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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)

**2016 INTERIM RESULTS ANNOUNCEMENT
AND
RESIGNATION OF INDEPENDENT SUPERVISOR**

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the unaudited consolidated operating results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2016 (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 Rmb5,337.12 million, representing a decrease of 13.7% over the same Period in 2015. Profit for the Period attributable to owners of the Company was Rmb1,368.21 million, representing a decrease of 8.5% year-on-year. Earnings per share for the Period was Rmb31.50 cents (corresponding period in 2015 (Restated): Rmb34.43 cents).

The Directors have recommended to pay an interim dividend of Rmb6 cents per share (corresponding period in 2015: 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, 2016, with comparative figures for the same period in 2015 and relevant notes to the condensed consolidated financial statements:

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

		For the six months ended June 30,	
	<i>Notes</i>	2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Revenue	4	5,337,120	6,185,875
Operating costs		(2,947,503)	(3,555,595)
Gross profit		2,389,617	2,630,280
Securities investment gains		112,238	332,925
Other income	5	182,214	122,649
Administrative expenses		(43,101)	(48,125)
Other expenses		(22,355)	(44,777)
Share of (loss) profit of associates		(992)	21,141
Share of profit (loss) of a joint venture		98	(15,234)
Finance costs		(344,479)	(257,388)
Profit before tax		2,273,240	2,741,471
Income tax expense	6	(575,114)	(705,540)
Profit for the Period		1,698,126	2,035,931
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair values gain during the Period		2,666	21,747
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(21,254)	(410)
Exchange differences on translating foreign operations		90	(125)
Income tax relating to items that may be reclassified subsequently		4,647	(5,334)
Other comprehensive (loss) income for the Period, net of tax		(13,851)	15,878
Total comprehensive income for the Period		1,684,275	2,051,809

		For the six months ended June 30,	
		2016	2015
<i>Notes</i>		<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited and restated)</i>
		<hr/>	<hr/>
Profit for the Period attributable to:			
	Owners of the Company	1,368,206	1,495,193
	Non-controlling interests	329,920	540,738
		<hr/>	<hr/>
		1,698,126	2,035,931
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the Period attributable to:			
	Owners of the Company	1,360,985	1,503,315
	Non-controlling interests	323,290	548,494
		<hr/>	<hr/>
		1,684,275	2,051,809
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – Basic and diluted	8	Rmb31.50 cents	Rmb34.43 cents
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at June 30, 2016 <i>Rmb'000</i> <i>(Unaudited)</i>	As at December 31, 2015 <i>Rmb'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		3,113,077	3,178,494
Prepaid lease payments		56,776	57,745
Expressway operating rights		12,733,572	13,229,442
Goodwill		86,867	86,867
Other intangible assets		144,285	155,219
Interests in associates		644,444	583,537
Interest in a joint venture		275,698	275,600
Available-for-sale investments		1,682,378	1,635,858
Deferred tax assets		340,002	329,526
		19,077,099	19,532,288
Current assets			
Inventories		334,732	316,528
Trade receivables	9	191,901	151,083
Loans to customers arising from margin financing business		7,658,277	10,550,590
Other receivables and prepayments		1,588,591	1,231,799
Prepaid lease payments		1,939	1,939
Dividends receivable		–	20,494
Derivative financial assets		–	2,288
Available-for-sale investments		1,213,642	1,032,750
Held for trading investments		7,040,990	3,761,224
Financial assets held under resale agreements		7,987,561	4,959,155
Bank balances held on behalf of customers		22,403,032	27,078,574
Bank balances and cash			
– Time deposits with original maturity over three months		275,000	270,000
– Cash and cash equivalents		3,553,806	4,983,051
		52,249,471	54,359,475

	<i>Notes</i>	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Current liabilities			
Placements from other financial institutions		–	200,000
Accounts payable to customers arising from securities business		22,402,799	27,009,641
Trade payables	10	746,710	908,616
Tax liabilities		345,222	641,606
Other taxes payable		79,206	88,022
Other payables and accruals		2,642,901	2,809,079
Dividends payable		123,848	333
Derivative financial liabilities		7,762	4,258
Bank and other borrowings		2,354,690	1,777,951
Short-term financing note payable		1,000,000	616,100
Bonds payable		5,200,000	3,000,000
Financial assets sold under repurchase agreements		9,512,523	5,385,380
		44,415,661	42,440,986
Net current assets		7,833,810	11,918,489
Total assets less current liabilities		26,910,909	31,450,777
Non-current liabilities			
Bank and other borrowings		570,000	1,590,000
Bonds payable		3,800,000	7,600,000
Deferred tax liabilities		256,692	262,128
		4,626,692	9,452,128
		22,284,217	21,998,649
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		12,538,456	12,393,543
Equity attributable to owners of the Company		16,881,571	16,736,658
Non-controlling interests		5,402,646	5,261,991
		22,284,217	21,998,649

