

ACHIEVE GROWTH

through Innovation and Prudence

2016 Interim Report



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

Stock Code : 0576

Achieve Growth Through Innovation and Prudence

In the first half of 2016, as Zhejiang Province's economy steadily improved, traffic volume on the Group's expressways continued to register healthy organic growth, the Group's toll revenue registered an increase of 6.6% year-on-year. However, due to weak domestic market sentiment and lackluster trading on domestic stock markets, 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. Despite that, Zheshang Securities still outperformed the market in general. In conclusion, although the Company saw a year-on-year decrease in profit due to various macro factors, all business segments within the Group remained competitive.

In the second half of the year, 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.

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2016 Interim Results

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 interim report has not been audited or reviewed by the auditors but has been reviewed by the audit committee of the Company.

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.

Business Review

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

	For the six months ended June 30,	
	2016 Rmb'000	2015 Rmb'000
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	5,337,120	6,185,875

Business Review

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.

Business Review

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsang 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 Shangsang 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 domestics 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).

Business Review

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).

Human Resources

During the Period, the Company actively revamped its human resource management, improved its remuneration and performance policy, and promoted the pegging of overall remuneration increase with the productivity of employees, thereby paving the way for increasing employees' remuneration. There was no significant change in other staff matters and assignment compared with the details disclosed in the Company's most recent annual report.

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).

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Cash and Cash equivalents		
Rmb	3,498,769	4,935,103
US\$ in Rmb equivalent	46,034	33,386
HK\$ in Rmb equivalent	9,003	14,562
Time deposit – Rmb	275,000	270,000
Held for trading investments – Rmb	7,040,990	3,761,224
Available-for-sale investments – Rmb	1,213,642	1,032,750
Total	12,083,438	10,047,025
Rmb	12,028,401	9,999,077
US\$ in Rmb equivalent	46,034	33,386
HK\$ in Rmb equivalent	9,003	14,562

Financial Analysis

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.

	Gross total	Maturity Profile		
		Within 1 year	>1 year–5 year inclusive	Beyond 5 year
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Floating rates				
Domestic commercial bank loans	496,739	496,739	–	–
Other domestic financial institution	450,000	450,000	–	–
Fixed rates				
Domestic commercial bank loans	1,407,951	1,407,951	–	–
Entrusted loans from Communications Group	570,000	–	570,000	–
Short-term financing note payable				
– short-term financing note	1,000,000	1,000,000	–	–
Bonds payable				
– beneficial certificates	1,300,000	–	1,300,000	–
– subordinated bonds	6,200,000	5,200,000	1,000,000	–
– corporate bonds	1,500,000	–	1,500,000	–
Total as at June 30, 2016	12,924,690	8,554,690	4,370,000	–
Total as at December 31, 2015	14,584,051	5,394,051	8,860,000	330,000

Financial Analysis

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.

Financial Analysis

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.

Disclosure of Interests and Other Matters

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

DISCLOSURE OF DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2016, none of the Directors, supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

As at June 30, 2016, the following shareholders held 5% or more of the issued share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the SFO:

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Zhejiang Communications Investment Group Co., Ltd.	Beneficial owner	2,909,260,000	100%

Disclosure of Interests and Other Matters

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	169,442,626 (L)	11.81%
		1,326,000 (S)	0.09%
		66,804,479 (P)	4.65%
BlackRock, Inc.	Interest of controlled corporation	130,897,684 (L)	9.13%
The Bank of New York Mellon Corporation	Interest of controlled corporation	71,908,156 (L)	5.02%
		66,367,400 (P)	4.63%

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 June 30, 2016, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

During the Period, the Company had 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 Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Directors have confirmed their full compliance with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Period.

Disclosure of Interests and Other Matters

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE INTERIM REPORT AND ACCOUNTS

Each of the Directors of the Company, whose name and function are listed in the section headed “Corporate Information” of this report, confirms that, to the best of his/her knowledge:

- the condensed consolidated financial statements prepared in accordance with 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 performance of the Group and the undertakings included in the consolidation taken as a whole;
- the management discussion and analysis included in the interim report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole during the Period, together with a description of the principal risks and uncertainties that the Group faces for the remaining six months of the financial year; and
- the interim report includes a fair review of the material related party transactions that have taken place during the Period and any material changes in the related party transactions described in the Company’s annual report for the year ended 31 December 2015.

