	7,155,314
Decrease in inventories	**87,421**	91,612
Increase in trade receivables	**(126,158)**	(62,698)
Decrease (increase) in loans to customers arising from margin financing business	**2,653,827**	(2,040,859)
Increase in other receivables and prepayments	**(1,860,076)**	(204,687)
Increase in held for trading investments	**(4,382,908)**	(1,636,484)
Decrease (increase) in financial assets held under resale agreements	**1,007,993**	(2,279,393)
Decrease (increase) in bank balances held on behalf of customers	**6,996,309**	(10,501,823)
(Increase) decrease in derivative financial instrument	**(12,488)**	1,970
Increase (decrease) in placements from other financial institutions	**500,000**	(1,740,000)
(Decrease) increase in accounts payable to customers arising from securities business	**(6,936,206)**	10,464,495
Increase (decrease) in trade payables	**54,335**	(86,008)
(Decrease) increase in other taxes payable	**(8,863)**	17,001
(Decrease) increase in other payables and accruals	**(207,065)**	753,661
Increase in financial liabilities at fair value through profit or loss	**293,658**	–
Increase (decrease) in financial assets sold under repurchase agreement	**2,101,363**	(913,677)
Cash generated from (used in) operations	**6,893,555**	(981,576)
Income taxes paid	**(1,427,772)**	(1,372,120)
Interest paid	**(746,547)**	(322,638)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**4,719,236**	(2,676,334)

	NOTES	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
INVESTING ACTIVITIES			
Interest received		62,104	70,522
Investment in associates		(656,900)	(102,100)
Proceeds from disposal of an associate		42,018	100,000
Proceeds from disposal of subsidiaries	49	111,373	18,741
Acquisition of a subsidiary	48	(541,264)	–
Proceeds from disposal of part of expressway operating rights		–	53,891
Proceeds from disposal of prepaid lease payment		–	4,618
Refundable deposit received for the disposal an associate		–	62,100
Dividends received from associates		20,494	33,122
Proceeds on disposal of property, plant and equipment		3,210	2,313
Entrusted loans to a related party		(540,000)	(550,000)
Settlement of financial products investment		–	17,000
Purchases of property, plant and equipment		(480,906)	(326,517)
Purchases of intangible assets		(17,889)	(23,261)
Purchase of available-for-sale investments		(397,949)	(2,901,830)
Proceeds on disposal of available-for-sale investments		70,890	1,231,383
Decrease in time deposits		105,000	491,320
Repayment of entrusted loans from a related party		720,000	450,000
NET CASH USED IN INVESTING ACTIVITIES		(1,499,819)	(1,368,698)
FINANCING ACTIVITIES			
Dividends paid		(1,216,072)	(1,411,512)
Dividends paid to non-controlling shareholders		(178,690)	(183,618)
Payment for the acquisition of a subsidiary under common control		–	(1,699,348)
New bank and other borrowings raised		2,916,239	2,597,951
Repayment of bank and other borrowings		(5,832,951)	(2,880,000)
New issue of bonds payable		4,700,000	9,400,000
Repayment of bonds payable		(5,600,000)	–
Issue of short-term financing note payable		7,928,340	3,833,560
Repayment of short-term financing note payable		(3,716,100)	(4,101,030)
Interest paid		–	(3,253)
Capital contribution by non-controlling interests		–	5,000
Capital reduction by non-controlling-interests		(5,000)	–
Contribution from limited partnership in a subsidiary		–	113,403
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(1,004,234)	5,671,153
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,215,183	1,626,121
CASH AND CASH EQUIVALENTS AT JANUARY 1		4,983,051	3,356,563
Effect of foreign exchange rate changes		511	367
CASH AND CASH EQUIVALENTS AT DECEMBER 31	33	7,198,745	4,983,051

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the American Depositary Shares ("ADSs") evidenced by the American Depositary Receipts ("ADRs") representing the deposited H Shares of the Company effective.

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.

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 HKFRS 11	*Accounting for Acquisitions of Interest in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*

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.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to 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]
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 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvement to HKFRSs 2014-2016 Cycle*[5]

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

New and revised HKFRSs in issue but not yet effective (Continued)

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, 2017.
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate.

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:

- 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 debt investments and equity investments are measured at their fair value at the end of 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.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

HKFRS 9 Financial Instruments (Continued)

- 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.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at December 31, 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

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.

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is no practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

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.

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

HKFRS 16 Leases (Continued)

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. Under the 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 flows.

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, 2016, the Group has non-cancellable operating lease commitments of Rmb105,005,000 as disclosed in note 53. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence 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 upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

Amendments to HKAS 7 Disclosure Initiative

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 changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities 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.

The amendments apply prospectively for annual periods beginning on or after January 1, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 ("CO").

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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, 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, 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, when applicable, the cost on initial recognition of an investment in an associate of a joint venture.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Merger accounting for business combination involving entities under common control

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

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

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

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

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.

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

Investments in associates and joint ventures

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 joint ventures (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. 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 the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

Revenue 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

	Estimated useful life	Annual depreciation rate
Hotel buildings	30 years	3.2%
Leasehold land and buildings	20 – 50 years	1.9% – 4.9%
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.

Alternatively, 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets acquired in a business combination (Continued)

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, 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

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 a lease includes both 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 lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease 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 land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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"), available-for-sale ("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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are not either designated or 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. Changes in the carrying amount of AFS monetary financial assets 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 loss on 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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 and prepayments, financial assets held under resale agreements, bank balances held on behalf of customers and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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.

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 liabilities 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.

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognized 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 recognized 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 in its entirety, 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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

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

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 available-for-sale investments

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale 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 available-for-sale 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 available-for-sale 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 available-for-sale investments are set out in Note 25.

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

Critical judgements in applying accounting policies (Continued)

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.

For collective asset management schemes and investment funds where the Group involves as manager and also as investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds 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 followings 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 value in use of the cash-generating units to which goodwill has been allocated. 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, 2016, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2015: Rmb86,867,000 (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)

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, 2016, the carrying amounts of intangible assets with indefinite useful lives were Rmb66,563,000 (without accumulated impairment loss) (2015: Rmb66,563,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 22.

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 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 Note 28 and 31.

Estimated impairment of interest 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 interest in a joint venture and associate 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, 2016, the carrying amount of interest in a joint venture was Rmb285,397,000 (without accumulated impairment loss) (2015: Rmb275,600,000 (without accumulated impairment loss)), and the carrying amount of interest in associates was Rmb1,310,486,000 (without accumulated impairment loss) (2015: Rmb583,537,000 (without accumulated impairment loss)).

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

Key sources of estimation uncertainty (Continued)

Provision for financial guarantee contract

The directors of the Company 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, 2016 in respect of the financial guarantee contract provided to a joint venture of the Group in the amount of Rmb947,275,000 (2015: Rmb1,021,374,000), the directors of the Company considered that the fair value of the financial guarantee obligation was insignificant in 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.

As at December 31, 2016, the fair value of the held-for-trading investment, available-for-sale investments (excluding those unlisted equity securities investments measured at cost), derivative financial assets and derivative financial liabilities was estimated at an asset of Rmb8,144,132,000 (2015: Rmb3,761,224,000), Rmb3,089,301,000 (2015: Rmb2,624,011,000), Rmb10,931,000 (2015: Rmb2,288,000) and Rmb413,000 (2015: Rmb4,258,000), respectively.

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.

An operating segment regarding toll related operation was discontinued in the current year along with the Group's disposal of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co"), who contributed substantially all the revenue and profit of the operating segment. The segment information reported below and on the next pages does not include any amounts for this discontinued operation which are described in more detail in Note 11 and 49.

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, 2016

Continuing operations

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

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2015

Continuing operations

	Toll operation	Securities operation	Others	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
			(Restated)	(Restated)
Revenue – external sales	4,961,928	5,660,628	102,225	10,724,781
Segment profit	2,105,911	1,851,706	11,333	3,968,950

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.

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	
	12/31/2016	12/31/2015	**12/31/2016**	12/31/2015
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
		(Restated)		(Restated)
Continuing operations				
Toll operation	**17,883,833**	16,112,291	**(5,261,742)**	(4,806,764)
Securities operation	**53,839,312**	55,593,321	**(44,172,118)**	(46,729,548)
Others	**1,951,420**	1,592,743	**(151,645)**	(197,749)
Total segment assets (liabilities)	**73,674,565**	73,298,355	**(49,585,505)**	(51,734,061)
Goodwill	**86,867**	86,867	**–**	–
Assets (liabilities) relating to discontinued operations	**–**	506,541	**–**	(159,053)
Consolidated assets (liabilities)	**73,761,432**	73,891,763	**(49,585,505)**	(51,893,114)

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, 2016

Continuing operations

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Income tax expense	761,688	399,882	–	1,161,570
Interest income	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)

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended December 31, 2015

Continuing operations

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000 (Restated)	Total Rmb'000 (Restated)
Income tax expense	699,845	688,405	8,524	1,396,774
Interest income	53,529	1,813	156	55,498
Interest expense	182,406	448,621	1,468	632,495
Interests in associates	–	42,309	541,228	583,537
Interest in a joint venture	275,600	–	–	275,600
Share of (loss) profit of associates	–	(1,609)	49,898	48,289
Share of loss of a joint venture	(25,067)	–	–	(25,067)
Gain on fair value changes on held for trading investments	6,732	413,554	–	420,286
Additions to non-current assets (Note)	158,218	127,686	193,609	479,513
Depreciation and amortisation	1,128,185	77,517	24,528	1,230,230
Loss on disposal of property, plant and equipment	2,371	251	2	2,624

Note: Non-current assets excluded those relating to discontinued operations and 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 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Toll operation revenue	**5,279,348**	4,961,928
Commission and fee income from securities operation	**2,664,959**	3,932,791
Interest income from securities operation	**1,510,281**	1,727,837
Revenue from sales of properties	**196,928**	–
Hotel and catering revenue	**83,831**	42,421
Toll road maintenance service	**–**	59,804
	9,735,347	10,724,781

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, 2016 and 2015, there are no individual customer with sales over 10% of the total sales of the Group.

6. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
Continuing operations		
Gain on held for trading investments	**205,253**	420,286
Cumulative gain reclassified from equity on disposal of AFS investments	**64,791**	65,826
Interest income and dividends from AFS investments	**57,290**	69,419
(Loss) gain on fair value changes on derivatives financial instruments	**(103,761)**	28,583
	223,573	584,114

7. OTHER INCOME

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Continuing operations		
Interest income on bank balances, entrusted loan receivables and financial products investment	**27,499**	55,498
Rental income (Note)	**38,696**	31,911
Handling fee income	**2,449**	2,398
Towing income	**7,718**	8,321
Gain on disposal of an associate	**–**	916
Gain on disposal of a subsidiary	**–**	879
Exchange loss, net	**(22,758)**	(3,330)
Gain (loss) on commodity trading, net	**126,905**	(17,973)
Gain on disposal of part of expressway operating rights	**–**	52,500
Others	**108,881**	60,767
	289,390	191,887

Note: Rental income included contingent rent of approximately Rmb27,109,000 (2015: Rmb30,475,000) during the year.

8. FINANCE COSTS

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Continuing operations		
Bank and other borrowings	121,860	187,127
Short-term loan note	69,284	64,390
Bonds payable	480,243	384,231
Total borrowing costs	671,387	635,748
Less: Amount capitalised in the cost of qualifying assets (Note)	–	(3,253)
	671,387	632,495

Note: Borrowing costs capitalised during the year ended December 31, 2015 includes all the interest expenses, net of interest income, arising from the specific borrowings to the expenditure on qualifying assets.

9. PROFIT BEFORE TAX

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

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Depreciation of property, plant and equipment	**236,493**	213,109
Release of prepaid lease payments	**1,639**	1,704
Amortisation of expressway operating rights (included in operating costs)	**1,034,202**	991,800
Amortisation of other intangible assets (included in operating costs)	**24,080**	23,617
Total depreciation and amortisation	**1,296,414**	1,230,230
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	**1,216,231**	1,735,077
– Pension scheme contributions	**128,127**	93,744
	1,344,358	1,828,821
Auditors' remuneration	**9,081**	7,686
(Reversal of) allowance for loans to customers arising from margin financing business	**(13,269)**	36,182
Allowance for trade receivables	**253**	201
Allowance for other receivables	**975**	152
(Reversal of) allowance for financial assets held under resale agreements	**(14,167)**	44,836
(Gain) loss on disposal of property, plant and equipment	**(2,651)**	2,624
Loss on disposal of prepaid lease payment	**–**	1,850
Gain on disposal of part of expressway operating rights	**–**	(52,500)
Impairment loss (reversal of impairment loss) on available-for-sale investments	**33,942**	(58)
Allowance for write-down of inventories	**2,638**	–

10. INCOME TAX EXPENSE

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	1,216,487	1,529,980
Deferred tax (Note 43)	(54,917)	(133,206)
	1,161,570	1,396,774

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 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 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000 (Restated)
Profit before tax	4,888,585	5,365,724
Tax at the PRC enterprise income tax rate of 25% (2015:25%)	1,222,146	1,341,431
Tax effect of share of profit of associates	(16,174)	(12,072)
Tax effect of share of (profit) loss of a joint venture	(2,449)	6,267
Utilisation of unused tax loss previously not recognised	(24,045)	(15,135)
Tax effect of expenses not deductible for tax purposes	13,143	65,456
Tax effect of income not subjected to tax purposes	(31,051)	–
Tax effect of realised gain on disposal of an associate and a subsidiary	–	10,827
Tax charge for the year	1,161,570	1,396,774

11. DISCONTINUED OPERATION

As set out in Note 49, during the year, the Company disposed of its 100% equity interest in 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 from the discontinued toll related operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the toll related operation as a discontinued operation.

	Year ended 31/12/2016 Rmb'000	Year ended 31/12/2015 Rmb'000
Profit of toll related operation for the year	**39,943**	60,830
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	60,830

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

	Period ended 29/12/2016 Rmb'000	Year ended 31/12/2015 Rmb'000
Revenue	**654,227**	1,773,414
Cost of sales	**(693,470)**	(1,771,905)
Other income	**122,605**	113,767
Administrative expenses	**(20,432)**	(20,206)
Other expenses	**(11,372)**	(14,142)
Profit before tax	**51,558**	80,928
Income tax expense	**(11,615)**	(20,098)
Profit for the period/year	**39,943**	60,830
Profit for the year from discontinued operation include the following:		
Loss on disposal of property, plant and equipment	**2,003**	4,122
Auditor's remuneration	**144**	124

11. DISCONTINUED OPERATION (Continued)

During the year, Development Co contributed Rmb82,622,000 (2015: Rmb58,186,000) to the Group's net operating cash inflows, received Rmb41,542,000 (2015: paid Rmb41,348,000) in respect of investing activities, and paid Rmb28,716,000 (2015: Rmb1,800,000) in respect of financing activities.

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

12. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income as follows:

	Year ended 12/31/2016			Year ended 12/31/2015		
	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	114,883	(28,721)	86,162	137,431	(34,358)	103,073
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of AFS financial assets	(64,791)	16,198	(48,593)	(65,826)	16,457	(49,369)
Other comprehensive income arising from associates	(205)	–	(205)	–	–	–
Share of exchange differences of a subsidiary	511	–	511	367	–	367
Total	50,398	(12,523)	37,875	71,972	(17,901)	54,071

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

The emoluments paid or payable to each of the 9 (2015: 10) directors and 6 (2015: 7) supervisors are as follows:

	Zhan Xiaozhang@	Cheng Tao@	Luo Jianhu@	Ding Huikang@	Wang Dongjie^	Dai Benmeng^	Zhou Jianping^	Zhou Jun*	Pei Ker-wei*	Lee Wai Tsang*	Yao Huiliang#	Wu Yongming#	Zhang Guohua#	Shi Ximin#	Lu Xinghai#	Fu Zhexiang#	Zhang Xiuhua#	He Meiyun#	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(note i)	(note vi)	(note v)								(note iv)	(note ii)	(note iii)		(note vii)	(note vii)	(note viii)	
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
2015																			
Salaries, allowances and benefits in kind	197	474	478	227	7	6	7	3	201	6	5	6	5	5	5	5	5	-	1,642
Bonuses paid and payable	711	54	326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,091
Pension scheme contributions	20	20	20	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
Total emoluments	928	548	824	237	7	6	7	3	201	6	5	6	5	5	5	5	5	-	2,803

@ 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) Mr. Cheng Tao is appointed executive director of the Company on July 1, 2015. As such, his emoluments for those services rendered by him as the senior management in 2015 was included in the director's and supervisor's emoluments.

(ii) Resigned on March 17, 2016.

(iii) Resigned on October 21, 2016.

(iv) Resigned on August 18, 2016.

(v) Retired on June 30, 2015.

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

(vii) Resigned on June 30, 2015.

(viii) Appointed on December 28, 2016.

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.

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

The emoluments paid or payable to each of the 8 (2015: 8) senior managements are as follows:

	Ding Huikang Rmb'000 (notes i and ii)	Zhang Jingzhong Rmb'000 (note ii)	Fang Zhexing Rmb'000	Zhu Yimin Rmb'000	Wang Dehua Rmb'000	Zhan Huagang Rmb'000	Zhang Hui Rmb'000	Zhang Xiuhua Rmb'000	Total Rmb'000
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**
2015									
Salaries, allowances and benefits in kind	223	445	445	223	445	445	445	445	3,116
Bonuses paid and payable	218	218	218	–	188	218	215	58	1,333
Pension scheme contributions	10	20	20	10	20	20	20	20	140
Total emoluments	451	683	683	233	653	683	680	523	4,589

Notes:

(i) Appointed on July 1, 2015.

(ii) Resigned on February 18, 2016.

The emoluments of each of the senior managements were below HK$1,000,000 (equivalent to Rmb894,510 (2015: Rmb837,800)) in both years. Bonuses paid to senior managements are performance-rated and are determined by the board of directors of the Company.

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 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
Salaries, allowances and benefits in kind	**4,329**	3,040
Bonuses paid and payable (Note)	**33,404**	14,815
Pension scheme contributions	**165**	116
	37,898	17,971

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, 2016 and 2015.

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 (2015: five) non-director employees.

