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

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 0576)**

## **2015 INTERIM RESULTS ANNOUNCEMENT**

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announce the unaudited consolidated operating results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2015 (the “Period”), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

During the Period, revenue for the Group was Rmb5,959.48 million, representing an increase of 44.6% over the same period in 2014. Profit for the Period attributable to owners of the Company was Rmb1,514.45 million, representing an increase of 42.4% year-on-year. Earnings per share for the Period was Rmb34.87 cents (same period in 2014: Rmb24.49 cents).

The Directors have recommended to pay an interim dividend of Rmb6 cents per share (same period in 2014: Rmb6 cents), subject to shareholders’ approval at the extraordinary general meeting of the Company to be held in due course.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2015, with comparative figures for the same period in 2014 and relevant notes to the condensed consolidated financial statements:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

		<b>For the six months ended June 30,</b>	
		<b>2015</b>	<b>2014</b>
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	<b>5,959,479</b>	4,121,822
Operating costs		<b>(3,385,571)</b>	(2,580,471)
Gross profit		<b>2,573,908</b>	1,541,351
Securities investment gains		<b>332,925</b>	87,240
Other income	4	<b>111,284</b>	140,164
Administrative expenses		<b>(40,772)</b>	(33,552)
Other expenses		<b>(43,854)</b>	(26,556)
Share of profit of associates		<b>21,141</b>	24,868
Share of loss of a joint venture		<b>(15,234)</b>	(15,602)
Finance costs		<b>(168,937)</b>	(39,869)
Profit before tax		<b>2,770,461</b>	1,678,044
Income tax expense	5	<b>(710,645)</b>	(430,799)
<b>Profit for the Period</b>		<b>2,059,816</b>	1,247,245
<b>Other comprehensive income (loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair values gain (loss) during the Period		<b>21,747</b>	(2,719)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		<b>(410)</b>	–
Exchange differences on translating foreign operations		<b>(125)</b>	–
Income tax relating to components of other comprehensive income (loss)		<b>(5,334)</b>	680
Other comprehensive income (loss) for the Period (net of tax)		<b>15,878</b>	(2,039)
<b>Total comprehensive income for the Period</b>		<b>2,075,694</b>	1,245,206

		<b>For the six months ended June 30,</b>	
		<b>2015</b>	2014
	<i>Note</i>	<b>Rmb'000</b>	<i>Rmb'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the Period attributable to:			
Owners of the Company		<b>1,514,448</b>	1,063,433
Non-controlling interests		<b>545,368</b>	183,812
		<b><u>2,059,816</u></b>	<u>1,247,245</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>1,522,570</b>	1,062,183
Non-controlling interests		<b>553,124</b>	183,023
		<b><u>2,075,694</u></b>	<u>1,245,206</u>
<b>Earnings per share – Basic and diluted</b>	<b>7</b>	<b><u>34.87 cents</u></b>	<u>24.49 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>June 30, 2015</b>	As at December 31, 2014
	<i>Note</i>	<b>Rmb'000</b> <i>(Unaudited)</i>	<b>Rmb'000</b> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,064,021</b>	2,987,465
Prepaid lease payments		<b>64,925</b>	66,001
Expressway operating rights		<b>10,710,162</b>	11,112,507
Goodwill		<b>86,867</b>	86,867
Other intangible assets		<b>152,561</b>	155,590
Interests in associates		<b>685,391</b>	627,866
Interest in a joint venture		<b>285,433</b>	300,667
Available-for-sale investments		<b>393,375</b>	221,232
Other receivables		<b>456,461</b>	50,828
		<b>15,899,196</b>	15,609,023
<b>Current assets</b>			
Inventories		<b>211,351</b>	170,654
Trade receivables	8	<b>213,183</b>	135,609
Loans to customers arising from margin financing business		<b>16,331,848</b>	8,545,913
Other receivables and prepayments		<b>825,338</b>	832,238
Prepaid lease payments		<b>2,155</b>	2,155
Dividends receivable		<b>40,494</b>	–
Available-for-sale investments		<b>600,711</b>	570,021
Held for trading investments		<b>4,437,443</b>	2,124,740
Financial assets held under resale agreements		<b>999,819</b>	2,724,598
Bank balances held on behalf of customers		<b>42,723,429</b>	16,576,751
Bank balances and cash			
– Time deposits with original maturity over three months		<b>606,320</b>	761,320
– Cash and cash equivalents		<b>7,893,543</b>	3,301,722
		<b>74,885,634</b>	35,745,721

