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

STOCK CODE : 0576

Striving For Excellence

2019 Annual Report

Striving For Excellence

The image on the cover is Xihoumen Bridge, which is an important section of Zhoushan Bay Bridge and was awarded the Outstanding Project Award of the year 2015 by FIDIC (International Federation of Consulting Engineers).

2019
ANNUAL REPORT

CONTENTS

Definition of Terms

Associate	has the meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
China Merchants	China Merchants Expressway Network & Technology Holdings Co Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
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 in the PRC, on December 29, 2001 and the controlling shareholder of the Company
Connected Person	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
De'an Co	Deqing County De'an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), a 80.1% owned subsidiary of the Company, which is established with Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司) for PPP Project in Deqing County
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company
Huihang Co	Huangshan Yangtze Huihang Expressway Co., Ltd (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Independent third party(ies)	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
Jiaogong Maintenance	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd. (浙江交工高等級公路養護有限公司), an indirectly non-wholly owned subsidiary of Communications Group
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd. (浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd. (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Maintenance Co	Zhejiang Expressway Maintenance Co., Ltd. (浙江滬杭甬養護工程有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of Communications Group
Ningbo Expressway Co	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. (浙江寧波甬台温高速公路有限公司), a limited liability company established in the PRC on April 26, 2004 and an approximately 80.45% owned subsidiary of Communications Group
Period	the period from January 1, 2019 to December 31, 2019
PRC	the People's Republic of China
Previous Transactions I	the agreements entered into or completed within a 12-month period prior to the date of the Expressway Services Agreements between or among the Group and Communications Group's associates in relation to information technology service and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated August 7, 2018 and November 20, 2018 respectively
Previous Transactions II	the agreements entered into or completed within a 12-month period prior to the date of the Supporting Services Agreement between or among the Group and Communications Group's associates in relation to information technology service and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated August 7, 2018, November 20, 2018 and September 12, 2019 respectively

Previous Transactions III	(i) a number of road maintenance agreements entered into between the Company (or the relevant subsidiaries of the Company) and Maintenance Co on April 8, 2016 pursuant to which Maintenance Co agreed to provide the maintenance services to the Jinhua Section, Ningbo-Jinhua Expressway, the Hanghui Expressway, Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway; (ii) the dedicated road maintenance agreement entered into between the Company and Maintenance Co on May 28, 2018, pursuant to which Maintenance Co agreed to provide dedicated maintenance services in respect of Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway; and (iii) the asphalt pavement on-site thermal regeneration engineering agreement entered into between the Company and Zhejiang Shunchang on August 7, 2018, pursuant to which Zhejiang Shunchang agreed to provide engineering services to the Shanghai-Hangzhou-Ningbo Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and the Huihang Expressway
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 joint stock limited company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants, respectively
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
Shenjiahuhang Co	Zhejiang Shenjiahuhang Expressway Co., Ltd.(浙江申嘉湖杭高速公路有限公司), a wholly-owned subsidiary of the Company
SRCB	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) a 5.36% owned associate 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 10.612% 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
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
Zhejiang Grand Hotel	Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company
Zhejiang Hongtu	Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司), a limited liability company incorporated in the PRC and non-wholly owned by Communications Group
Zhejiang International Hong Kong	Zhejiang Expressway International (Hong Kong) Co., Ltd. (浙江滬杭甬國際(香港)有限公司), a wholly-owned subsidiary of the Company
Zhejiang Shipping	Zhejiang Shipping Group Co., Ltd. (浙江省海運集團有限公司), a limited liability company established in the PRC on February 1, 1981, a wholly owned subsidiary of Communications Group
Zhejiang Shunchang	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. (浙江順暢高等級公路養護有限公司), a non-wholly owned subsidiary of Communications Group
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 63.7445% owned subsidiary of the Shangsan Co
Zhoushan Co	Zhejiang Zhoushan Bay Bridge Co., Ltd.(浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co

Company Profile

Zhejiang Expressway is a listed company principally engaging in investing in, developing and operating of high-grade roads as well as securities business. The Company was incorporated on March 1, 1997 as an infrastructure company of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province. The securities business is carried out by its subsidiary Zheshang Securities, which was listed on the Shanghai Stock Exchange (SH Stock Code: 601878) in June 2017.

Major assets operated by the Group include seven expressways namely the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 93 km Shenjiahuhang Expressway and the 46 km Zhoushan Bay Bridge. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the six expressways are situated within Zhejiang Province in the PRC. As at December 31, 2019, total assets of the Company and its subsidiaries amounted to Rmb104,576.95 million.

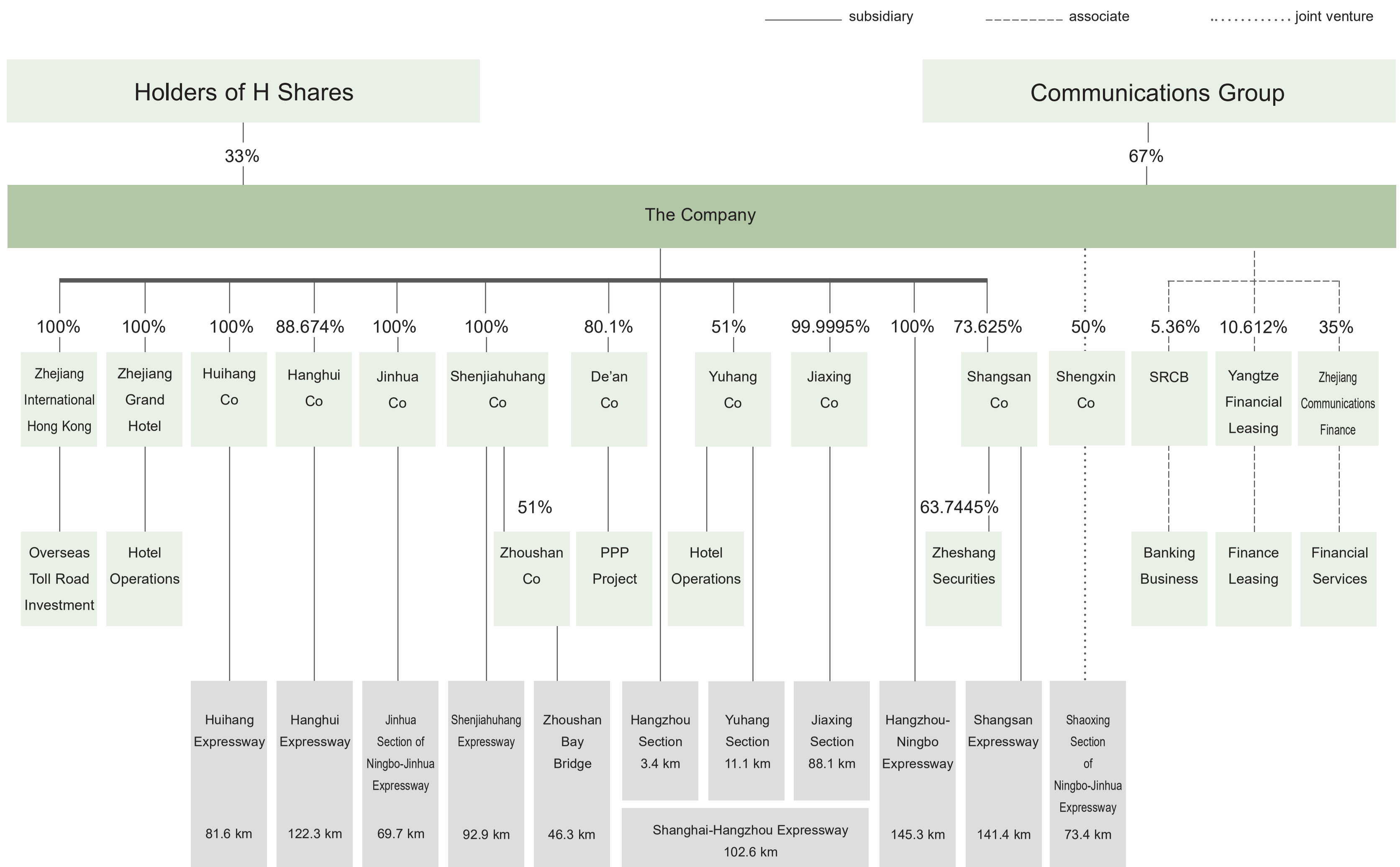
Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a provincial-level communications company which is wholly-owned by the State and established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates. On July 11, 2016, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communications Group and Zhejiang Railroad Investment Group Co., Ltd. In July 2018, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communication Group and Zhejiang Commercial Group Co., Ltd. Upon merger and restructuring, Communications Group will be responsible for the investment and financing, construction, operation and management of transport related fundamental facilities including expressways, railroads, key cross-region mass transit railways and integrated transport hubs.

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

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

Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at March 31, 2020



Review of Major Corporate Events

1. On March 4, 2019, the Company held its Extraordinary General Meeting to approve the Equity Transfer Agreement entered into between the Company and Communications Group to conditionally acquire 100% equity interest in Shenjiahuhang at a consideration of Rmb2,943 million, and approve the issue of the mid-term notes of not more than Rmb3,000 million with term not more than five years.

2. On March 18, 2019, the Company announced its 2018 annual results in Hong Kong.

3. On May 5, 2019, the Company announced its 2019 first quarterly results.

4. On May 31, 2019, the Company held its Annual General Meeting to approve, inter alia, the payment of a dividend of Rmb37.5 cents per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the international auditors of the Company, the reappointment of Pan-China Certified Public Accountants LLP as the PRC auditors of the Company, the increase in annual caps for Deposit Services under the New Financial Services Agreement with Zhejiang Communications Finance, and the grant of general mandate to the Board to issue, allot and deal in new H shares of not more than 20% of the issued H shares of the Company.

5. On June 5, 2019, the Company and Zhejiang Shipping entered into the Equity Transfer Agreement to acquire the entire equity interest in Zhejiang Grand Hotel (浙江大酒店) at a consideration of approximately Rmb1,010 million.

6. On August 9, 2019, the Company entered into the Capital Contribution Agreement with Zhejiang Communications Finance and the Existing Shareholders to contribute an amount of Rmb350 million into the equity capital of Zhejiang Communications Finance.

7. On August 23, 2019, the Company announced its 2019 interim results.

8. On September 23, 2019, the Company successfully issued the asset-backed securities under GSUM Fund – Zheshang Management – Huihang Expressway Asset-backed Securities Plan (中聯基金－浙商資管－滬杭甬徽杭高速資產支持專項計劃) in the amount of Rmb2,013 million, which were listed for trading on Shanghai Stock Exchange on October 18, 2019 as the first infrastructure REIT (real estate investment trust) in the domestic market.

9. On October 31, 2019, the Company announced its 2019 third quarterly results.

10. On October 31, 2019, the Board approved the Company's management of the 2km Fuchi-Cengang section of Ningbo-Zhoushan Port main corridor as entrusted by Communications Group.

11. On December 23, 2019, the Company held its Extraordinary General Meeting to approve the issue of H share convertible bonds with an aggregate principal amount up to Euro400 million.

    On the same date, the Company formed a consortium company with five other enterprises, namely China Merchants Expressway Network & Technology Holdings Co., Ltd., China Merchants United Development Co., Ltd., Jiangsu Expressway Company Limited, Sichuan Expressway Company Limited and Anhui Expressway Company Limited, to enter into the Acquisition Agreement with the Turkish company IC Ictas, in which the Chinese consortium contemplated to acquire 51% equity interest in the project company for the Third Bridge in Istanbul and the Northern Marmara Expressway and the related shareholder loan and 51% equity interest in its maintenance company at a consideration of USD688.5 million (among which USD120.5 million were funded by the Company).

12. On January 1, 2020, as demanded by the China Ministry of Transport to remove expressway toll stations at provincial borders, the Company removed its 5 expressway toll stations at provincial borders to fully implement nationwide grid connection of non-stop electronic toll collection.

13. On February 3, 2020, the Company held its Extraordinary General Meeting to elect Mr. YUAN Yingjie as non-executive Director and Mr. ZHENG Ruchun as supervisor representing shareholders.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Roads	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	8	7	2	1998	9
– Yuhang Section	51%	11.1	6	1	0	1995-1998	9
– Hangzhou Section	100%	3.4	4	2	0	1995	9
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	15.7	4	1	0	1992	8
– Hongken to Duantang section	100%	123.4	8	9	2	1995	8
– Duantang to Dazhujia section	100%	6.2	4	1	0	1996	8
Shangsan Expressway	73.625%	141.4	4	11	3	2000	11
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	11
Hanghui Expressway							
– Changyu Section	88.674%	36.7	4	5	1	2004	10
– Changhang Section	88.674%	85.6	4	8	1	2006	12
Huihang Expressway	100%	81.6	4	5	2	2004	14
Shenjiahuhang Expressway							
– Huzhou Section	100%	42.0	4	3	1	2008	14
– Lianhang Section	100%	50.9	4	7	1	2010	16
Zhoushan Bay Bridge	51%	46.3	4	8	1	2009	15

Current Toll Rates on the Expressways under the Group

1. Passenger vehicle classification and toll rates

Toll for passenger vehicles = Trip fee + Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Vehicle Class	Classification standard	Toll rates of expressways in Zhejiang Province for passenger vehicles		Toll rates of Huihang Expressway for passenger vehicles
		Mileage fee (Rmb/vehicle/km)	Trip fee (Rmb/trip)	Mileage fee (Rmb/vehicle/km)
1 Passenger vehicle	≤ 9 seats (with a length less than 6m)	0.40	5	0.45
2 Passenger vehicle	10-19 seats (with a length less than 6m) Passenger car trailer	0.40	5	0.8
3 Passenger vehicle	≤39 seats (with a length no less than 6m)	0.80	10	1.1
4 Passenger vehicle	≥40 seats (with a length no less than 6m)	1.20	15	1.3

Note: For Shanghai-Hangzhou Expressway, the mileage fee for class 1 and class 2 passenger vehicles is Rmb0.45/vehicle/km.

2. Truck and special motor vehicle classification and toll rates

Toll for trucks and special motor vehicles = Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Class	Classification standard	Toll rates of expressways in Zhejiang Province for trucks and special motor vehicles (Rmb/vehicle/km)	Toll rates of Huihang Expressway for trucks and special motor vehicles (Rmb/vehicle/km)
Class 1	2 axles (with a length less than 6m and maximum authorized total weight less than 4,500kg)	0.45	0.45
Class 2	2 axles (with a length no less than 6m and maximum authorized total weight no less than 4,500kg)	0.841	0.9
Class 3	3 axles	1.321	1.35
Class 4	4 axles	1.639	1.7
Class 5	5 axles	1.675	1.85
Class 6	6 axles or above (inclusive)	1.747	2.2

Notes:

1. Total number of axles includes floating axles.

2. For trucks with 6 axles above running on Huihang Expressway, toll rates of trucks with each additional axle shall be calculated at 1.1 times of the standard rate for Class 6 trucks; whereas toll rates of trucks with 10 axles or above shall be calculated at the standard rate for trucks with 10 axles.

Financial and Operating Highlights

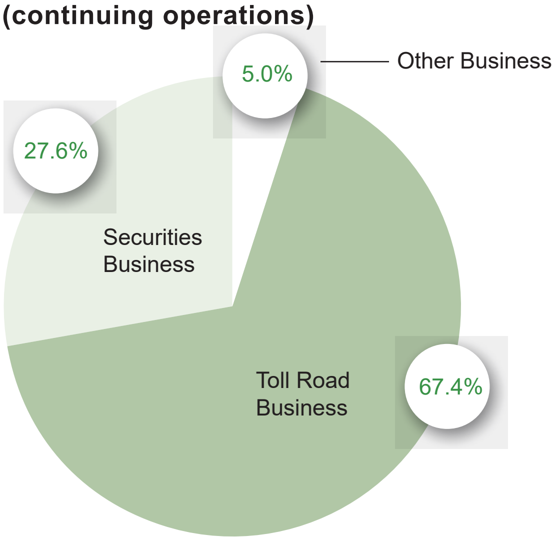
Results

	Year ended December 31, 2015 Rmb'000 (Restated)	2016 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2018 Rmb'000 (Restated)	**2019 Rmb'000**
Continuing operations:					
Revenue	11,874,006	10,978,928	11,080,513	11,192,199	**11,955,266**
Profit Before Tax	4,612,024	4,434,380	4,946,212	5,107,967	**5,766,594**
Income Tax Expense	(1,336,120)	(1,112,066)	(1,165,941)	(1,113,454)	**(1,351,695)**
Profit for the year from continuing operations	3,275,904	3,322,314	3,780,271	3,994,513	**4,414,899**
Discontinued operations:					
Profit for the year from discontinued operations	60,830	81,594	–	–	**–**
Profit for the year (from continuing and discontinued operations) attributable to:					
Owners of the Company	2,483,154	2,757,089	3,097,355	3,515,095	**3,711,118**
Non-controlling interests	853,580	646,819	682,916	479,418	**703,781**
Basic Earnings Per Share (EPS) (From continuing and discontinued operations)	57.17 cents	63.48 cents	71.32 cents	80.94 cents	**85.45 cents**
Diluted EPS (From continuing and discontinued operations)	57.17 cents	63.48 cents	69.04 cents	76.27 cents	**82.37 cents**

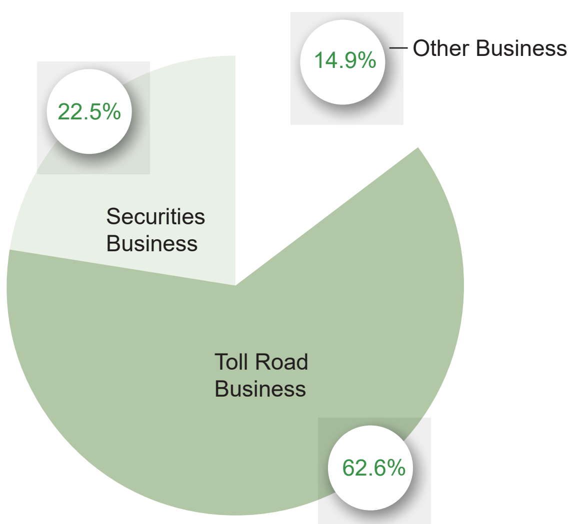
RETURN ON EQUITY (ROE)

	2015	2016	2017	2018	2019
ROE	14.6%	15.0%	14.6%	15.0%	17.2%

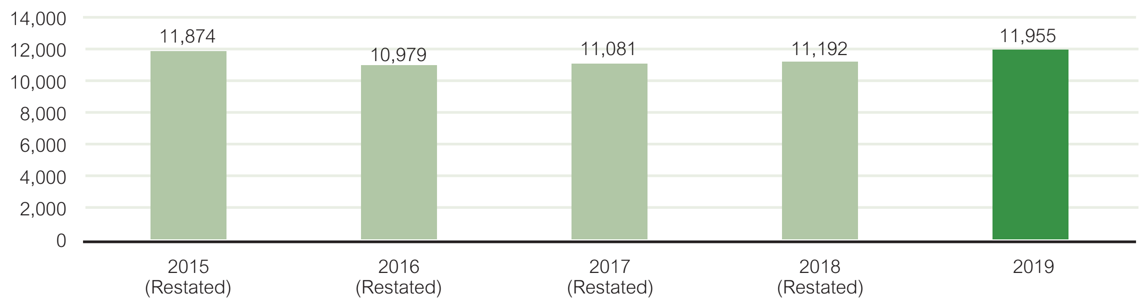
Segmental Revenue / 2019
(continuing operations)



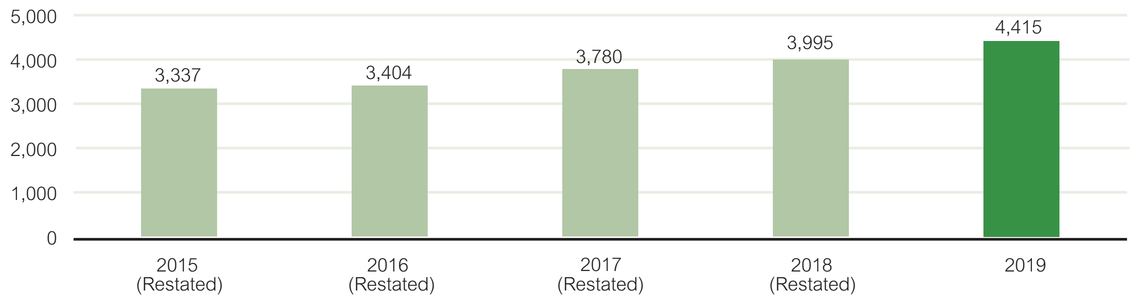
Segmental Net Profit / 2019



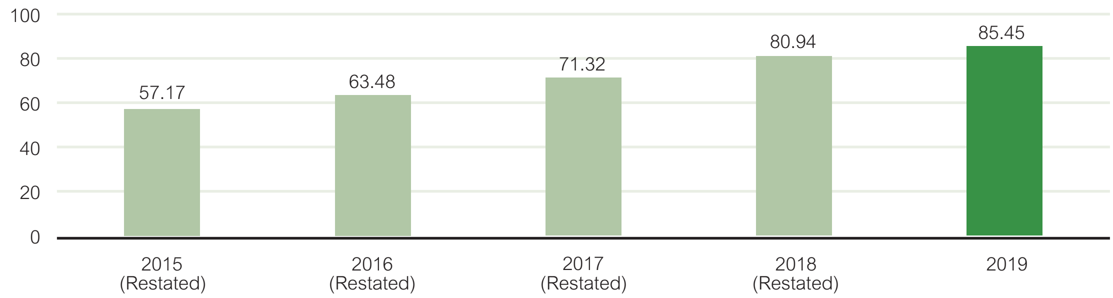
Revenue / Rmb Million (Continuing operations)



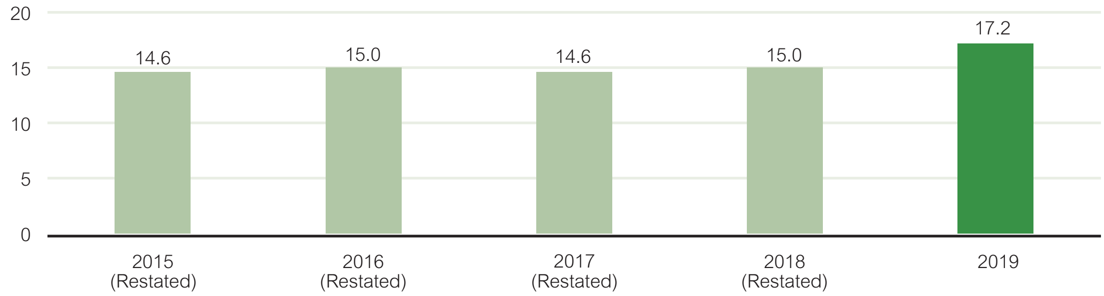
Net profit / Rmb Million (Continuing and discontinued operations)



Basic EPS / Rmb Cents (Continuing and discontinued operations)



ROE / %




YU Zhihong
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual results of Zhejiang Expressway ("ZJE" or "the Company"), and its subsidiaries (collectively referred to as "the Group") for the year 2019.

In 2019, China's GDP grew by 6.1% and the overall economy grew at a steady pace despite facing downward pressure. GDP for Zhejiang Province surpassed Rmb6 trillion for the first time with a growth rate of 6.8%, exceeding both the expected and national level. During the year, robust development of the digital economy within the province served as a major engine for growth, with value added from the digital economy's core industries rising by 15%. Digital economy development also served as a catalyst for developing 5G commercial network.

2019 was a year marked by both opportunities and challenges. The Chinese economy faced a complex mix of headwinds resulting from domestic and overseas factors, but development remained stable with steady progress. However, in light of a slowing global economy and increasing risks, downward pressure remained relatively high. During the period, the Group adhered to the strategic positioning of the "three platforms" (the expressway operation management platform, the marketized transportation infrastructure project investment and financing platform, and the asset-backed securities platform). The Group also continued to reform and innovate in order to further strengthen its competitive advantages, ability to innovate, risk resistance capability and sustainability. During the year, while traffic volume growth slowed under the Group, the securities business recorded steady growth as it benefited from a recovery in overall capital market activity. Revenue increased by 6.8% year-on-year to Rmb11,955.27 million, and profit attributable to owners of the Company increased by 5.6% year-on-year to Rmb3,711.12 million. ROE (return on equity) for the year remained relatively high at 17.2%. Dividend for the year recommended by the directors was Rmb35.5 cents per share, an indication of our ability to provide stable shareholder returns.

The Group's core toll road operations business recorded toll revenue of Rmb8,061.01 million during the period, which contributed 67.4% of total revenue. During the period, the Group continued to actively build a renowned brand for expressway operations and services, with an aim to improve service quality and strengthen its reputation. During the period, the Group accomplished its annual objectives, remained highly innovative and achieved several milestones, especially in terms of developing intelligent expressways, which in turn enhanced its industry-leading position. The Group actively implemented the intelligent upgrade program of the Shanghai-Hangzhou-Ningbo Expressway, accelerated research and development of intelligent software, application of informatization technology and construction of digitalized facilities. The Group also completed the construction of expressway big data platform and actively built a digitalized infrastructure management platform. In addition to those accomplishments, the Group effectively completed the removal of expressway toll stations on provincial borders and actively promoted ETC (Electronic Toll Collection) payments, with an aim to build an interconnected operating system across the nation. The Group strived to offer safe, smooth, convenient, efficient, intelligent and green transportation infrastructure services, in order to improve service quality and operational efficiency. With the continuous development and application of technology, we see high growth potential in the market of intelligent expressway management systems.

Chairman's Statement

While the Group continued to focus on strengthening its core toll road operations business, it also proactively promoted the expansion of market-oriented and internationalization projects, and explored acquisition opportunities for toll road projects overseas. During the period, the Group, along with six companies including China Merchants, China Merchants United and Jiangsu Expressway, jointly set up a consortium and entered an agreement in December 2019 to acquire equity stake in Turkey's ICA Project Company, which represented the first international acquisition project for our core business. The successful acquisition was a significant breakthrough for domestic expressway companies in terms of collaboration for overseas business development. The primary project of the Turkey's ICA Project Company connects key cities of the "Belt and Road" network, including Istanbul and other adjacent cities. It is the only thoroughfare for freight vehicle transit over the Bosphorus Strait, connecting Asia and Europe.

During the period, performance of the Group's securities business remained stable and made progress, as benefited from a rebounding domestic capital market. Revenue increased by 13.0% to Rmb3,300.78 million. The Group strived to support and implement the "Phoenix Action" plan of Zhejiang Province. Zheshang Securities' competitive positioning improved as it recorded a new historical high in terms of number of IPO projects. The business also achieved top bond issuance rankings in terms of both number and volume of bonds issued across the province. During the period, Zheshang Securities steadily expanded its diversified financial services by setting up alternative investment subsidiaries, which were granted two new licenses for dealing in Hong Kong securities.