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. MERGER ACCOUNTING RESTATEMENT

On August 5, 2015, the Company entered into a share transfer agreement with Zhejiang Communications Investment Group Co., Ltd. (“Communications Group”) to acquire 80.614% equity interest in Zhejiang Hanghui Expressway Co., Ltd. (“Hanghui Co”) from Communications Group for a cash consideration of Rmb1,699,348,000. Hanghui Co is principally engaged in the operation and management of the Hanghui Expressway, which is the Zhejiang section of Hangzhou–Ruili Expressway (G56) within the national expressway network. Before the above acquisition, Hanghui Co was 80.614% owned by Communications Group and 19.386% owned by non-controlling shareholders. The acquisition has been approved by independent shareholders on October 15, 2015 and subsequently completed on November 10, 2015. After the completion of the acquisition, Hanghui Co then became an 80.614% owned subsidiary of the Group and in December 2015, the equity interest held by the Group was increased to 88.674% after the Company made a capital contribution to Hanghui Co. Since Communications Group is the parent company of the Company, the Group’s acquisition of the 80.614% equity interest from Communications Group was regarded as a business combination involving entities under common control and was accounted for using merger accounting method, in accordance with the guidance set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

As a result, the comparative condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for the six months ended June 30, 2015 have therefore been restated, in order to include the profit, assets and liabilities of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Group’s acquisition of 80.614% equity interest in Hanghui Co has resulted in a decrease in total comprehensive income attributable to owners of the Company, a decrease in profit attributable to owners of the Company and a decrease in earnings per share (basic and diluted) for the six months ended June 30, 2015 by Rmb19,255,000, Rmb19,255,000 and Rmb0.44 cents, respectively.

3. 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, certain amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by HKICPA that are mandatorily effective for the Period. The application of the amendments to HKFRSs in the Period has had no material effect on the amounts reported in these 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 followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2015.

4. 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, 2016 (Unaudited)							
	Toll operation <i>Rmb'000</i>	Toll related operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Other operation <i>Rmb'000</i>	Total segment <i>Rmb'000</i>	Elimination <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue							
External sales	2,537,806	532,106	2,152,380	114,828	5,337,120	–	5,337,120
Inter-segment sales	–	283	–	–	283	(283)	–
Total	<u>2,537,806</u>	<u>532,389</u>	<u>2,152,380</u>	<u>114,828</u>	<u>5,337,403</u>	<u>(283)</u>	<u>5,337,120</u>
Segment profit	<u>1,183,392</u>	<u>35,119</u>	<u>526,063</u>	<u>(46,448)</u>	<u>1,698,126</u>		<u>1,698,126</u>
For the six months ended June 30, 2015 (Unaudited and restated)							
	Toll operation <i>Rmb'000</i>	Toll related operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Other operation <i>Rmb'000</i>	Total segment <i>Rmb'000</i>	Elimination <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue							
External sales	2,379,853	936,885	2,861,871	7,266	6,185,875	–	6,185,875
Inter-segment sales	–	11,255	–	–	11,255	(11,255)	–
Total	<u>2,379,853</u>	<u>948,140</u>	<u>2,861,871</u>	<u>7,266</u>	<u>6,197,130</u>	<u>(11,255)</u>	<u>6,185,875</u>
Segment profit	<u>1,002,451</u>	<u>46,729</u>	<u>990,906</u>	<u>(4,155)</u>	<u>2,035,931</u>		<u>2,035,931</u>

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,	
	2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Toll operation revenue	2,537,806	2,379,853
Service area businesses revenue (mainly sales of goods)	521,277	886,397
Advertising business revenue	10,829	22,052
Toll road maintenance service revenue	–	28,436
Commission and fee revenue from securities operation	1,407,455	2,026,162
Interest revenue from securities operation	744,925	835,709
Hotel and catering revenue	43,431	7,266
Property sales revenue	71,397	–
Total	<u>5,337,120</u>	<u>6,185,875</u>

5. OTHER INCOME

	For the six months ended June 30,	
	2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Interest income on bank balances and entrusted loan receivables	17,480	28,449
Rental income	77,776	50,056
Gain on commodity trading, net	22,747	3,722
Handling fee income	1,298	1,674
Towing income	3,958	4,228
Exchange loss, net	(4,519)	(9)
Others	63,474	34,529
Total	<u>182,214</u>	<u>122,649</u>

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Current tax:		
PRC Enterprise Income Tax	586,379	713,166
Deferred tax	(11,265)	(7,626)
	<u>575,114</u>	<u>705,540</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%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit during the Period.

7. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (corresponding period of 2015: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company.

8. 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 Rmb1,368,206,000 (corresponding period of 2015 (Restated): Rmb1,495,193,000) and the 4,343,114,500 (corresponding period of 2015: 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.

9. TRADE RECEIVABLES

	As at June 30, 2016 <i>Rmb'000</i> <i>(Unaudited)</i>	As at December 31, 2015 <i>Rmb'000</i> <i>(Audited)</i>
Trade receivables comprise:		
Fellow subsidiaries	4,330	10,331
Third parties	188,837	142,044
Total trade receivables	193,167	152,375
Less: Allowance for doubtful debts	(1,266)	(1,292)
	191,901	151,083

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. ("Zheshang 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. Overdue balances are regularly monitored by management.

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

	As at June 30, 2016 <i>Rmb'000</i> <i>(Unaudited)</i>	As at December 31, 2015 <i>Rmb'000</i> <i>(Audited)</i>
Within 3 months	177,698	80,949
3 months to 1 year	11,577	64,493
1 to 2 years	1,881	4,679
Over 2 years	745	962
Total	191,901	151,083

10. 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:

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Within 3 months	245,456	422,424
3 months to 1 year	182,938	230,650
1 to 2 years	202,097	117,341
2 to 3 years	34,489	35,425
Over 3 years	81,730	102,776
Total	<u>746,710</u>	<u>908,616</u>

BUSINESS REVIEW

During the first half of 2016, in response to the complex domestic and overseas environment and continuing downward economic pressure, China initiated a number of measures to expand its overall demand while accelerating the supply-side reform. The economy was stable for the most part and recorded a steady 6.7% year-on-year GDP growth. Meanwhile, Zhejiang Province's economy demonstrated decent growth momentum as it benefited from the continuous rapid growth of the tertiary industry and notable upgrades in its economic structure. Zhejiang Province's first-half GDP recorded a year-on-year increase of 7.7%, one percentage point higher than the national rate.

As Zhejiang Province's economy steadily improved during the Period, traffic volume on the Group's expressways continued to register healthy organic growth. Revenue from the Group's overall operations decreased 13.7% year-on-year to Rmb5,337.12 million, of which Rmb2,537.81 million was generated by the four major expressways operated by the Group, representing an increase of 6.6% year-on-year and 47.6% of the total revenue. Revenue from the Group's toll road-related businesses was Rmb532.11 million, representing a decrease of 43.2% year-on-year and 10.0% of the total revenue. The Group's securities business contributed revenue of Rmb2,152.38 million, representing a decrease of 24.8% year-on-year and 40.3% of the total revenue.

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

	For the six months ended June 30,	
	2016	2015
	<i>Rmb'000</i>	<i>Rmb'000</i>
Toll revenue		
Shanghai-Hangzhou-Ningbo Expressway	1,620,279	1,500,205
Shangsan Expressway	537,800	496,312
Jinhua section, Ningbo-Jinhua Expressway	160,198	159,848
Hanghui Expressway	219,529	223,488
Toll road-related business revenue		
Service areas	521,277	886,397
Advertising	10,829	22,052
External road maintenance	–	28,436
Securities business revenue		
Commission and fee	1,407,455	2,026,162
Interest	744,925	835,709
Other operation revenue		
Hotel operation	43,431	7,266
Property sales	71,397	–
Total revenue	<u>5,337,120</u>	<u>6,185,875</u>

Toll Road Operations

During the Period, driven by Zhejiang Province's notable economic developments in the tertiary services industry and decent growth in fixed asset investment, Zhejiang Province's economy maintained its growth momentum and traffic volume on the Group's expressways registered solid organic growth. The organic traffic volume growth for the Group's four expressways, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway, were 8.3%, 8.6%, 8.8% and 5.7%, respectively, with the varied rates of growth due to the different regions where the four expressways are located.