		As at <b>June 30, 2015</b>	As at December 31, 2014
	<i>Note</i>	<b>Rmb'000</b> <i>(Unaudited)</i>	<i>Rmb'000</i> <i>(Audited)</i>
<b>Current liabilities</b>			
Placements from other financial institutions		<b>1,470,000</b>	1,940,000
Accounts payable to customers arising from securities business		<b>42,673,988</b>	16,545,146
Trade payables	9	<b>740,669</b>	693,604
Tax liabilities		<b>448,298</b>	463,648
Other taxes payable		<b>121,744</b>	67,642
Other payables and accruals		<b>2,243,815</b>	1,561,274
Dividends payable		<b>1,257,112</b>	76,139
Bank borrowings		<b>150,000</b>	150,000
Financial assets sold under repurchase agreements		<b>2,090,000</b>	883,570
Short-term loan note payable		<b>8,642,966</b>	6,299,057
Bonds payable		<b>1,000,000</b>	–
		<b>60,838,592</b>	28,680,080
<b>Net current assets</b>		<b>14,047,042</b>	7,065,641
<b>Total assets less current liabilities</b>		<b>29,946,238</b>	22,674,664
<b>Non-current liabilities</b>			
Bank loans		<b>150,000</b>	200,000
Bonds payable		<b>7,700,000</b>	1,200,000
Deferred tax liabilities		<b>147,855</b>	145,042
		<b>7,997,855</b>	1,545,042
		<b>21,948,383</b>	21,129,622
<b>Capital and reserves</b>			
Share capital		<b>4,343,115</b>	4,343,115
Reserves		<b>13,030,356</b>	12,658,711
Equity attributable to owners of the Company		<b>17,373,471</b>	17,001,826
Non-controlling interests		<b>4,574,912</b>	4,127,796
		<b>21,948,383</b>	21,129,622

*Notes:*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate.

In the Period, the Group has applied, for the first time, new Interpretation and amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by HKICPA, which are effective for the Period. The application of the new Interpretation and amendments to HKFRSs during the Period has had no material effect on the condensed consolidated financial statements and/or relevant disclosures set out in these condensed consolidated financial statements.

Except for the above, the accounting policies and methods of computation applied in the condensed consolidated financial statements for the Period are consistent with those in the preparation of the Group’s annual financial statements for the year ended December 31, 2014.

### 3. REVENUE AND SEGMENT INFORMATION

Compared to the same period last year, there were no major changes in the reportable and operating segments of the Group during the Period.

#### Segment revenue and results

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

	For the six months ended June 30, 2015							Total Rmb'000 (unaudited)
	Toll operation Rmb'000 (unaudited)	Toll related operation Service area and advertising businesses Rmb'000 (unaudited)	Other toll road related service Rmb'000 (unaudited)	Securities operation Rmb'000 (unaudited)	Other operation Rmb'000 (unaudited)	Total segment Rmb'000 (unaudited)	Elimination Rmb'000 (unaudited)	
Revenue								
External sales	2,156,365	905,541	28,436	2,861,871	7,266	5,959,479	-	5,959,479
Inter-segment sales	-	2,377	8,878	-	-	11,255	(11,255)	-
<b>Total</b>	<b>2,156,365</b>	<b>907,918</b>	<b>37,314</b>	<b>2,861,871</b>	<b>7,266</b>	<b>5,970,734</b>	<b>(11,255)</b>	<b>5,959,479</b>
Segment profit	1,027,957	19,572	25,536	990,906	(4,155)	2,059,816		2,059,816