The Group has also been exploring new opportunities to reinforce profit growth in recent years. During the period, the Group acquired Zhejiang Grand Hotel in June 2019 and has fully completed injection of capital assets. Zhejiang Grand Hotel, in leveraging its prime location, enhanced its service portfolio and expanded its marketing channels to improve both quality and efficiency of service delivery. In addition, the Group actively participated in the governance and operation of its joint-stock companies, including Yangtze Financial Leasing and Shanghai Rural Commercial Bank, in order to support their business development. The profit contribution from these joint-stock financial institutions to the Group continued to improve.

At the start of 2020, the outbreak of the novel coronavirus (Covid-19) negatively impacted financial markets, the economy and people's livelihoods around the world, including China, raising significant global concerns. The Group will face near-term challenges, but with its solid core competence, the Group is confident that it will effectively manage and mitigate the negative impact that the outbreak may have on the business. Looking ahead, the Group will adhere to our objective of "striving for excellence" and we will continue to promote high-quality sustainable development. The Group will seek to seize opportunities amid the challenging market conditions and earnestly promote key projects to new levels. In leveraging its extensive experience in transportation infrastructure operations, competitive advantages in investment and financing, as well as financial services, the Group will adhere to its strategic guidance, drive innovation and improve efficiency. In doing so, the Group will steadily target new infrastructure investments and M&A projects, and generate new industrial and profit growth channels.

The Group will continue to build a brand for expressway operations and services for the core toll road operations business. In achieving that, the Group will draw on experience from the Turkey project in order to accelerate the implementation of an international development strategy and management mechanism. In addition, the Group will increase investment in expressway resources within Zhejiang Province and proactively promote the construction of intelligent expressways. For the securities business, the Group will drive innovation of financial services, with an aim to improve its core competitiveness and become a top-tier securities company in China.

On behalf of the Board, I would like to thank everyone who has supported our company, including our investors, shareholders, business partners, customers, management team and employees. As we look ahead, we will work diligently together and harness the strength of our collaborative spirit to achieve efficient management, safeguard the overall interests of the Company and generate greater value for shareholders.

YU Zhihong
Chairman

March 20, 2020

Striving to Efficiently Achieve Targets and Provide Stable Returns to Shareholders

The Group continued to reform and innovate in order to further strengthen its competitive advantages, ability to innovate, risk resistance capability and sustainability. The return on equity for the year was 17.2%, remaining at a relatively high level. The dividend for the year recommended by the board of directors was Rmb35.5 cents per share, providing shareholders with stable returns.

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

LUO Jianhu

Executive Director and General Manager

Toll Road Operations

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

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

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

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

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway and the 46km Zhoushan Bay Bridge was Rmb8,061.01 million.

Proactively Expanding the Core Toll Road Operations Business and Participating in Overseas M&A Projects

The Group accomplished its annual objectives, promoted innovation-driven development strategy and developed intelligent expressways steadily, which in turn enhanced its service quality and brand image. In addition, the Group proactively promoted the expansion of market-oriented and internationalization projects, and explored acquisition opportunities for toll road projects overseas. In 2019, the Group successfully participated in the acquisition of equity stake in Turkey's ICA Project Company, which represented the first international acquisition project for our core business.

During the Period, the daily average traffic volume in full-trip equivalents, toll revenue and the corresponding year-on-year growth rates on the Group's expressways are listed in the table below:

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

Securities Business

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

Performance of Zheshang Securities Remained Stable and Made Progress, with the Aim to Become a Top-tier Player in the Securities Industry in China

The competitive advantages of the Group's securities business continued to improve, paving the way towards its goal of becoming "a top-tier player in the securities industry in China". In 2019, Zheshang Securities recorded a new historical high in terms of the number of reserved IPO projects, and achieved top rankings in bond issuance in terms of both number and volume of bonds issued across Zhejiang Province.

During the Period, Zheshang Securities recorded total revenue of Rmb3,300.76 million, an increase of 13.0% year-on-year, of which, commission and fee income increased 18.1% year-on-year to Rmb1,727.94 million, and interest income from the securities business was Rmb1,572.82 million, an increase of 7.8% year-on-year. In addition, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb1,343.47 million (2018: securities investment gains of Rmb512.45 million).

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

Other Business Operations

Other business revenue was mainly derived from hotel operations and road construction. Zhejiang Grand Hotel, operated by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb71.24 million for the Period (2018: revenue of Rmb71.76 million). Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb98.34 million for the Period (2018: revenue of Rmb106.10 million).

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 21,655, representing an increase of 4.72% year-on-year. Toll revenue was Rmb426.73 million (2018: toll revenue of Rmb417.38 million). The joint venture reported a net profit of Rmb69.88 million (2018: net profit of Rmb60.07 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate of the Company) derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, the associate company recorded a net profit of Rmb400.77 million (2018: net profit of Rmb409.80 million).

Management Discussion and Analysis

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

Shanghai Rural Commercial Bank Co., Ltd. (a 5.36% owned associate of the Company) is primarily engaged in commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. The associate company has not disclosed 2019 annual results.

FINANCIAL ANALYSIS

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

During the Period, profit attributable to owners of the Company was approximately Rmb3,711.12 million, representing an increase of 5.6% year-on-year, basic earnings per share for the Company was Rmb85.45 cents, representing an increase of 5.6%, diluted earnings per share for the Company was Rmb82.37 cents, representing an increase of 8.0%, and return on owners' equity was 17.2%, representing an increase of 14.7% year-on-year.

Liquidity and financial resources

As at December 31, 2019, current assets of the Group amounted to Rmb68,703.77 million in aggregate (December 31, 2018 (Restated): Rmb58,116.66 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 12.2% (December 31, 2018 (Restated): 11.8%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.3% (December 31, 2018 (Restated): 25.4%), financial assets at FVTPL accounted for 32.4% (December 31, 2018 (Restated): 37.1%), and loans to customers arising from margin financing business accounted for 12.7% (December 31, 2018 (Restated): 10.1%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2019 was 1.40 (December 31, 2018 (Restated): 1.50). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.60 (December 31, 2018 (Restated): 1.80).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2019 was Rmb22,235.48 million (December 31, 2018: Rmb21,558.61 million), of which 78.2% was invested in bonds, 3.7% was invested in stocks, 10.6% was invested in equity funds, and the rest were invested in structured products and trust products.

During the Period, net cash from the Group's operating activities amounted to Rmb382.75 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to last year.

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

	As at December 31,	
	2019	2018
	Rmb'000	Rmb'000
		(Restated)
Cash and cash equivalents	**8,076,598**	6,601,784
Time deposits	**302,726**	280,913
Financial assets at fair value through profit or loss	**22,235,480**	21,558,606
Total	**30,614,804**	28,441,303

Management Discussion and Analysis

Borrowings and solvency

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

As at December 31, 2019, total interest-bearing borrowings of the Group amounted to Rmb38,206.73 million, representing an increase of 25.8% compared to that as at December 31, 2018. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb4,572.23 million, borrowings from a domestic financial institution of Rmb4,248.52 million, borrowings from domestic institutions of Rmb2,199.39 million, short-term financing notes of Rmb6,532.99 million, mid-term notes of Rmb3,062.06 million, subordinated bonds of Rmb7,692.18 million, corporate bonds of Rmb3,509.99 million, asset backed securities of Rmb909.03 million, convertible bonds denominated in Rmb of Rmb2,692.10 million, and convertible bonds denominated in Euro that equivalents to Rmb2,788.24 million. Of the interest-bearing borrowings, 57.6% was not payable within one year.

As at December 31, 2019, the Group's borrowings from domestic commercial banks bore an annual floating interest of 4.41%, and annual fixed interest rates ranged from 3.6975% to 5.22%, borrowings from a domestic financial institution bore annual floating interest rates ranged from 3.915% to 4.41%, borrowings from the domestic institutions bore annual fixed interest rates ranged from 3.0% to 6.22% and an annual floating interest rate of 4.1325%. As at December 31, 2019, the annual fixed interest rates of short-term financing notes ranged from 2.99% to 3.19%, the annual fixed interest rates of mid-term notes were 3.64% and 3.86%. The annual fixed interest rates for subordinated bonds were between 4.4% and 5.3%. The annual fixed interest rates for corporate bonds were 3.48% and 3.85%. The annual fixed interest rate for asset backed securities was 3.70%. The annual coupon rate for convertible bond denominated in Euro was nil, and the annual coupon rate for convertible bonds denominated in Rmb was 0.2%. While the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

		Maturity Profile		
	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from domestic commercial banks	4,128,123	348,523	3,572,600	207,000
Borrowings from a domestic financial institution	4,248,515	1,843,515	–	2,405,000
Borrowings from domestic institutions	25,032	25,032	–	–
Fixed rates				
Borrowings from domestic commercial banks	444,106	207,106	–	237,000
Borrowings from domestic institutions	2,174,357	2,174,357	–	–
Short-term financing notes	6,532,990	6,532,990	–	–
Subordinated bonds	7,692,180	2,142,180	5,550,000	–
Corporate bonds	3,509,993	21,993	3,488,000	–
Mid-term notes	3,062,066	62,066	3,000,000	–
Asset backed securities	909,032	54,990	201,478	652,564
Convertible bonds	5,480,331	2,793,103	–	2,687,228
Total as at December 31, 2019	38,206,725	16,205,855	15,812,078	6,188,792
Total as at December 31, 2018 (Restated)	30,370,665	8,393,402	18,424,263	3,553,000

Total interest expenses and profit before interest and tax for the Period amounted to Rmb1,626.81 million and Rmb7,393.40 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 4.5 (2018 (Restated): 4.7) times.

	2019 Rmb'000	2018 Rmb'000 (Restated)
Profit before tax and interest	**7,393,403**	6,504,773
Interest expenses	**1,626,809**	1,396,806
Interest cover ratio	**4.5**	4.7

Management Discussion and Analysis

As at December 31, 2019, the asset-liability ratio (total liabilities over total assets) of the Group was 69.4% (December 31, 2018 (Restated): 64.9%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 62.3% (December 31, 2018 (Restated): 58.4%).

Capital structure

As at December 31, 2019, the Group had Rmb31,982.11 million in total equity, Rmb59,376.44 million in fixed-rate liabilities, Rmb8,401.67 million in floating-rate liabilities, and Rmb4,816.73 million in interest-free liabilities, representing 30.6%, 56.8%, 8.0% and 4.6% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 164.4% as at December 31, 2019 (December 31, 2018 (Restated): 140.3%).

	As at December 31, 2019		As at December 31, 2018	
	Rmb'000	**%**	Rmb'000 (Restated)	% (Restated)
Total equity	**31,982,111**	**30.6%**	32,923,198	35.1%
Fixed rate liabilities	**59,376,440**	**56.8%**	46,185,807	49.3%
Floating rate liabilities	**8,401,670**	**8.0%**	10,325,660	11.0%
Interest-free liabilities	**4,816,733**	**4.6%**	4,322,198	4.6%
Total	**104,576,954**	**100.0%**	93,756,863	100.0%
Long-term interest-bearing liabilities	**22,189,642**	**21.2%**	21,977,263	23.4%
Gearing ratio 1 (note)		**164.4%**		140.3%
Gearing ratio 2 (note)		**69.4%**		66.8%
Asset-liabilities ratio 1 (note)		**69.4%**		64.9%
Asset-liabilities ratio 2 (note)		**62.3%**		58.4%

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

Capital expenditure commitments and utilization

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

As at December 31, 2019, the capital expenditure committed by the Group totalled Rmb2,041.28 million. Amongst the total capital expenditures committed by the Group, Rmb1,106.91 million will be used for acquiring equity investments, Rmb322.56 million will be used for acquisition and construction of properties and Rmb611.81 million for acquisition and construction of equipment and facilities.

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

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb188.00 million of the bank loans had been repaid. As at December 31, 2019, the remaining bank loan balance was Rmb1,285.00 million.

Shenjiahuhang Co and Zhejiang Zhoushan Bay Bridge Co., Ltd. (Zhoushan Co), the subsidiaries of the Company, pledged their rights of toll on expressway for their bank borrowing, as at December 31, 2019, the remaining bank loan balance was Rmb1,379.46 million and Rmb2,568.46 million respectively.

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

Management Discussion and Analysis

Huangshan Yangtze Huihang Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway and advertisement operation right for its borrowing, as at December 31, 2019, the remaining balance was Rmb1,300.09 million.

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

Except for the above, as at December 31, 2019, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, and (iii) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro365.00 million in Hong Kong capital market in April 2017, which will be due in April 2022, the Group's principal operations were transacted and booked in Renminbi.

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

Use of Proceeds from Convertible Bond

The Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365.00 million on April 21, 2017. After deducting cost of issue of approximately Euro2.1 million, the net proceeds from the issuance of the Convertible Bond (the “Net Proceeds”) were approximately Euro362.90 million.

The amount of the Net Proceeds brought forward to the twelve months ended December 31, 2019 was approximately Euro222.00 million (including the unutilized Net Proceeds as at December 31, 2018 of approximately Euro216.37 million and the deposit interest thereon accrued of approximately Euro5.63 million). Detailed breakdown and description of the Net Proceeds utilized during the twelve months ended December 31, 2019 are set out below:

Usages of the Net Proceeds	Actual Net Proceeds as at January 1, 2019 (Euro) (million)	Amount of the Net Proceeds utilized for the twelve months ended December 31, 2019 (Euro) (million)	Deposit interest of the Net Proceeds for the twelve months ended December 31, 2019 (Euro) (million)	Unutilized Net Proceeds as at December 31, 2019 (Euro) (million)
Daily operating expenses and repayment of bank loans	222.00	(210.20)	1.41	13.21

For the twelve months ended December 31, 2019, the Company received a deposit interest of approximately Euro1.41 million on the Net Proceeds. The remaining unutilized Net Proceeds and the interest thereon accrued amounted to approximately Euro13.21 million, which is expected to be utilized for daily operating expenses by 2020. Such expected usages of the remaining Net Proceeds are also in line with the use of the Net Proceeds as disclosed previously. Details of the unutilized Net Proceeds are set out below:

Usages of the Net Proceeds	Excepted timeline for utilizing the unutilized Net Proceeds	Percentage of the expected usages
Daily operating expenses	From January, 1 2020 to December 31, 2020	100%

Note: The expected timeline for utilizing the unutilized Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Management Discussion and Analysis

OUTLOOK

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

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

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

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

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

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

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 employee. As at December 31, 2019, there were 7,740 employees within the Group, amongst whom 1,620 worked in the managerial, administrative and technical positions related with expressways and securities and 3,510 worked in fields such as toll collection, maintenance, service areas, while 2,610 worked in securities and futures business outlets.

Continuously Optimizing Operational Development Strategy, Promoting High-quality and Sustainable Development

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

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

It is expected that the COVID-19 epidemic will have adverse impacts on China's consumption, investments, imports and exports to varying extents, which then cast considerable negative impacts on China's macroeconomy. As the epidemic continues to spread around the world, the global capital markets have plummeted and the global economic landscape has become increasingly complicated, China's economy is still facing continuous downward pressure. As the expressway toll road business is closely related to the macroeconomy, it is expected that the traffic volume and toll revenue of the Group's expressways will be more negatively affected.

Roads Competition

Phase I (Taijin section of Shaoxing-Zhuji Expressway) of Hangzhou-Shaoxing-Taizhou Expressway, which is parallel to the Group's Shangsan Expressway, is planned to complete construction and open at the end of 2020, and Hangzhou Ring Road is planned to open by the end of 2020, which are expected to cause certain traffic volume diversion to Shangsan Expressway and Lianhang section of Shenjiahuhang Expressway, respectively. Accordingly, we cannot be assured as to whether or not the operating results of the Group will be negatively affected.

Toll Policy

The Ministry of Transport of the PRC announced to waive the tolls for all vehicles on all toll roads from 00:00, February 17, 2020 until the end of the epidemic containment. In addition, from February 12, 2020, the tolls for all container trucks are reduced by 35% and trip fee is waived. From February 12, 2020 to May 11, 2020, the tolls for legally loaded ETC trucks, as well as Class 3 and Class 4 ETC passenger vehicles are reduced by 15%. We expect that the toll waiver policy during the period of epidemic containment will have a greater impact on the toll road business of the Company. The PRC government may compensate the expressway operators subsequently through different means, such as extension of franchise period or provision of financial subsidies.

Principal Risks and Uncertainties

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 5, 52 and 53 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 51 to 60, 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 2019 up to now, except for the Covid-19 outbreak, 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 20, 2020

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 Corporate Governance Code ("CG Code") in Appendix 14 of the Listing Rules (available at www.hkex.com.hk).

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. The Directors of the Company have been informed that the latest amendment of Listing Rules and CG Code will be adopted and applied for the daily operation of the Company.

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.

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

The Chairman of the Company during the Period was:
Mr. YU Zhihong

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

The non-executive directors of the Company during the Period were:
Mr. DAI Benmeng
Mr. YUAN Yingjie (Appointed, with effect from February 3, 2020)
Mr. YU Qunli (Resigned, with effect from February 3, 2020)
Mr. YU Ji

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

During the Period, the Board held a total of nine 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. YU Zhihong (Chairman)	5/9	2/9	2/9
Mr. CHENG Tao	7/9		2/9
Ms. LUO Jianhu (General Manager)	6/9	1/9	2/9
Mr. DAI Benmeng	6/9	1/9	2/9
Mr. YU Qunli (Resigned)	5/9	2/9	2/9
Mr. YU Ji	6/9	1/9	2/9
Mr. PEI Ker-Wei	7/9		2/9
Ms. LEE Wai Tsang, Rosa	7/9		2/9
Mr. CHEN Bin	5/9	2/9	2/9

During the Period, the Company held three shareholders' general meetings. The meetings were chaired by Chairman, and all executive directors were present at the meetings, meanwhile, the Company actively encouraged independent non-executive directors to attend shareholder meetings.

Corporate Governance Report

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.

Under the Corporate Governance, the Board plays a key role in all aspects and works closely with the management. 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), (2) and 3.10A of the Listing Rules regarding the appointment of independent non-executive directors, with three independent non-executive directors appointed, 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 and immediate family members 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. YU Zhihong 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, 2018 and will expire on June 30, 2021.

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.

Corporate Governance Report

The Audit Committee comprised of the three independent non-executive directors and two non-executive directors, namely Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. YU Qunli and Mr. YU Ji, of whom Mr. PEI Ker-Wei served as the Chairman of the Audit Committee.

The Nomination Committee comprised of the Chairman of the Company, the three independent non-executive directors and one non-executive director, namely Mr. YU Zhihong, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin and Mr. DAI Benmeng, of whom Mr. YU Zhihong served as Chairman of the Nomination Committee.

The Remuneration Committee comprised of the three independent non-executive directors and two non-executive directors, namely, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. DAI Benmeng and Mr. YU Qunli, of whom Mr. PEI Ker-Wei, served as Chairman of the Remuneration Committee.

The Strategic Committee mainly comprised of the Chairman of the Company, Mr. YU Zhihong, and the two executive directors, namely 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. YU Zhihong served 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. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang, Rosa	4/4	
Mr. CHEN Bin	3/4	1/4
Mr. YU Qunli	3/4	1/4
Mr. YU Ji	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.

Mr. YUAN Yingjie was appointed as Non-executive Director, and Mr. YU Qunli resigned the position of Non-executive Director of the Company with effect from February 3, 2020.

Mr. ZHENG Ruchun was appointed as Supervisor Representing Shareholders, and Mr. YAO Huiliang resigned the position of Supervisor Representing Shareholders of the Company with effect from February 3, 2020.

Other than the above, there were no other changes to members of the Board of Directors of the Company.

During the Period, the Nomination Committee held a total of two meetings. Individual attendances by the members (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. YU Zhihong			2/2
Mr. PEI Ker-Wei			2/2
Ms. LEE Wai Tsang, Rosa			2/2
Mr. CHEN Bin			2/2
Mr. DAI Benmeng			2/2

During the Period, the Nomination Committee discussed the proposed candidates of Non-executive Directors and Supervisor Representing Shareholders of Company by way of through communication. The Proposed candidates for Non-executive Directors and Supervisor Representing Shareholders of the Company that were nominated by the Nomination Committee were later approved by the Board Meeting and Shareholders' Meeting.

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

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 CG 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.

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 during the period.

DIVERSIFICATION OF BOARD MEMBERS

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 Board of the Company attaches great importance to female member of Directors, gender ratio of male and female members is 78% and 22% respectively.

The Board members of the Company have skills in multiple professional field, such as Legal, Accounting, Finance, Management, Computer Science, Construction Engineering, with related experience in different professional aspect. The diversification background of the Board is beneficial to the corporate governance, related experiences satisfy the development needs and help to make important decisions of the Company.

The age distribution of the Board of the Company is between 43 and 63. The different age group of the Board members can provide diversified sight of views and opinion.

NOMINATION POLICY

The Company's Nomination Committee is responsible for assessing the board's structure, number of members, as well as a diversified composition, introducing right talent at the right time to enrich the Board, 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 and bringing new perspectives, skills, expertise and experience to the Board. (Please refer to "working rules for Nomination Committee" under Corporation Governance Column on the Company's website)

AUDITORS' REMUNERATION

During the Period, the Company had paid approximately Rmb3.71 million and Rmb0.93 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants LLP (the PRC auditors), respectively, for audit services conducted in 2019. Besides, the Company had paid Rmb0.36 million and Rmb0.05 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 help the company maintain a sound and effective corporate governance framework, review risk management and internal control systems to ensure regulatory compliance; provide compliance advice to the Board and senior management in the decision making process. The Secretary to the Board had also 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, 2019, 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.

Corporate Governance Report

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

As at December 31, 2019, 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)
BlackRock, Inc.	Interest of controlled corporations	118,491,645 (L)	8.26%
Citigroup Inc.	Interest of controlled corporations	117,513,209 (L) 42,000 (S) 117,050,736 (P)	8.19% 0.00% 8.16%
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	98,786,655 (L) 12,995,279 (S) 67,805,506 (P)	6.88% 0.90% 4.72%

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, 2019, 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 287 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, regular and irregular 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.

Corporate Governance Report

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
Email: zhenghui@zjec.com.cn

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Monday, December 23, 2019 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 23, 2019 on resolutions passed at the extraordinary general meeting of the shareholders.

The next shareholders' general meeting of the Company is expected to be held in May 2020 with exact date and resolutions for review to be specified in notice of shareholders' 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.

DIVIDEND POLICY

The Company attaches great importance to the return for shareholders who long term support the company's development, shares the company's development results, maintains a stable dividend payout level, and tries to keep the absolute dividend payout relatively steady. During the period, dividend payout ratio was 41.5%. Details of the dividend payout will be announced after the 2019 annual general meeting of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

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, improved risk reporting mechanism, developed risk management manual, implemented risk management responsibilities of various branches and departments, conducted risk investigation and assessment, established risk management strategy and took risk control measures in response to major risks faced by the Company.

The 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 discipline inspection audit department on a regular basis. During the Period, the Audit Committee focused on the implementation of the annual budget and the use of security costs of subordinate units. The discipline inspection audit department carried out specific audit into these compliance issues and monitored relevant rectifications, ensuring the effectiveness of the Company's management systems.

Corporate Governance Report

During the Period, the Directors of the Company had carried out a view on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient. The risk management of the Company was deemed to be effective and controllable.

DISCLOSURE OF INSIDE INFORMATION

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

MANAGEMENT FUNCTIONS

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

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

Except for the Covid-19 outbreak, there has been no other important events affecting the Group since the end of the Period.

Directors, Supervisors and Senior Management Profiles

Mr. YU Zhihong

Chairman

Born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University.

Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Xiucheng District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Xiucheng District Office, Secretary of the Xiucheng District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Xiucheng District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, and he became the Deputy Party Secretary and then Mayor of Shaoxing City since 2013.

Mr. Yu Zhihong assumed the position of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Zhejiang Provincial Party Committee since June 2017.

Directors, Supervisors and Senior Management Profiles

Mr. CHEN Ninghui

Born in 1963, a postgraduate at the Party School of the Communist Party of China, graduated from Arizona State University, the United States with a Master's Degree in Business Administration and a Senior Economist.

Mr. Chen had worked since 1981. He had served at Zhejiang Urban and Rural Construction Material Equipment Co., Ltd. (originally known as the Material Equipment Division of the Department of Development of Zhejiang Province) as General Manager, Chairman and Party Secretary; Zhejiang Communications Investment Industrial Development Corporation as Chairman and Party Secretary; Zhejiang Communications Investment Group Co., Ltd. as Assistant General Manager; Zhejiang Communications Investment Property Group Co., Ltd. as Chairman and Party Secretary, and etc.

Mr. Chen is currently Party Secretary of the Company.

Mr. CHENG Tao

Executive Director

Born in 1964, graduated from Changsha University of Science & Technology with a Bachelor's Degree in Transportation Engineering. He is a Senior Adminstration Engineer and Senior Economist.

Mr. Cheng joined the work in 1983. He served as Secretary of the Youth League Committee of Zhejiang Shipping Technical School (浙江省航運技工學校), Secretary of the Youth League Committee of Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處), Secretary of the 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. Mr. Cheng is currently the Chairman of Zhejiang Commercial Group Co., Ltd.

Mr. Cheng is Executive Director of the Company.

Ms. LUO Jianhu

Executive Director

Born in 1971, graduated from Zhejiang University with a Bachelor's Degree in Law and graduated from the National Accounting Institute in 2016 with an EMBA Degree, majoring in Financial Accounting. She is a lawyer and Senior Economist.

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.

Ms. Luo has been appointed as an Executive Director and General Manager, Deputy Party Committee Secretary of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. DAI Benmeng

Non-Executive Director

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 of 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) the Manager of Human Resources Department and the Minister of Organization Department of Zhejiang Transportation Group.

Mr. Dai is currently the Party Committee Member and Director of the Secretariat Office of the Communications Group.

Mr. YU Qunli

Non-Executive Director

Born in 1968, graduated from Xi'an Roadway Institute with a Bachelor's Degree in Roads and Bridges Engineering. Mr. Yu Qunli also holds a Master's Degree in Structure Engineering and a MBA Degree in Business Administration, both from Zhejiang University.

Mr. Yu Qunli started his career in 1990 at Zhejiang Provincial Roads and Bridges Bureau and Zhejiang Communications Engineering Construction Group Co., moved to Zhejiang Communications Engineering Group Co., Ltd. in 2000, and to Zhejiang Communications Investment Group Co., Ltd. in 2002. Starting from 2005, Mr. Yu Qunli served as Deputy General Manager at Zhejiang Zhoushan Continent to Island Construction Expressway Co., Ltd., and from 2006, as Deputy General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Beginning from 2010, Mr. Yu Qunli served as Deputy Manager of Safety Management Department and Manager of Safety Monitoring Management Department at Zhejiang Communications Investment Group Co., Ltd. He served as General Manager at Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. in 2013, and as General Manager at Zhejiang Taizhou Expressway Co., Ltd. and Zhejiang Zhoushan Bay Bridge Co., Ltd. Since 2015, Mr. Yu Qunli served as General Manager of Expressway Operations Management Department at Zhejiang Communications Investment Group Co., Ltd., and as General Manager at Expressway Management Department since 2018.