Their emoluments are within the following bands:

	No. of individuals Year ended 12/31/2016	Year ended 12/31/2015
HK$3,000,001 to HK$3,500,000 (equivalent to Rmb2,683,531 (2015: Rmb2,513,401) to Rmb3,130,785 (2015: Rmb2,932,300))		1
HK$3,500,001 to HK$4,000,000 (equivalent to Rmb3,130,786(2015: Rmb2,932,301) to Rmb3,578,040 (2015: Rmb3,351,200))		2
HK$4,500,001 to HK$5,000,000 (equivalent to Rmb4,025,296 (2015: Rmb3,770,101) to Rmb4,472,550 (2015: Rmb4,189,000))		1
HK$5,500,001 to HK$6,000,000 (equivalent to Rmb4,919,806 (2015: Rmb4,607,901) to Rmb5,367,060 (2015: Rmb5,026,800))		1
HK$6,000,001 to HK$6,500,000 (equivalent to Rmb5,367,061 (2015: Rmb5,026,801) to Rmb5,814,315 (2015: Rmb5,445,700))	**2**	
HK$7,000,001 to HK$7,500,000 (equivalent to Rmb6,261,571 (2015: Rmb5,864,601) to Rmb6,708,825 (2015: Rmb6,283,500))	**1**	
HK$10,500,001 to HK$11,000,000 (equivalent to Rmb9,392,356 (2015: Rmb8,796,901) to Rmb9,839,610 (2015: Rmb9,215,800))	**1**	
HK$12,000,001 to HK$12,500,000 (equivalent to Rmb10,734,121 (2015: Rmb10,053,601) to Rmb11,181,375 (2015: Rmb10,472,500))	**1**	

15. DIVIDENDS

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
Dividends recognised as distribution during the year:		
2016 Interim – Rmb6 cents (2015: 2015 interim Rmb6 cents) per share	**260,587**	260,587
2015 Final – Rmb28 cents (2015: 2014 Final Rmb26.5 cents) per share	**1,216,072**	1,150,925
	1,476,659	1,411,512

The final dividend of Rmb29.5 cents per share in respect of the year ended December 31, 2016 (2015: final dividend of Rmb28 cents per share in respect of the year ended December 31, 2015) in the total amount of Rmb1,281,219,000 (2015: Rmb1,216,072,000) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share from continuing operations is based on profit for the year attributable to owners of the Company from continuing operations of Rmb2,957,291,000 (2015 (Restated): Rmb2,932,903,000) and the 4,343,114,500 (2015:4,343,114,500) ordinary shares in issue during the year.

The calculation of the basic earnings per share from continuing and discontinued operations is based on profit for the year attributable to owners of the Company from continuing and discontinued operations of Rmb3,037,405,000 (2015: Rmb2,989,680,000) and the 4,343,114,500 (2015: 4,343,114,500) ordinary shares in issue during the year.

Basic earnings per share for the discontinued operations is Rmb1.85 cents per share (2015: Rmb1.31 cents per share), based on profit for the year attributable to owners of the Company from the discontinued operations of Rmb80,114,000 (2015 (Restated): Rmb56,777,000) and the denominators detailed above.

Diluted earnings per share presented is the same as basic earnings per share as there were no potential ordinary shares outstanding for the years ended December 31, 2016 and 2015.

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, 2015	892,958	–	1,108,291	392,950	253,071	746,363	1,534,283	4,927,916
Additions	17,125	–	35,629	29,952	22,502	42,914	250,107	398,229
Transfer	681,227	549,543	89,901	40,603	–	78,798	(1,440,072)	–
Transfer to inventory	–	–	–	–	–	–	(242,149)	(242,149)
Disposals	–	–	(1,729)	(49,971)	(44,927)	(37,086)	–	(133,713)
Disposal of a subsidiary (Note 49)	–	–	–	(94)	(3,517)	(12,431)	–	(16,042)
At December 31, 2015	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
DEPRECIATION								
At January 1, 2015	246,078	–	356,838	285,217	182,625	568,111	–	1,638,869
Provided for the year	62,541	10,365	70,460	36,384	15,783	48,066	–	243,599
Disposals	(115)	–	(1,657)	(45,008)	(42,854)	(35,020)	–	(124,654)
Disposal of a subsidiary (Note 49)	–	–	–	(39)	(573)	(1,455)	–	(2,067)
At December 31, 2015	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**
CARRYING VALUES								
At December 31, 2016	1,246,634	521,409	666,044	319,900	55,896	169,702	86,986	3,066,571
At December 31, 2015	1,282,806	539,178	806,451	136,886	72,148	238,856	102,169	3,178,494

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

18. PREPAID LEASE PAYMENTS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Analysed for reporting purposes as:		
Current assets	1,639	1,939
Non-current assets	52,522	57,745
	54,161	59,684

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, 2015	24,009,469
Disposal	(3,653)
Adjustment due to completion of settlement	(42,754)
At December 31, 2015	23,963,062
Acquired on acquisition of a subsidiary (Note 48)	2,303,560
At December 31, 2016	26,266,622
AMORTISATION	
At January 1, 2015	9,744,082
Charge for the year	991,800
Disposal	(2,262)
At December 31, 2015	10,733,620
Charge for the year	1,034,202
At December 31, 2016	11,767,822
CARRYING VALUES	
At December 31, 2016	14,498,800
At December 31, 2015	13,229,442

19. EXPRESSWAY OPERATING RIGHTS (Continued)

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.

As at December 31, 2015, the expressway operating rights in respect of Jinhua Section of the Ningbo-Jinhua Expressway and Hanghui Expressway has been pledged as collaterals to secure general banking facilities granted to the Group. Details of which were set out in Note 54.

During the year ended December 31, 2015, a portion of land where the Yuhang section of Shanghai-Hangzhou expressway occupied was requisitioned by the government, with the consideration of Rmb53,891,000, leading to the decrease in expressway operating right with carrying amount of Rmb1,391,000 and recognition of a gain in other income with amount of Rmb52,500,000.

20. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2015, December 31, 2015 and December 31, 2016	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, 2015	101,147	63,083	3,480	102,430	270,140
Additions	–	–	–	23,261	23,261
At December 31, 2015	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
AMORTISATION					
At January 1, 2015	60,413	–	–	54,137	114,550
Charge for the year	6,266	–	–	17,366	23,632
At December 31, 2015	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
CARRYING VALUES					
At December 31, 2016	28,202	63,083	3,480	54,141	148,906
At December 31, 2015	34,468	63,083	3,480	54,188	155,219

The customer bases of Zheshang Securities Co., Ltd. ("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.

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, 2016 and 2015 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
	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	–	–	–	–
– Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	10,335	10,335	–	–	–	–
Securities operation						
– Zheshang Securities	–	–	51,783	51,783	2,080	2,080
– Zheshang Futures	1,395	1,395	11,300	11,300	1,400	1,400
	86,867	86,867	63,083	63,083	3,480	3,480

During the years ended December 31, 2016 and 2015, 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:

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 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 12 years (2015: 13 years) and 14 years (2015: 15 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.

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

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 management covering a five-year period with discount rates management believe appropriate. Growth rate beyond the five-year period is assumed to be zero. 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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Unlisted investments in associates, at cost less impairment	1,139,649	482,749
Share of post-acquisition profit, net of dividends received	170,837	100,788
	1,310,486	583,537

At December 31, 2016 and 2015, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 12/31/2016 %	12/31/2015 %	Principal activities
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

23. INTERESTS IN ASSOCIATES (Continued)

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			12/31/2016	12/31/2015	
			%	%	
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note ii)	Corporate	The PRC	13	9	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	40	40	Investment management and consulting
Zhejiang Big Data Exchange Center Co., Ltd. ("Zhejiang Big Data") (Note iv)	Corporate	The PRC	19.8	–	Big data asset transaction
Ningbo Equity Exchange Co., Ltd. ("Ningbo Equity Exchange) (Note v)	Corporate	The PRC	40	–	Listing, registration, custody, settlement service for equity product
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note iii)	Corporate	The PRC	15	–	Science and technology related insurance
Hangzhou XingYuanJuJing Investment Management LP ("XingYuan Investment") (Note vi)	Partnership	The PRC	5.05	–	Investment management

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

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 2016, the disposal transaction has not been completed and Zheshang Securities received a refundable deposit of Rmb165,600,000 in respect of such transfer, of which was included in other payables in Note 37.

The directors of the Company 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. The equity interest held by the Group was increased from 9% to 13% in 2016 after the Company made an additional capital contribution to Yangtze United Financial Leasing.

(iii) The Company contributed capital of Rmb75,000,000 for 15% shareholding of Taiping Insurance on December 30, 2016. 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.

(iv) Zhejiang Big Data was established on May 18, 2016. Zheshang Capital Management Co., Ltd. (''Zheshang Capital Management"), a subsidiary of Group, contributed capital of Rmb19,800,000 for 19.8% shareholding. The Group is able to exercise significant influence over Zhejiang Big Data because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

(v) On April 7, 2016, Zheshang Capital Management acquired 40% shareholding of Ningbo Equity Exchange with Rmb20,000,000. The Group is able to exercise significant influence over Ningbo Equity Exchange.

(vi) XingYuan Investment was established on January 7, 2016 as a limited partnership. Dong Fang Ju Jin (as defined in Note 57) is the general partner who holds 0.05% partnership shares and Zheshang Capital Management is one of its limited partners who holds 5% partnership shares. The Group is able to exercise significant influence over XingYuan Investment because it has a voting right in the investment committee of XingYuan Investment in which a resolution can only be approved if no member in the investment committee votes against it.