	For the six months ended June 30, 2014							Total Rmb'000 (unaudited)
	Toll operation Rmb'000 (unaudited)	Toll related operation Service area and advertising businesses Rmb'000 (unaudited)	Other toll road related service Rmb'000 (unaudited)	Securities operation Rmb'000 (unaudited)	Other operation Rmb'000 (unaudited)	Total segment Rmb'000 (unaudited)	Elimination Rmb'000 (unaudited)	
Revenue								
External sales	2,041,188	1,183,241	19,050	878,343	-	4,121,822	-	4,121,822
Inter-segment sales	-	2,377	4,459	-	-	6,836	(6,836)	-
<b>Total</b>	<b>2,041,188</b>	<b>1,185,618</b>	<b>23,509</b>	<b>878,343</b>	<b>-</b>	<b>4,128,658</b>	<b>(6,836)</b>	<b>4,121,822</b>
Segment profit	942,673	63,071	18,789	222,712	-	1,247,245		1,247,245

Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker – the Company's General Manager, for the purpose of resource allocation and performance assessment.

## Revenue from major services

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

	For the six months ended June 30,	
	2015 <i>Rmb'000</i> <i>(Unaudited)</i>	2014 <i>Rmb'000</i> <i>(Unaudited)</i>
Toll operation revenue	2,156,365	2,041,188
Service area businesses revenue (mainly sales of goods)	883,489	1,134,635
Advertising business revenue	22,052	48,606
Commission income from securities operation	1,969,541	595,994
Interest income from securities operation	892,330	282,349
Others	35,702	19,050
Total	<b>5,959,479</b>	<b>4,121,822</b>

## 4. OTHER INCOME

	For the six months ended June 30,	
	2015 <i>Rmb'000</i> <i>(Unaudited)</i>	2014 <i>Rmb'000</i> <i>(Unaudited)</i>
Interest income on bank balances, entrusted loan receivables and financial products investment	28,449	34,494
Rental income	50,056	55,155
Gain on disposal of an associate	–	24,490
Handling fee income	1,674	1,487
Towing income	4,228	4,695
Exchange (loss) gain, net	(9)	861
Others	26,886	18,982
Total	<b>111,284</b>	<b>140,164</b>



## 5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2015	2014
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax:		
PRC Enterprise Income Tax	713,166	435,049
Deferred tax	(2,521)	(4,250)
	<u>710,645</u>	<u>430,799</u>

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

No Hong Kong Profits Tax has been provided as the Group's income neither arises in, nor is derived from Hong Kong during the Period.

## 6. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (corresponding period of 2014: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company.

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the Period attributable to owners of the Company of Rmb1,514,448,000 (corresponding period of 2014: Rmb1,063,433,000) and the 4,343,114,500 (corresponding period of 2014: 4,343,114,500) ordinary shares in issue during the Period.

Diluted earnings per share presented is the same as basic earnings per share since there were no potential ordinary shares outstanding during both periods.

## 8. TRADE RECEIVABLES

	As at June 30, 2015	As at December 31, 2014
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables comprise:		
A fellow subsidiary	1,500	3,212
Third parties	212,635	133,349
	<u>214,135</u>	<u>136,561</u>
Total trade receivables	214,135	136,561
Less: Allowance for doubtful debts	(952)	(952)
	<u>213,183</u>	<u>135,609</u>

The Group has no credit period granted to its trade customers of toll operation and service area businesses. The Group's trade receivable balance for toll operation is toll receivables from the Expressway Fee Settlement Centre of the Highway Administration Bureau of Zhejiang Province, which are normally settled within 3 months. All of these trade receivables were neither past due nor impaired in both periods.

In respect of the Group's asset management service operated by Zheshang Securities Co., Ltd. ("Zhejiang Securities", a 70.83% owned subsidiary of Zhejiang Shangsang Expressway Co., Ltd. which is a subsidiary of the Company), trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk and regularly monitored overdue balances.