Mr. Yu resigned the position of Non-Executive Director of the Company on February 3, 2020.

Directors, Supervisors and Senior Management Profiles

Mr. YUAN Yingjie

Non-Executive Director

Born in 1976, is a senior engineer. He obtained a Bachelor's degree of Engineering in Highways and Urban Roads from Xi'an University of Highway Traffics, and both Master and doctorate degrees of Engineering in Roads and Railways Engineering from Chang'an University.

Since 2004, Mr. Yuan has worked in Zhejiang Highway Management Bureau and Zhejiang Department of Transportation. Since 2014, he was deputy director of Construction Management Office of Zhejiang Department of Transportation. From 2017, he was deputy director of chief engineer office of Communications Group. From 2018, he was deputy general manager of expressway construction department and deputy general manager of expressway management department of Communications Group.

He is currently general manager of expressway management department of Communications Group.

Mr. YU Ji

Non-Executive Director

Born in 1975, is a Senior Engineer. He graduated from Zhejiang University with a Master's Degree in Structure Engineering.

Mr. Yu Ji began his career at Jinwen Railroad Engineering Construction Project Management Division (Qingtian County Lianggang section) and General Headquarter from 1996, worked at Zhejiang Local Railroad Survey and Design Bureau and Zhejiang Tiezi Comprehensive Engineering Co., Ltd. from 1998, and became a Structure Design Engineer at Zhejiang Urban Construction Design and Research Institute from 2005. Starting from 2007, Mr. Yu Ji worked as staff, Deputy Manager and then Manager at Project Management Department of Zhejiang Railroad Investment Group Co., Ltd., and became General Manager of Railroad Project Department in 2015, Manager of Communications Investment Department of Zhejiang Communications Investment Group Co., Ltd. in 2016.

Mr. Yu is currently the General Manager of Hangzhou Wenzhou Railway Co., Ltd.

Directors, Supervisors and Senior Management Profiles

Mr. PEI Ker-Wei

Independent Non-Executive Director

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 Group Limited (HK Stock Code: 00672) and MMG Limited (HK Stock Code: 01208).

Ms. LEE Wai Tsang, Rosa

Independent Non-Executive Director

Born in 1977, Ms. Lee has over 16 years of experience in the financial sector. She holds a Master of Science in Finance from Boston College and MBA from University of Chicago.

Ms. Lee is a licensed person for asset management under the Securities and Futures Ordinance ("SFO"). Ms. Lee is a Director of Grand Investment (Bullion) Limited and Tianjin Yishang Friendship Holdings Company Ltd. Ms. Lee is a Chief Investment Officer of Grand Finance Group Company Ltd.

Ms. Lee was an Executive Director of Grand Investment International Ltd (Stock code: 1160) from 2005 to 2018 and was appointed as its Chairman from 2013 to 2017. Ms. Lee also served as Director for Grand Finance Group Company Ltd from 2005 to 2019.

Directors, Supervisors and Senior Management Profiles

Mr. CHEN Bin

Independent Non-Executive Director

Born in 1967, graduated from University of South China in Computer Science. He also holds a second Bachelor's Degree from Chongqing University in Management Engineering.

Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2004, at Webex Group as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2007 to 2008. Mr. Chen became Chief Executive and Funding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008.

Mr. Chen also serves as Director at Sundy Land Investment Co., Ltd. (a company listed on Shanghai Stock Exchange, SH Stock Code: 600077) and Shenzhen Fountain Corporation (a company listed on Shenzhen Stock Exchange, SZ Stock Code: 000005).

Mr. YAO Huiliang

Supervisor Representing Shareholders

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 General Manager of the Finance Management Center of the Communications Group. And General Manager of the Industrial Investment Management Division One of the Communications Group.

Mr. Yao resigned the position of Supervisor Representing Shareholders on February 3, 2020.

Directors, Supervisors and Senior Management Profiles

Mr. ZHENG Ruchun

Supervisor Representing Shareholders

Born in 1962, is a senior accountant. He graduated from Jiangxi College of Finance and Economics with a Bachelor's degree in Accounting in 1985, and obtained an EMBA degree from Arizona State University in 2012.

From 1985 to 1988, Mr. Zheng worked as a teacher in the accounting department of Jiangxi College of Finance and Economics. From 1988 to 2002, he successively worked as deputy section chief of the finance department and section chief of the collection department of Zhejiang Highway Management Bureau. From 1998 to 2005, he successively worked as director of the comprehensive accounting department and assistant to the general commander in the highway construction headquarters of Jinliwen Expressway. From 2005 to 2019, he successively worked as deputy general manager, general manager, chairman of the board and secretary of the party committee of Zhejiang Jinliwen Expressway Co., Ltd.

He is currently deputy chief accountant and general manager of the financial management department of Zhejiang Communications Investment Group Co., Ltd.

Mr. ZHAN Huagang

Supervisor Representing Employees

Born in 1961, graduated from Zhejiang University with a Bachelor's Degree of Engineering in Internal Combustion Engine from the Department of Thermophysical Engineering. He is a professor-level Senior Engineer.

Since Mr. Zhan started his career in 1982, he had 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), Zhejiang Highway Management Bureau (浙江省公路管理局) and Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處). He also worked at the Operation Division and Maintenance Division of the Zhejiang Provincial Expressway Executive Commission as Senior Engineer.

He has been working at Zhejiang Expressway Co., Ltd. as Deputy Manager and Manager of the Operations Management Department, Director of the monitoring center, 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, Director of the testing center. 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. Zhan is currently the Chairman of the Union and the Party Committee Member of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. WANG Yubing

Supervisor Representing Employees

Born in 1969, graduated from Shanghai University of Finance and Economics with a Bachelor's Degree. He is a senior accountant.

He started his career in 1991 and worked at the audit office of East China Investigation and Design Institute (華東勘測設計研究院). He had served as Head of Finance Department of Hangzhou KFC Ltd (杭州肯德基有限公司), Principal Accountant of Finance Department of Zhejiang Liantong Leasing Co., Ltd (浙江聯通租賃有限公司). Then he had served as Supervisor in the Financial Planning Department, Supervisor in the Internal Audit Department, Assistant Manager and Deputy Manager of the Legal Audit Department in the Company.

He is currently the Manager of Discipline inspection and supervision department.

Ms. HE Meiyun

Independent Supervisor

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 Secretary to the Board, 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 also serves as a General Manager of Ping An Securities Company Limited, Zhejiang Branch (平安證券浙江分公司), Executive Deputy Director of the Board of Directors of Zhejiang Provincial Listed Company Association (浙江省上市公司協會), Deputy Secretary General of Hangzhou Joint Stock Promotion Association (杭州股份制促進會), Independent Director of Lanzhou Minbai Co., Ltd. (蘭州民百股份有限公司), Independent Director of Xilinmen Co., Ltd. (喜臨門股份有限公司) Ms. He currently serves as Vice Chairman of Zhejiang Shiqiang Group Co., Ltd. (浙江施強集團有限公司), Member of the Equity Investment and M&A Committee of Zhejiang Merchants Association (浙商總會股權投資與併購委員會委員), Supervisor of Zhejiang M&A Federation (浙江併購聯合會監事), Independent Director of Guangyu Co., Ltd. (廣宇股份有限公司), Independent Director of Fuchun Environmental Protection Co., Ltd. (富春環保股份有限公司), Independent Director of Gujia Home Furnishing Co., Ltd. (顧家家居股份有限公司).

Directors, Supervisors and Senior Management Profiles

Mr. WU Qingwang

Independent Supervisor

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

Mr. Wu had worked in Chun'an Justice Bureau (淳安司法局) since 1989 and in Zhejiang Securities Co., Ltd. (浙江證券有限公司) from 1995 to 1996. Since May 1996, Mr. Wu has been working in Zhejiang Xinyun Law Firm (浙江星韻律師事務所) and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the Panel of Arbitrators in China International Economic and Trade Arbitration Commission. Mr. Wu serves as an Independent Director of the following companies: Yiwu Huading Nylon Co., Ltd. (義烏華鼎錦綸股份有限公司) (stock code: 601113), and Top Choice Medical Investment Co., Inc. (通策醫療投資股份有限公司) (stock code: 600763), both companies listed on the Shanghai Stock Exchange. From August 2011 to April 2016, Mr. Wu served as an Independent Director of OB Telecom Electronics Co., Ltd (杭州中威電子股份有限公司) (stock code: 300270), a company listed on the Shenzhen Stock Exchange, and serves as an Independent Director of Zhejiang Yankon Group Co.,Ltd.(浙江陽光電器股份有限公司)(stock code: 600261), a company listed on the Shanghai Stock Exchange.

Other Members of Senior Management

Mr. ZHU Yimin

Born in 1961, graduated from Chang'an University with professional programme in Roads and Transportation Engineering. He is an Engineer.

Mr. Zhu joined the People's Liberation Army Garrison 83026 from December 1978 to January 1982. He had worked as Director in the Transportation Administration Department of Huzhou City, Assistant Manager of Water Traffic Control and Administration Department, Deputy General Manager of Transportation Investment and Development Corporation of Huzhou City, Deputy General Manager of Zhejiang Shenjiahuhang Expressway Co., Ltd., Deputy General Manager of Zhejiang Zhebei Expressway Co., Ltd., Deputy General Manager of Zhejiang Shensuzhewan Expressway Co. Ltd., Deputy General Manager of Zhejiang Zhexi Expressway Co. Ltd., and Deputy General Manager of Zhejiang Hanghui Expressway Co. Ltd.

Mr. Zhu has been the Deputy General Manager and Party Committee Member of the Company since July 1, 2015.

Directors, Supervisors and Senior Management Profiles

Mr. WANG Dehua

Born in 1974, graduated with a Bachelor's Degree in Accounting from Hangzhou Dianzi University in 1996. 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, graduated with a master's degree in Economics. Mr. Wang has professional accounting qualifications, including CPA, HKICPA, FCCA etc.

Mr. Wang 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. He worked at Zhejiang Communications Investment Group Co., Ltd. from 2011 to 2014, serving as its Deputy General Manager.

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

Mr. Tony H. ZHENG

Born in 1969, Mr. Zheng graduated from University of California at Berkeley with a BS Degree in Civil Engineering in 1995.

Mr. Zheng joined the Company in June 1997, and had served as Deputy Director of the Secretarial Office to the Board, Assistant Company Secretary, Director of the Secretarial Office to the Board and Director of Hong Kong Representative Office of the Company.

Mr. Zheng is the Deputy General Manager and Company Secretary of the Company. He also serves as Director of Yuhang Co., Taiping Science and Technology Insurance Co., and Zhejiang International Hong Kong.

Ms. ZHANG Xiuhua

Born in 1969, Ms. Zhang 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.

Ms. Zhang is the Deputy General Manager and Party Committee Member of the Company. She also serves as Director of Zhejiang Shaoxing Shengxin Expressway Co., Ltd. and also serves as Chairman and General Manager of Zhejiang Yueqing Bay Expressway Co., Ltd.

Directors, Supervisors and Senior Management Profiles

Mr. WANG Bingjiong

Born in 1967, graduated from the Party School of the Communist Party of China majoring in business administration, an Engineer.

Mr. Wang had worked since 1989. He had served as Deputy General Manager at the Expressway Administration Department of Zhejiang Communications Investment Group Co., Ltd.

Mr. Wang is currently Deputy General Manager and Party Committee Member of the Company.

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, 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2019 Environmental and Social Responsibility Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the People's Republic of China ("PRC"). Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2019 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2019 and the state of financial position at that date are set out in the financial statements on pages 102 to 280.

The Directors have recommended the payment of a dividend of Rmb0.355 (approximately HK$0.398) per share in the year of 2019. The final dividend is subject to shareholders' approval at the 2019 annual general meeting of the Company and is expected to be paid by no later than July 15, 2020. 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 41.5% during the Period. Further details of the dividends are set out in note 16 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.

Results		Year ended December 31,			
	2019	2018	2017	2016	2015
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)	(Restated)	(Restated)
Continuing operations					
Revenue	**11,955,266**	11,192,199	11,080,513	10,978,928	11,874,006
Operating costs	**(6,680,965)**	(5,806,810)	(5,823,370)	(5,693,253)	(6,414,879)
Gross profit	**5,274,301**	5,385,389	5,257,143	5,285,675	5,459,127
Securities investment gains	**1,402,684**	512,449	774,885	223,573	584,114
Other income and gains and losses	**260,267**	404,128	143,739	345,670	256,350
Administrative expenses	**(136,356)**	(123,391)	(124,115)	(106,864)	(122,933)
Other expenses and impairment losses	**(95,258)**	(54,417)	(147,138)	(100,569)	(181,631)
Share of profit of associates	**652,824**	350,578	161,502	64,699	48,289
Share of profit (loss) of a joint venture	**34,941**	30,037	17,668	9,797	(25,067)
Finance costs	**(1,626,809)**	(1,396,806)	(1,137,472)	(1,287,601)	(1,406,225)
Profit before tax	**5,766,594**	5,107,967	4,946,212	4,434,380	4,612,024
Income tax expense	**(1,351,695)**	(1,113,454)	(1,165,941)	(1,112,066)	(1,336,120)
Profit for the year from continuing operations	**4,414,899**	3,994,513	3,780,271	3,322,314	3,275,904
Discontinued operations					
Profit for the year from discontinued operations	**–**	–	–	81,594	60,830
Profit for the year	**4,414,899**	3,994,513	3,780,271	3,403,908	3,336,734
Profit for the year attributable to owners of the Company					
– Continuing operations	**3,711,118**	3,515,095	3,097,355	2,676,975	2,426,377
– Discontinued operations	**–**	–	–	80,114	56,777
Profit for the year attributable to non-controlling interests					
– Continuing operations	**703,781**	479,418	682,916	645,339	849,527
– Discontinued operations	**–**	–	–	1,480	4,053

Results	2019 Rmb'000	2018 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2016 Rmb'000 (Restated)	2015 Rmb'000 (Restated)
		Year ended December 31,			
Earnings per share					
From continuing and discontinued operations					
Basic (Rmb cents)	**85.45**	80.94	71.32	63.48	57.17
Diluted (Rmb cents)	**82.37**	76.27	69.04	63.48	57.17
From continuing operations					
Basic (Rmb cents)	**85.45**	80.94	71.32	61.64	55.87
Diluted (Rmb cents)	**82.37**	76.27	69.04	61.64	55.87

Assets and liabilities	2019 Rmb'000	2018 Rmb'000 (Restated)	2017 Rmb'000 (Restated)	2016 Rmb'000 (Restated)	2015 Rmb'000 (Restated)
		As at December 31,			
Total assets	**104,576,954**	93,756,863	88,634,402	89,437,399	90,305,810
Total liabilities	**72,594,843**	60,833,665	58,213,216	64,437,333	67,169,709
Net Assets	**31,982,111**	32,923,198	30,421,186	25,000,066	23,136,101

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2018 have been restated in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants, while those for the year ended December 31, 2019 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 102 of the financial report.

2. The 2019 basic earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2019 of Rmb3,711,118,000 (2018 (restated): Rmb3,515,095,000) and the 4,343,114,500 (2018: 4,343,114,500) ordinary shares in issue during the year.

   The 2019 diluted earnings per share is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2019 of Rmb3,792,057,000 (2018 (restated): Rmb3,500,754,000) and the 4,603,501,000 (2018 restated: 4,589,747,000) weighted average number of ordinary shares for the purpose of diluted earnings per share during the year.

Report of the Directors

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

	Profit for the year ended December 31,		Net assets as at December 31,	
	2019	2018	2019	2018
	Rmb'000	Rmb'000 (Restated)	Rmb'000	Rmb'000 (Restated)
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	**4,424,083**	4,003,312	**32,291,077**	33,223,365
HK GAAP adjustments:				
(a) Goodwill	**–**	–	**(199,769)**	(199,769)
(b) Amortization provided, net of deferred tax	**(1,952)**	(1,952)	**(174,957)**	(173,005)
(c) Assessment on impact of appreciation, net of deferred tax	**(3,292)**	(3,292)	**39,074**	42,366
(d) Others	**(385)**	–	**7,666**	7,666
(e) Non-controlling interests	**(3,555)**	(3,555)	**19,020**	22,575
As restated in the financial statements	**4,414,899**	3,994,513	**31,982,111**	32,923,198

MAJOR CUSTOMERS AND SUPPLIERS

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

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

RELATED PARTY TRANSACTIONS

During the year, details of the related party transactions that the Company and its subsidiaries have entered into with Communications Group and its subsidiaries of are set out in note 57 to the consolidated financial statements. 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 Rmb9,214,000 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 18 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2019 are set out in note 51 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 107 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2019, 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 Rmb4,869,200,000. 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, 2019, other than the deposits placed with a non-bank financial institution of Rmb1,742,825,000, the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

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

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

Report of the Directors

DIRECTORS

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

CHAIRMAN

Mr. YU Zhihong

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. DAI Benmeng
Mr. YUAN Yingjie (Appointed, with effect from February 3, 2020)
Mr. YU Qunli (Resigned, with effect from February 3, 2020)
Mr. YU Ji

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa
Mr. CHEN Bin

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 51 to 70 in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. YU Qunli has entered into a service agreement with the Company, which effect from July 1, 2018 to June 30, 2021. The contract was terminated on February 3, 2020.

Mr. YUAN Yingjie has entered into a service agreement with the Company, which effect from February 3, 2020 to June 30, 2021.

Other Directors have entered into service agreements with the Company, which effect from July 1, 2018 to June 30, 2021.

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, 2019 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.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

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税收政策的通知》(財税【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税收政策的通知》(財税【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.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company purchased appropriate liability insurance coverage for the directors, supervisors and senior management members of the Group during the year ended 31 December 2019 against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers.

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
YU Zhihong
Chairman

Hangzhou, Zhejiang Province, the PRC
March 20, 2020

Report of Supervisory Committee

During the Period, the Supervisory Committee duly performed its supervisory responsibilities, and safeguarded 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 Procedure 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 sitting in on general meetings of shareholders and meetings of the Board. The Supervisory Committee discussed and reviewed the financial statements to be submitted by the Board to the general meeting of shareholders after carefully examining the operating results and the financial position of the Company.

During the Period, the Supervisory Committee held a total of two meetings of its own, and sat in on nine meetings held by the Board and three general meetings. The Supervisory Committee considered that the Company's operations were in strict compliance with the Company Law, the Company's Articles of Association and the relevant national provisions, and all decision-making procedures were legitimate. Through optimising the internal control system, the Company had sound internal control functions and personnel and all operating activities were regulated in an orderly manner.

During the Period, the Company operated in accordance with the laws and regulated the management. Accordingly, the operating results were true and objective. The management of the Company seriously executed the decision-making and deployment of the Board with focus on work objectives by taking a practical and proactive approach, thus smoothly accomplishing the business objectives for the year. The Company also made significant progress in key work areas including brand building, smart expressway construction, securities business and overseas M&A.

The Supervisory Committee has reviewed the financial statements of the Company for 2019 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 2019, and complied with the relevant laws, regulations and the Company's Articles of Association. The Company maintained a relatively stable dividend payout, providing satisfactory returns to its shareholders.

Report of Supervisory Committee

The members of the Supervisory Committee sat in on the meetings of the Board and general meetings of shareholders of the Company and had no objection against the reports and proposals submitted by the Board of the Company to the general meetings of shareholders for their consideration. The Supervisory Committee of the Company supervised the implementation of the resolutions proposed at the general meetings of shareholders and considered that the Board was able to seriously execute the resolutions proposed at the general meetings of shareholders.

During the Period, the Supervisory Committee considered that the connected transactions of the Company were fair and reasonable without prejudice to the interests of the shareholders and the Company.

During the Period, the members of the Board, General Manager and other senior management of the Company complied with their fiduciary duties and 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 performance across various lines of business achieved by the Board and the management of the Company during the Period.

The Company's targets and objectives for 2020 are clearly defined. The Supervisory Committee will work with the Board and the management consistently to carry out work in accordance with the laws while fully executing its supervision functions to maintain stability. While safeguarding the shareholders' interests in good faith, the Supervisory Committee will work diligently to accomplish the work objectives and targets of the Company for 2020 so as to facilitate the significant development of the Company.

By the order of the Supervisory Committee
ZHENG Ruchun
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 20, 2020

Connected Transactions

During the year ended December 31, 2019, the Company had the following non-exempt connected transactions and continuing connected transactions.

Connected Transaction

1. Equity Transfer Agreement

On June 5, 2019, the Company and Zhejiang Shipping entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which Zhejiang Shipping conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in Zhejiang Grand Hotel Limited (浙江大酒店有限公司) at a cash consideration of Rmb1,010,144,600. Please refer to the announcement and supplemental announcement of the Company dated June 5, 2019 and June 11, 2019 respectively for details.

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. Zhejiang Shipping is a wholly-owned subsidiary of the Communications Group. As such, Zhejiang Shipping is a connected person of the Company and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement are over 0.1% but less than 5%, the transaction contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Capital Contribution Agreement

On August 9, 2019, the Company as a shareholder of Zhejiang Communications Finance entered into a capital contribution agreement (the "**Capital Contribution Agreement**") with Ningbo Expressway Co and Zhejiang Communications Finance, 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, an associate of the Company. Please refer to the announcement of the Company dated August 9, 2019 for details.

Connected Transactions

Zhejiang Communications Finance is a subsidiary of Communications Group, which directly and indirectly through Ningbo Expressway Co, holds in aggregate approximately 65% of the issued share capital of Zhejiang Communications Finance. As such, Zhejiang Communications Finance is a connected person of the Company and the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the transaction contemplated under the Capital Contribution Agreement is higher than 0.1% but less than 5%, the transaction contemplated under the Capital Contribution Agreement is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Expressway Services Agreements

On September 12, 2019, the Company and its relevant subsidiaries entered into a series of expressway services agreements (the "**Expressway Services Agreements**") with Zhejiang Information, a wholly-owned subsidiary of a controlling shareholder of the Company, pursuant to which the Company and its relevant subsidiaries agreed to purchase, and Zhejiang Information agreed to provide, various services in respect of expressway mechanical and electrical engineering, construction, repair and technical support at the total consideration of Rmb419,646,407.19. Please refer to the announcement of the Company dated September 12, 2019 for details.

Zhejiang Information, as a wholly-owned subsidiary of Communications Group, is a connected person of the Company and the transactions contemplated under the Expressway Services Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Expressway Services Agreements and the Previous Transactions I with parties who are connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Expressway Services Agreements and the Previous Transactions I are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Expressway Services Agreements.

As the applicable percentage ratios in respect of the transactions contemplated under the Expressway Services Agreements, after aggregating with the Previous Transactions I, are more than 0.1% but less than 5%, the transactions contemplated under the Expressway Services Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Supporting Services Agreement

On November 29, 2019, the Company entered into a supporting services agreement (the "**Supporting Services Agreement**") with Zhejiang Information, pursuant to which the Company agreed to purchase, and Zhejiang Information agreed to provide, software development, system installation, testing and support services and defect repair services during the defect liability period in respect of the Company's cloud control platform application system of intelligent expressway at the consideration of Rmb5,489,500. Please refer to the announcement of the Company dated November 29, 2019 for details.

Zhejiang Information is a wholly-owned subsidiary of Communications Group. As such, Zhejiang Information is a connected person of the Company and as a result, the transactions contemplated under the Supporting Services Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Supporting Services Agreement and the Previous Transactions II with parties who are connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Supporting Services Agreement and the Previous Transactions II are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

As the applicable percentage ratios in respect of the transactions contemplated under the Supporting Services Agreement, after aggregating with the Previous Transactions II, are more than 0.1% but less than 5%, the Supporting Services Agreement will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

5. Acquisition of a Majority Stake in an Expressway Project Company via a Consortium Company

On December 23, 2019, the Company, China Merchants and four other independent third parties, through a consortium company established for the purpose of this transaction to act as the acquiring entity (the "**Consortium Company**"), entered into (i) an agreement with IC İÇTAŞ İnşaat Sanayi ve Ticaret A.Ş. ("**IC Ictas**") in relation to the acquisition of 51% equity stake in a Turkey project company (the "**ICA Project Company**") and 51% of a related shareholder loan of ICA Project Company; and (ii) an agreement with IC Ictas and Pacific Motorway Operations Holding Limited ("**IC Ictas (HK)**") in relation to the acquisition of 51% equity stake in a maintenance company ("**IC Maintenance**"), respectively (the "**Acquisition**"). In the Acquisition, China Merchants, which has 31% equity stake in the Consortium Company, will indirectly acquire 15.81% equity stake in ICA Project Company, 15.81% of the related shareholder loan of ICA Project Company, and 15.81% equity stake in IC Maintenance, respectively. The Company, which has 17.5% equity stake in the Consortium Company, will indirectly acquire 8.925% equity stake in ICA Project Company, 8.925% of the related shareholder loan of ICA Project Company and 8.925% equity stake in IC Maintenance, respectively.

The shareholders of the Consortium Company expect to invest up to USD688,500,000 to settle the consideration payable in the Acquisition, which is subject to completion adjustment according to a locked box interest rate. The Company will make a contribution to the Consortium Company in proportion to its 17.5% shareholding in the Consortium Company, which was not paid by the Company during the Period. Please refer to the announcement of the Company dated December 23, 2019 for details.

China Merchants is a substantial shareholder of Shangsan Co which is a subsidiary of the Company and accordingly China Merchants is a connected person of the Company at subsidiary level. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

1. Deposit Services with Zhejiang Communications Finance

Pursuant to the financial services agreement dated March 30, 2016 (the "**Financial Services Agreement**") 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 Financial Services Agreement subject to the terms and conditions provided therein. Please refer to the announcement of the Company dated March 30, 2016 for details.

Since the Financial Services Agreement expired on March 30, 2019, on March 18, 2019, the Company entered to the new financial services agreement (the "**New Financial Services Agreement**"), together with a supplemental agreement, among others, to increase the existing annual caps for the Deposit Services from Rmb1,400,000,000 to Rmb2,500,000,000 (including any interest accrued thereon) (the "**Supplemental Agreement**"), with Zhejiang Communications Finance for renewal of the terms of the Financial Services Agreement with effect from March 30, 2019 for a term of three years. Save as otherwise provided, all terms and conditions under the Financial Services Agreement remain substantially unchanged. Please refer to the announcement of the Company dated March 18, 2019 for details.

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

Pursuant to the 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.

Connected Transactions

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 Rmb1,400,000,000 under the New Financial Services Agreement and Rmb2,500,000,000 under the Supplemental Agreement during the term of the New Financial Services Agreement.

As the applicable percentage ratios in respect of the Deposit Services under the New Financial Services Agreement are more than 0.1% but less than 5%, the Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios in respect of the revised annual caps for the Deposit Services under the Supplemental Agreement is more than 5% but less than 25%, such transactions are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the existing annual caps for the Deposit Services under the New Financial Services Agreement are exceeded.