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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Current assets	**12,102,365**	3,168,911
Non-current assets	**6,307,941**	3,101,430
Current liabilities	**16,144,368**	5,126,968

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Revenue	**315,685**	258,851
Profit for the year	**122,565**	139,608
Dividends received from the associate during the year	**–**	13,121

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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Net asset of the associate	**2,265,938**	1,143,373
Proportion of the Group's ownership interest in Zhejiang Communications Finance	**35%**	35%
Carrying amount of the Group's interest in Zhejiang Communications Finance	**793,079**	400,181

23. INTERESTS IN ASSOCIATES (Continued)

Yangtze United Financial Leasing

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Current assets	**1,049,557**	63,564
Non-current assets	**14,794,597**	5,826,108
Current liabilities	**13,605,278**	4,884,944
Non-current liabilities	**100,000**	–

	For the year ended 12/31/2016	For the period from the date of acquisition to 12/31/2015
	Rmb'000	Rmb'000
Revenue	**775,746**	84,461
Profit for the year	**134,147**	4,728
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:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Net asset of the associate	**2,138,876**	1,004,728
Proportion of the Group's ownership interest in Yangtze United Financial Leasing	**13%**	9%
	278,054	90,426

23. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
The Group's share of profit (loss) from continuing operations	**9,728**	(999)
The Group's share of other comprehensive income	**(205)**	–
The Group's share of total comprehensive income	**9,523**	(999)
Aggregate carrying amount of the Group's interests in these associates	**239,353**	92,930

24. INTEREST IN A JOINT VENTURE

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Unlisted investment in a joint venture, at cost less impairment	**373,470**	373,470
Share of post-acquisition loss	**(88,073)**	(97,870)
	285,397	275,600

At December 31, 2016 and 2015, 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 **12/31/2016 %**	Percentage of equity interest attributable to the Group 12/31/2015 %	Principal activities
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	**50**	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Current assets	**65,467**	41,371
Non-current assets	**2,500,949**	2,672,775
Current liabilities	**41,127**	55,988
Non-current liabilities	**1,954,495**	2,106,959
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**58,221**	37,152
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,892,000**	2,040,000

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Revenue	**364,515**	319,882
Profit(Loss) for the year	**19,594**	(50,135)
Dividend received from the joint venture	**–**	–
The above loss for the year includes the following: Depreciation and amortisation	**(180,977)**	(175,837)
Interest income	**810**	838
Interest expense	**(88,376)**	(111,978)
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:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Net asset of the joint venture	**570,794**	551,199
Proportion of the Group's ownership interest in the joint venture	**50%**	50%
Carrying amount of the Group's interest in Shengxin Co	**285,397**	275,600

25. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Non-current assets:		
Unlisted equity securities investments, at cost (Note i)	**48,594**	48,594
Listed equity securities investments, at fair value (Note ii)	**315,878**	202,441
Other investments (Note iii)	**1,430,503**	1,388,820
Less: provision for impairment loss	**(3,997)**	(3,997)
	1,790,978	1,635,858
Current assets:		
Equity securities	**297,492**	237,260
Funds	**92,804**	55,982
Corporate bonds	**36,500**	56,500
Other investments (Note iii)	**956,567**	689,508
Less: provision for impairment loss	**(40,443)**	(6,500)
	1,342,920	1,032,750
	3,133,898	2,668,608

As at December 31, 2016, the Group has entered into securities lending arrangement with clients that resulted in the transfer of listed AFS investments with total fair value of Rmb1,958,000 (2015: Rmb173,000) to external clients, which did not result in derecognition of the financial assets. Details of the collaterals were set out in Note 31.

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 of the Company 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 instrument was measured at fair value based on a valuation taking into account the quote stock prices with adjustment of restriction factors.

(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 available-for-sale financial assets included the unlisted equity investment mainly represents 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. As at December 31, 2016 and 2015, the Company determined the total fair value of the investment according to the Evaluation Report provided by the CSFCL.

26. INVENTORIES

As at December 31, 2016, the inventories of the Group include residential properties held for sales with carrying amount of Rmb48,797,000 (2015: Rmb272,933,000), which have been transferred from construction in progress in 2015 when the management of the Group decided to sell and obtained the property sales permit.

27. TRADE RECEIVABLES

	12/31/2016 **Rmb'000**	12/31/2015 Rmb'000
Trade receivables comprise:		
Fellow subsidiaries	**8,068**	10,331
Third parties	**268,656**	142,044
Total trade receivables	**276,724**	152,375
Less: Allowance for doubtful debts	**(1,406)**	(1,292)
	275,318	151,083

27. TRADE RECEIVABLES (Continued)

The Group has no credit period granted to its trade customers of toll operation and service area businesses. 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 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:

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Within 3 months	263,822	80,949
3 months to 1 year	9,409	64,493
1 to 2 years	1,484	4,679
Over 2 years	603	962
	275,318	151,083

Movement of allowance for doubtful debts

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
At the beginning of the year	1,292	952
Impairment recognised for the year	449	340
Amount reversed during the year	(244)	–
Disposal of a subsidiary	(91)	–
At the end of the year	1,406	1,292

The Group determines the allowance for impaired debts based on the evaluation of collectability and aged analysis of accounts and on 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.

28. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Loans to margin clients	7,952,333	10,606,160
Less: Allowance for doubtful debts	(42,301)	(55,570)
	7,910,032	10,550,590

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 collateral.

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, 2016, 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 Rmb27,105,442,000 (2015: Rmb31,224,317,000). Cash collateral of Rmb1,298,722,000 (2015: Rmb1,061,658,000) received from clients was included in accounts payable to customers arising from securities business in Note 35. As of December 31, 2016 and 2015, no individual customer with fair value of pledged securities fell below the carry amount of 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

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Allowance for doubtful debts at the beginning of the year	55,570	19,388
Impairment recognised for the year	–	36,182
Amount reversed during the year	(13,269)	–
At end of the year	42,301	55,570

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

Movement in the allowance for doubtful debts (Continued)

The Group determines the allowance for impaired debts based on the evaluation of collectability and aged analysis of accounts and on management's judgement including the assessment of change in credit quality, collateral and the past collection history of each client. As at December 31, 2016, the balance of allowance for doubtful debts include individual assessment of Rmb2,552,000 (2015: Rmb2,552,000) and collective assessment of Rmb39,749,000 (2015: Rmb53,018,000) The concentration of credit risk is limited due to the customer base being large and unrelated.

29. OTHER RECEIVABLES AND PREPAYMENTS

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Entrusted loan and interest receivable from a related party (Note 56(ii))	423,613	634,436
Interest receivables	298,741	269,080
Prepayments	77,563	41,977
Bond and listed equity subscription deposit	–	176,377
Consideration receivable in relation to the disposal to Communications Group of an associate and a subsidiary	–	44,759
Advances in relation to asset management plans (Note)	1,973,221	–
Receivables from Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co") in relation to disposal of maintenance equipment (Note 56(i))	34,471	–
Others	47,490	65,170
	2,855,099	1,231,799

Note: The amount represents short-term advance provided to certain unconsolidated asset management plans run by Asset Management (as defined in Note 57). The directors are of the view that there is no impairment indication as the credit risk of the invested products is limited. As at the date of this report, Rmb1,744,521,000 has already been collected.

30. HELD FOR TRADING INVESTMENTS

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Held for trading investments include:		
Listed securities in the PRC, at fair value:		
Equity securities	**68,996**	221,699
Open-end equity funds	**1,279,339**	191,967
Bonds in the PRC, at fair value:		
Listed in Shanghai/Shenzhen Stock Exchange with fixed interest ranging from 0.2% to 11.8% (2015: 0.2% to 8.5%) per annum	**4,686,320**	1,170,952
Unlisted with fixed interest ranging from 2.6% to 8.6% (2015: 3.18% to 8.70%) per annum	**2,109,477**	2,176,606
	8,144,132	3,761,224

31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Analysed by collateral type:		
Bonds	**1,865,992**	1,921,876
Stock securities	**2,099,337**	3,037,279
	3,965,329	4,959,155
Analysed by market:		
Inter bank market	**1,340,492**	1,521,876
Shanghai/Shenzhen Stock Exchange	**2,624,837**	3,437,279
	3,965,329	4,959,155

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2016, the fair value of equity securities and debt securities held as collaterals was Rmb6,394,960,000 (2015: Rmb6,394,246,000) and Rmb1,871,182,000 (2015: Rmb1,947,197,000), respectively.

32. BANK BALANCES 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 institution). 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 institution.

Bank balances held on behalf of customers carry interest at market rates which range from 1.55% to 2.37% (2015: 1.62% to 2.12%) per annum.

Bank balances 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, 2016	**20,669**	108,693
As at December 31, 2015	**22,226**	125,058

33. BANK BALANCES AND CASH

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Time deposits with original maturity over three months	**165,000**	270,000
Unrestricted bank balances and cash	**7,160,804**	4,207,862
Time deposits with original maturity of less than three months	**37,941**	775,189
Cash and cash equivalents	**7,198,745**	4,983,051
	7,363,745	5,253,051

Bank balances carry interest at the average market rate of 0.35% (2015: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 0.20% to 2.25% (2015: 1.35% to 6.50%) per annum.

Bank balances 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, 2016	**13,692**	36,574
As at December 31, 2015	**14,562**	33,387

34. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
CSFCL (secured)	**700,000**	200,000

The placements with interest rate of 3.00% (2015: 6.30%) 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 (2015: Rmb86,704,000) and debt and equity securities with total fair value of Rmb123,219,000 (2015: Rmb184,400,000) as at December 31, 2016.

35. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

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

The amounts also include payables for securities/futures business as well as cash collateral 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, 2016, Rmb1,298,722,000 (2015: Rmb1,971,098,000) cash collateral 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, 2016	**20,669**	108,693
As at December 31, 2015	**22,226**	125,058

36. 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:

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Within 3 months	339,391	422,424
3 months to 1 year	117,706	230,650
1 to 2 years	190,561	117,341
2 to 3 years	38,879	35,425
Over 3 years	97,763	102,776
	784,300	908,616

37. OTHER PAYABLES AND ACCRUALS

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Other liabilities:		
Accrued payroll and welfare	1,454,992	1,609,626
Advance from rental and advertising customers	33,079	62,151
Toll collected on behalf of other toll roads	9,149	2,758
Retention payable	77,746	123,917
Deposit received for disposal of an associate (Note 23(i))	165,600	165,600
Deposits of equity return swaps (Note)	–	77,000
Payables to limited partnership in subsidiaries	178,180	133,088
Others	237,141	287,673
	2,155,887	2,461,813
Other accruals	275,261	347,266
	2,431,148	2,809,079

Note: Equity return swaps contain non-closely related embedded derivatives as their returns are linked to the fluctuation of specific stock price. The embedded derivatives are accounted for under Note 42 after being bifurcated from their respective host contracts.

38. BANK AND OTHER BORROWINGS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Bank loans	2,101,395	2,297,951
Loan from related parties (Note 56(i), 56(ii))	15,000	1,070,000
	2,116,395	3,367,951
Secured (Note)	–	630,000
Unsecured	2,116,395	2,737,951
	2,116,395	3,367,951
Carrying amount repayable:		
Within one year	2,116,395	1,777,951
More than one year, but not exceeding two years	–	400,000
More than two years but not more than five years	–	860,000
More than five years	–	330,000
	2,116,395	3,367,951
Less: Amounts due within one year	(2,116,395)	(1,777,951)
Amounts shown under non-current liabilities	–	1,590,000

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
The bank and other borrowings comprise:		
Fixed-rate borrowings	1,714,500	2,047,951
Variable-rate borrowings	401,895	1,320,000
	2,116,395	3,367,951

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

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Effective interest rate:		
Fixed-rate borrowings	3.92% – 4.35%	4.13% – 5.10%
Variable-rate borrowings	2.23% – 3.92%	4.275% – 5.90%

Note: Details of the securities pledged for the grant of borrowings to the Group were set out in Note 54.

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, 2016 and 2015.

39. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Unsecured		
Short-term loan note (Note i)	**1,500,000**	600,000
Beneficial certificates (Note ii)	**3,328,340**	16,100
	4,828,340	616,100

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 bear fixed interest rate of 2.62% and 2.78% per annum, respectively. As at December 31, 2016, the amounts were repayable upon maturity.

During the year ended December 31, 2015, Zheshang Securities issued a short-term loan note at the principal amount of Rmb1,100,000,000, which was interest bearing at of from 2.93% to 3.20% per annum, out of which Rmb500,000,000 was matured and repaid. As at December 31, 2015, the remaining Rmb600,000,000 was repayable upon maturity.

(ii) During the year ended December 31, 2016, there were Rmb5,428,340,000 (2015: Rmb2,733,560,000) principals received from investors for subscription of beneficial certificates issued by Zheshang Securities, which bear interest rates ranging from 1.0% to 6.0% (2015: 0.7% to 6.47%) per annum, out of which Rmb2,116,100,000 (2015: Rmb2,717,460,000) was matured and repaid. As at December 31, 2016, the remaining beneficial certificates and its interests are repayable upon maturity.

40. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Analysed as collateral type:		
Bonds	**5,186,743**	3,485,380
Other rights and interests in debt instruments	**2,300,000**	1,900,000
	7,486,743	5,385,380
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	**3,119,475**	350,000
Inter-bank market	**2,067,268**	3,135,380
Other financial institutions	**2,300,000**	1,900,000
	7,486,743	5,385,380

40. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

As of December 31, 2016, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, which amounted to Rmb7,486,743,000 (December 31, 2015: 5,385,380,000), with maturities within 1 year.

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

As at December 31, 2016, 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, 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
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

41. BONDS PAYABLE

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Subordinated bonds (Note)	8,900,000	8,700,000
Long term beneficial certificates	800,000	1,900,000
	9,700,000	10,600,000
Less: subordinated bonds due within 1year	3,000,000	3,000,000
Amounts shown under non-current liabilities	6,700,000	7,600,000

Notes:

On September 22, 2014, Zheshang Securities issued a four-year subordinated bond in the principal amount of Rmb1,000,000,000, with a redemption option exercisable at par value plus the unpaid interests at the second anniversary since the date of issue, out of which a principal amount of Rmb300,000,000 was subscribed by the Company. The annual interest rate in first two years is 6.30%, and which will be 9.30% for the remaining two years if the issuer does not exercise the option of redemption. The subordinated bond was early redeemed in current year.

On March 17, 2015, Zheshang Securities issued a four-year subordinated bond in the principal amount of Rmb1,500,000,000, with a redemption option exercisable at par value plus the unpaid interests at the second anniversary since the date of issue. The annual interest rate in first two years is 5.80%, and which will be 8.80% for the remaining two years if the issuer does not exercise the option of redemption. The subordinated bond was early redeemed in March 2017.

On February 3, 2015, Zheshang Securities issued a five-year unsecured corporate bond at the principal amount of Rmb1,500,000,000, with the redemption option exercisable by the bondholders at the third anniversary of the date of issue. The corporate bond bears fixed interest rate of 4.9% per annum with interest to be paid annually in arrears for the first three years. At the third anniversary of the date of issue, the bondholders has the right to require Zheshang Securities to redeem the outstanding corporate bond at an amount equals to its principal amount. If the redemption option is not exercised, the interest rate would be re-priced for the remaining period of two years till maturity at that time.

On October 31, 2016, Zheshang Securities issued a five-year subordinated bond in the principal amount of Rmb1,000,000,000, with a redemption option exercisable at par value plus the unpaid interests at the third anniversary since the date of issue. The annual interest rate in first three years is 3.63%, and which will be 6.63% for the remaining two years if the issuer does not exercise the option of redemption.

Other subordinated bonds without redemption option bear fixed interest rates.

42. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

The Group entered into numbers of equity return swaps contracts with its customers of securities business in 2015. Derivative financial assets of Rmb2,288,000 and derivative financial liabilities of Rmb4,258,000 has been recognized for the fair values of those embedded derivatives as at December 31, 2015.

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:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Deferred tax assets	**362,681**	329,526
Deferred tax liabilities	**(378,147)**	(262,128)
	(15,466)	67,398

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 December 31, 2015	83,550	23,350	95,595	(269,893)	(67,398)
Acquired on acquisition of a subsidiary	–	–	125,258	–	125,258
Charge (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

43. DEFERRED TAXATION (Continued)

As at December 31, 2016, the Group had unused tax losses of approximately Rmb321,689,000 (2015: Rmb430,964,000). No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within 2021.

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Financial liabilities held for trading		
– Bonds borrowing	**196,363**	–
Financial liabilities designated at fair value through profit or loss		
– Financial liabilities arising from consolidation of structured entities (Note)	**97,295**	–
	293,658	–

Note:

Financial liabilities arising from consolidation of structured entities represents 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.

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 12/31/2015 and 2016 '000	Share capital 12/31/2015 and 2016 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.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by ADRs representing the deposited H Shares of the Company effective.

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, 2015	4,127,573
Share of total comprehensive income	1,066,051
Contribution by non-controlling-interests	5,000
Acquisition of additional interest of a non-wholly owned subsidiary (Note)	171,179
Dividend paid to non-controlling interests	(107,812)
At December 31, 2015	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 paid to non-controlling interests	(178,816)
At December 31, 2016	5,858,770

46. NON-CONTROLLING INTERESTS (Continued)

Notes:

In December 2015, the equity interest in Hanghui Co held by the group increased from 80.614% to 88.674% as the company has made an additional capital contribution to Hanghui Co. The acquisition of additional interest in the subsidiary resulted in an increase of non-controlling interest by Rmb171,179,000.