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

	<b>As at June 30, 2015 Rmb'000 (Unaudited)</b>	As at December 31, 2014 Rmb'000 (Audited)
Within 3 months	176,172	116,473
3 months to 1 year	34,575	18,111
1 to 2 years	2,322	971
Over 2 years	114	54
Total	<b>213,183</b>	135,609

## 9. TRADE PAYABLES

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

	<b>As at June 30, 2015 Rmb'000 (Unaudited)</b>	As at December 31, 2014 Rmb'000 (Audited)
Within 3 months	309,638	438,079
3 months to 1 year	297,503	119,156
1 to 2 years	63,309	67,732
2 to 3 years	15,925	10,897
Over 3 years	54,294	57,740
Total	<b>740,669</b>	693,604

## BUSINESS REVIEW

Benefiting from a series of policies on ensuring steady growth in the first half of 2015, China's economy is currently in a steady phase. The national GDP exceeded expectations and grew by 7.0% year-on-year. Thanks to the initial success of Zhejiang's economic transformation and upgrade, which partially offset the slow growth suggested by conventional economic growth indicators (investment, consumption and exports), Zhejiang Province's GDP increased by 8.3% year-on-year.

As Zhejiang Province's economy steadily improved during the Period, traffic volume on the Group's expressways continued to maintain decent organic growth. In addition, trading activities on the domestic stock markets were active. As a result, income from the Group's overall operations increased 46.2% year-on-year to Rmb6,203.63 million, of which Rmb2,230.83 million was generated by the three major expressways operated by the Group, representing an increase of 5.7% year-on-year and 36.0% of the total income. Income from the Group's toll road-related businesses was Rmb940.00 million, representing a decrease of 22.2% year-on-year and 15.2% of the total income. The Group's securities business contributed income of Rmb3,025.10 million, representing an increase of 227.3% year-on-year and 48.8% of the total income.

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

	<b>For the six months ended June 30,</b>		
	<b>2015</b>	2014	
	<b><i>Rmb'000</i></b>	<i>Rmb'000</i>	<b>% Change</b>
Toll income			
Shanghai-Hangzhou-Ningbo			
Expressway	<b>1,552,029</b>	1,495,972	3.7%
Shangsan Expressway	<b>513,395</b>	470,822	9.0%
Jinhua section, Ningbo-Jinhua			
Expressway	<b>165,406</b>	144,724	14.3%
Toll road-related business			
Service areas	<b>887,622</b>	1,138,682	-22.0%
Advertising	<b>22,994</b>	50,027	-54.0%
Road maintenance	<b>29,385</b>	19,852	48.0%
Securities business income			
Commission	<b>2,132,766</b>	641,797	232.3%
Interest income	<b>892,330</b>	282,349	216.0%
Other income			
Hotel business	<b>7,702</b>	-	N/A
Subtotal	<b>6,203,629</b>	4,244,225	46.2%
Less: Revenue taxes	<b>(244,150)</b>	(122,403)	99.5%
Revenue	<b><u>5,959,479</u></b>	<u>4,121,822</u>	<u>44.6%</u>

## **Toll Road Operations**

Driven by the macro and regional economic effects, the Group's expressways' traffic volume maintained solid growth. During the Period, the organic traffic volume growth rates for the Group's three expressways, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway and the Jinhua Section of the Ningbo-Jinhua Expressway, were of 5.9%, 8.6% and 10.8%, respectively, with the varied rates of growth due to the different regions where these three expressways are located.

The construction on the neighbouring Hangzhou Airport Road started on April 15, 2014, resulting in a truck traffic restriction for 23.7 km section of the Group's Shanghai-Hangzhou-Ningbo Expressway. The opening of the Qianjiang Road on April 16, 2014 also diverted traffic and led to a loss in toll income from the Shanghai-Hangzhou-Ningbo Expressway in the same period of 2014. During the period, as the traffic diversion effect gradually stabilized, toll income of Shanghai-Hangzhou-Ningbo Expressway posted decent growth.

Since its opening in July, 2013, the Jiaxing-Shaoxing Bridge (not operated by the Group) has had positive effects to the Shangsang Expressway. During the Period, the high traffic volume growth stabilized and toll income of the section returned to stable growth.

Meanwhile, the Jinhua Section of the Ningbo-Jinhua Expressway continued to have a high organic growth in traffic volume resulting from strong growth in trade at the nearby Yiwu small commodities market and the booming development of e-commerce and foreign trade in the surrounding areas. The positive effects on toll income growth caused by construction of local roads that run parallel to the Jinhua Section of the Ningbo-Jinhua Expressway gradually diminished. Meanwhile, since the neighbouring Hangzhou-Jinhua-Quzhou Expressway has closed since June 6, 2015 due to construction, the diverted traffic has led to a substantial growth in traffic volume in the Jinhua Section of the Ningbo-Jinhua Expressway.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 46,449, representing an increase of 6.1% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 44,251, representing an increase of 4.8% year-on-year, and that along the Hangzhou-Ningbo Section was 48,021, representing an increase of 7.0% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 25,081, representing an increase of 11.8% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 17,852, representing an increase of 17.7% year-on-year.