During the Period, as Hangzhou's GDP in the first half of 2016 surged by 10.8% year-on-year, the transportation volume of the city and its surrounding areas saw substantial increase, which resulted in a significant increase in traffic volume along the Shanghai-Hangzhou-Ningbo Expressway. However, the opening of the Hangzhou Xiaoshan Airport Expressway and surrounding elevated highways in early May 2016 caused certain traffic volume diversion for the Qiantang River Second Bridge of the Hangzhou-Ningbo Expressway operated by the Group.

Due to an increase in truck traffic volume, the overall traffic volume of the Shangsans Expressway was higher than expected during the Period.

The Hangzhou-Jinhua-Quzhou Expressway had been closed due to construction for four months starting from June 2015, resulting in a temporary increase of traffic volume on the neighboring Jinhua Section of the Ningbo-Jinhua Expressway. The completion of construction in September 2015 caused the traffic volume of the Jinhua Section of the Ningbo-Jinhua Expressway to fall back significantly. In addition, the Dongyang-Yongkang Expressway was opened to traffic in July 2015 and caused a continuous diversion impact on traffic volume from the Jinhua Section of the Ningbo-Jinhua Expressway. As a result of these factors, there was a decrease in the overall traffic volume on the Jinhua Section of the Ningbo-Jinhua Expressway during the Period.

The Hanghui Expressway registered lower organic growth in traffic volume during the Period, as a result of the sluggish regional economy in the surrounding areas. Concurrently, a section of the Hangzhou-Jinhua-Quzhou Expressway, which is not operated by the Group but runs parallel to the Hanghui Expressway, was reopened for traffic following construction, and certain sections of expressways running from Jiangxi to Hangzhou cancelled their truck height limits. As a result, a majority of long-distance trucks have returned to their original routes or chose alternative local roads, causing significant decreases in the truck traffic volume on the Hanghui Expressway, adversely impacting overall traffic volume on the section during the Period.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 49,807, representing an increase of 6.8% 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 48,987, representing an increase of 10.7% year-on-year, and that along the Hangzhou-Ningbo Section was 50,392, representing an increase of 4.9% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 27,131, representing an increase of 8.2% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 17,661, representing a decrease of 1.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 16,134, representing an increase of 4.2% year-on-year.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsans Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway and the 122km Hanghui Expressway was Rmb2,537.81 million, representing an increase of 6.6% year-on-year. Among which, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,620.28 million, representing an increase of 8.0% year-on-year; toll revenue from the Shangsans Expressway was Rmb537.80 million, representing an increase of 8.4% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb160.20 million, representing an increase of 0.2% year-on-year; and toll revenue from the Hanghui Expressway was Rmb219.53 million, representing a decrease of 0.2% year-on-year (on the same basis as last year).

Toll Road-Related Business Operations

The Company also operates certain toll road-related businesses along its expressways through its subsidiaries, including gas stations, restaurants and shops in service areas, as well as advertisements. Since May 2016, the Company has agreed to contract out the operation of several gas stations in its service areas to Zhejiang Expressway Petroleum Development Co., Ltd. For details, please refer to the Company's announcement "Continuing Connected Transactions in Relation to Contracting out Operation of Service Stations" dated May 27, 2016.

Zhejiang Province took action in 2014 to remove billboards from along sides of its expressways, which gradually narrowed most of the advertising business of the Group's subsidiary to expressway service areas. As a result, advertising income was substantially reduced within the Period. Additionally, during the Period, the overall income of the toll road-related business operations was adversely affected due to several reductions in the retail prices of domestic refined oil products. During the Period, revenue from toll road-related operations was Rmb532.11 million, representing a decrease of 43.2% year-on-year.

Securities Business

During the Period, due to weak domestic market sentiment, trading on domestic stock markets was lackluster. Trading volume on the Shanghai and Shenzhen stock markets decreased 52.9% year-on-year in total. Concurrently, there was a continued decline in average brokerage commission rate. As a result of these factors, during the Period, though income from Zheshang Securities' investment banking business experienced significant growth, other business segments of Zheshang Securities recorded varied levels of income decrease year-on-year.

During the Period, Zheshang Securities recorded total operating revenue of Rmb2,152.38 million, a decrease of 24.8% year-on-year. Of which, commission and fee revenue declined 30.5% year-on-year to Rmb1,407.45 million, and interest revenue from the securities business was Rmb744.93 million, representing a decrease of 10.9% year-on-year. Moreover, during the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb107.99 million (corresponding period of 2015: gains of Rmb324.65 million).