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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Current assets	**51,271,695**	52,844,339
Non-current assets	**5,387,726**	5,272,372
Current liabilities	**36,070,840**	39,320,773
Non-current liabilities	**8,304,014**	8,000,644
Equity attributable to owners of the Company	**6,967,869**	6,106,965
Non-controlling interests	**5,316,698**	4,688,329

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Revenue	**5,287,538**	6,680,544
Expenses	**(3,425,204)**	(4,342,360)
Profit for the year	**1,862,334**	2,338,184
Other comprehensive income	**37,870**	54,229
Total comprehensive income	**1,900,204**	2,392,413
Profit attributable to owner of the Company	**1,106,203**	1,329,195
Profit attributable to non-controlling interests	**756,131**	1,008,989
	1,862,334	2,338,184
Total comprehensive income attributable to owner of the Company	**1,125,951**	1,357,473
Total comprehensive income attributable to non-controlling interests	**774,253**	1,034,940
	1,900,204	2,392,413

46. NON-CONTROLLING INTERESTS (Continued)

Shangsan Co and its subsidiaries (Continued)

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Dividends paid to non-controlling shareholders	**(45,947)**	(94,950)
Net cash outflow from operating activities	**(1,238,549)**	(5,201,354)
Net cash outflow used in investing activities	**(901,876)**	(1,235,019)
Net cash inflow from financing activities	**4,016,689**	8,602,933
Net cash inflow	**1,876,264**	2,166,560

Yuhang Co

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Current assets	**147,804**	345,139
Non-current assets	**853,514**	881,847
Current liabilities	**242,973**	310,993
Non-current liabilities	**7,679**	158,035
Equity attributable to owners of the Company	**382,840**	386,558
Non-controlling interests	**367,826**	371,400

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Revenue	**383,760**	133,966
Expenses	**(372,246)**	(72,899)
Profit for the year	**11,514**	61,067

46. NON-CONTROLLING INTERESTS (Continued)

Yuhang Co (Continued)

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Profit and total comprehensive income		
– attributable to owner of the Company	**5,872**	31,143
– attributable to non-controlling interests	**5,642**	29,924
	11,514	61,067
Dividends paid to non-controlling shareholders	**(9,215)**	(11,058)
Net cash inflow from operating activities	**234,319**	30,456
Net cash outflow used in investing activities	**(47,629)**	(101,279)
Net cash (outflow) inflow from financing activities	**(180,434)**	52,281
Net cash inflow (outflow)	**6,256**	(18,542)

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

On September 14, 2016, the Group acquired 100% equity interest in Huihang Co for cash consideration of Rmb570,000,000. This acquisition has been accounted for using acquisition method. No goodwill was recognised as a result of the acquisition, as consideration transferred equals net assets acquired. Huihang Co is 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 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

48. ACQUISITION OF A SUBSIDIARY (Continued)

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

	Rmb'000
Property, plant and equipment	33,832
Expressway operating rights	2,303,560
Other receivables and prepayments	2,087
Inventories	31
Trade receivables	2,516
Bank balances and cash	
– Cash and cash equivalents	236
Trade payable	(10,756)
Other payable and accruals	(490,604)
Other tax liabilities	(644)
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 amounted to Rmb nil.

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 is loss of Rmb29,189,000 attributable to the additional business generated by Huihang Co. Revenue for the year includes Rmb42,992,000 generated from Huihang Co.

Had the acquisition been completed on January 1, 2016, total group revenue for the year would have been Rmb9,829,566,000, and the amount of the profit for year 2016 would have been Rmb3,765,880,000. The pro-forma information is for illustrative purposes only and is 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 is it intended to be a projection of future results.

48. ACQUISITION OF A SUBSIDIARY (Continued)

In determining the "pro-forma" revenue and profit of the Group had Huihang Co been acquired at the beginning of the current year, the directors have 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 statement.

49. DISPOSAL OF SUBSIDIARIES

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 the 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

49. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended December 31, 2016 (Continued)

	29/12/2016
	Rmb'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	184,269
Prepaid lease payment	3,584
Intangible assets	107
Deferred tax asset	1,324
Inventories	4,216
Trade receivables	3,805
Other receivables and prepayments	17,245
Bank balances and cash	141,028
Trade payables	(14,522)
Tax liabilities	(3,353)
Other tax 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
Net assets disposed of	(201,398)
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

49. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended December 31, 2015

On August 31, 2015, the Company entered into an agreement with Zhejiang Communications Resources Investment Co., Ltd. ("Zhejiang Communications Resources"), a fellow subsidiary of the Communications Group, pursuant to which the Company sold the 100% equity interest in Maintenance Co to Zhejiang Communications Resources at a cash consideration of Rmb41,084,000. The disposal was completed on September 14, 2015.

	Rmb'000
Consideration received:	
Cash received	38,343
Deferred cash consideration and received in 2016	2,741
Total consideration	41,084

	9/14/2015 Rmb'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	13,975
Inventories	4,663
Trade receivables	47,433
Other receivables and prepayments	544
Bank balances and cash	19,602
Trade payables	(27,646)
Other payables and accruals	(18,366)
Net assets disposed of	40,205
Gain on disposal of a subsidiary:	
Consideration received and receivable	41,084
Net assets disposed of	(40,205)
Gain on disposal	879
Net cash inflow arising on disposal:	
Cash received	38,343
Less: bank balances and cash disposed of	(19,602)
	18,741

50. COMMITMENTS

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Authorised but not contracted for:		
– Purchase of machinery and equipment	312,150	312,220
– Renovation of service areas	–	31,340
– Acquisition and construction of properties	242,400	317,630
	554,550	661,190

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 38, 39, 40 and 41, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company 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

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Financial assets		
AFS investments		
– at cost	44,597	44,597
– at fair value	3,089,301	2,624,011
Fair value through profit or loss		
Held for trading investments	8,144,132	3,761,224
Derivative financial assets	10,931	2,288
Loans and receivables (including cash and cash equivalents)	42,374,225	49,182,275
Financial liabilities		
Fair value through profit or loss		
Derivative financial liabilities	413	4,258
Financial liabilities at fair value through profit or loss	293,658	–
Amortised cost	45,806,364	48,314,488

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, trade and other receivables, loans to customers arising from margin financing business, financial assets held under resale agreements, bank balances and cash, bank balances held on behalf of customers, trade and 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 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.

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, short-term financing note payable, financial assets sold under repurchase agreements, bonds payable and financial liabilities at fair value through profit or loss(see notes 28, 29, 31, 33, 34, 38, 39, 40, 41 and 44 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances held on behalf of customers, bank balances and bank and other borrowings (see Notes 32, 33 and 38 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 held on behalf of customers, bank balances 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 (2015: 30 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

52. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Interest rate risk (Continued)

If interest rates had been 30 basis points (2015: 30 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2016 would have increased/decreased by Rmb60,478,000 (2015: Rmb69,169,000) This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

(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 Group is mainly exposed to HKD and USD relative to RMB.

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	
	12/31/2016	12/31/2015	**12/31/2016**	12/31/2015
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Hong Kong dollar ("HKD")	**34,361**	36,788	**407,564**	22,226
United States dollar ("USD")	**145,266**	158,445	**108,693**	120,058

Sensitivity analysis

The Group did not maintain significant assets and liabilities denominated in the currency other than the Group's functional currencies, the impact of the change in foreign exchange rate would not have significant impact to the Group and the sensitivity analysis on the increase and decease of the foreign exchange rate is not presented, accordingly.

52. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its held for trading and AFS listed investments.

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

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2015: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2016 would have increased/decreased by Rmb305,405,000 (2015: Rmb141,046,000) as a result of the changes in fair value of held for trading investments.

- investment valuation reserve would have increased/decreased by Rmb115,849,000 (2015: Rmb98,400,000) 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.

- post-tax profit for the year ended December 31, 2016 would have net increased/decreased by Rmb394,000 (2015: Rmb74,000) as a result of the changes in fair value of derivative financial assets and liabilities.

- post-tax profit for the year ended December 31, 2016 would have net decreased/increased by Rmb11,012,000 (2015: Nil) as a result of the changes in fair value of financial liabilities at fair value through profit or loss.

52. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at December 31, 2016, 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 of the Company consider that the Group's credit risk is significantly reduced.

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 Co., Ltd. ("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:

(iv) exposures to a particular client/counterparty or group of related clients/counterparties; and

(v) exposures to a particular investment product.

52. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Investment Committee of Zheshang Securities is also responsible to 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.

As at December 31, 2016, other than the concentration of credit risk on trade receivables, entrusted loan receivables and financial guarantee contract amounting to Rmb275,318,000 (2015: Rmb151,083,000), Rmb423,613,000 (2015: Rmb634,436,000), and Rmb947,275,000 (2015: Rmb1,021,374,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentration 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, 2016 and December 31, 2015 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 and cash at December 31, 2016 and 2015 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.

52. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 31/12/2016
	%	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
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	–	117,151	–	–	–	–	117,151	117,151
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
		31,416,652	9,413,288	2,099,243	5,992,040	–	48,921,223	46,100,022
2015								
Non-derivative financial Liabilities								
Placements from other financial institutions	6.30	200,414	–	–	–	–	200,414	200,000
Accounts payable to customers arising from securities business	–	27,009,641	–	–	–	–	27,009,641	27,009,641
Trade payables	–	908,616	–	–	–	–	908,616	908,616
Other payables	–	176,800	50,000	–	–	–	226,800	226,800
Bank and other borrowings								
– fixed rate	4.40	21,664	1,537,881	611,780	–	–	2,171,325	2,047,951
– variable rate	4.86	115,321	240,893	509,255	296,738	344,905	1,507,112	1,320,000
Short-term financing note payable	3.13	620,739	–	–	–	–	620,739	616,100
Financial assets sold under repurchase agreements	4.11	4,421,097	510,106	536,649	–	–	5,467,852	5,385,380
Bonds payable	5.51	145,500	3,399,945	5,229,723	3,098,022	–	11,873,190	10,600,000
Financial guarantee	–	1,021,374	–	–	–	–	1,021,374	–
		34,641,166	5,738,825	6,887,407	3,394,760	344,905	51,007,063	48,314,488

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, 2016 and 2015, 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 or the company.