During the Period, total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsang Expressway and the 70km Jinhua Section of the Ningbo-Jinhua Expressway was Rmb2,230.83 million, representing an increase of 5.7% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,552.03 million, representing an increase of 3.7% year-on-year; toll income from the Shangsang Expressway was Rmb513.39 million, representing an increase of 9.0% year-on-year. Toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb165.41 million, representing an increase of 14.3% year-on-year.

### **Toll Road-Related Business Operations**

The Company also operates certain toll road-related businesses along its expressways through its subsidiaries and associated companies, including gas stations, restaurants and shops in service areas, as well as advertising at expressway interchanges and external road maintenance.

During the Period, affected by the temporary closure of the Bei'an Service Area to the north of the Hangzhou Bay Bridge for renovation and the competition from surrounding new service areas, the Group's income from service areas along the expressway (excluding gas stations) recorded only a slight increase year-on-year.

In addition, Zhejiang Province took action to remove billboards from along sides of the expressway, which gradually narrowed the advertising business of the Group's subsidiary to expressway exchange areas, toll stations and service areas. As a result, advertising income was substantially reduced within the period.

During the Period, external road maintenance projects brought satisfactory revenue. However, total income from toll road-related operations was adversely affected by several reductions to retail price of domestic refined oil. During the Period, income from toll road-related operations was Rmb940.00 million, representing a decrease of 22.2% year-on-year.

### **Securities Business**

During the Period, Zheshang Securities' average brokerage commission rate continued to decline due to intensified competition in the securities industry and the gradual relaxation of controls on commissions. Benefiting from a revival of activity in the domestic securities market, the total trading volume of the Shanghai and Shenzhen stock markets increased 545.8% from last year. As a result, even though the Shanghai and Shenzhen stock markets were significantly volatile in June, 2015, the brokerage business of Zheshang Securities achieved a substantial increase in trading volume and posted a year-on-year increase of 308.6% in brokerage commission income.

In addition, while accelerating the comprehensive development of each of its business segment, Zheshang Securities has been actively developing innovative businesses, and constantly working to improve its income and profit structure. During the Period, even though income from its investment banking business slightly decreased, Zheshang Securities margin financing and securities lending, as well as asset management businesses recorded significant year-on-year increases of 353.3% and 267.5%, respectively.

Zheshang Securities' IPO application to the Shanghai Stock Exchange was accepted by the China Securities Regulatory Commission in May, 2013, and it remains on the wait list for an IPO.

During the Period, Zheshang Securities' total operating income was Rmb3,025.10 million, an increase of 227.3% year-on-year. Of this, brokerage commission income rose 232.3% year-on-year to Rmb2,132.77 million, and interest income from the securities business was Rmb892.33 million, an increase of 216.0%. Moreover, during the Period, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb324.65 million (the corresponding period of 2014: gains of Rmb79.15 million).

### **Other Business**

Grand New Century Hotel Yuhang Hangzhou, owned and operated by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned associate company of the Company), began operating on April 28, 2015 and realized income (including sales tax and additional tax) of Rmb7.70 million as of June 30, 2015.

### **Long-Term Investments**

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company), adversely affected by the continuous reduction in prices of domestic refined oil product and declining sales volume, recorded income of Rmb2,554.88 million, a decrease of 21.8% from last year. During the Period, net profit of the associate company was Rmb7.42 million (corresponding period of 2014: Rmb11.36 million).

Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 14,357, an increase of 5.1% year-on-year. Toll income during the Period was Rmb154.94 million. However, due to its relatively heavy financial burden, the joint venture reported a loss of Rmb30.47 million (corresponding period of 2014: loss of Rmb 31.20 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company), derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, this associate company realized a net profit of Rmb78.49 million (corresponding period of 2014: net profit of Rmb66.89 million).