Despite income from most of Zheshang Securities' businesses declining during the Period with the exception of its investment banking business, Zheshang Securities still outperformed the market in general. Zheshang Securities continued to develop all its businesses steadily, as its asset management business further expanded in scale while its investment banking business reported a new high in income amidst weak market sentiment. In addition, 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.

Other Business Operations

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

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb43.43 million for the Period.

Qiyu Apartments opened for sale on November 29, 2015. 151 flats were sold out during the Period and realized a sales revenue of Rmb71.40 million.

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (“Shengxin Co”, a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 16,320, an increase of 13.7% year-on-year. Toll revenue during the Period was Rmb169.38 million. During the Period, the joint venture turned profitable for the first time and reported a net profit of Rmb0.20 million (corresponding period of 2015: net loss of Rmb30.47 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 Rmb49.92 million (corresponding period of 2015: net profit of Rmb78.49 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 Rmb1,368.21 million, representing a decrease of 8.5% over the corresponding period of 2015, return on owners’ equity was 8.1%, representing a decrease of 4.7% over the corresponding period of 2015, while earnings per share for the Company was Rmb31.5 cents.

Liquidity and financial resources

As at June 30, 2016, current assets of the Group amounted to Rmb52,249.47 million in aggregate (December 31, 2015: Rmb54,359.48 million), of which bank balances and cash accounted for 7.3% (December 31, 2015: 9.7%), bank balances held on behalf of customers accounted for 42.9% (December 31, 2015: 49.8%), held for trading investments accounted for 13.5% (December 31, 2015: 6.9%) and loans to customers arising from margin financing business accounted for 14.7% (December 31, 2015: 19.4%). Current ratio (current assets over current liabilities) of the Group as at June 30, 2016 was 1.2 (December 31, 2015: 1.3). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.4 (December 31, 2015: 1.8).

The amount of held for trading investments of the Group as at June 30, 2016 was Rmb7,040.99 million (December 31, 2015: Rmb3,761.22 million), of which 96.9% was invested in bonds, 3.0% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash flow generated from the Group's operating activities amounted to Rmb1,804.42 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, 2016, total liabilities of the Group amounted to Rmb49,042.35 million (December 31, 2015: Rmb51,893.11 million), of which 6.0% was bank and other borrowings, 2.0% was short-term financing note, 18.4% was bonds payable, 19.4% was financial assets sold under repurchase agreements, and 45.7% was accounts payable to customers arising from securities business.

As at June 30, 2016, total interest-bearing borrowings of the Group amounted to Rmb12,924.69 million, representing a decrease of 11.4% compared to that as at December 31, 2015. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb1,904.69 million, borrowings from other domestic financial institution of Rmb450.00 million, entrusted loans from Communications Group of Rmb570.00 million, short-term financing note of Rmb1.00 billion, beneficial certificates of Rmb1.30 billion, subordinated bonds of Rmb6.20 billion and corporate bonds of Rmb1.50 billion. Of the interest-bearing borrowings, 33.8% was not payable within one year.

As at June 30, 2016, 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 4.1325% to 4.9875% per annum. The floating interest rates for borrowings from other domestic financial institutions ranged from 4.275% to 4.5125% per annum. The annual interest rates for entrusted loans from Communications Group were fixed at 4.55%. The annual coupon rate for short-term loan note was fixed at 2.97%. The fixed annual interest rates of beneficial certificates ranged from 3.45% to 3.5% 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 Rmb344.48 million, while profit before interest and tax amounted to Rmb2,617.72 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 7.6 (corresponding period of 2015 (Restated): 11.5) times.

As at June 30, 2016, the asset-liability ratio (total liabilities over total assets) of the Group was 68.8% (December 31, 2015: 70.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances held on behalf of customers) of the Group was 54.5% (December 31, 2015: 53.2%).

Capital structure

As at June 30, 2016, the Group had Rmb22,284.22 million in total equity, Rmb43,893.27 million in fixed-rate liabilities, Rmb946.74 million in floating-rate liabilities, and Rmb4,202.34 million in interest-free liabilities, representing 31.2%, 61.5%, 1.3% and 6.0% 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 119.5% as at June 30, 2016 (December 31, 2015: 113.1%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb90.73 million. Amongst the total capital expenditure of the Group, Rmb15.27 million was incurred for acquisition and construction of properties, Rmb72.96 million was incurred for purchase and construction of equipments and facilities, and Rmb2.50 million was incurred for service area renovation and expansion.