(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 31/12/2016 Rmb'000	Fair value as at 31/12/2015 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	Assets – 68,996	Assets – 221,699	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Equity securities listed in exchange (inactive due to low transaction volume)	Available-for-sale investments	Assets – 272,392	Assets – 237,260	Level 2	Recent transaction prices.	N/A	N/A
		Assets – 315,878	Assets – 202,441	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 open-ended equity funds	Held for trading investments	Assets – 1,279,339	Assets – 191,967	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Fund listed in exchange	Available-for-sale investments	Assets – 89,993	Assets – 55,982	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Debt investments listed in exchange and debt investment in interbank market	Held for trading investments	Assets – 4,597,320	Assets – 1,170,952	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Available-for-sale investments	N/A	N/A				
	Held for trading investments	Assets – 2,198,477	Assets – 2,176,606	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
	Available-for-sale investments	Assets – 30,000	Assets – 50,000	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	Available-for-sale investments	Assets – 857,148	Assets – 544,597	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
		Assets – 133,387	Assets – 141,418	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses.	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
7) Investments in trust products	Available-for-sale investments	Assets – 10,000	Assets – 10,000	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of the underlying investment portfolio and adjustments of related expenses.	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
8) Unlisted equity investment at fair value	Available-for-sale investments	Assets – 1,380,503	Assets – 1,382,313	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

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial Liabilities	Classified as	Fair value as at 31/12/2016 Rmb'000	Fair value as at 31/12/2015 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	Liabilities – 196,363	N/A	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	Liabilities – 97,295	N/A	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

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

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
Available-for-sale 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)

As at December 31, 2015

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	99,732	–	–	99,732
b. Financial services	45,814	–	–	45,814
c. Information technology service	21,284	–	–	21,284
d. Transportation , storage and portal service	54,869	–	–	54,869
	221,699	–	–	221,699
– Open-ended fund	191,967	–	–	191,967
– Bonds	1,170,952	2,176,606	–	3,347,558
Sub-total	1,584,618	2,176,606	–	3,761,224
Available-for-sale investments				
– Equity				
a. Manufacturing	–	104,309	–	104,309
b. Information technology service	–	58,688	202,441	261,129
c. Financial services	–	3,919	–	3,919
d. Transportation, storage and postal service	–	2,305	–	2,305
e. Construction	–	18,837	–	18,837
f. Energy service	–	3,108	–	3,108
g. Wholesaling	–	9,210	–	9,210
h. Agriculture, forestry, fishing and Animal husbandry	–	6,706	–	6,706
i. Others	–	1,412,491	–	1,412,491
	–	1,619,573	202,441	1,822,014
– Fund	55,982	–	–	55,982
– Debt investments	–	50,000	–	50,000
– Structured products	–	544,597	141,418	686,015
– Trust products	–	–	10,000	10,000
Sub-total	55,982	2,214,170	353,859	2,624,011

52. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

The following table represents the changes in Level 3 available-for-sale investments during the year ended December 31, 2016 and 2015.

For the year ended December 31, 2016

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares 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 recognised in other comprehensive income	(1,531)	–	113,437	111,906
Transfer out of Level 3	–	–	–	–
At end of the year	133,387	10,000	315,878	459,265

For the year ended December 31, 2015

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares Rmb'000	Total Rmb'000
At beginning of the year	251,191	89,515	–	340,706
Addition	20,080	20,000	200,000	240,080
Disposal	(20,000)	(93,000)	–	(113,000)
Total loss recognised in other comprehensive income	(21,337)	(6,515)	2,441	(25,411)
Transfer out of Level 3	(88,516)	–	–	(88,516)
At end of the year	141,418	10,000	202,441	353,859

53. OPERATING LEASES

The Group as lessee

	Year ended 12/31/2016 Rmb'000	Year ended 12/31/2015 Rmb'000
Minimum lease payments	93,725	84,973
Contingent rental expenses	323	183
	94,048	85,156

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:

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
Within one year	51,256	73,567
In the second to fifth years inclusive	53,749	81,930
Over five years	–	502
	105,005	155,999

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.

53. 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:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Within one year	30,247	114,063
In the second to fifth years inclusive	50,651	141,642
After five years	19,766	43,711
	100,664	299,416

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 above commitment represented the minimum lease payments from lessees only and do not include any contingent rent elements.

54. PLEDGE OF ASSETS

At the end of reporting period, the Group had pledged the following assets to banks as securities against general banking facilities granted to the Group:

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Expressway operating rights	–	4,086,513

55. CONTINGENT LIABILITIES

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Guarantees given to bank, in respect of a joint venture (Note)	947,275	1,021,374

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, 2016, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb1,892,000,000 (2015: Rmb2,040,000,000) and Rmb2,549,000 (2015: Rmb2,749,000), respectively. The directors of the Company 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, 2016 and 2015.

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:

Equity transaction

As disclosed in Note 49, on October 17, 2016, the Company entered into an agreement with Zhejiang Communications Investment, pursuant to which the Company sold the 100% equity interest in Development Co to Zhejiang Communications Investment at a cash consideration of Rmb249,660,000.

Entrusted loans

Pursuant to the entrusted loan contracts entered into between Hanghui Co and Communications Group on March 12, 2013, Communications Group agreed to provide Hanghui Co with entrusted loans amounting to Rmb570,000,000 at a fixed interest rate of 5.24% per annum, which have been renewed for another three years on August 10, 2015, at a fixed interest rate of 4.55% per annum, with maturity date of August 10, 2018. The entrusted loan was early repaid in full in current year.

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Interest expenses incurred	**16,353**	26,982

Management and Administrative services

On July 1, 2015, the Company entered into agreements with the Communications Group, pursuant to which, the Company would provide management and administrative services to two toll roads of the Communications Group, including Shenjiahuhang Expressway and Shensuzhewan Expressway. According to the agreements, the Company would charge the Communications Group management fee based on actual cost basis. During this year, a total management fee of Rmb1,130,000 (2015: Rmb397,000) has been charged to the Communications Group.

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

Other transactions

	For the year ended 12/31/2016 Rmb'000	For the year ended 12/31/2015 Rmb'000
Toll road service area leasing income earned (Note i)	9,564	9,736
Toll road service area management fee paid (Note i)	3,100	2,600
Property leasing income earned	5,280	4,202
Road maintenance service expenses incurred	303,513	115,953
Gain from disposal of maintenance equipment (Note ii)	8,090	–
Information system redevelopment services expenses incurred	18,537	–
Operation information services expenses incurred	9,267	–
Toll road related inspection services expense incurred	10,561	6,788
Purchase of petroleum products (Note iii)	401,203	1,445,196
Petrol stations leasing income earned (Note iii)	33,357	–

Note:

(i) 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. 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.

(ii) 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. Disposal gain of Rmb8,090,000 was recorded after deduction of relevant transaction costs and expenses.

(iii) Pursuant to the operation management agreement previously entered into between Development Co and Petroleum Co in respect of the petrol stations in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways, Petroleum Co assist Development Co in running their petrol stations along these roads. On May 27, 2016, Development Co and Petroleum Co entered into a series of lease agreements, pursuant to which Development Co contracted out the operation of certain petrol stations and leased out the relevant buildings and equipment facilities in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways to Petroleum Co. The previous operation management agreement was therefore terminated. Petroleum Co was an associate of the Company before the Company sold the 50% equity interest in Petroleum Co to a wholly owned subsidiary of Communications Group in the end of 2015. The equity interest in Petroleum Co held by Communications Group was increased to 51% in 2016 and Petroleum Co then became a subsidiary of Communications Group.

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

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.

Loan advanced from Zhejiang Communications Finance

In prior years, Zhejiang Communications Finance provided Hanghui Co with several long-term loans with aggregated amount of Rmb450,000,000 at variable interest rates ranging from 4.275% to 4.513% per annum, with maturities in 2016 and 2017. Also, Zhejiang Communications Finance provided Hanghui Co with short-term loans amounted to Rmb50,000,000 and Rmb120,000,000, at fixed interest rates of 5.10% and 3.915% per annum, in 2015 and 2016 respectively. The short-term loan of Rmb50,000,000 due in 2015 was fully repaid in 2015, all other loans were repaid or early repaid in current year.

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

During the year, Zhejiang Communications Finance provided Huihang Co with short-term loan which bears variable interest rate amounted to Rmb15,000,000. The interest rate is 3.915% per annum as at December 31, 2016.

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Outstanding loan payable balances:		
repayable within one year	**15,000**	250,000
repayable over one year	**–**	250,000

	For the year ended 12/31/2016	For the year ended 12/31/2015
	Rmb'000	Rmb'000
Interest expenses incurred	**12,463**	26,290

Deposits to Zhejiang Communications Finance

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Bank balances and cash		
– Time deposits with original maturity over three months	**–**	65,000
– Cash and cash equivalents	**867,892**	480,471
	867,892	545,471

	For the year ended 12/31/2016	For the year ended 12/31/2015
	Rmb'000	Rmb'000
Interest income earned	**8,149**	3,295

56. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

Short-term loan advanced to Zhejiang Canal Concord Property Co., Ltd. ("Zhejiang Canal Concord")

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
Outstanding loan receivable balances	**420,000**	600,000
Interest receivables	**3,613**	34,436
	423,613	634,436
Analysed for reporting purpose as:		
Current assets (Note 29)	**423,613**	634,436

	For the year ended 12/31/2016	For the year ended 12/31/2015
	Rmb'000	Rmb'000
Interest income earned	**20,911**	44,912