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

Hangzhou, the PRC, August 18, 2016

The electronic version of this report is published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.com.hk>) and on the Company’s website (www.zjec.com.cn).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the six months ended June 30,	
		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	6	(344,479)	(257,388)
Profit before tax	7	2,273,240	2,741,471
Income tax expense	8	(575,114)	(705,540)
Profit for the Period		1,698,126	2,035,931
Other comprehensive (loss) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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
Profit for the Period attributable to:			
Owners of the Company		1,368,206	1,495,193
Non-controlling interests		329,920	540,738
		1,698,126	2,035,931
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
		1,684,275	2,051,809
Earnings per share – Basic and diluted	10	Rmb31.50 cents	Rmb34.43 cents

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
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	11	191,901	151,083
Loans to customers arising from margin financing business	12	7,658,277	10,550,590
Other receivables and prepayments	13	1,588,591	1,231,799
Prepaid lease payments		1,939	1,939
Dividend 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	14	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

Condensed Consolidated Statement of Financial Position

	Notes	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	15	746,710	908,616
Tax liabilities		345,222	641,606
Other taxes payable		79,206	88,022
Other payables and accruals	16	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	17	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

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total									
	Share capital	Share premium	Statutory reserve	Capital reserve	Investment revaluation reserve	Foreign currency translation reserve	Special reserves	Dividend reserve	Retained profits	Total											
													Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
													At January 1, 2015 (Audited and restated)	4,343,115	3,645,726	3,907,055	1,712	28,403	-	1,599,088	1,150,925
Profit for the Period	-	-	-	-	-	-	-	-	1,495,193	1,495,193	540,738	2,035,931									
Other comprehensive income for the Period	-	-	-	-	8,187	(65)	-	-	-	8,122	7,756	15,878									
Total comprehensive income for the Period	-	-	-	-	8,187	(65)	-	-	1,495,193	1,503,315	548,494	2,051,809									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(106,008)	(106,008)									
Final dividend	-	-	-	-	-	-	-	(1,150,925)	-	(1,150,925)	-	(1,150,925)									
Proposed interim dividend	-	-	-	-	-	-	-	260,587	(260,587)	-	-	-									
At June 30, 2015 (Unaudited and restated)	4,343,115	3,645,726	3,907,055	1,712	36,590	(65)	1,599,088	260,587	3,559,479	17,353,287	4,570,059	21,923,346									

	Attributable to owners of the Company										Non-controlling interests	Total									
	Share capital	Share premium	Statutory reserve	Capital reserve	Investment revaluation reserve	Foreign currency translation reserve	Special reserves	Dividend reserve	Retained profits	Total											
													Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
													At January 1, 2016 (Audited)	4,343,115	3,355,621	4,505,773	1,712	56,332	191	18,666	1,216,072
Profit for the Period	-	-	-	-	-	-	-	-	1,368,206	1,368,206	329,920	1,698,126									
Other comprehensive income for the Period	-	-	-	-	(7,268)	47	-	-	-	(7,221)	(6,630)	(13,851)									
Total comprehensive income for the Period	-	-	-	-	(7,268)	47	-	-	1,368,206	1,360,985	323,290	1,684,275									
Settlement of assets management product upon expiry	-	-	-	-	-	-	-	-	-	-	(4,880)	(4,880)									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(150,111)	(150,111)									
Final dividend	-	-	-	-	-	-	-	(1,216,072)	-	(1,216,072)	-	(1,216,072)									
Dividend for non-controlling interests	-	-	-	-	-	-	-	-	-	-	(27,644)	(27,644)									
Proposed interim dividend	-	-	-	-	-	-	-	260,587	(260,587)	-	-	-									
At June 30, 2016(Unaudited)	4,343,115	3,355,621	4,505,773	1,712	49,064	238	18,666	260,587	4,346,795	16,881,571	5,402,646	22,284,217									

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30,

	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Net cash from (used in) operating activities	1,804,419	(3,805,132)
Net cash used in investing activities	(293,845)	(228,296)
Net cash (used in) from financing activities	(2,939,909)	8,630,214
Net (decrease) increase in cash and cash equivalents	(1,429,335)	4,596,786
Cash and cash equivalents at beginning of the Period	4,983,051	3,356,563
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	90	(125)
Cash and cash equivalents at end of the Period	3,553,806	7,953,224

Notes to Condensed Consolidated Financial Statements

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 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.

