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

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

(Stock code: 0576)

2017 Annual Results Announcement

- Revenue was Rmb9,626.34 million, representing a decrease of 1.1% year-on-year
- Profit attributable to owners of the Company amounted to Rmb3,202.13 million, representing an increase of 5.4% year-on-year
- Basic earnings per share was Rmb73.73 cents, and diluted earnings per share was Rmb71.36 cents
- A final dividend of Rmb30.0 cents per share is recommended

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2017 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb9,626.34 million, representing a decrease of 1.1% over 2016. Profit attributable to owners of the Company was Rmb3,202.13 million, representing an increase of 5.4% year-on-year. Basic earnings per share for the Period was Rmb73.73 cents (2016: Rmb69.94 cents), and diluted earnings per share for the Period was Rmb71.36 cents (2016: Rmb69.94 cents).

The Directors have recommended to pay a final dividend of Rmb30.0 cents per share (2016: Rmb29.5 cents). The final dividend is subject to shareholders’ approval at the 2017 annual general meeting of the Company and is expected to be paid by no later than August 31, 2018. Together with the interim dividend of Rmb6 cents per share that has already been paid, the total dividend payout during the Period is Rmb36.0 cents per share (2016: Rmb35.5 cents).

The audit committee of the Company has reviewed the Group's annual results of the Period. Set out below are the audited consolidated statement of profit or loss and other comprehensive income for the Period and consolidated statement of financial position as at December 31, 2017, together with the comparative figures for 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the year ended December 31,	
	2017	2016
<i>Notes</i>	<u>Rmb'000</u>	<u>Rmb'000</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
– Fair value gain during the year	276,849	114,883
– Reclassification adjustments for cumulative gain upon disposal	(105,560)	(64,791)
Share of other comprehensive expense of associates	(2,672)	(205)
Exchange differences arising on translation	(605)	511
Income tax relating to items that may be reclassified subsequently	(42,822)	(12,523)
	<u>125,190</u>	<u>37,875</u>
Other comprehensive income for the year, net of income tax		
	<u>125,190</u>	<u>37,875</u>
Total comprehensive income for the year	<u>4,116,222</u>	<u>3,846,484</u>
Total comprehensive income attributable to:		
Owners of the Company	3,259,347	3,057,158
Non-controlling interests	856,875	789,326
	<u>4,116,222</u>	<u>3,846,484</u>
Earnings per share	7	
From continuing and discontinued operations		
Basic (Rmb cents)	<u>73.73</u>	<u>69.94</u>
Diluted (Rmb cents)	<u>71.36</u>	<u>69.94</u>
From continuing operations		
Basic (Rmb cents)	<u>73.73</u>	<u>68.09</u>
Diluted (Rmb cents)	<u>71.36</u>	<u>68.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as disclosed below, the accounting policies and methods of computation applied in the consolidated financial statements for the Period are consistent with those in the preparation of the Group’s annual financial statements for the year ended December 31, 2016.

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Amendments to HKAS 7 *Disclosure Initiative*

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

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

Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the General Manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.
- (ii) Securities operation – the securities broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.
- (iii) Other operation – properties development, hotel operation and other ancillary services.

Segment revenue and results

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

For the year ended December 31, 2017

Continuing operations

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

For the year ended December 31, 2016

Continuing operations

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

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

Segment assets and liabilities

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

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

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

Other segment information

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

For the year ended December 31, 2017

Continuing operations

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Income tax expense	845,248	339,462	7,559	1,192,269
Interest income on bank balances and entrusted loan receivables	25,945	–	72	26,017
Interest expense	135,275	476,472	–	611,747
Interests in associates	–	317,163	1,369,064	1,686,227
Interest in a joint venture	303,065	–	–	303,065
Share of (loss) profit of associates	–	(7,466)	168,968	161,502
Share of profit of a joint venture	17,668	–	–	17,668
Gain on fair value changes on held for trading investments	174	525,491	–	525,665
Gain on decrease in fair value in respect of the derivative component of Convertible Bond (as defined in Note 10)	149,479	–	–	149,479
Additions to non-current assets (Note)	106,652	306,397	30,356	443,405
Depreciation and amortisation	1,283,545	110,401	19,137	1,413,083
Loss on disposal of property, plant and equipment	2,484	1,081	–	3,565

For the year ended December 31, 2016
Continuing operations

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

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

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:

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

Geographical information

The Group's operations are located in the PRC. All non-current assets of the Group are located in the PRC.

All of the Group's revenue from external customers is attributable to the group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2017 and 2016, there are no individual customers with sales over 10% of the total sales of the Group.