During the Period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement together with the Supplemental Agreement amounted to Rmb2,488,973,000.

2. Daily Road Maintenance Services Agreements, Shenjiahuhang Daily Road Maintenance Agreements, Dedicated Road Maintenance Agreements and Road Naming and Numbering Adjustment Agreements

(i) Daily Road Maintenance Services Agreements

On May 14, 2019, the Company and the relevant subsidiaries of the Company entered into a number of daily road maintenance services agreements (the "**Daily Road Maintenance Services Agreements**") with the Maintenance Co, pursuant to which Maintenance Co agreed to provide day-to-day maintenance services including road patrol, inspection of the maintenance status of pavements, roadbeds, greening and sloping in respect of the Group's four expressways, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway. Each of the Daily Road Maintenance Services Agreements has a term of one year with effect from January 1, 2019 to December 31, 2019. The total service fees in respect of the daily maintenance services shall be Rmb66,823,926. Please refer to the announcement of the Company dated May 14, 2019 for details.

During the Period, the total service fees paid by the Company and its subsidiaries to Maintenance Co in respect of the daily road maintenance services under the Daily Road Maintenance Agreements amounted to Rmb64,338,000.

(ii) Shenjiahuhang Daily Road Maintenance Agreements

On May 14, 2019, each of Shenjiahuhang Co and Zhoushan Co entered into a daily road maintenance agreement (the "**Shenjiahuhang Daily Road Maintenance Agreements**") with Jiaogong Maintenance, pursuant to which Jiaogong Maintenance agreed to provide daily maintenance services including road patrol, inspection of the maintenance status of pavements, roadbeds, greening and sloping in respect of the Shenjiahuhang Expressway and the Zhejiang Zhoushan Bay Bridge. The term of the Shenjiahuhang Daily Road Maintenance Agreement is one year with effect from January 1, 2019 to December 31, 2019. The total service fees in respect of the daily maintenance services shall be Rmb19,991,811. Please refer to the announcement of the Company dated May 14, 2019 for details.

Connected Transactions

During the Period, the total service fees paid by Shenjiahuhang Co and Zhoushan Co to Jiaogong Maintenance in respect of the daily maintenance services under the Shenjiahuhang Daily Road Maintenance Agreements amounted to Rmb19,983,000.

(iii) Dedicated Road Maintenance Agreements

On May 14, 2019, the Company and the relevant subsidiaries of the Company entered into dedicated road maintenance agreements (the "**Dedicated Road Maintenance Agreements**") with Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang, respectively, pursuant to which Maintenance Co Jiaogong Maintenance and Zhejiang Shunchang agreed to provide dedicated maintenance services including (i) road work such as pavement diseases treatment, bridge deck overlay, pavement overlay; (ii) roadbed work such as slope treatment; (iii) bridge work such as bridge fault maintenance and reinforcement and deck system maintenance; (iv) road safety work such as signs, road markings and fence maintenance and (v) specific maintenance services such as tunnelling and greening in respect of Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway to the Group's seven expressways, namely: the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway, the Huihang Expressway, the Shenjiahuhang Expressway and the Zhejiang Zhoushan Bay Bridge, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway. The term of each of the Dedicated Road Maintenance Agreements is eight months from April 1, 2019 to November 30, 2019. Please refer to the announcement of the Company dated May 14, 2019 for details.

On June 5, 2019, each of Shenjiahuhang Co and Zhoushan Co entered into a termination agreement with Jiaogong Maintenance respectively, pursuant to which Shenjiahuhang Co and Jiaogong Maintenance agreed to terminate the agreement in respect of provision of the Dedicated Road Maintenance Agreements. Please refer to the announcement of the Company dated June 5, 2019 for details. As a result, the total service fees in respect of the dedicated road maintenance services has been reduced to Rmb346,246,536.

During the Period, the total service fees paid by the Company and its subsidiaries to Maintenance Co and Zhejiang Shunchang in respect of the dedicated maintenance services under the Dedicated Road Maintenance Agreements amounted to Rmb197,988,000 and Rmb97,034,000, respectively

(iv) Road Naming and Numbering Adjustment Agreements

On May 14, 2019, the Company and the relevant subsidiaries of the Company entered into a number of road naming and numbering adjustment agreements (the "**Road Naming and Numbering Adjustment Agreements**") with the Maintenance Co and Jiaogong Maintenance, pursuant to which Maintenance Co and Jiaogong Maintenance agreed to provide the naming and numbering adjustment services including replacing signage and adding road signs, guardrails, crash pads and markings to the Group's six expressways, namely, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway, the Shenjiahuhang Expressway and the Zhejiang Zhoushan Bay Bridge. Each of the Road Naming and Numbering Adjustment Agreements has a term of two months with effect from May 14, 2019. The total service fees in respect of the daily maintenance services shall be Rmb36,946,349. Please refer to the announcement of the Company dated May 14, 2016 for details.

During the Period, the total service fees paid by the Company and its subsidiaries to Maintenance Co and Jiaogong Maintenance in respect of the naming and numbering adjustment services under the Road Naming and Numbering Adjustment Agreements amounted to Rmb26,722,000 and Rmb5,935,000, respectively.

Each of Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance is a subsidiary of Communications Group. Therefore, each of Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance is a connected person of the Company and as a result, the respective transactions contemplated under the Daily Road Maintenance Agreements, the Shenjiahuhang Daily Road Maintenance Agreements, the Dedicated Road Maintenance Agreements and the Road Naming and Numbering Adjustment Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Connected Transactions

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Daily Road Maintenance Agreements, the Shenjiahuhang Daily Road Maintenance Agreements, the Dedicated Road Maintenance Agreements, the Road Naming and Numbering Adjustment Agreements and Previous Transactions III were entered into with parties who are connected with one another and within a 12-month period, the Daily Road Maintenance Agreements, the Shenjiahuhang Daily Road Maintenance Agreements, the Dedicated Road Maintenance Agreements, the Road Naming and Numbering Adjustment Agreements and the Previous Transactions III are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

As the applicable percentage ratios in respect of the respective transactions contemplated under the Daily Road Maintenance Agreements, the Shenjiahuhang Daily Road Maintenance Agreements, the Dedicated Road Maintenance Agreements and the Road Naming and Numbering Adjustment Agreements, after aggregating the Previous Transactions III, are more than 0.1% but less than 5%, the Daily Road Maintenance Agreements, the Shenjiahuhang Daily Road Maintenance Agreements, the Dedicated Road Maintenance Agreements and the Road Naming and Numbering Adjustment Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Construction Service Agreements

On June 21, 2019, De'an Construction as employer entered into a construction service agreement and its supplemental agreement (the "**Construction Service Agreements**") with Zhejiang Hongtu as contractor in relation to the provision of construction services for the Public-Private-Partnership (PPP) projects in respect of the construction of bridges, tunnels and public service station from Deqing County to the juncture between Deqing County and Anji County for a total consideration of Rmb809,315,640. The term of the Construction Service Agreement, which is the construction period, is 36 months. Please refer to the announcement and the supplemental announcement of the Company dated June 21, 2019 and July 2, 2019 respectively for details.

Zhejiang Hongtu is an indirect non-wholly owned subsidiary of Communications Group. As such, Zhejiang Hongtu is a connected person of the Company and as a result, the transactions under the Construction Service Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Construction Service Agreement is more than 0.1% but less than 5%, the Construction Service Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the De'an Construction to Zhejiang Hongtu in respect of the construction services under the Construction Service Agreement amounted to Rmb361,256,000.

4. Daily Road Maintenance Agreements

(i) Daily Road Maintenance (First Contract Section) Agreements

On December 27, 2019, Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, and Huihang Co separately entered into a series of agreements with Maintenance Co (the "**Daily Road Maintenance (First Contract Section) Agreements**"), pursuant to which Maintenance Co agreed to provide day-to-day maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance ("**Maintenance Services**") to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Hanghui Expressway and the Huihang Expressway. The term of the Daily Road Maintenance (First Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Maintenance Co shall be Rmb68,111,019, which amount to Rmb204,333,057 in total from 2020 to 2022.

Connected Transactions

(ii) Daily Road Maintenance (Second Contract Section) Agreements

On December 27, 2019, each of Shenjiahuhang Co and Zhoushan Co entered into an agreement with Jiaogong Maintenance (the "**Daily Road Maintenance (Second Contract Section) Agreements**"), pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge. The term of the Daily Road Maintenance (Second Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Jiaogong Maintenance in 2020 shall be Rmb27,158,624. The annual service fees payable by the Group to Jiaogong Maintenance in 2021 and 2022 shall be Rmb26,334,280 respectively.

(iii) Daily Road Maintenance (Third Contract Section) Agreements

On December 27, 2019, each of Jinhua Co and Xintian Management Office entered into an agreement with Zhejiang Shunchang (the "**Daily Road Maintenance (Third Contract Section) Agreements**"), pursuant to which Zhejiang Shunchang agreed to provide Maintenance Services to three expressways operated by the Group, namely Xintian Section of the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and Yiwu Section of the Yidong Expressway. The term of the Daily Road Maintenance (Third Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Zhejiang Shunchang shall be Rmb22,076,202 in 2020, 2021 and 2022 respectively.

Each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. As such, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is a connected person of the Company and the respective transactions contemplated under the Daily Road Maintenance (First Contract Section) Agreements, the Daily Road Maintenance (Second Contract Section) Agreements and the Daily Road Maintenance (Third Contract Section) Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the respective transactions contemplated under the Daily Road Maintenance (First Contract Section) Agreements, the Daily Road Maintenance (Second Contract Section) Agreements and the Daily Road Maintenance (Third Contract Section) Agreements are more than 0.1% but less than 5%, the Daily Road Maintenance (First Contract Section) Agreements, the Daily Road Maintenance (Second Contract Section) Agreements and the Daily Road Maintenance (Third Contract Section) Agreements will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, there was no service fee incurred payable by the Group under the Daily Road Maintenance (First Contract Section) Agreements, the Daily Road Maintenance (Second Contract Section) Agreements and the Daily Road Maintenance (Third Contract Section) Agreements.

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favourable to the Group 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 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 102 to 280, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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
Measurement of expected credit losses ("ECL") for loans to customers arising from margin financing business and financial assets held under resale agreements	
We identified the measurement of ECL for the Group's loan to customers arising from margin financing business and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement. As disclosed in Note 5 to the consolidated financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit impaired, using appropriate models and assumptions, determining the key inputs including probability of default ("PD"), loss given default ("LGD")and forward-looking information. As at 31 December, 2019, the Group held loans to customers arising from margin financing business of Rmb8,752,658,000, less impairment allowance of Rmb1,015,000 as disclosed in Note 30 to the consolidated financial statements and financial assets held under resale agreements of Rmb8,130,698,000, less impairment allowance of Rmb20,344,000 as disclosed in Note 32 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information; • Evaluating the determination of the criteria for significant increase in credit risk ("SICR") by management and, on a sample basis, testing its application; • On a sample basis, examining the major data input into the ECL model, including PD and LGD; • For a sample of credit impaired assets, assessing the impairment allowances made by management based on the expected future cash flow with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate; • Checking the calculation process of the ECL.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held 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 the Group controlled the structured entities. As disclosed in Notes 45 and 59 to the consolidated financial statements, as at 31 December 2019, the total assets of the consolidated structured entities amounted to Rmb3,800,723,000 and the total assets of the unconsolidated structured entities managed by the Group amounted to Rmb146,673,182,000, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

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 of the Company.

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 20, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	NOTES	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Revenue	6	**11,955,266**	11,192,199
Including: interest income under effective interest method		**1,572,835**	1,458,476
Operating costs		**(6,680,965)**	(5,806,810)
Gross profit		**5,274,301**	5,385,389
Securities investment gains	8	**1,402,684**	512,449
Other income and gains and losses	9	**260,267**	404,128
Administrative expenses		**(136,356)**	(123,391)
Other expenses		**(127,135)**	(100,204)
Impairment losses under expected credit loss model, net of reversal	10	**31,877**	45,787
Share of profit of associates		**652,824**	350,578
Share of profit of a joint venture		**34,941**	30,037
Finance costs	11	**(1,626,809)**	(1,396,806)
Profit before tax	12	**5,766,594**	5,107,967
Income tax expense	13	**(1,351,695)**	(1,113,454)
Profit for the year		**4,414,899**	3,994,513
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**922**	2,253
Other comprehensive income for the year, net of income tax		**922**	2,253
Total comprehensive income for the year		**4,415,821**	3,996,766

	NOTES	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**3,711,118**	3,515,095
Non-controlling interests		**703,781**	479,418
		4,414,899	3,994,513
Total comprehensive income attributable to:			
Owners of the Company		**3,711,551**	3,516,152
Non-controlling interests		**704,270**	480,614
		4,415,821	3,996,766
Earnings per share	17		
Basic (Rmb cents)		**85.45**	80.94
Diluted (Rmb cents)		**82.37**	76.27

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	As at 12/31/2019 Rmb'000	As at 12/31/2018 Rmb'000 (Restated)	As at 01/01/2018 Rmb'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	18	**4,280,735**	3,733,201	3,839,727
Right-of-use assets	19	**379,031**	–	–
Prepaid lease payments	20	**–**	114,628	119,450
Expressway operating rights	21	**22,867,446**	24,783,413	26,650,674
Goodwill	22	**86,867**	86,867	86,867
Other intangible assets	23	**182,851**	173,680	161,532
Interests in associates	25	**6,080,155**	5,211,412	1,686,227
Interest in a joint venture	26	**368,043**	333,102	303,065
Financial assets at fair value through profit or loss ("FVTPL")	27	**16,898**	17,200	711,715
Contract assets	28	**686,557**	252,868	–
Deferred tax assets	47	**924,602**	933,837	940,584
		35,873,185	35,640,208	34,499,841
CURRENT ASSETS				
Inventories		**333,261**	159,339	133,428
Trade receivables	29	**319,339**	245,102	276,127
Loans to customers arising from margin financing business	30	**8,751,643**	5,850,084	7,967,473
Other receivables and prepayments	31	**424,182**	453,493	497,063
Prepaid lease payments	20	**–**	4,822	4,822
Dividends receivable		**2,005**	–	–
Derivative financial assets	39	**6,250**	4,169	4,587
Financial assets at FVTPL	27	**22,235,480**	21,558,606	14,671,864
Financial assets held under resale agreements	32	**8,110,354**	8,206,182	9,805,161
Bank balances and clearing settlement fund held on behalf of customers	33	**20,141,931**	14,742,161	15,035,007
Pledged bank deposit		**–**	10,000	–
Bank balances, clearing settlement fund, deposits and cash				
– Time deposits with original maturity over three months	34	**302,726**	280,913	20,000
– Cash and cash equivalents	34	**8,076,598**	6,601,784	5,719,029
		68,703,769	58,116,655	54,134,561

	NOTES	As at 12/31/2019 Rmb'000	As at 12/31/2018 Rmb'000 (Restated)	As at 01/01/2018 Rmb'000 (Restated)
CURRENT LIABILITIES				
Placements from other financial institutions	35	**270,000**	400,679	–
Accounts payable to customers arising from securities business	36	**20,024,356**	14,653,413	14,933,719
Trade payables	37	**1,387,856**	1,299,098	1,761,166
Tax liabilities		**537,868**	479,469	608,284
Other taxes payable		**149,735**	104,216	97,080
Other payables and accruals	38	**2,049,479**	1,740,575	5,083,150
Contract liabilities		**15,674**	7,572	19,614
Dividends payable		**1,342**	847	261,239
Derivative financial liabilities	39	**5,565**	3,818	3,941
Bank and other borrowings	40	**4,598,533**	2,625,393	1,193,928
Short-term financing note payable	41	**6,532,990**	1,551	765,089
Bonds payable	42	**2,281,229**	5,766,458	1,488,098
Convertible bonds	43	**2,793,103**	–	–
Financial assets sold under repurchase agreements	44	**9,017,680**	11,086,710	10,566,693
Financial liabilities at FVTPL	45	**321,883**	364,714	373,427
Lease liabilities	46	**70,577**	–	–
		50,057,870	38,534,513	37,155,428
NET CURRENT ASSETS		**18,645,899**	19,582,142	16,979,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,519,084**	55,222,350	51,478,974
NON-CURRENT LIABILITIES				
Bank and other borrowings	40	**6,421,600**	9,817,600	9,092,700
Bonds payable	42	**12,892,042**	9,450,000	8,850,000
Convertible bonds	43	**2,687,228**	2,709,663	2,720,654
Deferred tax liabilities	47	**347,331**	321,889	394,434
Lease liabilities	46	**188,772**	–	–
		22,536,973	22,299,152	21,057,788
		31,982,111	32,923,198	30,421,186

Consolidated Statement of Financial Position

At December 31, 2019

	NOTES	As at 12/31/2019 Rmb'000	As at 12/31/2018 Rmb'000 (Restated)	As at 01/01/2018 Rmb'000 (Restated)
CAPITAL AND RESERVES				
Share capital	48	**4,343,115**	4,343,115	4,343,115
Reserves		**17,250,900**	19,121,111	16,907,893
Equity attributable to owners of the Company		**21,594,015**	23,464,226	21,251,008
Non-controlling interests	49	**10,388,096**	9,458,972	9,170,178
		31,982,111	32,923,198	30,421,186

Note: Notes to the consolidated statement of financial position are presented for January 1, 2018 as well if there is merger accounting effect.

The consolidated financial statements on pages 102 to 280 were approved and authorised for issue by the board of directors on March 20, 2020 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
CHENG Tao	**LUO Jianhu**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company										
	Share capital Rmb'000	**Share premium** Rmb'000	**Statutory reserve** Rmb'000 (Note i)	**Capital reserve** Rmb'000	**Share of differences arising on translation** Rmb'000	**Dividend reserve** Rmb'000	**Special reserves** Rmb'000 (Note ii)	**Retained profits** Rmb'000	**Sub-total** Rmb'000	**Non-controlling interests** Rmb'000	**Total** Rmb'000
At January 1, 2018 (originally stated)	4,343,115	3,355,621	5,035,016	1,712	162	1,302,934	638,468	5,977,472	20,654,500	8,549,851	29,204,351
Adjustments (Note 2)	–	–	–	–	–	–	2,507,399	(1,910,891)	596,508	620,327	1,216,835
At January 1, 2018 (restated)	4,343,115	3,355,621	5,035,016	1,712	162	1,302,934	3,145,867	4,066,581	21,251,008	9,170,178	30,421,186
Profit for the year (restated)	–	–	–	–	–	–	–	3,515,095	3,515,095	479,418	3,994,513
Other comprehensive income for the year	–	–	–	–	1,057	–	–	–	1,057	1,196	2,253
Total comprehensive income for the year	–	–	–	–	1,057	–	–	3,515,095	3,516,152	480,614	3,996,766
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(230,028)	(230,028)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	38,208	38,208
2017 final dividend (Note 16)	–	–	–	–	–	(1,302,934)	–	–	(1,302,934)	–	(1,302,934)
Proposed 2018 dividend	–	–	–	–	–	1,628,668	–	(1,628,668)	–	–	–
Transfer to reserves	–	–	185,641	–	–	–	–	(185,641)	–	–	–
At December 31, 2018 (restated)	4,343,115	3,355,621	5,220,657	1,712	1,219	1,628,668	3,145,867	5,767,367	23,464,226	9,458,972	32,923,198
Profit for the year	–	–	–	–	–	–	–	3,711,118	3,711,118	703,781	4,414,899
Other comprehensive income for the year	–	–	–	–	433	–	–	–	433	489	922
Total comprehensive income for the year	–	–	–	–	433	–	–	3,711,118	3,711,551	704,270	4,415,821
Consideration paid for acquisition of subsidiaries under common control (Note2)	–	–	–	–	–	–	(3,953,145)	–	(3,953,145)	–	(3,953,145)
Issuance of Convertible Bond 2019 by a subsidiary (Note 43)	–	–	–	–	–	–	–	–	–	403,728	403,728
Conversion of Convertible Bond 2019 of a subsidiary (Note 43)	–	–	–	–	–	–	–	–	–	(22)	(22)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2019	–	–	–	–	–	–	51	–	51	115	166
Capital reduction by non-controlling interests	–	–	–	–	–	–	–	–	–	(8)	(8)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(200,103)	(200,103)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	21,144	21,144
2018 dividend (Note 16)	–	–	–	–	–	(1,628,668)	–	–	(1,628,668)	–	(1,628,668)
Proposed 2019 dividend	–	–	–	–	–	1,541,806	–	(1,541,806)	–	–	–
Transfer to reserves	–	–	118,772	–	–	–	–	(118,772)	–	–	–
At December 31, 2019	4,343,115	3,355,621	5,339,429	1,712	1,652	1,541,806	(807,227)	7,817,907	21,594,015	10,388,096	31,982,111

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

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 charge of interest in a subsidiary. Amount represented the difference between the carrying value of net assets attributable to the Group acquired and the payment consideration arising from acquisition;

(b) Other reserve which was arising from the spin-off and offering of shares by Zheshang Securities Co., Ltd ("Zheshang Securities") in prior years.

(c) 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.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Profit before tax	**5,766,594**	5,107,967
Adjustments for:		
Finance costs	**1,626,809**	1,396,806
Interest income	**(34,369)**	(61,788)
Foreign exchange (gain) loss	**(10,817)**	33,395
Share of profit of associates	**(652,824)**	(350,578)
Share of profit of a joint venture	**(34,941)**	(30,037)
Depreciation of property, plant and equipment	**379,380**	319,244
Amortisation of expressway operating rights	**1,915,967**	1,919,487
Depreciation of right-of-use assets	**68,133**	–
Release of prepaid lease payments	**–**	4,822
Amortisation of other intangible assets	**40,457**	33,925
Impairment losses under expected credit loss model, net of reversal		
– trade receivables and other receivables	**2,050**	7,322
– advance to customers arising from margin financing business	**(3,177)**	(37,190)
– financial assets held under the resale agreement	**(31,402)**	(18,999)
– Contract asset	**652**	380
Allowance for write-down of inventories	**–**	2,700
Loss on disposal of property, plant and equipment	**13,200**	1,236
Loss (gain) on disposal of an associate	**77**	(6,645)
Gain on decrease in fair value in respect of derivative component of convertible bond (Note 43)	**(17,547)**	(127,094)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Operating cash flows before movements in working capital	**9,028,242**	8,194,953
Increase in inventories	**(173,922)**	(28,611)
(Increase) decrease in trade receivables	**(75,358)**	30,004
Increase in contract asset	**(434,341)**	(253,248)
(Increase) decrease in loans to customers arising from margin financing business	**(2,898,382)**	2,038,715
Decrease in other receivables and prepayments	**25,250**	337,950
Increase in financial assets at FVTPL	**(676,572)**	(6,494,562)
Decrease in financial assets held under resale agreements	**127,230**	1,606,309
(Increase) decrease in bank balances and clearing settlement fund held on behalf of customers	**(5,399,770)**	292,846
(Increase) decrease in net derivative financial assets	**(334)**	295
(Decrease) increase in placements from other financial institutions	**(130,679)**	400,679
Increase (decrease) in accounts payable to customers arising from securities business	**5,370,943**	(280,306)
Increase (decrease) in trade payables	**118,321**	(71,378)
Increase in other taxes payable	**45,519**	7,137
Increase (decrease) in contract liabilities	**8,102**	(12,042)
Withdraw (placement) of pledged bank deposit	**10,000**	(10,000)
Increase (decrease) in other payables and accruals	**239,147**	(594,649)
Decrease in financial liabilities at FVTPL	**(42,831)**	(8,713)
(Decrease) increase in financial assets sold under repurchase agreements	**(2,069,030)**	563,296
Cash generated from operations	**3,071,535**	5,718,675
Income taxes paid	**(1,261,577)**	(1,267,343)
Interest paid	**(1,427,204)**	(1,235,035)
NET CASH FROM OPERATING ACTIVITIES	**382,754**	3,216,297

	NOTE	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**35,496**	60,230
Investment in associates		**(350,000)**	(3,224,535)
Dividends received from associates		**120,520**	35,565
Proceeds on disposal of property, plant and equipment		**12,247**	11,920
Repayment of entrusted loans from a related party		**–**	77,650
Purchases of property, plant and equipment		**(982,049)**	(280,473)
Purchases of other intangible assets		**(48,794)**	(47,390)
Purchases of expressway operating rights		**–**	(401,816)
Placement of time deposits		**(102,726)**	(280,000)
Withdrawal of time deposits		**80,913**	20,000
Proceed from disposal of an associate		**12,233**	21,008
NET CASH USED IN INVESTING ACTIVITIES		**(1,222,160)**	(4,007,841)
FINANCING ACTIVITIES			
Dividends paid		**(1,627,321)**	(1,583,516)
Dividends paid to non-controlling shareholders		**(199,608)**	(229,833)
New bank and other borrowings raised		**6,285,780**	7,522,000
Repayment of bank and other borrowings		**(7,731,360)**	(4,099,600)
New entrusted loans raised		**135,000**	–
Repayment of entrusted loans		**(110,000)**	(1,270,000)
Repayment of borrowings from Communications Group		**–**	(2,746,100)
New issue of bonds payable, including Assets-backed bonds		**6,900,000**	7,600,000
Repayment of bonds payable		**(6,912,000)**	(2,800,000)
Proceed from issuance of Convertible Bond 2019 (Note 43)		**3,072,469**	–
Issue costs of Convertible Bond 2019(Note 43)		**(2,043)**	–
Issue of short-term financing note payable		**15,819,810**	9,473,360
Repayment of short-term financing note payable		**(9,321,360)**	(10,234,610)
Repayments of lease liabilities		**(64,060)**	–
Capital deduction by non-controlling interests in respect of a subsidiary		**(8)**	–
Capital injection by non-controlling interests in respect of a subsidiary		**21,144**	38,208
Capital received from Communications Group		**–**	1,720,000
Acquisition of subsidiaries under common control		**(3,953,145)**	(1,717,863)
NET CASH FROM FINANCING ACTIVITIES		**2,313,298**	1,672,046
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,473,892**	880,502
CASH AND CASH EQUIVALENTS AT JANUARY 1		**6,601,784**	5,719,029
Effect of foreign exchange rate changes		**922**	2,253
CASH AND CASH EQUIVALENTS AT DECEMBER 31	34	**8,076,598**	6,601,784

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. CORPORATE INFORMATION

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

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

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

In the opinion of the directors of the Company (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") during the current year are involved in the following principal activities:

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

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

(c) the hotel operation, construction service of a high grade road, investment in other financial institutions and other ancillary services.

2. MERGER ACCOUNTING RESTATEMENT

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

(i) On December 13, 2018, the Company entered into an equity purchase agreement with Communications Group to acquire 100% equity interest in Zhejiang Shenjiahuhang Expressway Co., Ltd. (“Shenjiahuhang Co”) at a cash consideration of Rmb2,943,000,000. Shenjiahuhang Co and its subsidiary are principally engaged in the operation and management of Huzhou (S12) and Lianhang (S13) sections of Shenjiahuhang Expressway and Zhoushan Bay Bridge (G9211) within National Expressway Network. The acquisition has been approved on March 4, 2019 and subsequently completed on April 9, 2019 and Shenjiahuhang Co then became a wholly owned subsidiary of the Company.