Notes to Condensed Consolidated Financial Statements

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						Elimination Rmb'000	Total Rmb'000
	Toll	related	Securities	Other	Total			
	operation	operation	operation	operation	segment			
Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000			
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	2,537,806	532,389	2,152,380	114,828	5,337,403	(283)	5,337,120	
Segment profit	1,183,392	35,119	526,063	(46,448)	1,698,126		1,698,126	

Notes to Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	For the six months ended June 30, 2015 (Unaudited and restated)						
	Toll		Securities	Other	Total	Elimination	Total
	operation	related					
	Rmb'000	Rmb'000	operation	operation	segment	Rmb'000	Rmb'000
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	2,379,853	948,140	2,861,871	7,266	6,197,130	(11,255)	6,185,875
Segment profit	1,002,451	46,729	990,906	(4,155)	2,035,931		2,035,931

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	2015
	Rmb'000	Rmb'000
	(Unaudited)	(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	5,337,120	6,185,875

Notes to Condensed Consolidated Financial Statements

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	182,214	122,649

6. FINANCE COSTS

	For the six months ended June 30,	
	2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Interest expenses wholly repayable within 5 years:		
Bank and other borrowings	70,660	96,509
Short-term financing note	8,723	42,609
Bonds payable	265,096	121,523
Total borrowing costs	344,479	260,641
Less: Amount capitalised in the cost of qualifying assets	—	(3,253)
	344,479	257,388

Notes to Condensed Consolidated Financial Statements

7. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Depreciation of property, plant and equipment	130,860	104,744
Release of prepaid lease payments	969	1,076
Amortisation of expressway operating rights (included in operating costs)	495,870	495,931
Amortisation of other intangible assets (included in operating costs)	12,424	11,477
Cost of inventories recognised as an expense	450,892	794,047

8. 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)
	575,114	705,540

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.

Notes to Condensed Consolidated Financial Statements

9. 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.

10. 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.

11. TRADE RECEIVABLES

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
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.

Notes to Condensed Consolidated Financial Statements

11. TRADE RECEIVABLES (Continued)

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 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
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

12. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

The Group has provided customers with margin financing and securities 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.

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 June 30, 2016, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities and cash collaterals. The undiscounted market value of the stock security collaterals was amounted to Rmb26,330,291,000 (December 31, 2015: Rmb31,224,317,000). Cash collateral of Rmb1,731,319,000 (December 31, 2015: Rmb1,061,658,000) received from clients was included in accounts payable to customers arising from securities business.

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 margining financing.

Notes to Condensed Consolidated Financial Statements

13. OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Entrusted loans and interest receivables from a related party (Note 18(ii) (2))	603,703	634,436
Interest receivables	232,747	269,080
Prepayments	98,463	41,977
Bond and listed equity subscription deposit	366,421	176,377
Consideration receivable in relation to the disposal to Communications Group of an associate and a subsidiary	9,083	44,759
Others (note)	278,174	65,170
	1,588,591	1,231,799

Note: Since several asset management products managed by Zhejiang Zheshang Securities Asset Management CO., Ltd (Zheshang Asset Management, a subsidiary of Zhejiang Securities) had undertaken liquidity risk of default, Zheshang Asset Management provided liquidity support of Rmb228,700,000. The collateral for the above issue is still under compulsory execution. As the value of the collateral could cover the obligatory right, no provision was provided.

14. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	4,212,823	1,921,876
Stock securities	3,774,738	3,037,279
	7,987,561	4,959,155
Analysed by market:		
Inter-bank market	4,212,823	1,521,876
Shanghai/Shenzhen Stock Exchange	3,774,738	3,437,279
	7,987,561	4,959,155

The collaterals include both equity and debt securities listed in the PRC. As at June 30, 2016, the fair value of equity and debt securities as collaterals was Rmb11,813,309,000 (December 31, 2015: Rmb6,394,246,000) and Rmb4,235,110,000 (December 31, 2015: Rmb1,947,197,000), respectively.