During the year, the Group advanced additional entrusted loans to Zhejiang Canal Concord, a subsidiary of Zhejiang Concord Property, totalling Rmb540,000,000 (2015: Rmb100,000,000) and received settlement of loan principals and interests amounting to Rmb720,000,000 (2015: Rmb450,000,000) and Rmb54,317,000 (2015: Rmb53,215,000), 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 from 3.915% to 8% (2015: 8%) 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 Rmb8,691,000 (2015: Rmb7,392,000) including retirement benefit scheme contribution of Rmb201,000 (2015: Rmb210,000) 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	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			12/31/2016	12/31/2015	12/31/2016	12/31/2015	
		Rmb	%	%	%	%	
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	99.999454	99.999454	–	–	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
Development Co	Note 4	120,000,000	–	100	–	–	Operation of service areas as well as roadside advertising along the expressways operated by the Group
Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co")	Note 5	16,000,000	–	–	–	*70	Provision of advertising Services
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 6	8,000,000	100	100	–	–	Provision of vehicle towing, repair and emergency rescue services
Zheshang Securities	Note 7	3,000,000,000	–	–	**52.15	**52.15	Operation of securities business
Zheshang Futures	Note 8	500,000,000	–	–	***52.15	***52.15	Operation of securities business

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			12/31/2016	12/31/2015	12/31/2016	12/31/2015	
			%	%	%	%	
Zheshang Capital Management	Note 9	170,000,000	–	–	***52.15	***52.15	Operation of securities Management business
Zheshang Securities Asset Management Co., Ltd. ("Asset Management")	Note 10	500,000,000	–	–	***52.15	***52.15	Provision of asset management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 11	1,000,000	–	–	***52.15	***52.15	Provision of investment management and advisory services
Ningbo Dongfang Jujin Jiahua Investment Management Center (Limited Partnership) ("Dongfang Jujin Jiahua")	Note 12	29,150,000	–	–	***16.37	***16.37	Provision of investment management and advisory and private equity investments
Zhejiang Zheqi Co., Ltd. ("Zhejiang Zheqi")	Note 13	200,000,000	–	–	***52.15	***52.15	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 14	1,900,000,000	100	100	–	–	Management of the Jinhua Section of the Ningbo-Jinhua Expressway
Hanghui Co	Note 15	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 16	206,103,000	–	–	***23.48	***23.48	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 17	8,011,000	–	–	***52.15	***52.15	Trading of future
Huihang Co	Note 18	1,950,000,000	100	–	–	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

* The company is a subsidiary of Development Co and is accounted for as a subsidiary by virtue of the Group's control over it before the disposal of Development Co as disclosed in Note 49.

** 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.

*** 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: Development Co was established on May 28, 2003 in the PRC as a limited liability company. As disclosed in Note 49, Development Co was disposed during the year ended December 31, 2016.

Note 5: Advertising Co was established on June 1, 1998 in the PRC as a limited liability company. Advertising Co was disposed during the year ended December 31, 2016 along with the disposal of Development Co.

Note 6: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 7: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. On November 16, 2013, the board of directors of the Company announced that Zheshang Securities proposed to seek a separate listing of its shares as A shares on the Shanghai Stock Exchange. This proposed spin-off for separate listing has not yet been completed at the end of the reporting period.

Note 8: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company.

Note 9: 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.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Note 10: Asset Management was established on July 22, 2013 in the PRC as a limited liability Company.

Note 11: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 12: 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 of the Company 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 13: Zhejiang Zheqi was established on April 9, 2013 in 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 14: 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 15: 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 16: 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 of the Company 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 17: 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 18: 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, 2016, Zheshang Securities has issued subordinated bonds, corporate bonds, short-term loan note and beneficial certificates at the total principal amount of Rmb5,500,000,000, Rmb3,400,000,000, Rmb nil and Rmb4,128,340,000 (2015: Rmb7,200,000,000, Rmb1,500,000,000, Rmb600,000,000 and Rmb1,916,100,000), respectively.

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 year ended December 31, 2016 and 2015. Except for the structured entities the Group has consolidated as disclosed in Note 44, in the opinion of the directors of the Company, 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 Rmb138,379,856,000 and Rmb101,331,141,000 as at December 31, 2016 and 2015, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as available-for-sale financial investments and held for trading as appropriate. As at December 31, 2016 and 2015, the carrying amounts of the Group's interests in unconsolidated funds and asset management schemes are Rmb2,597,101,000 and Rmb795,382,000, respectively.

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	532,374	502,595
Prepaid lease payments	1,405	1,500
Expressway operating rights	3,537,136	3,882,369
Other intangible assets	663	1,760
Investments in subsidiaries	11,835,357	9,809,369
Investments in associates	1,000,776	377,484
Investment in a joint venture	373,470	373,470
Bonds receivables	–	305,230
	17,281,181	15,253,777

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2016	12/31/2015
	Rmb'000	Rmb'000
CURRENT ASSETS		
Inventories	750	1,597
Trade receivables	34,024	20,275
Other receivables	500,077	662,059
Prepaid lease payments	95	95
Available-for-sale investments	–	19,994
held for trading investment	80,000	80,000
Amount due from subsidiaries	1,524,639	9,419
Dividend receivable	217,625	20,494
Derivative financial asset	10,562	–
Bank balances and cash		
– Time deposits with original maturity over three months	–	10,000
– Cash and cash equivalents	746,679	131,338
	3,114,451	955,271
CURRENT LIABILITIES		
Trade payables	72,253	91,662
Tax liabilities	122,437	119,337
Other taxes payable	7,797	7,715
Other payables and accruals	246,488	284,758
Amount due to subsidiaries	2,524,533	1,011,286
Bank borrowings	2,031,895	1,350,000
Dividend payable	260,587	–
Short-term financing note payable	1,500,000	–
	6,765,990	2,864,758
NET CURRENT LIABILITIES	(3,651,539)	(1,909,487)
TOTAL ASSETS LESS CURRENT LIABILITIES	13,629,642	13,344,290

59. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2016 Rmb'000	12/31/2015 Rmb'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**89,214**	90,498
	89,214	90,498
	13,540,428	13,253,792
CAPITAL AND RESERVES		
Share capital	**4,343,115**	4,343,115
Reserves	**9,197,313**	8,910,677
	13,540,428	13,253,792

	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves Rmb'000	Investment valuation reserve Rmb'000	Dividend reserves Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Total Rmb'000
At December 31, 2015	4,343,115	3,645,726	2,365,858	(5)	1,216,072	18,666	1,664,360	13,253,792
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)	–
Transfer to reserves	–	–	–	–	–	–	–	–
At December 31, 2016	**4,343,115**	**3,645,726**	**2,365,858**	**–**	**1,281,219**	**18,666**	**1,885,844**	**13,540,428**

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 82 to 100, which comprise the consolidated statement of financial position as at December 31, 2016, 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, 2016, 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 equity available-for-sale financial assets measured at fair value	
We identified the measured at fair value impairment of available-for-sale equity instruments, which include equity securities, funds, and other investments as a key audit matter as the Group applied significant judgement in determining the impairment of available-for-sale equity instruments measured at fair value of Rmb3,059,301,000 as at December 31, 2016. For those available-for-sale equity instruments measured at fair value, the Group applied significant judgement to assess whether there is objective evidence of impairment. As disclosed in note 4, for listed available-for-sale 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. An impairment allowance of Rmb33,942,000 was recorded as at December 31, 2016 as disclosed in note 25.	Our procedures in relation to the impairment assessment of available-for-sale equity instrument measured at fair value included: • Understanding the processes and controls in determining impairment of available-for-sale 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 management, including quoted market prices and the duration for the continued decline of the fair value below the cost, against market data; • Checking management's calculations of the impairment allowance for available-for-sale financial assets 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 holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager and also as investor. The Group applied significant judgement in determining whether such investments fall within the consolidation scope under IFRS 10 "Consolidated Financial Statements". The effect of consolidation or not of these structured entities will 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 involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates 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. Details of consolidated structured entities and unconsolidated structured entities are set out in notes 44 and 58 to the consolidated financial statements respectively.	Our procedures in relation to management's determination of consolidation scope included: • Understanding the process and controls of management in determining the consolidation scope as set out in IFRS10 of interests in structured entities; • Checking the information used by the management in accessing the consolidation criteria of significant structured entities against the related 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; • Challenging and assessing management judgement in applying IFRS 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 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.

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

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Certified Public Accountants
(Registered as a Third Country Auditor with the UK Financial Reporting Council)

Shanghai, China
March 27, 2017

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

WANG Dongjie
DAI Benmeng
ZHOU Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Jun
PEI Ker-Wei
LEE Wai Tsang Rosa

SUPERVISORS

ZHANG Guohua
(Resigned, with effect from March 17, 2016)
WU Yongmin
(Resigned, with effect from August 18, 2016)
SHI Ximin
(Resigned, with effect from October 21, 2016)
HE Meiyun
(Appointed on December 28, 2016)
ZHAN Huagang
(with effect from March 30, 2017)
YAO Huiliang
LU Xinghai

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

ZHAN Xiaozhang
LUO Jianhu

STATUTORY ADDRESS

12/F, Block A, Dragon Century Plaza
1 Hangda Road
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PRC 310007
Tel : 86-571-8798 5588
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As to PRC law:
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Hangzhou City, Zhejiang Province
PRC 310007

Corporate Information

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Hong Kong

INVESTOR RELATIONS CONSULTANT

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16/F., Methodist House
36 Hennessy Road, Wanchai
Hong Kong
Tel : 852-2117 0861
Fax: 852-2117 0869

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Jiefang Road Branch
Shanghai Pudong Development Bank, Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

LONDON STOCK EXCHANGE PLC

Code: ZHEH

ADRS INFORMATION

US Exchange: OTC
Symbol: ZHEXY
CUSIP: 98951A100
ADR: H Shares 1:10

REPRESENTATIVE OFFICE IN HONG KONG

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Location Map of Expressways in Zhejiang Province