(ii) On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group to acquire 100% equity interest in Zhejiang Grand Hotel Limited (“Zhejiang Grand Hotel”) at a cash consideration of Rmb1,010,144,600. Zhejiang Grand Hotel is principally engaged in the operation of hotel, retail, rental and food and beverages businesses. The acquisition was completed on June 14, 2019 and Zhejiang Grand Hotel then became a wholly owned subsidiary of the Company.

Since Communications Group is the immediate and ultimate holding company of the Company, the above acquisitions were regarded as business combinations involving entities under common control and were accounted for using AG 5. As a result, the comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended December 31, 2018 and the consolidated statement of financial position as at December 31, 2018 and January 1, 2018 have therefore been restated in order to include the financial performance, assets and liabilities of the combining entities since the date on which they first come under common control.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of the merger accounting restatement in respect of the acquisition of 100% equity interests in Shenjiahuhang Co and Zhejiang Grand Hotel on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018 are as follows:

	Year ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Revenue	9,568,321	1,623,878	11,192,199
including: interest income under effective interest method	1,458,476	–	1,458,476
Operating costs	(4,684,509)	(1,122,301)	(5,806,810)
Gross profit	4,883,812	501,577	5,385,389
Securities investment gains	512,449	–	512,449
Other income and gains and losses	363,508	40,620	404,128
Administrative expenses	(99,844)	(23,547)	(123,391)
Other expenses	(86,160)	(14,044)	(100,204)
Impairment losses under expected credit loss model, net of reversal	47,268	(1,481)	45,787
Share of profit of associates	350,578	–	350,578
Share of profit of a joint venture	30,037	–	30,037
Finance costs	(866,317)	(530,489)	(1,396,806)
Profit before tax	5,135,331	(27,364)	5,107,967
Income tax expense, credit	(1,142,988)	29,534	(1,113,454)
Profit for the year	3,992,343	2,170	3,994,513
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	2,253	–	2,253
Other comprehensive income for the year, net of income tax	2,253	–	2,253
Total comprehensive income for the year	3,994,596	2,170	3,996,766

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Profit for the year attributable to:			
Owners of the Company	3,480,537	34,558	3,515,095
Non-controlling interests	511,806	(32,388)	479,418
	3,992,343	2,170	3,994,513
Total comprehensive income attributable to:			
Owners of the Company	3,481,594	34,558	3,516,152
Non-controlling interests	513,002	(32,388)	480,614
	3,994,596	2,170	3,996,766
Earnings per share			
– Basic (Rmb cents)	80.14	0.80	80.94
– Diluted (Rmb cents)	75.52	0.75	76.27

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of the merger accounting restatement in respect of the acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Grand Hotel on the consolidated statements of financial positions as at January 1, 2018 and December 31, 2018 are as follows:

	Year Ended 1/1/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 1/1/2018 Rmb'000 (Restated)	Year Ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 12/31/2018 Rmb'000 (Restated)
NON-CURRENT ASSETS						
Property, plant and equipment	2,948,134	891,593	3,839,727	2,882,791	850,410	3,733,201
Prepaid lease payments	65,300	54,150	119,450	63,163	51,465	114,628
Expressway operating rights	13,379,674	13,271,000	26,650,674	12,260,548	12,522,865	24,783,413
Goodwill	86,867	–	86,867	86,867	–	86,867
Other intangible assets	161,486	46	161,532	173,658	22	173,680
Interests in associates	1,686,227	–	1,686,227	5,211,412	–	5,211,412
Interest in a joint venture	303,065	–	303,065	333,102	–	333,102
Financial assets at FVTPL	711,715	–	711,715	17,200	–	17,200
Contract asset	–	–	–	252,868	–	252,868
Deferred tax assets	355,803	584,781	940,584	318,236	615,601	933,837
	19,698,271	14,801,570	34,499,841	21,599,845	14,040,363	35,640,208

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 1/1/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 1/1/2018 Rmb'000 (Restated)	Year Ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 12/31/2018 Rmb'000 (Restated)
CURRENT ASSETS						
Inventories	131,261	2,167	133,428	157,416	1,923	159,339
Trade receivables	244,587	31,540	276,127	216,233	28,869	245,102
Loans to customers arising from margin financing business	7,967,473	–	7,967,473	5,850,084	–	5,850,084
Other receivables and prepayments	481,358	15,705	497,063	407,684	45,809	453,493
Prepaid lease payments	2,137	2,685	4,822	2,137	2,685	4,822
Derivative financial assets	4,587	–	4,587	4,169	–	4,169
Financial assets at FVTPL	14,671,864	–	14,671,864	21,558,606	–	21,558,606
Financial assets held under resale agreements	9,805,161	–	9,805,161	8,206,182	–	8,206,182
Bank balances and clearing settlement fund held on behalf of customers	15,035,007	–	15,035,007	14,742,161	–	14,742,161
Pledged bank deposit	–	–	–	10,000	–	10,000
Bank balances, clearing settlement fund, deposits and cash:						
– Time deposits with original maturity over three months	20,000	–	20,000	280,913	–	280,913
– Cash and cash equivalents	5,588,814	130,215	5,719,029	6,477,724	124,060	6,601,784
	53,952,249	182,312	54,134,561	57,913,309	203,346	58,116,655

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 1/1/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 1/1/2018 Rmb'000 (Restated)	Year Ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 12/31/2018 Rmb'000 (Restated)
CURRENT LIABILITIES						
Placements from other financial institutions	–	–	–	400,679	–	400,679
Accounts payable to customers arising from securities business	14,933,719	–	14,933,719	14,653,413	–	14,653,413
Trade payables	628,592	1,132,574	1,761,166	575,465	723,633	1,299,098
Tax liabilities	608,284	–	608,284	478,183	1,286	479,469
Other taxes payable	90,266	6,814	97,080	96,931	7,285	104,216
Other payables and accruals	2,261,971	2,821,179	5,083,150	1,630,327	110,248	1,740,575
Contract liabilities	19,614	–	19,614	7,572	–	7,572
Dividends payable	261,239	–	261,239	847	–	847
Derivative financial liabilities	3,941	–	3,941	3,818	–	3,818
Bank and other borrowings	420,148	773,780	1,193,928	200,741	2,424,652	2,625,393
Short-term financing note payable	765,089	–	765,089	1,551	–	1,551
Bonds payable	1,488,098	–	1,488,098	5,766,458	–	5,766,458
Financial assets sold under repurchase agreements	10,566,693	–	10,566,693	11,086,710	–	11,086,710
Financial liabilities at FVTPL	373,427	–	373,427	364,714	–	364,714
	32,421,081	4,734,347	37,155,428	35,267,409	3,267,104	38,534,513
NET CURRENT ASSETS (LIABILITIES)	21,531,168	(4,552,035)	16,979,133	22,645,900	(3,063,758)	19,582,142
TOTAL ASSETS LESS CURRENT LIABILITIES	41,229,439	10,249,535	51,478,974	44,245,745	10,976,605	55,222,350

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 1/1/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 1/1/2018 Rmb'000 (Restated)	Year Ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 12/31/2018 Rmb'000 (Restated)
NON-CURRENT LIABILITIES						
Bank and other borrowings	60,000	9,032,700	9,092,700	60,000	9,757,600	9,817,600
Bonds payable	8,850,000	–	8,850,000	9,450,000	–	9,450,000
Convertible Bonds	2,720,654	–	2,720,654	2,709,663	–	2,709,663
Deferred tax liabilities	394,434	–	394,434	321,889	–	321,889
	12,025,088	9,032,700	21,057,788	12,541,552	9,757,600	22,299,152
	29,204,351	1,216,835	30,421,186	31,704,193	1,219,005	32,923,198
CAPITAL AND RESERVES						
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Reserves	16,311,385	596,508	16,907,893	18,490,045	631,066	19,121,111
Equity attributable to owners of the Company	20,654,500	596,508	21,251,008	22,833,160	631,066	23,464,226
Non-controlling interests	8,549,851	620,327	9,170,178	8,871,033	587,939	9,458,972
	29,204,351	1,216,835	30,421,186	31,704,193	1,219,005	32,923,198

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Grand Hotel on the consolidated statements of equity as at January 1, 2018 and December 31, 2018 are as follows:

	Year Ended 1/1/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 1/1/2018 Rmb'000 (Restated)	Year Ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year Ended 12/31/2018 Rmb'000 (Restated)
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Share premium	3,355,621	–	3,355,621	3,355,621	–	3,355,621
Statutory reserve	5,035,016	–	5,035,016	5,220,278	379	5,220,657
Capital reserve	1,712	–	1,712	1,712	–	1,712
Share of differences arising on translation	162	–	162	1,219	–	1,219
Dividend reserve	1,302,934	–	1,302,934	1,628,668	–	1,628,668
Special reserves	638,468	2,507,399	3,145,867	638,468	2,507,399	3,145,867
Retained profits	5,977,472	(1,910,891)	4,066,581	7,644,079	(1,876,712)	5,767,367
Non-controlling interests	8,549,851	620,327	9,170,178	8,871,033	587,939	9,458,972
Total	29,204,351	1,216,835	30,421,186	31,704,193	1,219,005	32,923,198

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Grand Hotel on the consolidated cash flows for the year ended December 31, 2018 are as follows:

	Year ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Profit before tax	5,135,331	(27,364)	5,107,967
Adjustments for:			
Finance costs	866,317	530,489	1,396,806
Interest income	(59,780)	(2,008)	(61,788)
Depreciation of property, plant and equipment	260,097	59,147	319,244
Amortisation of expressway operating rights	1,119,126	800,361	1,919,487
Release of prepaid lease payments	2,137	2,685	4,822
Amortisation of other intangible assets	33,900	25	33,925
Impairment losses, net of reversal	5,841	1,481	7,322
Loss on disposal of property, plant and equipment	783	453	1,236
Other operating cash flow adjustments	(534,068)	–	(534,068)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in Shenjiahuhang Co and Zhejiang Grand Hotel on the consolidated cash flows for the year ended December 31, 2018 are as follows (Continued):

	Year ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Operating cash flows before movements in working capital	6,829,684	1,365,269	8,194,953
(Increase) decrease in inventories	(28,855)	244	(28,611)
Decrease in trade receivables	27,357	2,647	30,004
Decrease (increase) in other receivables and prepayments	373,682	(35,732)	337,950
Decrease in trade payables	(53,127)	(18,251)	(71,378)
Increase in other taxes payable	6,665	472	7,137
(Decrease) increase in other payables and accruals	(629,649)	35,000	(594,649)
Other working capital adjustments	(2,156,731)	–	(2,156,731)
Cash generated from operations	4,369,026	1,349,649	5,718,675
Income taxes paid	(1,267,343)	–	(1,267,343)
Interest paid	(689,623)	(545,412)	(1,235,035)
NET CASH FROM OPERATING ACTIVITIES	2,412,060	804,237	3,216,297
INVESTING ACTIVITIES			
Interest received	58,222	2,008	60,230
Proceeds on disposal of property, plant and equipment	11,895	25	11,920
Purchases of property, plant and equipment	(241,427)	(39,046)	(280,473)
Purchases of expressway operating rights	–	(401,816)	(401,816)
Other investing cash flows	(3,397,702)	–	(3,397,702)
NET CASH USED IN INVESTING ACTIVITIES	(3,569,012)	(438,829)	(4,007,841)

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year ended 12/31/2018 Rmb'000 (Originally stated)	Merger accounting restatement Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
FINANCING ACTIVITIES			
New bank and other borrowings raised	3,230,000	4,292,000	7,522,000
Repayment of bank and other borrowings	(3,450,000)	(649,600)	(4,099,600)
Repayment of borrowings from Communications Group	–	(2,746,100)	(2,746,100)
Repayment of entrusted loans	–	(1,270,000)	(1,270,000)
Capital received from Communications Group	–	1,720,000	1,720,000
Acquisition of subsidiaries under common control	–	(1,717,863)	(1,717,863)
Other financing cash flows	2,263,609	–	2,263,609
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,043,609	(371,563)	1,672,046
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	886,657	(6,155)	880,502
CASH AND CASH EQUIVALENTS AT JANUARY 1	5,588,814	130,215	5,719,029
Effect of foreign exchange rate changes	2,253	–	2,253
CASH AND CASH EQUIVALENTS AT DECEMBER 31	6,477,724	124,060	6,601,784

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

3.1 HKFRS 16 Leases

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.1 HKFRS 16 Leases (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities range from 4.7512% to 5.0284%.

	1/1/2019 Rmb'000
Operating lease commitments disclosed as at December 31, 2018	**338,383**
Lease liabilities discounted at relevant incremental borrowing rates	**276,537**
Less: recognition exemption – short-term leases	**(6,382)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at January 1, 2019	**270,155**
Analysed as	
Current	**67,865**
Non-current	**202,290**
	270,155

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

	1/1/2019 Rmb'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**270,155**
Reclassified from prepaid lease payments (Note)	**119,450**
	389,605

Note: Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at December 31, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to Rmb4,822,000 and Rmb114,628,000, respectively were reclassified to right-of-use assets.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.1 HKFRS 16 Leases (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at January 1, 2019. The application has had no impact on the Group's consolidated statement of financial position at January 1, 2019.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the management considered that the impact on the Group's consolidated statement of financial position at January 1, 2019 is insignificant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 12/31/2018 Rmb'000	Adjustments Rmb'000	Carrying amounts under HKFRS 16 at 1/1/2019 Rmb'000
Non-current Assets				
Prepaid lease payments	20	114,628	(114,628)	–
Right-of-use assets	19	–	389,605	**389,605**
Current Assets				
Prepaid lease payments	20	4,822	(4,822)	–
Current Liabilities				
Lease liabilities	46	–	67,865	**67,865**
Non-current liabilities				
Lease liabilities	46	–	202,290	**202,290**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020
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, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after January 1, 2020.

Except as described below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group'sannual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (Continued)

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since January 1, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Change in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

Merger accounting for business combination involving businesses under common control

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

The net assets of the combining or 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 or 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 beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. 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 (see the accounting policy above) 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 or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component (Continued)

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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 estimated 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 property, plant and equipment, right-of-use assets 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 property, plant and equipment, right-of-use assets, 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).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. 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, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 or from the initial recognition (other than in a business combination) of 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “securities investment gains” line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables), and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- The significant adverse changes in the industry or policy environment, geographical environment of debtors, or deterioration of the debtor's own business operations;

- The significant adverse changes in main operations or financial indicators as reflected in the financial informations of the debtor;

- The significant adverse changes (if any) in the effectiveness of credit enhancement measures;

- The debtor is listed as credit disciplinary target such as defaulters and discredit units in the field of environmental protection or safety production, or other important situations that may affect debt repayment ability have occurred; the debtor has delayed and refused to bear the liability for credit enhancement in other debts;

- Other important events identified by the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019)..

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the shared credit risk characteristics basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, loans to customers arising from margin financing business, other receivables, financial assets held under resale agreements, contract assets, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, and bank balances, clearing settlement fund, deposits and cash where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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 HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, 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 recognised 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. For financial liabilities that contain embedded derivatives, such as convertible bond, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

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

Convertible bond contains debt and derivative components

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

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the Convertible Bond 2017 carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bond contains equity component

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. In case of convertible bond issued by a subsidiary, the equity component of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation.

Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 financial assets at FVTPL.

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 HKFRS 9; and

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

Derecognition/modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts (Continued)

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

Notes to the Consolidated Financial Statements

5. 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 the directors of the company 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.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as a fund manager and/or an investor, controls a structured entity. The principle of control sets out the following three elements of control: (a) power over these entities; (b) exposure, or rights, to variable returns from involvement with these entities; and (c) the ability to use power over these entities to affect the amount of the investor's returns. The Group reassesses whether or not it controls a structured entity 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 a manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds, if any, together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount use of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, an impairment loss may arise. As at December 31, 2019, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2018: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 24.

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

The Group estimates the amount of loss allowance for ECL on its loans to customers arising from margin financing business and financial assets held under resale agreements. Asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss are taken into account for determining the loss allowance amount. The assessment of the credit risk of loans to customers arising from margin financing business and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimations are required in applying the accounting requirements for measuring the ECL:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

Key sources of estimation uncertainty (Continued)

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

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 53 for more details.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 53 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 53(b) for more details on ECL and Note 53(c) for more details on fair value measurement.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 53(b) for more details.

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

Key sources of estimation uncertainty (Continued)

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

PD

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

LGD

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. The information about the ECL, the Group's trade receivables and contract assets are disclosed in note 53(b).

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 of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

The Group uses various valuation techniques to determine the fair value of financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, models or other valuation methods as appropriate. To the extent practical, models use only observable data; however areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Year ended 12/31/2019 Toll operation Rmb'000	Year ended 12/31/2019 Securities operation Rmb'000	Year ended 12/31/2019 Others Rmb'000	Year ended 12/31/2018 Toll operation Rmb'000 (Restated)	Year ended 12/31/2018 Securities operation Rmb'000	Year ended 12/31/2018 Others Rmb'000 (Restated)
Types of goods or services						
Toll operation	8,061,007	–	–	7,854,484	–	–
Securities operation						
Asset management services	–	267,826	–	–	243,972	–
Securities and futures commission	–	1,138,565	–	–	919,992	–
Investment banking services	–	321,551	–	–	298,834	–
	–	1,727,942	–	–	1,462,798	–
Others						
Hotel operating and catering services	–	–	169,576	–	–	177,861
Construction service			423,906	–	–	238,580
	–	–	593,482	–	–	416,441
Total	8,061,007	1,727,942	593,482	7,854,484	1,462,798	416,441
Timing of revenue recognition						
A point in time	8,061,007	1,727,942	169,576	7,854,484	1,462,798	177,861
Over time	–	–	423,906	–	–	238,580
Total	8,061,007	1,727,942	593,482	7,854,484	1,462,798	416,441

6. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Toll operation	**8,061,007**	7,854,484
Securities operation	**1,727,942**	1,462,798
Others	**593,482**	416,441
Revenue from contracts with customers	**10,382,431**	9,733,723
Interest under effective interest method	**1,572,835**	1,458,476
Total revenue	**11,955,266**	11,192,199

(ii) Performance obligations for contracts with customers

Toll operation

Revenue arising from toll operation is recognised at a point in time when the vehicles exit the toll expressway, of which the Group operates part or all of it.

The revenue from toll operation is based on the toll rates determined by government authorities. It is settled by government agencies on a monthly basis.

Hotel operation and catering services

In respect of hotel operation and catering services, the Group recognises the revenue at a point in time when the services are provided.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

High grade road construction service

The Group provides high grade road construction service to a customer. Such service is recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for the construction service based on the stage of completion of the contract using input method.

The Group's construction contract includes payment schedules which require stage payments over the operation period of 10 years after the construction is completed.

A contract asset is recognised over the period in which the construction service is performed representing the Group's right to consideration for the services performed because the right is conditioned on the Group's future performance in completing the construction. The contract asset is transferred to trade receivables when the rights become unconditional. The Group typically transfers contract asset to trade receivables when the construction is completed because only at that time, the Group satisfied the right to consideration pursuant to the terms and conditions of the relevant construction contract.

Asset management services

The Group provides asset management services in respect of wealth management products, and is entitled to management fees of these products for its services rendered to customers. Performance obligation is satisfied over the term of respective wealth management products. Management fees of wealth management products are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, in practice the variable management fees can only be recognised upon dividend distribution, withdrawal of investors or liquidation of products.

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Securities brokerage services

Commission and fee income arising from securities brokerage services is recognised at a point in time when the service is provided and performance obligation is satisfied when the brokerage of customers' securities, futures or options contracts dealing is completed. Fees are usually received shortly after the service is provided.

Investment banking services

The Group provides financial advisory services to its customers. The Group recognises the revenue at a point in time when the services are provided. They are usually collected within one month when they become due.

The Group provides sponsoring and underwriting services to its customers for issue of equity or debt instruments to investors. Performance obligation is satisfied when the issue of these equity or debt instruments are completed. Sponsoring and underwriting fees became due when certain milestones are met during the issue process and at completion of the issues. They are usually collected within one month when they become due.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations in respect of the high grade road construction service (unsatisfied or partially unsatisfied) as at December 31, 2019 amounting to Rmb711,779,000 (2018: Rmb1,216,120,000), which are expected to be recognised as revenue over the construction period till July, 2021 (2018: July, 2021) by reference to the progress towards the satisfaction of stage of the completion using the input method.

The transaction price allocated to the remaining performance obligation for sponsorship contracts with customers is not material. Besides, most other contracts with customers have original expected duration of less than one year. Therefore information about the remaining performance obligations is not disclosed.

There is no other unsatisfied or partially unsatisfied remaining performance obligations as at December 31, 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

7. OPERATING SEGMENTS

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

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

(i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Securities operation – the securities and future broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Others – hotel operation, high grade road construction, investment in other financial institutions and other ancillary services.

Segment revenue and results

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

For the year ended December 31, 2019

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

7. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2018 (Restated)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. 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		
	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)	**12/31/2019 Rmb'000**	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Toll operation	**28,943,860**	30,090,897	32,789,270	**(19,575,212)**	(17,159,312)	(18,510,053)
Securities operation	**67,965,409**	57,254,963	53,215,230	**(52,390,763)**	(43,326,330)	(39,424,352)
Others	**7,580,818**	6,324,136	2,543,035	**(628,868)**	(348,023)	(278,811)
Total segment assets (liabilities)	**104,490,087**	93,669,996	88,547,535	**(72,594,843)**	(60,833,665)	(58,213,216)
Goodwill	**86,867**	86,867	86,867	**–**	–	–
Consolidated assets (liabilities)	**104,576,954**	93,756,863	88,634,402	**(72,594,843)**	(60,833,665)	(58,213,216)

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

7. OPERATING SEGMENTS (Continued)

Other segment information

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

For the year ended December 31, 2019

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Income tax expense	1,024,200	318,907	8,588	1,351,695
Interest income on bank balances and entrusted loan receivables	33,859	–	510	34,369
Interest expenses	763,965	844,931	17,913	1,626,809
Impairment losses on loan to customers arising from margin financing business, reversed in profit	–	3,177	–	3,177
Impairment losses on trade receivables, net of reversal	97	(1,218)	–	(1,121)
Impairment losses on contract asset recognised in profit	–	–	(652)	(652)
Interests in associates	–	303,643	5,776,512	6,080,155
Interest in a joint venture	368,043	–	–	368,043
Share of profit of associates	–	18,922	633,902	652,824
Share of profit of a joint venture	34,941	–	–	34,941
Net gains arising from financial assets at FVTPL	59,216	1,425,925	–	1,485,141
Gain on changes in fair value in respect of the derivative component of convertible bond	17,547	–	–	17,547
Additions to non-current assets (Note)	900,131	98,072	351,865	1,350,068
Depreciation and amortisation	2,180,526	184,747	38,664	2,403,937

7. OPERATING SEGMENTS (Continued)

Other segment information (Continued)

For the year ended December 31, 2018 (Restated)

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

7. OPERATING SEGMENTS (Continued)

Revenue from major services

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

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Toll operation revenue	**8,061,007**	7,854,484
Commission and fee income from securities operation	**1,727,942**	1,462,798
Interest income from securities operation	**1,572,835**	1,458,476
Hotel and catering revenue	**169,576**	177,861
Revenue from construction	**423,906**	238,580
	11,955,266	11,192,199

Geographical information

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

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

Information about major customers

During the years ended December 31, 2019 and 2018, there was no individual customer with sales over 10% of the total revenue of the Group.

8. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Net gains arising from financial assets at FVTPL	**1,485,141**	526,479
Net gains arising from derivative financial instruments	**7,028**	17,605
Net losses arising from financial liabilities at FVTPL	**(89,485)**	(31,635)
	1,402,684	512,449

9. OTHER INCOME AND GAINS AND LOSSES

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Interest income on bank balances and entrusted loan receivables	**34,369**	61,788
Rental income (Note i)	**68,532**	74,364
Handling fee income	**278**	3,188
Towing income	**6,368**	6,572
Gain on changes in fair value in respect of the derivative component of convertible bond	**17,547**	127,094
Exchange gain, net	**14,269**	55,637
Gain (loss) on commodity trading, net (Note ii)	**6,443**	(17,893)
Management fee income	**34,313**	26,949
Others	**78,148**	66,429
	260,267	404,128

Notes:

(i) Rental income included contingent rent of Rmb2,158,000 (2018: Rmb3,895,000) recognised during the year.

(ii) The income on commodity trading amounted to Rmb2,289,986,000 with the cost of Rmb2,283,543,000. The net gain or loss on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb329,704,000 as of December 31, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Impairment losses on financial assets and contract asset (recognised) reversed:		
Trade receivables – goods and services	(1,121)	(1,074)
Other receivables	(929)	(6,248)
Loans to customers arising from margin financing business	3,177	37,190
Financial assets held under resale agreements	31,402	18,999
Contract asset	(652)	(380)
Others	–	(2,700)
	31,877	45,787

11. FINANCE COSTS

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Bank and other borrowings	605,241	599,649
Short-term financing note payable	98,561	131,459
Bonds payable	715,438	562,995
Convertible Bonds	193,878	102,703
Lease liabilities	13,691	–
	1,626,809	1,396,806

12. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Depreciation of property, plant and equipment (included in operating costs and administrative expenses)	379,380	319,244
Depreciation of right-of-use assets	68,133	–
Release of prepaid lease payments	–	4,822
Amortisation of expressway operating rights (included in operating costs)	1,915,967	1,919,487
Amortisation of other intangible assets (included in operating costs and administrative expenses)	40,457	33,925
Total depreciation and amortisation	2,403,937	2,277,478
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	1,541,415	1,121,823
– Pension scheme contributions	137,945	131,585
	1,679,360	1,253,408
Auditors' remuneration	8,544	9,951
Loss on disposal of property, plant and equipment	13,200	1,236

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13. INCOME TAX EXPENSE

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,317,018**	1,179,252
Deferred tax (Note 47)	**34,677**	(65,798)
	1,351,695	1,113,454

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

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

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

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

The emoluments paid or payable to each of the 9 (2018: 12) directors and 5 (2018: 6) supervisors are as follows:

	Yu Zhihong@ Rmb'000 (Note ii)	Zhan Xiaozhang@ Rmb'000 (Note i)	Cheng Tao@ Rmb'000 (Note iii)	Luo Jianhu@ Rmb'000 (Note iii)	Wang Dongjie^ Rmb'000 (Note i)	Dai Benmeng^ Rmb'000	Yu Qunli^ Rmb'000 (Note ii)	Yu Ji^ Rmb'000 (Note ii)	Zhou Jun* Rmb'000 (Note i)	Pei Ker-wei* Rmb'000	Lee Wai Tsang* Rmb'000	Chen Bin* Rmb'000 (Note ii)	Yao Huiliang# Rmb'000	Lu Xinghai# Rmb'000 (Note iv)	He Meiyun# Rmb'000	Zhan Huagang# Rmb'000	Wu Qingwang# Rmb'000	Wang Yubing# Rmb'000 (Note v)	Total Rmb'000
2019																			
Fees																			
Salaries, allowances and benefits in kind	–	–	600	600	–	–	–	–	–	–	–	–	–	–	12	–	8	–	1220
Bonuses paid and payable	–	–	63	373	–	–	–	–	–	–	–	–	–	–	–	–	–	–	436
Pension scheme contributions	–	–	26	26	–	–	–	–	–	–	–	–	–	–	–	–	–	–	52
Directors' fee	–	–	–	–	–	–	–	–	–	220	223	85	–	–	–	–	–	–	528
Total emoluments	–	–	689	999	–	–	–	–	–	220	223	85	–	–	12	–	8	–	2,236
2018																			
Fees																			
Salaries, allowances and benefits in kind	–	50	300	300	–	–	–	–	–	–	–	–	–	–	10	–	10	–	670
Bonuses paid and payable	–	448	631	631	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,710
Pension scheme contributions	–	4	24	24	–	–	–	–	–	–	–	–	–	–	–	–	–	–	52
Directors' fee	–	–	–	–	–	–	–	–	–	211	214	57	–	–	–	–	–	–	482
Total emoluments	–	502	955	955	–	–	–	–	–	211	214	57	–	–	10	–	10	–	2,914

@ 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.