Notes to Condensed Consolidated Financial Statements

15. TRADE PAYABLES

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

	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	746,710	908,616

16. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Other liabilities:		
Accrued payroll and welfare	1,554,649	1,609,626
Advance from rental and advertising customers	72,214	62,151
Toll collected on behalf of other toll roads	8,717	2,758
Retention payable	185,976	123,917
Deposit received for disposal of an associate	165,600	165,600
Deposits of equity return swaps	17,000	77,000
Payable to limited partnership in subsidiaries	166,141	133,088
Others	324,694	287,673
	2,494,991	2,461,813
Other accruals	147,910	347,266
Total	2,642,901	2,809,079

Notes to Condensed Consolidated Financial Statements

17. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Analysed as collateral type:		
Bonds	9,312,523	3,485,380
Beneficial rights	200,000	1,900,000
	9,512,523	5,385,380
Analysed by market:		
Shanghai Stock Exchange	2,394,615	350,000
Inter-bank market	6,917,908	3,135,380
Other financial institutions	200,000	1,900,000
	9,512,523	5,385,380

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. In addition, the cash received is recognised as financial liability.

As at 30 June, 2016, the Group entered 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.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party during the Period:

(i) Transactions and balances with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“government-related entities”). In addition, the Group itself is part of a larger group of companies under Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group’s toll road business and securities business, the directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC. Details of other significant transactions with government related parties are summarised below:

(a) *Communications Group*

(1) Entrusted loans

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Interest expenses incurred	13,112	15,057

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

(2) Management and Administrative services

On July 1, 2015, the Company entered into agreements with the Communications Group, pursuant to which, the Company would provide management and administrative services to two toll roads of the Communications Group, including Shenjiahuhang Expressway and Shensuzhewan Expressway. According to the agreements, the Company would charge the Communications Group management fee based on actual cost basis. During the Period, a total management fee of Rmb235,000 has been recognized.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(a) Communications Group (Continued)

(3) Maintenance services

On June 13, 2016, the Company entered into road maintenance agreements with Zhejiang Expressway Maintenance Co., Ltd ("Maintenance Co", a 100% owned subsidiary of Communications Group) pursuant to which, Maintenance Co would provide maintenance services for the four expressways of the Group. Such service began from May 1, 2016, and will be expired by November 30, 2016, with a term of seven months.

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Maintenance service expense	88,702	N/A

(4) Other transactions

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited and restated)
Toll road service area leasing income earned(Note i)	4,523	4,550
Toll road service area management fee paid (Note i)	1,953	1,793
Property leasing income earned	794	807
Road maintenance service expense incurred(Note ii)	592	3,515

Note i: Pursuant to the leasing and operation agreement entered into between Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co", a 100% owned subsidiary of the Company) and Zhejiang Communications Investment Group Industrial Development Co., Ltd. (Zhejiang Communications Investment, a fellow subsidiary of Communications Group), Jinhua Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area and the advertising business in respect of the toll road service area. Such business began from January 1, 2011, and will be expired at the same time with the operating right in 2030.

Pursuant to the leasing and operation agreements entered into between Hanghui Co and Zhejiang Communications Investment, Hanghui Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service. Such business began from January 1, 2015 and will be expired at the same time with the operating right for respective expressway sections in 2029 to 2031.

Note ii: Road maintenance service provided by other subsidiaries (except for Maintenance Co) of Communications Group

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(b) Transactions with other government related parties

(1) Zhejiang Expressway Petroleum Development Co., Ltd (“Petroleum Co”)

	For the six months ended June 30,	
	2016	2015
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Rental income from Petrol stations	10,212	N/A
Purchase of petroleum products	396,063	735,770

Pursuant to the operation management agreement entered into between Zhejiang Expressway Investment Development Co., Ltd. (“Development Company”, a wholly owned subsidiary of the Company), and Petroleum Co in respect of the petrol stations in the service areas along Shanghai-Hangzhou-Ningbo and Shangsang Expressways. Petroleum Company assists Development Company in running their petrol stations along these roads. The agreement was renewed from May in 2016.

Pursuant to the lease agreements entered into between Development Company and Petroleum Company, Development Company contracted out the operating rights of petrol stations and the related buildings and equipment facilities at the service areas along Shanghai-Hangzhou-Ningbo and Shangsang Expressways to Petroleum Company, which run the petrol stations. The leasing term began upon the completion of change of business license of each petrol stations, and will be expired on December 31, 2018. Both parties could negotiate to continue the agreements after expiry of the lease. During the Period, Rmb10,212,000 from rental income of petrol stations was recognized.