## **FINANCIAL ANALYSIS**

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

During the Period, profit attributable to owners of the Company was approximately Rmb1,514.45 million, representing an increase of 42.4% year-on-year, return on owners' equity was 8.7%, representing an increase of 30.7% year-on-year, while earnings per share for the Company was Rmb34.87 cents.

### **Liquidity and financial resources**

As at June 30, 2015, current assets of the Group amounted to Rmb74,885.63 million in aggregate (December 31, 2014: Rmb35,745.72 million), of which bank balances and cash accounted for 11.4% (December 31, 2014: 11.4%), bank balances held on behalf of customers accounted for 57.1% (December 31, 2014: 46.4%), held for trading investments accounted for 5.9% (December 31, 2014: 5.9%) and loans to customers arising from margin financing business accounted for 21.8% (December 31, 2014: 23.9%). Current ratio (current assets over current liabilities) of the Group as at June 30, 2015 was 1.2 (December 31, 2014: 1.2). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.8 (December 31, 2014: 1.6).

The amount of held for trading investments of the Group as at June 30, 2015 was Rmb4,437.44 million (December 31, 2014: Rmb 2,124.74 million), of which 90.3% was invested in bonds, 4.8% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash flow used in the Group's operating activities amounted to Rmb3,899.54 million. Excluding the effect of increase of loans to customers arising from margin financing business of Zheshang Securities, the resultant net cash inflow generated from operating activities amounted to Rmb3,886.39 million.

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

### **Borrowings and solvency**

As at June 30, 2015, total liabilities of the Group amounted to Rmb68,836.45 million (December 31, 2014: Rmb30,225.12 million), of which 0.4% was bank borrowings, 3.0% was short-term loan note, 12.6% was bonds payable, 12.6% was financial assets sold under repurchase agreements, 2.1% was placements from other financial institutions and 62.0% was accounts payable to customers arising from securities business.

As at June 30, 2015, total interest-bearing borrowings of the Group amounted to Rmb11,090.00 million, representing an increase of 355.7% compared to that as at December 31, 2014. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb300.00 million, short-term loan note with three-month maturity of Rmb500.00 million, beneficial certificates of Rmb1,590.00 million, subordinated bonds of Rmb7.20 billion and corporate bonds of Rmb1.50 billion. Of the interest-bearing borrowings, 70.8% was not payable within one year.

As at June 30, 2015, the Group's loans from domestic commercial banks were short and long-term loans, of which long-term loans due in one year amounted to Rmb150.00 million, with floating interest rate ranging from 5.085% to 6.33% per annum. The annual coupon rate for short-term loan note was fixed at 2.93%. The fixed annual interest rates of beneficial certificates ranged from 5.2% to 6.47% respectively. The fixed annual interest rates for subordinated bonds ranged from 5.7% to 6.3% respectively. The annual coupon rate for corporate bonds was fixed at 4.9%, while the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses for the Period amounted to Rmb172.19 million, while profit before interest and tax amounted to Rmb2,939.40 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 17.1 (corresponding period of 2014: 39.7) times.

As at June 30, 2015, the asset-liability ratio (total liabilities over total assets) of the Group was 75.8% (December 31, 2014: 58.9%). 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 held on behalf of customers) of the Group was 54.4% (December 31, 2014: 39.3%).

### **Capital structure**

As at June 30, 2015, the Group had Rmb21,948.38 million in total equity, Rmb63,576.95 million in fixed-rate liabilities, Rmb300.00 million in floating-rate liabilities, and Rmb4,959.49 million in interest-free liabilities, representing 24.2%, 70.0%, 0.3% and 5.5% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 119.2% as at June 30, 2015 (December 31, 2014: 64.7%).

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

During the Period, capital expenditure of the Group totaled Rmb282.60 million, while capital expenditure of the Company totaled Rmb118.61 million. Amongst the total capital expenditure of the Group, Rmb98.01 million was incurred for equity investment, Rmb105.07 million was incurred for acquisition and construction of properties, Rmb61.51 million was incurred for purchase and construction of equipments and facilities, and Rmb18.01 million was incurred for service area renovation and expansion.