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

Notes:

(i) Resigned on April 2, 2018.

(ii) Appointed on April 2, 2018.

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

(iv) Resigned on April 12, 2018.

(v) Appointed on April 12, 2018.

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.

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

The emoluments paid or payable to each of the other 6 (2018: 5) senior managements are as follows:

	Zhu Yimin Rmb'000	Wang Dehua Rmb'000	Zhan Huagang Rmb'000	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000	Wang Bingjiong Rmb'000 (Note)	Total Rmb'000
Year ended December 31, 2019							
Salaries, allowances and benefits in kind	510	510	510	510	510	128	2,678
Bonuses paid and payable	337	337	359	315	337	–	1,685
Pension scheme contributions	26	26	26	26	26	6	136
Total emoluments	873	873	895	851	873	134	4,499
Year ended December 31, 2018							
Salaries, allowances and benefits in kind	255	255	255	255	255	–	1,275
Bonuses paid and payable	517	467	517	472	517	–	2,490
Pension scheme contributions	24	24	24	24	24	–	120
Total emoluments	796	746	796	751	796	–	3,885

Note: Appointed on September 5, 2019 as Deputy General Manager of the company.

The emoluments of each of the senior managements were below HK$1,000,000 (equivalent to Rmb895,800 (2018: Rmb876,200) in both years. Bonuses paid to senior managements are performance-rated and are determined by the board of directors.

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

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15. EMPLOYEES' EMOLUMENTS

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

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Salaries, allowances and benefits in kind	**3,703**	4,906
Bonuses paid and payable (Note)	**35,854**	31,886
Pension scheme contributions	**180**	305
	39,737	37,097

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, 2019 and 2018.

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 5 (2018: 5) non-director employees.

15. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2019	Year ended 12/31/2018
HK$5,000,001 to HK$5,500,000 (equivalent to Rmb4,483,904 (2018: Rmb4,381,001) to Rmb4,932,293 (2018: Rmb4,819,100))	**–**	1
HK$6,000,001 to HK$6,500,000 (equivalent to Rmb5,380,684 (2018: Rmb5,257,201) to Rmb5,829,074 (2018: Rmb5,695,300))	**–**	1
HK$6,500,001 to HK$7,000,000 (equivalent to Rmb5,829,075 (2018: Rmb5,695,301) to Rmb6,277,464 (2018: Rmb6,133,400))	**–**	1
HK$7,500,001 to HK$8,000,000 (equivalent to Rmb6,725,855 (2018: Rmb6,571,501) to Rmb7,174,244 (2018: Rmb7,009,600))	**1**	–
HK$8,000,001 to HK$8,500,000 (equivalent to Rmb7,174,245 (2018: Rmb7,009,601) to Rmb7,622,635 (2018: Rmb7,447,700))	**1**	–
HK$8,500,001 to HK$9,000,000 (equivalent to Rmb7,622,636 (2018: Rmb7,447,701) to Rmb8,071,025 (2018: Rmb7,885,800))	**1**	–
HK$9,000,001 to HK$9,500,000 (equivalent to Rmb8,071,025 (2018: Rmb7,885,800) to Rmb8,519,416 (2018: Rmb8,323,901))	**1**	–
HK$10,500,001 to HK$11,000,000 (equivalent to Rmb9,416,197 (2018: Rmb9,200,101) to Rmb9,864,586 (2018: Rmb9,638,200))	**1**	1
HK$13,000,001 to HK$13,500,000 (equivalent to Rmb11,658,148 (2018: Rmb11,390,601) to Rmb12,106,538 (2018: Rmb11,838,700))	**–**	1

16. DIVIDENDS

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Dividends recognised as distribution during the year:		
2018 – Rmb37.5 cents (2018: 2017 Final Rmb30.0 cents per share)	**1,628,668**	1,302,934

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

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17. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Profit for the year attributable to owners of the Company	**3,711,118**	3,515,095
Earnings for the purpose of basic earnings per share	**3,711,118**	3,515,095
Effect of dilutive potential ordinary shares arising from convertible bond:		
Interest expense	**105,589**	102,703
Exchange (gain) loss (net of income tax)	**(7,103)**	10,050
Gain on changes in fair value on derivative component	**(17,547)**	(127,094)
Earnings for the purpose of diluted earnings per share	**3,792,057**	3,500,754

Number of shares

	Year ended 12/31/2019 '000	Year ended 12/31/2018 '000
Number of ordinary shares for the purpose of basic earnings per share	**4,343,115**	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	**260,386**	246,632
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,603,501**	4,589,747

For the year ended December 31, 2019, the computation of diluted earnings per share does not assume the conversion of outstanding Convertible Bond 2019 issued by Zheshang Securities since their exercise would result in an increase in earnings per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Rmb'000	Hotel Rmb'000	Ancillary facilities Rmb'000	Communication and signaling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
Cost								
At January 1, 2018 (originally stated)	1,649,119	592,230	1,014,059	784,147	183,589	480,077	29,679	4,732,900
Merger accounting restatement	529,255	268,290	191,683	636,493	17,514	84,940	541	1,728,716
At January 1, 2018 (Restated)	2,178,374	860,520	1,205,742	1,420,640	201,103	565,017	30,220	6,461,616
Additions	18,081	–	–	28,643	4,347	41,673	176,714	269,458
Transfer	23,079	–	681	31,024	–	6,951	(114,316)	(52,581)
Disposals	–	–	(6)	(20,983)	(43,136)	(30,204)	–	(94,329)
At December 31, 2018 (Restated)	2,219,534	860,520	1,206,417	1,459,324	162,314	583,437	92,618	6,584,164
Additions	12,933	564	404	23,566	16,686	43,509	853,004	950,666
Transfer	826	–	15,742	475,242	–	14,612	(506,648)	(226)
Disposals	(25,254)	(2,931)	(5,859)	(44,339)	(22,334)	(26,516)	–	(127,233)
At December 31, 2019	2,208,039	858,153	1,216,704	1,913,793	156,666	615,042	438,974	7,407,371
DEPRECIATION								
At January 1, 2018 (Originally Stated)	421,885	47,194	374,302	473,322	127,198	340,865	–	1,784,766
Merger accounting restatement	164,813	68,737	52,691	466,320	14,940	69,622	–	837,123
At January 1, 2018 (Restated)	586,698	115,931	426,993	939,642	142,138	410,487	–	2,621,889
Provided for the year	87,040	27,093	59,877	81,995	12,558	50,681	–	319,244
Disposals	–	–	(5)	(20,543)	(42,564)	(27,058)	–	(90,170)
At December 31, 2018 (Restated)	673,738	143,024	486,865	1,001,094	112,132	434,110	–	2,850,963
Provided for the year	100,304	30,631	49,060	139,096	11,561	48,728	–	379,380
Disposals	(19,294)	(2,915)	(4,014)	(35,753)	(18,282)	(23,449)	–	(103,707)
At December 31, 2019	754,748	170,740	531,911	1,104,437	105,411	459,389	–	3,126,636
CARRYING VALUES								
At December 31, 2019	1,453,291	687,413	684,793	809,356	51,255	155,653	438,974	4,280,735
At December 31, 2018 (Restated)	1,545,796	717,496	719,552	458,230	50,182	149,327	92,618	3,733,201
At January 1, 2018 (Restated)	1,591,676	744,589	778,749	480,998	58,965	154,530	30,220	3,839,727

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

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19. RIGHT-OF-USE ASSETS

	Leasehold lands Rmb'000	Leased properties Rmb'000	Total Rmb'000
COST			
At January 1, 2019:	119,450	270,155	389,605
Addition	–	57,559	57,559
At December 31 2019	119,450	327,714	447,164
DEPRECIATION			
At January 1, 2019:	–	–	–
Addition	4,822	63,311	68,133
At December 31 2019	4,822	63,311	68,133
CARRYING VALUES			
At January 1, 2019	119,450	270,155	389,605
At December 31, 2019	114,628	264,403	379,031

The Group leases various offices for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2019, total cash outflow for leases amounted to Rmb99,911,000.

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounted to Rmb32,539,000.

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in Note 46 and Note 11, respectively. For the year ended December 31, 2019, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2019, the Group did not enter into any lease that is not yet commenced.

20. PREPAID LEASE PAYMENTS

	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Analysed for reporting purposes as:		
Current assets	4,822	4,822
Non-current assets	114,628	119,450
	119,450	124,272

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

21. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2018 (originally stated)	26,266,622
Merger accounting restatement	19,828,217
At January 1, 2018 (restated)	46,094,839
Additions (restated)	52,226
At December 31, 2018 (restated) and 2019	46,147,065
AMORTISATION	
At January 1, 2018 (originally stated)	12,886,948
Merger accounting restatement	6,557,217
At January 1, 2018 (restated)	19,444,165
Charge for the year (restated)	1,919,487
At December 31, 2018 (restated)	21,363,652
Charge for the year	1,915,967
At December 31, 2019	23,279,619
CARRYING VALUES	
At December 31, 2019	22,867,446
At December 31, 2018 (restated)	24,783,413
At January 1, 2018 (restated)	26,650,674

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21. 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, Huihang Expressway, Shenjiahuhang Expressway and Zhoushan Bay Bridge 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. The expressway operating rights were amortised using the straight-line basis over the useful life attributable to the Group.

22. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2018, December 31, 2018 and December 31, 2019	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

23. OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/ futures firm licenses Rmb'000	Trading seats Rmb'000	Software Rmb'000	Total Rmb'000
COST					
At January 1, 2018 (originally stated)	101,147	63,083	5,152	180,435	349,817
Merger accounting restatement	–	–	–	374	374
At January 1, 2018 (restated)	101,147	63,083	5,152	180,809	350,191
Additions	–	–	–	47,390	47,390
Transfer	–	–	–	355	355
Disposal	–	–	(1,672)	–	(1,672)
At December 31, 2018 (restated)	101,147	63,083	3,480	228,554	396,264
Additions	–	–	–	49,402	49,402
Transfer	–	–	–	226	226
At December 31, 2019	101,147	63,083	3,480	278,182	445,892
AMORTISATION					
At January 1, 2018(originally stated)	79,211	–	–	109,120	188,331
Merger accounting restatement	–	–	–	328	328
At January 1, 2018 (restated)	79,211	–	–	109,448	188,659
Charge for the year	6,266	–	–	27,659	33,925
At December 31, 2018 (restated)	85,477	–	–	137,107	222,584
Charge for the year	6,266	–	–	34,191	40,457
At December 31, 2019	91,743	–	–	171,298	263,041
CARRYING VALUES					
At December 31, 2019	9,404	63,083	3,480	106,884	182,851
At December 31, 2018 (restated)	15,670	63,083	3,480	91,447	173,680
At January 1, 2018 (restated)	21,936	63,083	5,152	71,361	161,532

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

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23. OTHER INTANGIBLE ASSETS (Continued)

The trading seats of the securities operation are 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 24.

24. 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 22 and 23 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 as at December 31, 2019 and 2018 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
	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

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

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

Jiaxing Co and Shangsan Co

The recoverable amounts of CGUs of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and the discount rates 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 9 years (2018: 10 years) and 11 years (2018: 12 years) for Jiaxing Co. and Shangsan Co., respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Co's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

Zheshang Securities and Zheshang Futures

The recoverable amounts of CGUs of Zheshang Securities and Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rates, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believes appropriate. Growth rates beyond the five-year period is assumed to be 1% (2018: 1%). Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities and Zheshang Futures' goodwill and other intangible assets to exceed their aggregate recoverable amounts.

During the years ended December 31, 2019 and 2018, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

25. INTERESTS IN ASSOCIATES

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Unlisted investments in associates, at cost less impairment	**4,902,995**	4,563,095
Share of post-acquisition profit and other comprehensive income, net of dividends received	**1,177,160**	648,317
	6,080,155	5,211,412

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25. INTERESTS IN ASSOCIATES (Continued)

At December 31, 2019 and 2018, 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 12/31/2019 %	12/31/2018 %	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
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note ii)	Corporate	The PRC	10.612	13	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	40	40	Investment management and consulting
Zhejiang Big Data Exchange Center Co., Ltd. ("Zhejiang Big Data") (Note iii)	Corporate	The PRC	19.8	19.8	Big data asset transaction
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note iv)	Corporate	The PRC	15	15	Science and technology related insurance
Hangzhou XingYuanJuJin Investment Management LP ("XingYuan Investment') (Note v)	Partnership	The PRC	–	5.05	Investment management
Pujiang JuJinFengAn Investment Management LP ("FengAn Investment")	Partnership	The PRC	17.86	17.86	Investment management
Zheshang FoF for Industry Transformation and Upgrading LP ("Zheshang FoF")	Partnership	The PRC	24.99	24.99	Investment management and consulting
Shaoxing Shangyu Industry M&A leading LP ("Shaoxing Shangyu")	Partnership	The PRC	0.005	0.005	Investment management and consulting
Shanghai Rural Commercial Bank Co., Ltd ("SRCB") (Note vi)	Corporate	The PRC	5.36	5.36	Commercial banking

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

25. INTERESTS IN ASSOCIATES (Continued)

Notes:

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

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

As at December 31, 2019, the disposal transaction has not been completed and the refundable deposit of Rmb165,600,000 (2018: Rmb165,600,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 38.

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

(ii) The Group is able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company. In December 2019, due to not increasing its investment as other shareholders did, the shares of its interest in Yangtze United Financial Leasing is changed to 10.612%.

(iii) The Group is able to exercise significant influence over Zhejiang Big Data because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

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

(v) On July 15, 2019, the Group and Xingyuan Environment Technology Co., Ltd. jointly signed an agreement that the Group, as transferors, disposed of the 5.05% equity of Xingyuan Investment for at an aggregate consideration of Rmb12,233,000. The transaction was completed on August 5, 2019.

(vi) The Group is able to exercise significant influence over SRCB because it has the power to appoint one out of 18 directors of SRCB under the provisions stated in the Articles of Association of that company.

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25. INTERESTS IN ASSOCIATES (Continued)

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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Total assets	**1,014,855,697**	894,337,121
Total liabilities	**930,911,786**	822,602,557

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Revenue	**40,342,396**	25,324,110
Profit for the year	**9,355,485**	4,151,938
Total comprehensive income for the year	**9,355,485**	4,151,938
Dividends received from associates during the year	**120,520**	33,565

26. INTEREST IN A JOINT VENTURE

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Unlisted investment in a joint venture at cost less impairment	**373,470**	373,470
Share of post-acquisition losses	**(5,427)**	(40,368)
	368,043	333,102

26. INTEREST IN A JOINT VENTURE (Continued)

At December 31, 2019 and 2018, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group		Principal activities
			12/31/2019 %	12/31/2018 %	
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	50	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Current assets	**123,472**	99,311
Non-current assets	**2,003,016**	2,146,533
Current liabilities	**56,299**	53,072
Non-current liabilities	**1,334,103**	1,526,567
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**64,156**	91,741
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,285,000**	1,473,000

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26. INTEREST IN A JOINT VENTURE (Continued)

Shengxin Co (Continued)

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Revenue	**426,733**	417,382
Profit for the year	**69,882**	60,074
Dividend received from the joint venture	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**(179,825)**	(182,169)
Interest income	**1,427**	1,290
Interest expense	**(62,250)**	(69,580)
Income tax expense	**(12,710)**	(4,464)

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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Net asset of the joint venture	**736,086**	666,205
Proportion of the Group's ownership interest in Shengxin Co	**50%**	50%
Carrying amount of the Group's interest in Shengxin Co	**368,043**	333,102

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Financial assets mandatorily measured at FVTPL		
– Debt securities	17,389,486	19,143,054
– Equity securities	849,642	683,284
– Funds	2,352,974	908,111
– Other investments (Note i)	1,660,276	841,357
	22,252,378	21,575,806
Analysed as:		
– Listed (Note ii)	5,066,640	10,618,484
– Unlisted	17,185,738	10,957,322
	22,252,378	21,575,806
Analysed for reporting purposes as:		
Current assets	22,235,480	21,558,606
Non-current assets	16,898	17,200
	22,252,378	21,575,806

Notes:

(i) Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

(ii) Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and other stock exchanges are included in the "Listed" category.

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28. CONTRACT ASSET

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
High grade road construction contract	**687,589**	253,248
Less: Allowance for contract asset	**(1,032)**	(380)
	686,557	252,868

Contract asset, that is not expected to be settled within the Group's normal operating cycle, is classified as current and non-current based on expected settlement dates.

Details of contract asset which impact on the amount of contract asset recognised are disclosed in Note 6.

29. TRADE RECEIVABLES

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Trade receivables			
– contracts with customers	**323,767**	248,409	278,360
Less: Allowance for credit losses	**(4,428)**	(3,307)	(2,233)
	319,339	245,102	276,127
Trade receivables (before allowance for credit losses) comprise:			
Fellow subsidiaries	**9,245**	14,005	13,741
Third parties	**314,522**	234,404	264,619
	323,767	248,409	278,360

29. TRADE RECEIVABLES (Continued)

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respective expressway fee settlement centre of Zhejiang Province and Anhui Province, Transportation Bureau of Yuhang County of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, which are normally settled within 3 months. All of these trade receivables were not past due in both periods.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities, trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Within 3 months	**291,295**	208,011	252,550
3 months to 1 year	**17,905**	30,578	21,449
1 to 2 years	**6,430**	4,437	2,039
Over 2 years	**3,709**	2,076	89
	319,339	245,102	276,127

Movement of allowance for credit losses

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)
At the beginning of the year	**3,307**	2,233
Impairment recognised for the year	**1,243**	1,074
Amount reversed during the year	**(122)**	–
At the end of the year	**4,428**	3,307

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30. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Loans to margin clients	8,752,658	5,854,913
Less: Impairment allowance	(1,015)	(4,829)
	8,751,643	5,850,084

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

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

As at December 31, 2019, 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 Rmb 27,246,376,000 (2018: Rmb14,260,228,000). Cash collateral of Rmb1,030,089,000 (2018: Rmb 392,345,000) received from clients was included in accounts payable to customers arising from securities business in Note 36.

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.

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

The following table shows reconciliation of loss allowances that has been recognised for loans to customers arising from margin financing business.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2018	37,817	2	4,188	42,007
– Transfer to lifetime	(1)	1	–	–
– Transfer to 12m ECL	1	(1)	–	–
– Charged to profit or loss	(37,811)	757	(124)	(37,178)
As at December 31, 2018	6	759	4,064	4,829
– Transfer to 12m ECL	1	(1)	–	–
– Write off	–	–	(637)	(637)
– Charged to profit or loss	1	(756)	(2,422)	(3,177)
As at December 31, 2019	8	2	1,005	1,015

The tables below detail the credit risk exposures of the Group's loans to customers arising from margin financing business, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit –impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2019				
Gross carrying amount	8,714,110	37,543	1,005	8,752,658
As at December 31, 2018				
Gross carrying amount	5,431,533	419,316	4,064	5,854,913

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31. OTHER RECEIVABLES AND PREPAYMENTS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Prepayments	**143,552**	119,911	73,728
Trading deposits	**157,383**	9,056	–
Settlement receivables	**1,055**	198,090	–
Entrusted loan and interest receivable from a related party	**–**	–	78,300
Advances in relation to asset management plans	**–**	–	229,070
Receivables from Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co") in relation to disposal of maintenance equipment	**–**	11,082	24,021
Others	**122,192**	115,354	91,944
	424,182	453,493	497,063

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Analysed by collateral type:		
Bonds	**3,215,869**	3,091,042
Stock securities	**4,914,829**	5,166,886
	8,130,698	8,257,928
Less: Impairment allowance	**(20,344)**	(51,746)
	8,110,354	8,206,182
Analysed by market:		
Inter bank market	**115,038**	267,237
Shanghai/Shenzhen Stock Exchange	**8,015,660**	7,990,691
	8,130,698	8,257,928
Less: Impairment allowance	**(20,344)**	(51,746)
	8,110,354	8,206,182

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2019, the fair value of equity securities and debt securities held as collaterals was Rmb 18,278,480,000 (2018: Rmb12,464,582,000) and Rmb 3,288,684,000 (2018: Rmb3,176,921,000), respectively.

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2018	47,560	23,185	–	70,745
– Transfer to credit-impaired	(304)	–	304	–
– Transfer to lifetime	(1,397)	1,397	–	–
– Transfer to 12m ECL	6,420	(6,420)	–	–
– Charged to profit or loss	(37,221)	14,526	3,696	(18,999)
As at December 31, 2018	15,058	32,688	4,000	51,746
– Transfer to credit-impaired	–	344	(344)	–
– Transfer to 12m ECL	24,758	(24,758)	–	–
– Charged to profit or loss	(29,236)	(6,822)	4,656	(31,402)
As at December 31, 2019	10,580	1,452	8,312	20,344

The tables below detail the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2019				
Gross carrying amount	7,744,728	205,970	180,000	8,130,698
As at December 31, 2018				
Gross carrying amount	6,268,174	1,916,065	73,689	8,257,928

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

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

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.3% to 3.7% (2018: 0.8% to 6%) per annum.

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

	HKD **Rmb'000**	USD Rmb'000
As at December 31, 2019	**35,570**	176,870
As at December 31, 2018	**17,714**	89,770

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

	12/31/2019 **Rmb'000**	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Time deposits with original maturity over three months	**302,726**	280,913	20,000
Unrestricted bank balances and cash	**8,057,777**	6,577,305	5,713,906
Time deposits with original maturity of less than three months	**18,821**	24,479	5,123
Cash and cash equivalents	**8,076,598**	6,601,784	5,719,029
	8,379,324	6,882,697	5,739,029

Bank balances carry interest at the average market rate is 0.35% (2018: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 1.66% to 4.125% (2018: 0.67% to 3.45%) per annum.

34. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH (Continued)

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

	HKD Rmb'000	USD Rmb'000
As at December 31, 2019	**23,213**	51,972
As at December 31, 2018	**44,204**	511,481

35. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Ningbo Yinzhou Rural Commercial Bank Co., Ltd	**200,000**	–
Changsha Rural Commercial Bank Co., Ltd.	**50,000**	–
ZheJiang AnJi Rural Commercial Bank Company Limited	**20,000**	–
China Securities Finance Corporation Limited (secured)	**–**	400,679
	270,000	400,679

As at December 31, 2019, the placements from (i) Ningbo Yinzhou Rural Commercial Bank Co., Ltd carried interest at a fixed rate of 2.87% per annum are repayable within 1 months from the end of the reporting period, (ii) the placements from Changsha Rural Commercial Bank Co., Ltd carried interest at a fixed rate of 3.00% per annum are repayable within 1 months from the end of the reporting period and (iii) the placements from ZheJiang AnJi Rural Commercial Bank Company Limited carried interest at a fixed rate of 2.67% per annum are repayable within 1 months from the end of the reporting period.

As at December 31, 2018, the placements carried interest at a fixed rate of 4.70% per annum are repayable within 3 months from the end of the reporting period. The placements were secured by debt securities with total fair value of Rmb93,963,000 and a cash deposit of Rmb13,481,000 as at December 31, 2018.

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36. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

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

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

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

As at December 31, 2019, Rmb534,415,000 (2018: Rmb392,345,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2019	**35,570**	176,870
As at December 31, 2018	**17,714**	89,770

37. TRADE PAYABLES

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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Within 3 months	**906,748**	366,135	380,565
3 months to 1 year	**83,490**	72,282	75,340
1 to 2 years	**81,291**	61,285	137,871
2 to 3 years	**31,842**	70,527	102,436
Over 3 years	**284,485**	728,869	1,064,954
	1,387,856	1,299,098	1,761,166

38. OTHER PAYABLES AND ACCRUALS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Accrued payroll and welfare	**972,891**	898,518	1,214,282
Advances	**41,698**	29,442	38,858
Advance payments for settlement from securities business	**50,153**	1,180	–
Trading deposit	**199,700**	20,661	–
Deposit received for disposal of an associate (Note 25(i))	**165,600**	165,600	165,600
Retention payable	**113,018**	104,976	109,987
Pledge deposit for futures	**94,612**	8,927	–
Compensations for highway crossing	**96,269**	17,122	7,186
Other investors' interests in consolidated limited partnership designated at FVTPL (Note)	**–**	205,903	421,782
Payables to be settled for fund redemption	**45,577**	15,351	130,731
Toll collected on behalf of other toll roads	**7,532**	9,672	9,543
Amount due to Communications Group	**–**	–	2,708,859
Others	**262,429**	263,223	276,322
	2,049,479	1,740,575	5,083,150

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38. OTHER PAYABLES AND ACCRUALS (Continued)

Note: Other investors' interests in consolidated limited partnership designated at FVTPL represents the third party unit holders' interests in the consolidated limited partnership which are reflected as a liability. Interests in these consolidated structured entities directly held by the Group amounted to fair value of Rmb172,957,000 and Rmb339,742,000 at December 31, 2018 and January 1, 2018, respectively. Third party unit holders' interests in the consolidated limited partnership is presented as financial liabilities at FVTPL amounted to fair value of Rmb 205,176,000 at December 31, 2019. As in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

39. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial assets of Rmb6,250,000 (2018: Rmb4,169,000) and derivative financial liabilities of Rmb5,565,000 (2018: Rmb3,818,000) has been recognised for the fair values of commodity options as at December 31, 2019.