Petroleum Company is a government related party of the Group.

(2) Others

The Group has entered into various significant transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions 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.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(1) *Loan advanced from Zhejiang Communications Investment Group Finance Co., Ltd. (“Zhejiang Communications Finance”)*

Zhejiang Communications Finance has advanced several loans to Hanghui Co. Amongst the loans, Rmb50,000,000 was a one-year term loan carried interest at a fixed annual interest rate of 5.1% and was repaid in June 2016 upon expiry. Rmb450,000,000 were long term loans with floating interest rate from 4.275% to 4.5125% respectively, among which Rmb330,000,000 was early repaid before the publication of this report.

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Outstanding loan payable balances:		
within one year	100,000	250,000
over one year	350,000	250,000
		For the six months ended June 30,
		2016
		2015
		Rmb'000
		(Unaudited
		and restated)
Interest expenses incurred	11,137	11,188

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(2) *Loans advanced to a subsidiary of Zhejiang Concord Property Investment Co., Ltd. (“Zhejiang Concord Property”)*

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Outstanding loan receivable balances	570,000	600,000
Interest receivables	33,703	34,436
	603,703	634,436
Analysed for reporting purpose as:		
Current assets	603,703	634,436

	For the six months ended June 30, 2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Interest income earned	11,380	21,794

During the Period, the Group advanced additional entrusted loans totaling Rmb120,000,000 (corresponding period of 2015: Rmb500,000,000) and received settlement of loan principal and interests amounting to Rmb150,000,000 (corresponding period of 2015: Rmb400,000,000) and Rmb12,300,000 (corresponding period of 2015: Rmb11,304,000), respectively.

The entrusted loans were unsecured and repayable in accordance with the terms of entrusted loan agreements, carrying interests at an effective interest rate of 3.915% (2015: 8%) per annum. Such entrusted loans were guaranteed by World Trade Center Zhejiang Real Estate Development Co., Ltd., in full.

Notes to Condensed Consolidated Financial Statements

18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(3) Financial service provided by Zhejiang Communications Finance

The Group has entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with deposit services, the loan and financial leasing services, the clearing services and other financial services.

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Bank balances and cash		
– Time deposits with original maturity over three months	65,000	65,000
– Cash and cash equivalents	536,173	480,471
	601,173	545,471
	For the six months ended June 30, 2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Interest income earned	4,179	1,939

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Fair value measurements recognised in the condensed consolidated 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 value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

Notes to Condensed Consolidated Financial Statements

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Financial assets	Classified as	Fair value as at		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
			June 30, 2016 Rmb'000 (Unaudited)	December 31, 2015 Rmb'000 (Audited)				
1)	Equity investments listed in exchange	Held for trading investments	Assets- 212,144	Assets- 221,699	Level 1	Quoted bid prices in an active market	N/A	N/A
2)	Equity securities listed on exchange (inactive due to low transaction volume)	Available-for-sale investment	Assets -303,366	Assets- 237,260	Level 2	Derived from recent transaction price	N/A	N/A
		Available-for-sale investment	Assets -272,043	Assets- 202,441	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discounted for lack of marketability	The higher the discount, the lower the fair value
3)	Listed Open-ended equity funds	Held for trading investments	Assets – 5,758	Assets- 191,967	Level 1	Quoted bid prices in an active market	N/A	N/A
4)	Funds listed in exchange	Available-for-sale investment	Assets – 71,305	Assets- 55,982	Level 1	Quoted bid prices in an active market	N/A	N/A
5)	Debt investments listed in exchange or in inter-bank market	Held for trading investments	Assets -2,062,318	Assets- 1,170,952	Level 1	Quoted bid prices in an active market	N/A	N/A
		Held for trading investments	Assets -4,760,770	Assets- 2,176,606	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
		Available-for-sale investment	Assets -50,000	Assets- 50,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A