As at June 30, 2015, the remaining capital expenditure committed by the Group and the Company totaled Rmb737.57 million and Rmb392.20 million, respectively. Amongst the remaining balance of total capital expenditures committed by the Group, Rmb115.00 million will be used for equity investment, Rmb202.98 million will be used for acquisition and construction of properties, Rmb369.90 million for acquisition and construction of equipment and facilities, Rmb49.69 million for service area renovation and expansion.

The Group will finance the above-mentioned capital expenditure commitments with internally generated cash flow first and then will consider using debt financing to meet any shortfalls in priority to using other methods.

### **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 Rmb2,200.00 million, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb55.00 million of the bank loans had been repaid

Pursuant to the board resolution dated June 24, 2008 of Zhejiang Jinhua Yongjin Expressway Co., Ltd (“Jinhua Co”, a 100% owned subsidiary of the Company), Jinhua Co provided the operating right of the expressway operated by it as pledged asset for its domestic commercial bank loans, the remaining outstanding balance of which was Rmb100.00 million. As at June 30, 2015, the carrying amount of the pledged asset was Rmb1,721.73 million.

Except for the above, as at June 30, 2015, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

### **Foreign exchange exposure**

Save for dividend payments to the holders of H shares in Hong Kong dollars and Zheshang Futures Co., Ltd. (a wholly owned subsidiary of Zheshang Securities) setting up Zheshang Futures (Hong Kong) Co., Limited with HK\$10 million contributed capital, the Group’s principal operations were transacted and booked in Renminbi. Therefore, the Group’s exposure to exchange fluctuation is limited. During the Period, the Group has not used any financial instruments for hedging purpose.

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

## OUTLOOK

Since the global economy is recovering slowly and China's economy is facing downward pressure, the economy of Zhejiang province also continues to encounter headwinds in the "new normal" phase. Due to both macro and regional economic factors affecting the Group's toll road business, overall traffic volume growth in 2015 will remain steady, although slower than the growth seen in 2014.

The Dongyang-Yongkang Expressway that was opened to traffic in July, 2015 is expected to have a slight diversion impact on traffic for the Jinhua Section of the Ningbo-Jinhua Expressway. To address this negative effect caused by the surrounding new road networks, the Group will continue to attract more traffic to the Group's expressways by closely monitoring the roads and conducting timely research and analysis, thereby minimizing the loss caused by traffic diversions from new road networks.

In recent years, the Chinese government's policy of allowing small passenger cars to travel for free on toll roads during important holidays has brought challenges and pressure to the Group's toll road business. However, the Ministry of Transport of the PRC has newly published a draft amendment of the Regulation of the Administration of Toll Roads to solicit opinions from the public, which we expect might present new opportunities to the expressway toll sector.

The stock markets in Shanghai and Shenzhen were hit by major volatility in mid-June. While the Chinese government has already ushered in a series of stabilization measures, it is expected that proactive financial policies, an accommodative monetary policy, and other moves that promote the development of the capital markets will be enacted in the second half of the year. The Group anticipates that these will bring new opportunities for the Group's securities business. Zheshang Securities Co., Ltd. will further reinforce its risk and cost controls, closely monitor new market policies, as well as seek new profit drivers by continuously innovating its business. In terms of the ongoing public offering process, Zheshang Securities' IPO may be delayed due to the IPO suspension imposed by the China Securities Regulatory Commission.

Looking ahead to the second half of 2015, China's economy is under a full transition to the "new normal." The new session of the management of the Company believes that the economic transformation and optimization of the industry structure in Zhejiang Province will bring new opportunities for the Group to grow and evolve. Management will analyze both internal and external environment and strengthen its strategic development research. It will focus on enhancing its core toll road business by prudently investing in and acquiring high-quality road assets. The Group will also optimize its securities business and seek suitable investment projects via a wide variety of channels so as to further expand the asset size of its core business and enhance profitability in the future.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES**

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

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

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

The electronic version of this announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website ([www.zjec.com.cn](http://www.zjec.com.cn)). The interim report of the Company for the six months ended June 30, 2015 will be dispatched to shareholders of the Company and published on The Stock Exchange of Hong Kong Limited's website and the Company's website in due course.

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

Hangzhou, PRC, August 21, 2015

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