40. BANK AND OTHER BORROWINGS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Loans from banks, secured (Note i)	**4,185,262**	5,774,271	5,923,952
Loans from banks, unsecured	**386,967**	–	–
Loans from related parties, unsecured (Notes 57(i), 57(ii))	**4,444,153**	4,668,722	2,362,676
Loans from third parties, guaranteed (Note ii)	**2,003,751**	2,000,000	2,000,000
	11,020,133	12,442,993	10,286,628
Carrying amount repayable:			
Within one year	**4,598,533**	2,625,393	2,463,928
More than one year but not exceeding two years	**836,200**	2,643,600	1,394,570
More than two years but not more than five years	**2,736,400**	3,621,000	3,953,130
More than five years	**2,849,000**	3,553,000	2,475,000
	11,020,133	12,442,993	10,286,628
Less: Amounts due within one year	**(4,598,533)**	(2,625,393)	(1,193,928)
Amounts shown under non-current liabilities	**6,421,600**	9,817,600	9,092,700
The bank and other borrowings comprise:			
Fixed-rate borrowings	**2,618,463**	2,170,733	3,441,844
Variable-rate borrowings	**8,401,670**	10,272,260	6,844,784
	11,020,133	12,442,993	10,286,628

40. BANK AND OTHER BORROWINGS (Continued)

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

	12/31/2019	12/31/2018 (Restated)	01/01/2018 (Restated)
Effective interest rate:			
Fixed-rate borrowings	**3.0%-6.223%**	3%-7.66%	3.00%-7.66%
Variable-rate borrowings(Note iii)	**3.915%-4.41%**	4.263%-4.41%	4.22%-4.64%

Note:

i. As at December 31, 2019, the Group pledged the following assets for these secured bank loans: (i) trade receivables with an aggregate carrying value of Rmb686,567,000 (2018: nil, as restated) and (ii) expressway operating rights of Ningbo Jiaochuan K20+135 to Zhoushan Cezi K56+175, Shenjiahuhang Lianhang part and Huzhou part.

ii. As at December 31, 2019, loans from third party are guaranteed by Communications Group

iii. Variable-rate borrowings carry interests rates equivalent to 90% of the bank loan benchmark interest rate published by the People's Bank Of China.

41. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2019	12/31/2018
Unsecured:		
Short-term financing bonds	**6,532,990**	–
Beneficial certificates	**–**	1,551

As at December 31, 2019, the short-term financing bonds bears an interest rate at 2.99% to 3.19% (2018 beneficial certificates: 8%) per annum paid at maturity.

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42. BONDS PAYABLE

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Corporate and subordinated bonds with redemption option	**–**	1,006,166
Corporate and subordinated bonds without redemption option (Note i)	**11,202,173**	14,210,292
Asset-backed securities (Note iii)	**909,032**	–
Medium-term notes (Note ii)	**3,062,066**	–
	15,173,271	15,216,458
Less: Bonds due within 1 year	**(2,281,229)**	(5,766,458)
Amounts shown under non-current liabilities	**12,892,042**	9,450,000

Notes:

(i) This balance represented 2 corporate bonds and 4 subordinated bonds (2018: 7 subordinated bonds) due by year 2020 to 2024 (2018: 2019 to 2021) issued by Zheshang Securities, without redemption option, with fixed interest rates ranging from 3.48% to 5.3% (2018: 3.08% to 5.93%) per annum.

(ii) This balance represented 2 medium-term notes due by year 2022 issued by the company with fixed interest rates 3.64% and 3.86% per annum.

(iii) On September 23, 2019, the Group issued asset-backed securities which backed by expressway operating rights and advertisement rights in relation to the Anhui section of Huihang expressway (Anhui section). The asset-backed securities with a financing period of 15 years and carrying coupon rate of 3.7% per annum.

43. CONVERTIBLE BONDS

Convertible Bond 2017

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

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

(1) Conversion right

The Convertible Bond 2017 will, at the option of the holder (the "Bondholders 2017"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2017") of HK$13.10 per H share and a fixed exchange rate of HK$8.2964 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2017 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at December 31, 2019, the Conversion Price 2017 was HK$11.35 per H share.

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43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond 2017 at 100 percent of its outstanding principal amount on the maturity date of April 21, 2022 (the "Maturity Date 2017").

(ii) Redemption at the option of the Company

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

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

(b) if at any time the aggregate principal amount of the Convertible Bond 2017 outstanding is less than 10 percent of the aggregate principal amount originally issued.

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the Bondholders 2017

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

The Convertible Bond 2017 comprises two components:

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

(b) Derivative component comprises conversion right of the Bondholders 2017, redemption option of the Company, and redemption option of the Bondholders 2017.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond 2017 are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss during the year ended December 31, 2017. Transaction costs amounting to approximately Euro1,855,000 (equivalent to Rmb13,646,000) relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2017 using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2017 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the bondholders (Continued)

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

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

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

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

The detailed key inputs the valuer uses to calculate the fair value of the derivative component refer to Note 53(c).

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2019

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

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

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

(1) Conversion right

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

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43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2019 (Continued)

(2) Redemption

(i) Redemption at maturity

Zheshang Securities will redeem all outstanding Convertible Bond 2019 at 105 percent of its outstanding principal amount (including the last instalment of interest payment) within five business days from the Maturity Date 2019.

(ii) Redemption on conditions

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

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

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

43. CONVERTIBLE BONDS (Continued)
Convertible Bond 2019 (Continued)
(2) Redemption (Continued)

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

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

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

Notes:

(i) During the year ended December 31, 2019, Shangsan Co disposed of the Convertible Bond 2019 held on hand with the principal amount of Rmb394,700,000 to certain independent third parties through the open market. Upon the disposal, this balance is no longer an intragroup assets and liabilities which were eliminated in full on consolidation, and is considered as an addition during the year.

(ii) During the year ended December 31, 2019, the Bondholders 2019 converted part of the Convertible Bond 2019 with a principal amount of Rmb13,000 to the shares of Zheshang Securities.

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

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Analysed as collateral type:		
Bonds	**9,017,680**	11,086,710
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	**5,062,725**	6,396,287
Inter-bank market	**3,954,955**	4,690,423
	9,017,680	11,086,710

As at December 31, 2019 and 2018, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, 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, 2019 and 2018, 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.

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

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, 2019 and December 31, 2018.

	Financial assets at FVTPL Rmb'000
As at December 31, 2019	
Carrying amount of transferred assets	7,130,620
Carrying amount of associated liabilities	(6,439,271)
Net position	691,349
As at December 31, 2018	
Carrying amount of transferred assets	9,245,868
Carrying amount of associated liabilities	(8,689,133)
Net position	556,735

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Financial liabilities held for trading:		
– Bonds borrowing	**1,389**	211,091
Financial liabilities designated at FVTPL:		
– Financial liabilities arising from consolidation of structured entities (Note)	**320,494**	153,623
	321,883	364,714

Note: Financial liabilities designated at FVTPL arising from consolidation of structured entities represent the third party unit holders' interests in the consolidated structure schemes and funds. Interests in these consolidated structured entities directly held by the Group amounted to fair value of Rmb3,480,229,000 and Rmb3,115,749,000 at December 31, 2019 and 2018, respectively. The total assets of the consolidated structured entities amounted to Rmb3,800,723,000 and Rmb3,475,275,000 at December 31, 2019 and 2018, respectively.

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

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46. LEASE LIABILITIES

	31/12/2019 Rmb'000
Lease liabilities payables	
Within one year	70,577
Within a period of more than one year but no more than two years	51,789
Within a period of more than two years but no more than five years	92,349
Within a period of more than five years	44,634
	259,349
Less: Amounts due for settlement with 12 months shown under current liabilities	(70,577)
Amount due for settlement after 12 months shown under non-current liabilities	188,772

47. 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:

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)	01/01/2018 Rmb'000 (Restated)
Deferred tax assets	924,602	933,837	940,584
Deferred tax liabilities	(347,331)	(321,889)	(394,434)
	577,271	611,948	546,150

47. DEFERRED TAXATION (Continued)

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

	Changes in fair value of investments carried at fair value Rmb'000	Difference in tax and accounting depreciation of property plant and equipment and expressway operating rights Rmb'000	Fair value adjustment of long term assets arising from business combination Rmb'000	Temporary differences of accrued expenses and impairment losses Rmb'000	Total Rmb'000
At January 1, 2018 (originally stated)	107,320	(19,549)	196,667	(245,807)	38,631
Merger accounting restatement	–	(584,781)	–	–	(584,781)
At January 1, 2018 (Restated)	107,320	(604,330)	196,667	(245,807)	(546,150)
(Credit) charge to profit or loss	(56,781)	(51,486)	(14,402)	56,871	(65,798)
At December 31, 2018 (Restated)	50,539	(655,816)	182,265	(188,936)	(611,948)
Charge (credit) to profit or loss	55,056	12,727	(7,475)	(25,631)	34,677
At December 31, 2019	105,595	(643,089)	174,790	(214,567)	(577,271)

As at December 31, 2019, the Group had unused tax losses of approximately Rmb803,074,000 (2018: Rmb1,130,495,000, as restated). No deferred taxation asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within 2022.

Notes to the Consolidated Financial Statements

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48. SHARE CAPITAL

	Number of shares 12/31/2018 and 2019 '000	Share capital 12/31/2018 and 2019 Rmb'000
Registered, issued and fully paid:		
Domestic shares of Rmb1 each	**2,909,260**	2,909,260
H Shares of Rmb1 each	**1,433,855**	1,433,855
	4,343,115	4,343,115

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

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

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

49. NON-CONTROLLING INTERESTS

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 58) 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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Current assets	**67,887,662**	57,357,269
Non-current assets	**3,398,548**	3,244,437
Current liabilities	**40,645,384**	34,017,723
Non-current liabilities	**12,036,217**	9,550,645
Equity attributable to owners of the Company	**9,533,525**	8,872,168
Non-controlling interests	**9,071,084**	8,161,170

49. NON-CONTROLLING INTERESTS (Continued)

Shangsan Co and its subsidiaries (Continued)

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Revenue	**4,489,561**	4,153,684
Expenses	**(2,842,488)**	(2,986,567)
Profit for the year	**1,647,073**	1,167,117
Other comprehensive income for the year	**922**	2,253
Total comprehensive income for the year	**1,647,995**	1,169,370
Profit attributable to owner of the Company	**952,418**	734,755
Profit attributable to non-controlling interests	**694,655**	432,362
	1,647,073	1,167,117
Total comprehensive income attributable to owner of the Company	**952,851**	735,813
Total comprehensive income attributable to non-controlling interests	**695,144**	433,557
	1,647,995	1,169,370

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Dividends paid to non-controlling shareholders	**(189,040)**	(218,966)
Net cash used in operating activities	**(2,667,973)**	(1,585,868)
Net cash used in investing activities	**(28,661)**	(172,052)
Net cash from financing activities	**4,267,289**	3,603,850
Net cash inflow	**1,570,655**	1,845,930

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49. NON-CONTROLLING INTERESTS (Continued)

Yuhang Co

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Current assets	**412,538**	248,820
Non-current assets	**725,397**	771,615
Current liabilities	**95,525**	53,982
Non-current liabilities	**6,611**	6,967
Equity attributable to owners of the Company	**528,257**	489,338
Non-controlling interests	**507,542**	470,148

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Revenue	**270,330**	312,038
Expenses	**(171,451)**	(184,676)
Profit for the year	**98,879**	127,362

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Profit and total comprehensive income		
– attributable to owner of the Company	**50,428**	64,955
– attributable to non-controlling interests	**48,451**	62,407
	98,879	127,362
Dividends paid to non-controlling shareholders	**(10,818)**	(11,057)
Net cash from operating activities	**187,652**	160,756
Net cash used in investing activities	**(98,575)**	(200,860)
Net cash used in financing activities	**(22,077)**	(22,377)
Net cash inflow (outflow)	**67,000**	(62,481)

50. 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.

51. COMMITMENTS

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Authorised but not contracted for:		
– Purchase of machinery and equipment	**611,813**	474,547
– Acquisition and construction of properties	**322,558**	433,858
Contracted for but not provided:		
– Equity investments	**1,106,906**	3,343,000
	2,041,277	4,251,405

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52. 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 40, 41, 42, 43 and 44, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

53. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)
Financial assets		
Financial assets at FVTPL	22,252,378	21,575,806
Derivative financial assets	6,250	4,169
Financial assets at amortised cost	45,983,221	36,269,808
Financial liabilities		
Derivative financial liabilities	5,565	3,818
Financial liabilities at FVTPL	321,883	364,714
Convertible Bonds		
– derivative component	200,182	217,729
Other payables measured at fair value	–	205,903
Amortised cost	69,216,953	57,797,295

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loans to customers arising from margin financing business, other receivables, derivative financial assets, financial assets at FVTPL, financial assets held under resale agreements, bank balances, clearing settlement fund held on behalf of customers, pledged bank deposits, clearing settlement fund, deposits and cash, placements from other financial institutions, accounts payable to customers arising from securities business, trade payables, other payables, derivative financial liabilities, bank and other borrowings, short-term financing note payable, bonds payable, convertible bond and financial guarantee, financial assets sold under repurchase agreements, financial liabilities at FVTPL. 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 impairment assessment 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.

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, placements from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, financial assets sold under repurchase agreements, bonds payable, debt component of convertible bonds and financial liabilities at FVTPL (see notes 30, 31, 32, 34, 35, 40, 41, 42, 43, 44 and 45 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 33, 34 and 40 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.

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53. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2019 would have increased/decreased by Rmb73,562,000 (2018: Rmb41,519,000, as restated). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and clearing settlement fund.

53. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Hong Kong dollar ("HKD")	**59,184**	61,919	**35,570**	17,714
United States dollar ("USD")	**228,843**	601,251	**176,870**	89,770
Euro dollar ("EUR") (Note)	**–**	–	**2,788,235**	2,709,663

Note: Amount represented both the debt and derivative component of the Convertible Bond 2017 issued by the Company.

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For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2018: 10%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2018: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2018: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2018: 10%) against the relevant currency. For a 10% (2018: 10%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The impact of HKD is not presented, since the outstanding monetary items denominated in HKD is not significant and their impact is immaterial.

	USD impact		**EUR impact**	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Profit or loss	**(3,898)**	(38,361)	**209,118**	203,225

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

53. 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 financial assets at FVTPL, derivative financial assets and liabilities and financial liabilities at FVTPL.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond 2017

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% (2018: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2019 would have increased/decreased by Rmb834,464,000 as a result of the changes in fair value of financial assets at FVTPL.
- post-tax profit for the year ended December 31, 2018 would have increased/decreased by Rmb809,093,000 as a result of the changes in fair value of financial assets at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

For derivative component of Convertible Bond 2017

The Group are required to estimate the fair values of the derivative component of Convertible Bond 2017 issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate, the Company's share price, share price volatility and foreign currency exchange rate. Details of the Convertible Bond 2017 issued by the Company are set out in Note 43.

The sensitivity analyses below have been determined based on the exposure to the Company's share price, volatility and foreign currency exchange rate at the reporting date only as the Directors consider that the change in risk-free rate may not have significant financial impact on the fair values of derivative component of Convertible Bond 2017. The exposure to foreign currency exchange rate of the Convertible Bond 2017 had been covered in Note 53(b)(ii) already.

53. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

For derivative component of Convertible Bond 2017 (Continued)

1) Changes in share price

If the share price of the Company had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased) increased as follows:

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Higher by 10%	(6,989)	(20,356)
Lower by 10%	2,712	12,409

2) Changes in volatility

If the volatility to the valuation model had been 10% higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000
Higher by 10%	(4,033)	(13,160)
Lower by 10%	2,712	10,397

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment

As at December 31, 2019, 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 56.

The credit risk on liquid funds, representing bank balance, bank balances, clearing settlement fund, deposits and cash is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

Other items under the Group's different operations with credit risk and corresponding impairment assessment are set out below:

Toll operation and high grade road construction service

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances arising from toll operation on collective basis and contract asset on individual basis, using life-time ECL under the simplified approach.

The Group has no credit period granted to its trade customers of toll operation. All the Group's trade receivable balances for toll operation and contract asset, upon the conditions satisfied, are receivable from the government-operated organisations. In this regard, the directors of the Company consider that the credit risk is low as the Group has no history of loss experience with the government-operated organisations in the past. No significant ECL was recognised as at December 31, 2019 and 2018.

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Securities operation

The Group's securities operation currently faces credit risk primarily from loans to customers arising from margin financing business, and financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral. It refers to the risk of loss arising from the debtor's failure to meet its contractual obligations in a timely manner.

i) Credit risk management

Credit risk from loans to customers arising from margin financing business and financial assets held under resales agreements mainly including the debtor falsifying the application, failing to repay debts, violating the agreement, violating regulatory discipline of trading behaviour, and providing collateral that involves law dispute, etc. The Group management authorises professional personnel to examine and approve the credit limit of these businesses, as well as adjust such credit limit in accordance with the regular assessment of the debtor's repayment capacity. Risk management division oversights the collaterals and usage of related credit limit, and initiates margin call if necessary. Once the debtor fail to enhance the collateral to the account, the credit risk will be controlled by liquidating the pledged securities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL

Since January 1, 2018, The Group has applied the ECL model to measure the expected credit losses for applicable financial assets mainly including loans to customers arising from margin financing business and financial assets held under resale agreements.

The group has used the "3 stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition:

(i) An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The Group will continuously monitor its credit risk;

(ii) An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as an impairment loss occurred instrument;

(iii) An asset moves to stage 3 when impairment losses occurred; and

(iv) The loss impairment for financial instruments in stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The factors the Group considers whether credit risk increases significantly refer to Note 3. In particular, for loans to customers arising from margin financing business and financial assets held under resale agreement, the Group generally believes that when the loan to collateral ratio determined by fair value reaches the warning line, the credit risk increases significantly and needs to be transferred to “stage 2”, and when the loan to collateral ratio determined by fair value reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to “stage 3”.

The Group uses PD, EAD and LGD to measure credit risks:

(i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;

(ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and

(iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

During the year ended December 31, 2019 and 2018, no significant changes were made in the estimated technology or key assumptions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. When considering macroeconomic forward-looking adjustments, the Group simulates optimistic, extremely optimistic, pessimistic, and extremely pessimistic scenarios by adjusting the coefficients of the baseline scenario, and assigns corresponding weights. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility, including but not limited to Total Loan Growth Rate (Nationwide), Gross Domestic Product ("GDP"), Industrial Product Price Index ("PPI"), M2, Consumers Price Index ("CPI"), Stock Index, Business Climate Index, Unemployment Rate, Rmb to USD Exchange Rate, Total Investment in Fixed Assets, Completed Investment in Fixed Assets, Social Financing Scale, etc.

The Group regularly forecasts the economic condition by selecting various indicators within the macroeconomic indicator pool to make a sound estimation of the ECL.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. The Group accrues the credit loss provisions for the next 12 months for financial assets in Stage 1, and accrues the credit loss provisions for the whole life for those financial assets in Stage 2 and Stage 3. The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Other operations

In respect of the Group's other operations, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group did not experience significant credit loss on its other operations, and performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract asset	Other financial assets/other items (Note)
Low risk (stage 1)	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful (stage 2)	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss (stage 3)	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: Other financial assets include loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, contract asset and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12/31/2019 12-months or lifetime ECL	12/31/2018 Gross carrying amount Rmb'000	Gross carrying amount Rmb'000 (Restated)
Financial assets at amortised cost						
Trade receivables (Note i)	29					
– toll operation		N/A	Low risk	Lifetime ECL	186,396	122,695
– securities operation		N/A	Low risk	Lifetime ECL	111,731	97,084
– others		N/A	Low risk	Lifetime ECL	25,640	28,630
Loans to customers arising from margin financing business						
– securities operation	30	N/A	Low risk	12-month ECL	8,714,108	5,431,533
			Doubtful	Lifetime ECL - not credit-impaired	37,543	419,316
			Loss	Lifetime ECL - credit-impaired	1,005	4,064
Bank balances, clearing settlement fund, deposit and cash	34	AA to AAA	Low risk	12-month ECL	8,379,324	6,882,697
Pledged bank deposit						
– others		AAA	Low risk	12-month ECL	–	10,000
Bank balances and clearing settlement fund held on behalf customers						
– securities operation	33	AA	Low risk	12-month ECL	20,141,931	14,742,161
Financial assets held under resale agreements						
– securities operation	32	N/A	Low risk	12-month ECL	7,746,527	6,268,174
			Doubtful	Lifetime ECL- not credit-impaired	205,970	1,916,065
			Loss	Lifetime ECL- credit-impaired	178,201	73,689
Other receivables	31	N/A	Low risk	12-month ECL	295,172	346,068
Other items						
Contract asset (Note i)						
– high grade road construction service	28	N/A	Low risk	Lifetime ECL	687,589	253,248
Financial guarantee contracts (Note ii)						
– toll operation	56	N/A	Low risk	12-month ECL	643,366	737,493

53. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes:

i. During the year ended December 31, 2019, the Group provided ECL on trade receivables and contract asset by Rmb4,428,000 (2018: 3,307,000, as restated) and Rmb1,032,000 (2018: 380,000,000), respectively

ii. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Concentration of credit risk

As at December 31, 2019, other than the concentration of credit risk on trade receivables and financial guarantee contract amounting to Rmb319,339,000 (2018: Rmb245,102,000, as restated), and Rmb643,366,000 (2018: Rmb737,493,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2019 and 2018 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, pledged bank deposits and cash at December 31, 2019 and 2018 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond 2017 as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate	On demand or less than 3 months	3 months - 1 year	1 - 3 years	3 - 5 years	+5 years	Total undiscounted cash flows	Carrying amount at 31/12/2019
	%	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2019								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	20,024,356	–	–	–	–	20,024,356	20,024,356
Trade payables	–	1,387,856	–	–	–	–	1,387,856	1,387,856
Other payables	–	251,169	–	–	–	–	251,169	251,169
Bank and other borrowings								
– fixed rate	3.0%-6.22%	144,754	2,096,935	20,619	20,619	279,097	2,562,024	2,418,237
– variable rate	3.915%-4.41%	243,018	2,494,824	2,287,073	2,090,140	2,698,469	9,813,524	8,601,896
Short-term financing note payable	3.08%	6,700,400	–	–	–	–	6,700,400	6,532,990
Financial assets sold under repurchase agreements	3.31%	8,938,090	83,280	–	–	–	9,021,370	9,017,680
Placements from banks and other financial institutions	2.88%	270,130	–	–	–	–	270,130	270,000
Bonds payable	4.39%	–	2,701,769	10,951,827	2,312,516	792,582	16,758,694	15,173,271
Convertible Bonds								
– debt component	4.60%	6,039	2,852,657	45,295	99,649	3,170,662	6,174,302	5,280,149
Lease liabilities	–	–	74,033	102,417	65,903	62,261	304,614	259,349
Financial guarantee	–	643,366	–	–	–	–	643,366	–
Financial liabilities at fair value through profit or loss	–	1,389	320,494	–	–	–	321,883	321,883
		38,610,567	10,623,992	13,407,231	4,588,827	7,003,071	74,233,688	69,538,836

53. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months - 1 year Rmb'000	1 - 3 years Rmb'000	3 - 5 years Rmb'000	+5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2019 Rmb'000
2018 (Restated)								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	14,653,413	–	–	–	–	14,653,413	14,653,413
Trade payables	–	1,299,098	–	–	–	–	1,299,098	1,299,098
Other payables	–	410,362	–	–	–	–	410,362	410,362
Bank and other borrowings								
– fixed rate	3%-7.66%	143,207	95,100	2,113,633	–	–	2,351,940	2,170,733
– variable rate	4.26%-4.41%	513,134	2,398,789	2,291,719	3,032,739	3,794,447	12,030,828	10,272,260
Short-term financing note payable	8.00%	–	1,581	–	–	–	1,581	1,551
Financial assets sold under repurchase agreements	2.31%	11,159,606	–	–	–	–	11,159,606	11,086,710
Placements from banks and other financial institutions	4.70%	401,442	–	–	–	–	401,442	400,679
Bonds payable	4.99%	2,118,600	4,127,900	10,209,400	–	–	16,455,900	15,216,458
Convertible Bonds								
– debt component	4.28%	–	–	2,864,264	–	–	2,864,264	2,491,934
Financial guarantee	–	737,492	–	–	–	–	737,492	–
Financial liabilities at fair value through profit or loss	–	211,091	153,623	–	–	–	364,714	364,714
		31,647,445	6,776,993	17,479,016	3,032,739	3,794,447	62,730,640	58,367,912

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For the year ended December 31, 2019

53. 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, 2019 and 2018, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, financial assets at FVTPL, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities FVTPL, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

53. FINANCIAL INSTRUMENTS (Continued)

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

For the year ended December 31, 2019

Financial Assets	Classified as	Fair value as at 31/12/2019 Rmb'000	Fair value as at 31/12/2018 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	Financial assets at FVTPL	**722,589**	499,357	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Equity securities traded in inactive market	Financial assets at FVTPL	**110,155**	119,157	Level 2	Recent transaction prices.	N/A	N/A
		-	47,570	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability.	The higher the discount, the lower the fair value.
3) Listed funds	Financial assets at FVTPL	**352,753**	316,785	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Unlisted fund investments	Financial assets at FVTPL	**2,000,221**	591,325	Level 2	Based on the net asset values of the equity investment, with reference to observable market price.	N/A	N/A
5) Debt investments listed in exchange and debt investment in interbank market	Financial assets at FVTPL	**3,881,143**	4,092,848	Level 1	Quoted bid prices in an active market.	N/A	N/A
		13,508,343	15,050,206	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

For the year ended December 31, 2019 (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2019 Rmb'000	Fair value as at 31/12/2018 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
6) Investments in structured products	Financial assets at FVTPL	**957,305**	688,026	Level 2	The fair value was based on the net value of the underlying assets. The net asset value of the products was calculated by observable (quoted) prices of underlying investment portfolio and adjustments of related expenses..	N/A	N/A
7) Investments in trust products	Financial assets at FVTPL	**702,971**	153,332	Level 3	The fair value was based on the net value of the underlying assets. The net asset value of the products may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments.	Future cash flows and discount rate	The higher the future cash flows, the higher the fair value. The higher the discounted rate, the lower the fair value.
8) Private equity investments	Financial assets at FVTPL	**16,898**	17,200	Level 3	Calculated based on pricing/yield such as price-to-earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability	P/E multiples P/B multiples P/S multiples Discounted for lack of marketability	The higher the discount, the lower the fair value. The higher the multiples, the higher the fair value

53. FINANCIAL INSTRUMENTS (Continued)

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

For the year ended December 31, 2019 (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2019 Rmb'000	Fair value as at 31/12/2018 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
9) Derivative instruments	Derivative financial Assets	6,250	4,169	Level 2	The fair value calculation includes discounted cash flow method and Black-Scholes option pricing models. The main parameters used in the discounted cash flow model include recent transaction prices, related yield curves, and exchange rates. The main parameters used in the Black-Scholes option pricing model include related yield curves, exchange rates, and volatility levels.	N/A	N/A
1) Bonds borrowing	Financial liabilities at FVTPL	1,389	211,091	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) Other investor's interest in consolidation of structured entities	Financial liabilities at FVTPL	320,494	153,623	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

For the year ended December 31, 2019 (Continued)

Financial Assets	Classified as	Fair value as at 31/12/2019 Rmb'000	Fair value as at 31/12/2018 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
3) Other investors' interests in consolidated limited partnership designated as FVTPL	Other payables and accruals	**–**	205,903	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
4) Derivative component of Convertible Bond	Derivative component of Convertible Bond	**200,181**	217,729	Level 3	Binomial option pricing model Expected volatility: 28.21% (2018: 29.29%) Dividend yield: nil Risk-free rate: 1.71% (2018: 1.77%) Share price: HK$7.1 (equivalent to Rmb6.36) (2018: HK$6.79 (equivalent to Rmb5.95)) Exercise price: HK$11.35 (equivalent to Rmb10.17) (2018: HK$12.00 (equivalent to Rmb10.51))	Expected volatility of 28.21%, taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity	The higher the expected volatility, the higher the fair value
5) Derivative instruments	Derivative financial liabilities	**5,565**	3,818	Level 2	The fair value was calculated by Black-Scholes option pricing models. The main parameters used in the Black-Scholes option pricing model include related yield curves, exchange rates, and volatility levels.	N/A	N/A

There were no transfer between Level 1 and Level 2 during the year.