As at June 30, 2016, the remaining capital expenditure committed by the Group totaled Rmb570.46 million. Amongst the remaining balance of total capital expenditures committed by the Group, Rmb302.36 million will be used for acquisition and construction of properties, Rmb239.26 million for acquisition and construction of equipment and facilities, Rmb28.84 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 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 a joint guarantee for its bank loans of Rmb2,200.00 million, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb60.00 million of the bank loans had been repaid and the remaining outstanding balance of the loans as at June 30, 2016 was Rmb1,980.00 million.

Except for the above, as at June 30, 2016, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

Save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) borrowing of HK\$432,527,000 on June 8, 2016, and (iii) Zheshang International Financial Holding Co., Limited (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, the Group's principal operations were transacted and denominated in Renminbi. During the Period, the Group purchased one-year Hong Kong dollar forwards of equivalent amount to hedge the foreign exchange risk derived from the Hong Kong dollar borrowing. Except for the above, during the Period the Group has not used any other financial instruments for hedging purpose. Therefore, the Group's exposure to exchange fluctuation is limited.

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

OUTLOOK

As economic uncertainty has increased globally, downward pressure on China's economy is expected to continue. Under the "new normal", Zhejiang Province, a region with an above average growth outlook across China, will also face relatively more intense economic pressure. The Group expects that the Group's toll road business will maintain steady growth in 2016 given the macro and regional economic outlook, albeit with a slightly slower growth rate in organic traffic volume compared with 2015.

Currently, the business environment for the toll road industry is becoming increasingly complex. As more and more expressways within Zhejiang Province are launched for traffic, there will be a positive network effect but will also cause diversion impact. The Dongyang-Yongkang Expressway, which opened for traffic in July 2015, is expected to continue to have a slight diversion impact on traffic on the Jinhua Section of the Ningbo-Jinhua Expressway but the impact has been stabilized. The Group will endeavor to strengthen the monitoring and analysis of the transportation network as well as researching the traffic trends of the Group's expressways and the factors involved. The Group will adopt specific promotional and marketing measures to direct and attract more vehicles to use the expressways operated by the Group to minimize the diversion impact.

China's securities market is still in the process of deleveraging, but the Chinese government has released a series of measures to promote the healthy development of its capital market, a signal to show the government's confidence in the securities sector's sustainable development in the long term, which may bring new opportunities to the Group's securities business. At the same time, the Group will explore all potential avenues to accelerate Zheshang Securities' A-Share listing application on the Shanghai Stock Exchange. Moreover, Zheshang Securities will expand into innovative businesses and seek new profit drivers while strengthening its cost control and risk management.

Looking ahead into the second half of 2016, although China might still see continued downward economic pressure, the Company's management believes that the supply-side reform and various economic transformation measures initiated by Zhejiang Province will create a favorable development environment for all of the Group's businesses.

In July 2016, the Zhejiang Province government made a decision to merge Zhejiang Communications Investment Group Co., Ltd. ("Communications Group", the controlling shareholder of the Company) with Zhejiang Railway Investment Group Limited Co., Ltd. into a provincial communications investment and financing platform. This new business entity, which will continue to use the name of Communications Group, will be responsible for more construction assignments of transportation and infrastructure projects, thereby providing more opportunities in a wider scope for the Company to invest in and acquire quality transportation and infrastructure projects within the province.

In response to the dynamic change of internal and external environment, the Company's management will closely monitor the latest financial policy developments as well as evolving market trends to better formulate future strategic development plans. The Group will look to expand its core expressway business by investing in and acquiring quality toll road assets to further enhance its core competencies while strengthening its securities business and seeking suitable investments and development projects in order to enlarge the asset scale of its core businesses and increase future profitability.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

RESIGNATION OF INDEPENDENT SUPERVISOR

The Company has received a letter of resignation from Mr. Wu Yongmin ("Mr. Wu"), an independent supervisor of the Company, pursuant to which Mr. Wu has resigned from his position as an independent supervisor of the Company with effect from August 18, 2016 due to other work arrangement.

Mr. Wu has confirmed that he has no disagreement with the Board or the supervisory committee of the Company, and did not have any matters relating to his resignation that should be brought to the attention of the shareholders of the Company.

Further announcement will be made should there be any appointment of any alternate supervisor by the Company following the resignation of Mr. Wu.

The Board would like to express its appreciation to Mr. Wu for his valuable contributions to the Company during his term of office.

The electronic version of this announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the Company's website (www.zjtec.com.cn). The interim report of the Company for the six months ended June 30, 2016 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, the PRC, August 18, 2016

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.