4. OTHER INCOME AND GAINS AND LOSSES

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

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

5. INCOME TAX EXPENSE

	For the year ended	
	December 31,	
	2017	2016
	<i>Rmb'000</i>	<i>Rmb'000</i>
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	1,211,926	1,216,487
Deferred tax	(19,657)	(54,917)
	<u>1,192,269</u>	<u>1,161,570</u>

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

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

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

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

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	For the year ended December 31,	
	2017	2016
	<i>Rmb'000</i>	<i>Rmb'000</i>
Profit for the year attributable to owners of the Company	3,202,130	3,037,405
Less:		
Profit for the year from discontinued operations	—	(80,114)
Earnings for the purpose of basic earnings per share from continuing operations	3,202,130	2,957,291
Effect of dilutive potential ordinary shares arising from Convertible Bond	16,180	—
Earnings for the purpose of diluted earnings per share from continuing operations	3,218,310	2,957,291

Number of shares

	For the year ended December 31,	
	2017	2016
	<i>'000</i>	<i>'000</i>
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from Convertible Bond	166,746	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,509,861	4,343,115

For continuing and discontinued operations

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

	For the year ended December 31,	
	2017	2016
	<i>Rmb'000</i>	<i>Rmb'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	3,202,130	3,037,405
Effect of dilutive potential ordinary shares arising from Convertible Bond	16,180	–
Earnings for the purpose of diluted earnings per share	3,218,310	3,037,405

For discontinued operations

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

8. TRADE RECEIVABLES

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

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

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities Co., Ltd. ("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:

	As at December 31, 2017 <i>Rmb'000</i>	As at December 31, 2016 <i>Rmb'000</i>
Within 3 months	222,020	263,822
3 months to 1 year	20,468	9,409
1 to 2 years	2,010	1,484
Over 2 years	89	603
Total	<u>244,587</u>	<u>275,318</u>

Movement of allowance for doubtful debts

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

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.

9. 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:

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

10. CONVERTIBLE BOND

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

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

(1) Conversion right

The Convertible Bond will, at the option of the holder (the “Bondholders”), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price”) of HK\$13.10 per H share and a fixed exchange rate of HK\$8.2964 to Euro1.00 (the “Fixed Exchange Rate”). The Conversion Price is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price is HK\$12.54 per H share.

(2) Redemption

(i) Redemption at maturity

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

(ii) Redemption at the option of the Company

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

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

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

(iii) Redemption at the option of the Bondholders

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

The Convertible Bond comprises two components:

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

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

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss immediately. Transaction costs amounting to approximately Euro1,855,000 (equivalent to Rmb13,646,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond using the effective interest method.

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

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

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

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

BUSINESS REVIEW

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

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

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

Toll Road Operations

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

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

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

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

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

Securities Business

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

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

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

Other Business Operations

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

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb100.98 million for the Period. Qiyu Apartments during the Period realized sales revenue of Rmb47.87 million.

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (“Shengxin Co”, a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 19,211, representing an increase of 13.2% year-on-year. Toll revenue during the Period was Rmb399.34 million. During the Period, the joint venture reported a net profit of Rmb35.34 million. (2016: net profit of Rmb19.59 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate of the Company), derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, the associate company realized a net profit of Rmb321.40 million (2016: net profit of Rmb122.57 million).

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate of the Company), was involved in the finance leasing business, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the China Banking Regulatory Commission. During the Period, the associate company realized a net profit of Rmb265.25 million (2016: net profit of Rmb134.15 million).

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was approximately Rmb3,202.13 million, representing an increase of 5.4% year-on-year, basic earnings per share for the Company from continuing and discontinued operations was Rmb73.73 cents, representing an increase of 5.4%, diluted earnings per share for the Company from continuing and discontinued operations was Rmb71.36 cents, representing an increase of 2.0%, and return on owners' equity was 15.5%, representing a decline of 6.6% year-on-year.

Liquidity and financial resources

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

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

During the Period, net cash used in the Group's operating activities amounted to Rmb829.67 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

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

Borrowings and solvency

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

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

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

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

As at December 31, 2017, the asset-liability ratio (total liabilities over total assets) of the Group was 60.3% (December 31, 2016: 67.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 50.3% (December 31, 2016: 55.0%).

Capital structure

As at December 31, 2017, the Group had Rmb29,204.35 million in total equity, Rmb39,148.79 million in fixed-rate liabilities, Rmb421.80 million in floating-rate liabilities, and Rmb4,875.58 million in interest-free liabilities, representing 39.7%, 53.2%, 0.6% and 6.5% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 101.1% as at December 31, 2017 (December 31, 2016: 122.1%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb 436.31 million. Amongst the total capital expenditure, Rmb 218.91 million was incurred for acquiring equity investments, Rmb51.06 million was incurred for acquisition and construction of properties, and Rmb166.34 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2017, the capital expenditure committed by the Group totaled Rmb812.14 million. Amongst the total capital expenditures committed by the Group, Rmb360.00 million will be used for acquiring equity investments, Rmb162.02 million will be used for acquisition and construction of properties and Rmb290.12 million for acquisition and construction of equipment and facilities.

The Group will consider financing the above-mentioned capital expenditure commitments with internally generated cash flow first and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb209.00 million of the bank loans had been repaid. As at December 31, 2017, the remaining bank loan balance is Rmb1,683.00 million.

Except for the above, as at December 31, 2017, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) borrowing HK\$432.53 million on June 8, 2016 and repayment on the borrowing on June 8, 2017, and (iii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iv) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro 365.00 million in Hong Kong capital market, the Group's principal operations were transacted and booked in Renminbi.

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

OUTLOOK

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

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

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

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

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

By Order of the Board
Zhejiang Expressway Co., Ltd.
ZHAN Xiaozhang
Chairman

Hangzhou, the PRC, March 16, 2018

As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie and Mr. DAI Benmeng; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang, Rosa.