53. FINANCIAL INSTRUMENTS (Continued)

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

As at December 31, 2019

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	722,589	110,155	–	832,744
– Fund	352,753	2,000,221	–	2,352,974
– Debt investments	3,881,143	13,508,343	–	17,389,486
– Asset management plans	–	957,305	–	957,305
– Trust products	–	–	702,971	702,971
– Private equity Investment	–	–	16,898	16,898
Sub-total	4,956,485	16,576,024	719,869	22,252,378
Derivative assets	–	6,250	–	6,250

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Bonds	–	1,389	–	1,389
– Asset management scheme	–	320,494	–	320,494
Sub-total	–	321,883	–	321,883
Derivative component of Convertible Bond 2017	–	–	200,182	200,182
Derivative liabilities	–	5,565	–	5,565

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

As at December 31, 2018

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	499,357	119,157	47,570	666,084
– Fund	316,785	591,325	–	908,110
– Debt investments	4,092,848	15,050,206	–	19,143,054
– Asset management plans	–	688,026	–	688,026
– Trust products	–	–	153,332	153,332
– Private equity Investment	–	–	17,200	17,200
Sub-total	4,908,990	16,448,714	218,102	21,575,806
Derivative assets	–	4,169	–	4,169

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Bonds	–	211,091	–	211,091
– Asset management scheme	–	153,623	–	153,623
Sub-total	–	364,714	–	364,714
Other investors' interests in consolidated limited partnership designated as FVTPL	–	205,903	–	205,903
Derivative component of Convertible Bond 2017	–	–	217,729	217,729
Derivative liabilities	–	3,818	–	3,818

53. FINANCIAL INSTRUMENTS (Continued)

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

The following tables represent the changes in Level 3 financial assets at FVTPL during the years ended December 31, 2019 and 2018, respectively. For the changes in Level 3 derivative component of Convertible Bond 2017 during the year ended December 31, 2019 and 2018, please refer to Note 43.

For the year ended December 31, 2019

Financial assets at FVTPL:

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares Rmb'000	Equity investments Rmb'000	Funds Rmb'000	Total Rmb'000
At beginning of the year	–	153,332	47,570	17,200	–	218,102
Additions	–	818,454	–	–	–	818,454
Disposal	–	(268,815)	–	–	–	(268,815)
Changes in fair value changes	–	–	–	(302)	–	(302)
Transfer out of level 3 (Note)	–	–	(47,570)	–	–	(47,570)
At end of the year	–	702,971	–	16,898	–	719,869

Note: For the year ended December 31, 2019, the Group reclassified restricted shares previously classified as Level 3 to Level 1 with fair value of Rmb47,570,000 as these shares became tradable in exchange market in the current year.

For the year ended December 31, 2018

Financial assets at FVTPL:

	Structured products Rmb'000	Trust products Rmb'000	Restricted shares Rmb'000	Equity investments Rmb'000	Funds Rmb'000	Total Rmb'000
At beginning of the year	46,214	254,226	751,530	17,297	271,579	1,340,846
Additions	–	10,000	47,570	–	–	57,570
Disposal	(46,214)	(110,894)	–	(97)	(271,579)	(428,784)
Changes in fair value changes	–	–	(385,814)	–	–	(385,814)
Transfer out of level 3 (Note)	–	–	(365,716)	–	–	(365,716)
At end of the year	–	153,332	47,570	17,200	–	218,102

Note: For the year ended December 31, 2018, the Group reclassified restricted shares previously classified as Level 3 to Level 1 with fair value of Rmb365,716,000 as these shares became tradable in exchange market in the current year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

53. FINANCIAL INSTRUMENTS (Continued)

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

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities at amortised costs recognised in the consolidated statement of financial position approximate their fair values.

	As at 31/12/2019		As at 31/12/2018	
	Carrying amount Rmb'000	Fair value Rmb'000	Carrying amount Rmb'000	Fair value Rmb'000
Debt component of Convertible Bond 2017	**2,588,054**	**2,625,435**	2,491,934	2,530,656
Debt component of Convertible Bond 2019	**2,692,096**	**2,745,101**	–	–

The fair value of the debt component of Convertible Bond 2017 as at December 31, 2019 and 2018 is under level 3 category and was determined by the Directors with reference to the valuation performed by a firm of independent professional valuers. The fair value of the debt component of Convertible Bond 2017 is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond 2017 and discount rate that reflected the credit risk of the Company.

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable Rmb'000	Bank and other borrowings Rmb'000	Bonds payable Rmb'000	Convertible Bonds Rmb'000	Lease Liabilities Rmb'000	Short-term financing note payable Rmb'000	Other payable and accruals Rmb'000	Total Rmb'000
At January 1, 2018 (Restated)	261,239	10,286,628	10,338,098	2,720,654	–	765,089	2,746,100	27,117,808
Financing cash flows	(1,813,349)	2,152,400	4,800,000	–	–	(761,250)	(2,746,100)	1,631,701
Non-cash changes								
Fair value adjustment	–	–	–	(127,094)	–	–	–	(127,094)
Exchange realignment	19,995	–	–	13,400	–	–	–	33,395
Accrued dividend	1,532,962	–	–	–	–	–	–	1,532,962
Interest expenses	–	3,965	78,360	102,703	–	(2,288)	–	182,740
At December 31, 2018 (Restated)	847	12,442,993	15,216,458	2,709,663	–	1,551	–	30,371,512
At January 1, 2019	847	12,442,993	15,216,458	2,709,663	270,155	1,551	–	30,641,667
Financing cash flows	(1,826,929)	(1,420,580)	(12,000)	2,666,720	(64,060)	6,498,450	–	5,841,601
Operating cash flows	–	(607,521)	(746,625)	–	(3,312)	(65,572)	–	(1,423,030)
Non-cash changes								
New lease entered	–	–	–	–	42,875	–	–	42,875
Fair value adjustment	–	–	–	(17,547)	–	–	–	(17,547)
Exchange realignment	(1,347)	–	–	(9,470)	–	–	–	(10,817)
Accrued dividend	1,828,771	–	–	–	–	–	–	1,828,771
Interest expenses	–	605,241	715,438	193,878	13,691	98,561	–	1,626,809
Conversion into shares	–	–	–	(144)	–	–	–	(144)
Investment income	–	–	–	(62,769)	–	–	–	(62,769)
At December 31, 2019	1,342	11,020,133	15,173,271	5,480,331	259,349	6,532,990	–	38,467,416

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

55. OPERATING LEASES

The Group as lessee

	Year ended 12/31/2018 Rmb'000 (Restated)
Minimum lease payments	82,678

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:

	12/31/2018 Rmb'000 (Restated)
Within one year	77,037
In the second to fifth year inclusive	184,918
Over five years	76,428
	338,383

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.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)
Within one year	**52,399**	63,697
In the second to fifth year inclusive	**155,388**	167,015
After five years	**167,298**	193,332
	375,085	424,044

55. OPERATING LEASES (Continued)

The Group as lessor (Continued)

For certain of the Group's service areas, the rental income are variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

56. CONTINGENT LIABILITIES

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
Guarantees given to bank, in respect of a joint venture	**643,366**	737,493

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, 2019, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb1,286,732,000 (2018: Rmb1,474,985,000). The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable, therefore the provision under ECL model for financial guarantee contract is not material as at 31 December 2019 and 2018.

57. 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 Communications Group and government related parties

Except as described in Note 2, details of significant transactions with Communications Group are summarised below:

Borrowings

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited ("Logistic Co"), a wholly-owned subsidiary of the Communications Group, on September 28, 2017. Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb60,000,000 at a fixed interest rate of 3.00% per annum, with maturity date of September 28, 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Borrowings (Continued)

Pursuant to the loan contract entered into between Shenjiahuhang Co and Communications Group on July 31, 2018, Communications group agreed to provide Shenjiahuhang Co borrowings amounting to Rmb 2,466,100,000 at a fixed interest rate of 4.0% to 4.35% per annum. The loan was repaid on September 29 and October 12, 2018.

Pursuant to the entrusted loan contracts entered into between the Zhejiang Zhoushan Bay Bridge Co., Ltd. (“Zhoushan Co”) and Communications Group, on May 3, 2017, Communications Group agreed to provide Zhoushan Co with entrusted loans amounting to Rmb1,270,000,000 at a fixed interest rate of 4.0% per annum, and the loans were repaid on September 30, 2018.

Pursuant to the entrusted loan contract entered into between the Zhejiang Grand Hotel and Zhejiang Communications Group Asset Management Company Limited (“Zhejiang Communications Asset Co”, a wholly owned subsidiary of Communications Group), on March 10, 2017, Zhejiang Communications Asset Co agreed to provide Zhejiang Grand Hotel with an entrusted loan amounting to Rmb110,000,000, upon one extension and one renewal, the latest maturity date is March 6, 2020, and the fixed interest rate is 3.915% per annum.

	For the year ended 12/31/2019 Rmb'000	For the year ended 12/31/2018 Rmb'000 (Restated)
Interest expenses incurred	**8,228**	65,240

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiaries, pursuant to which, the Company would provide the management and administrative services for seven toll roads, including Shensuzhewan Expressway, South Line of Qianjiang Channel, Ningbo Yongtaiwen Expressway, Taizhou Yongtaiwen Expressway, Yueqingwan Bay Bridge, Fuchimen Bridge and Taijin Expressway. According to the agreements, the Company would charge the Communications Group and its subsidiaries management fee on actual cost basis. During this year, a total management fee of Rmb 9,772,000 (2018: Rmb3,781,000, as restated) has been charged.

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Other transactions

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Toll road service area leasing income earned (Note a)	**11,353**	15,293
Toll road service area management fee paid (Note a)	**3,075**	5,350
Property leasing income earned	**143**	2,162
Road maintenance service expenses incurred	**429,338**	430,228
Construction cost incurred (Note b)	**522,719**	157,252
System development and maintenance, expressway mechanical and electrical engineering services expenses incurred	**427,618**	50,168
Toll road related inspection services expense incurred	**7,229**	9,692
Interest expenses in respect of beneficial certificates incurred	**–**	5,348
Financial advisory service income earned	**1,123**	8,064

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 58), Zhejiang Hanghui Expressway Co., Ltd. ("Hanghui Co", a non-wholly-owned subsidiary of the Company), Shenjiahuhang Co, Zhoushan Co and Zhejiang Commercial Group Co., Ltd. ("Zhejiang Commercial Group", a fellow subsidiary of Communications Group), the toll road service areas were leased to Zhejiang Communications Group, and Zhejiang Communications Group managed the operation of the service area in respect of the toll road service area. Such businesses began from January 1, 2011, and will be expired at the same time with the operating rights.

(b) In 2018, De' an Co and Zhoushan Co, entered into construction agreements with Zhejiang Hongtu Transportation Construction Co., Ltd. ("Zhejiang Hongtu") and Zhejiang Hangzhou-Ningbo Alternative Line Phase I Expressway Co., Ltd. ("Zhejiang HNAL Co"), respectively. Pursuant to the contracts, high grade road and expressway construction services will be provided to De'an Co and Zhoushan Co. Zhejiang Hongtu is the non-controlling shareholder of De'an Co and is also a non-wholly owned subsidiary of Communications Group, Zhejiang HNAL Co is a non-wholly owned subsidiary of Communications Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Other transactions 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.

In addition, the Group has entered into other banking 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 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

During the year, Zhejiang Communications Finance Co., Ltd provided the company with short-term loans with a total principal amount of Rmb2,530,000,000 (2018: Nil) at variable interest rates ranging from 3.915% per annum. During the year, a total amount of Rmb1,990,000,000 were repaid (2018: Nil).

During the year, Zhejiang Communications Finance provided Hanghui Co with short-term loan with aggregated principal amount of Rmb730,000,000 (2018: Rmb610,000,000) and floating interest rate of 3.915% per annum (2018: 4.2195% to 4.35%). The principal amount of short-term loans Rmb320,000,000 were repaid during the year (2018: Rmb863,858,000).

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Financial service provided by Zhejiang Communications Finance (Continued)

Loan advanced from Zhejiang Communications Finance (Continued)

During the year, Zhejiang Communications Finance Co., Ltd provided Zhoushan Bay Bridge with short-term loans with a aggregated principal amount of Rmb868,000,000 (2018: Rmb1,817,000,000) and floating interest rate of 4.1325% and 4.35% per annum (2018:4.35% to 4.41%). During the year, principal amount of short-term loans Rmb777,000,000 were repaid (2018: Rmb410,000,000). In 2018, Zhejiang Communications Finance Co., Ltd offered Zhoushan Bay Bridge a long-term loan with aggregated principal amount of Rmb1,220,000,000 and floating interest rate of 4.41% per annum.

During the year, Shenjiahuhang Expressway Co., Ltd. has repaid a short-term loan with aggregated principal amount of Rmb1,120,000,000 and floating interest rate of 4.41% to 4.263% per annum to Zhejiang Communications Finance.

In 2018, Zhejiang Communications Finance offered Shenjiahuhang a long-term loan with aggregated amount of Rmb1,285,000,000 and floating annual interest rate of 4.263% to 4.41%. During the year, principal amount of a long-term loan Rmb100,000,000 provided by Zhejiang Communications Finance to Shenjiahuhang was repaid.

Principal amount of a short-term loan Rmb70,000,000 provided by Zhejiang Communications Finance to Zhejiang Grand Hotel was repaid during the Year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Financial service provided by Zhejiang Communications Finance (Continued)

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)
Outstanding loan payable balances:		
repayable within one year	**1,843,515**	1,993,464
over 5 years	**2,405,000**	2,505,000
	4,248,515	4,498,464

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Interest expenses incurred	**218,420**	109,915

Deposits to Zhejiang Communications Finance

	12/31/2019 Rmb'000	12/31/2018 Rmb'000 (Restated)
Bank balances and cash		
– Cash and cash equivalents	**1,742,825**	430,993

	Year ended 12/31/2019 Rmb'000	Year ended 12/31/2018 Rmb'000 (Restated)
Interest income earned	**21,512**	16,887

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Sales of asset management schemes and beneficial certificates to Zhejiang Communications Finance

During the Period, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) sold 568,711,000 units (equivalent to Rmb568,711,000) of the asset management schemes to Zhejiang Communications Finance, and management fee income of Rmb316,000 was earned.

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", our joint venture company) provides entrusted loan

According to the entrusted loan contract signed between the company and Shengxin on March 29, 2019, Shengxin company provides an entrusted loan of Rmb25,000,000(2018: Nil) with a floating annual interest rate of 4.1325% and maturity date of March 18, 2020. Interest expense incurred during the period was Rmb749,000.

(iii) Key management emoluments

The remuneration of the directors, supervisors and key management personnel during the year was Rmb6,738,000 (2018: Rmb6,799,000) including retirement benefit scheme contribution of Rmb186,000 (2018: Rmb172,000) which is determined by the performance of the individuals and the market trends.

Notes to the Consolidated Financial Statements

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58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital Rmb	Percentage of equity interest attributable to the Company Direct 12/31/2019 %	Direct 12/31/2018 % (Restated)	Indirect 12/31/2019 %	Indirect 12/31/2018 % (Restated)	Principal activities
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	359,200,000	99.9995	99.9995	–	–	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 3	2,400,000,000	73.625	73.625	–	–	Management of the Shangsan Expressway
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 4	8,000,000	100	100	–	–	Provision of vehicle towing, repair and emergency rescue services
Zheshang Securities	Note 5	3,333,333,400	–	–	*46.9319	46.9321	Operation of securities business
Zheshang Futures	Note 6	500,000,000	–	–	**46.9319	**46.9321	Operation of securities business
Zheshang Capital Management	Note 7	170,000,000	–	–	**46.9319	**46.9321	Operation of securities business
Asset Management	Note 8	500,000,000	–	–	**46.9319	**46.9321	Provision of asset management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 9	1,000,000	–	–	**46.9319	**46.9321	Provision of investment management and advisory services
Ningbo Dongfang Jujin Jiahua Investment Management Center (Limited Partnership) ("Dongfang Jujin Jiahua")	Note 10	29,150,000	–	–	**14.7317	**14.7317	Provision of investment management and advisory and private equity investments

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			12/31/2019	12/31/2018	12/31/2019	12/31/2018	
			%	%	%	%	
				(Restated)		(Restated)	
Zhejiang Zheqi Co., Ltd. ("Zhejiang Zheqi")	Note 11	200,000,000	–	–	**46.9319	**46.9321	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 12	1,350,000,000	100	100	–	–	Management of the Jinhua Section of the Ningbo- Jinhua Expressway
Hanghui Co	Note 13	1,812,280,000	88.674	88.674	–	–	Management of the Zhejiang Section of the Hangzhou-Ruili Expressway
Hangzhou Jujin Jiawei Investment Management (Limited Partnership) ("Jujin Jiawei")	Note 14	206,103,000	–	–	**21.13229	**21.1323	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 15	8,011,000	–	–	**46.9319	**46.9321	Trading of future
Huihang Co	Note 16	580,000,000	100	100	–	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway
Deqing Co	Note 17	100,000,000	80.1	80.1	–	–	Construction and management
Shenjiahuhang Expressway	Note 18	1,720,000,000	100	100	–	–	Management of the Huzhou Section of the Huzhou-Lianhang Expressway
Zhoushan Co.	Note 19	4,114,690,000	–	–	51	51	Management of the Zhoushan Bay Bridge
Zhejiang Grand Hotel	Note 20	230,000,000	100	100	–	–	Operation of hotel

Notes to the Consolidated Financial Statements

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58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. On December 31, 2019, Zheshang Securities has issued convertible bonds, the conversion of shares resulting in the dilution of the equity interest attributed to the Company.

** These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Yuhang Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the directors attending the meetings.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 5: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company.

Note 6: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company.

Note 7: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company. The registered capital of Zheshang Capital Management has been increased from Rmb100,000,000 to Rmb170,000,000 during the year ended December 31, 2016.

Note 8: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 9: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 10: Dongfang Jujin Jiahua was established on April 11, 2014 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other two individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Dongfang Jujin Jiahua unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 11: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Note 12: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 13: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co.

Note 14: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 15: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability Company.

Note 16: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Huihang Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Note 17: Deqing Co was established on April 12, 2018 in the PRC as a limited liability company.

Note 18: Shenjiahuhang Expressway was established on July 13, 2018 in the PRC as a limited liability company and was acquired from Communications Group as detailed in Note 2.

Note 19: Zhoushan Co was established on as a limited liability company. On July, 2018, Shenjiahuhang Expressway entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. to acquire 51% equity interest in Zhoushan Co.

Note 20: Zhejiang Grand Hotel was established on January 6, 1998 in the PRC as a limited liability company and was acquired from Communications Group as detailed in Note 2.

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, 2019, Zheshang Securities has issued subordinated bonds, corporate bonds and beneficial certificates at the total principal amount of Rmb7,550,000,000, 3,488,000,000.00, 3,019,537,000, 6,500,000,000 and nil (2018: Rmb7,600,000,000, nil, nil, nil and Rmb9,473,360,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

59. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group served as the investment manager of structured entities (including collective asset management schemes and investment funds), therefore had power over them during the years ended December 31, 2019 and 2018. Except for the structured entities the Group has consolidated as disclosed in Note 45, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes and investment funds in which the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds and asset management schemes managed by the Group amounted to Rmb146,673,182,000 and Rmb153,292,980,000 as at December 31, 2019 and 2018, respectively. The Group classified the investments in unconsolidated funds and asset management schemes as financial assets at FVTPL. As at December 31, 2019 and 2018, the carrying amounts of the Group's interests in unconsolidated funds and asset management schemes are Rmb4,013,250,000 and Rmb 1,749,468,000, respectively.

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	**710,114**	483,279
Prepaid lease payments	**–**	15,136
Right-of-use assets (Note)	**15,136**	–
Expressway operating rights	**2,501,437**	2,846,670
Other intangible assets	**6,956**	9,145
Interests in subsidiaries	**12,906,128**	11,424,869
Interests in associates	**4,769,371**	4,419,756
Interest in a joint venture	**373,470**	373,470
	21,282,612	19,572,325
CURRENT ASSETS		
Trade receivables	**49,222**	38,133
Other receivables and prepayments	**93,611**	80,480
Prepaid lease payments	**–**	592
Amount due from subsidiaries	**4,188,180**	706,994
Dividends receivable	**856,393**	97,731
Bank balances and cash		
– Cash and cash equivalents	**1,639,855**	1,908,124
	6,827,261	2,832,054

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

	12/31/2019 Rmb'000	12/31/2018 Rmb'000
CURRENT LIABILITIES		
Trade payables	**237,786**	67,376
Tax liabilities	**196,997**	195,041
Other taxes payable	**12,949**	12,227
Other payables and accruals	**185,044**	194,995
Amount due to subsidiaries	**5,007,555**	4,132,442
Bonds payable	**62,066**	–
Convertible Bond	**2,788,235**	–
Bank and other borrowings	**826,379**	475
	9,317,011	4,602,556
NET CURRENT LIABILITIES	**(2,489,750)**	(1,770,502)
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,792,862**	17,801,823
NON-CURRENT LIABILITIES		
Bank and other borrowings	**–**	60,000
Bonds payable	**3,000,000**	–
Convertible Bond	**–**	2,709,663
Deferred tax liabilities	**74,794**	78,720
	3,074,794	2,848,383
	15,718,068	14,953,440
CAPITAL AND RESERVES		
Share capital	**4,343,115**	4,343,115
Reserves	**11,374,953**	10,610,325
	15,718,068	14,953,440

Note: The Company has applied HKFRS 16 since 1 January 2019. Right-of-use assets amounted to Rmb15,728,000 were recognised on initial application of HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

Movement of share capital and reserve of the Company was set out below.

	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Total Rmb'000
At January 1, 2018 (restated)	4,343,115	3,645,726	2,364,430	1,302,934	18,666	2,188,976	13,863,847
Total comprehensive income for the year	–	–	–	–	–	2,392,527	2,392,527
2017 dividend	–	–	–	(1,302,934)	–	–	(1,302,934)
Proposed dividend	–	–	–	1,628,668	–	(1,628,668)	–
At December 31, 2018 (restated)	4,343,115	3,645,726	2,364,430	1,628,668	18,666	2,952,835	14,953,440
Total comprehensive income for the year	–	–	–	–	–	2,393,296	2,393,296
2018 dividend	–	–	–	(1,628,668)	–	–	(1,628,668)
Proposed dividend	–	–	–	1,541,806	–	(1,541,806)	–
At December 31, 2019	4,343,115	3,645,726	2,364,430	1,541,806	18,666	3,804,325	15,718,068

61. EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in China and around the world, the subsequent quarantine measures imposed by the mainland Chinese government as well as the travel restrictions imposed by other countries from early 2020 have had a negative impact on the operations of the Group. On February 15, 2020, the Ministry of Transport of the People's Republic of China, issued a notice on the waive of toll road fee on expressway during the period of the control of the spread of the epidemic with effect from February 17, 2020 until further notice. As toll operation is one of the major revenue stream of the Group, this measure is expected to have a negative impact on the Group's 2020 financial performance.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half year of 2020.

Independent Auditor's Report

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 102 to 280, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses ("ECL") for loans to customers arising from margin financing business and financial assets held under resale agreements	
We identified the measurement of ECL for the Group's loan to customers arising from margin financing business and financial assets held under resale agreements as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management judgement and estimation required in the measurement. As disclosed in Note 5 to the consolidated financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit impaired, using appropriate models and assumptions, determining the key inputs including probability of default ("PD"), loss given default ("LGD")and forward-looking information. As at 31 December, 2019, the Group held loans to customers arising from margin financing business of Rmb8,752,658,000, less impairment allowance of Rmb1,015,000 as disclosed in Note 30 to the consolidated financial statements and financial assets held under resale agreements of Rmb8,130,698,000, less impairment allowance of Rmb20,344,000 as disclosed in Note 32 to the consolidated financial statements.	Our procedures in relation to management's measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements included: • Testing and evaluating key controls of the management over the measurement of ECL; • Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, in particular PD, LGD and forward-looking information; • Evaluating the determination of the criteria for significant increase in credit risk ("SICR") by management and, on a sample basis, testing its application; • On a sample basis, examining the major data input into the ECL model, including PD and LGD; • For a sample of credit impaired assets, assessing the impairment allowances made by management based on the expected future cash flow with reference to financial information of borrowers and guarantors, and the latest collateral valuations, as appropriate; • Checking the calculation process of the ECL.

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held 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 the Group controlled the structured entities. As disclosed in Notes 45 and 59 to the consolidated financial statements, as at 31 December 2019, the total assets of the consolidated structured entities amounted to Rmb3,800,723,000 and the total assets of the unconsolidated structured entities managed by the Group amounted to Rmb146,673,182,000, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

Independent Auditor's Report

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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

- 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 20, 2020

Corporate Information

CHAIRMAN

YU Zhihong

EXECUTIVE DIRECTORS

CHENG Tao
LUO Jianhu *(General Manager)*

NON-EXECUTIVE DIRECTORS

DAI Benmeng
YUAN Yingjie *(Appointed on February 3, 2020)*
YU Qunli *(Resigned on February 3, 2020)*
YU Ji

INDEPENDENT NON-EXECUTIVE DIRECTORS

PEI Ker-Wei
LEE Wai Tsang, Rosa
CHEN Bin

SUPERVISORS

ZHENG Ruchun *(Appointed on February 3, 2020)*
YAO Huiliang *(Resigned on February 3, 2020)*
HE Meiyun
WU Qingwang
ZHAN Huagang
WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong
LUO Jianhu

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Shanghai Pudong Development Bank,
Hangzhou Branch

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183 Queen's Road East
Hong Kong

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange plc
Code: ZHEH

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Location Map of Expressways in Zhejiang Province