Notes to Condensed Consolidated Financial Statements

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	Classified as	Fair value as at		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	
		June 30, 2016 Rmb'000 (Unaudited)	December 31, 2015 Rmb'000 (Audited)					
6)	Investment in structured products	Available-for-sale investment	Assets -595,761	Assets -544,597	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustment of related expenses.	N/A	N/A
		Available-for-sale investment	Assets - 183,142	Assets- 141,418	Level 3	Discounted cash flow. Future cash flows are estimated based on applicable yield of underlying investment portfolio and adjustment of related expenses, discounted at a rate that reflects the credit risk of various counterparties	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
7)	Investment in trust products	Available-for-sale investment	Assets - 10,068	Assets- 10,000	Level 3	Discounted cash flow. Future cash flows are estimated based on applicable yield of underlying investment portfolio and adjustment of related expenses, discounted at a rate that reflects the credit risk of various counterparties	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
8)	Unlisted equity investment at fair value	Available-for-sale investment	Assets-1,365,738	Assets- 1,382,313	Level 2	Calculated based on the fair value of the underlying investments which are listed equity securities, after making adjustments of related expenses	N/A	N/A

Notes to Condensed Consolidated Financial Statements

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2016 (Unaudited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	138,298	–	–	138,298
b. Finance service	43,944	–	–	43,944
c. Information technology service	8,553	–	–	8,553
d. Energy and water service	5,464	–	–	5,464
e. Transportation, storage and postal service	5,107	–	–	5,107
f. Real Estate	7,442	–	–	7,442
g. Wholesale	2,853	–	–	2,853
h. Others	483	–	–	483
	212,144	–	–	212,144
– Funds	5,758	–	–	5,758
– Bonds	2,062,318	4,760,770	–	6,823,088
Sub-total	2,280,220	4,760,770	–	7,040,990
Available-for-sale investments				
– Equity securities				
a. Manufacturing	–	148,754	–	148,754
b. Finance service	–	8,960	–	8,960
c. Information technology service	–	76,155	272,043	348,198
d. Transportation, storage and postal service	–	4,528	–	4,528
e. Leasing and commercial service	–	1,649	–	1,649
f. Culture, PE and entertainment	–	21,935	–	21,935
g. Wholesale	–	19,917	–	19,917
h. Construction	–	10,146	–	10,146
i. Others	–	1,377,060	–	1,377,060
	–	1,669,104	272,043	1,941,147
– Funds	71,305	–	–	71,305
– Bonds	–	50,000	–	50,000
– Structured products	–	595,761	183,142	778,903
– Trust products	–	–	10,068	10,068
Sub-total	71,305	2,314,865	465,253	2,851,423

Notes to Condensed Consolidated Financial Statements

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2015 (Audited)

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

There were no transfers between instruments in Level 1 and Level 2 in the current and prior period.

Notes to Condensed Consolidated Financial Statements

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

The following table represents the changes in Level 3 available-for-sale investments.

	Structured products Rmb'000	Trust products Rmb'000	Restricted Shares Rmb'000	Total Rmb'000
As at January 1, 2015	251,191	89,515	–	340,706
Addition	20,080	20,000	200,000	240,080
Disposal	(20,000)	(93,000)	–	(113,000)
Total loss recognised in other comprehensive income	(21,337)	(6,515)	2,441	(25,411)
Transfer out of Level 3	(88,516)	–	–	(88,516)
As at December 31, 2015	141,418	10,000	202,441	353,859
Addition	62,500	–	–	62,500
Disposal	(20,000)	–	–	(20,000)
Total gain recognised in other comprehensive loss	(776)	68	69,602	68,894
As at June 30, 2016	183,142	10,068	272,043	465,253

20. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2016 Rmb'000 (Unaudited)	As at December 31, 2015 Rmb'000 (Audited)
Investments in subsidiaries	9,809,369	9,809,369
Amounts due from subsidiaries	1,212,907	314,649
Other assets	5,789,821	6,085,030
	16,812,097	16,209,048
Total liabilities	4,016,028	2,955,256
Capital and reserves		
Share capital	4,343,115	4,343,115
Reserves	8,452,954	8,910,677
	12,796,069	13,253,792

21. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 18, 2016.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

WANG Dongjie
DAI Benmeng
ZHOU Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Jun
PEI Ker-Wei
LEE Wai Tsang, Rosa

SUPERVISORS

WU Yongmin (Resigned, with effect from
August 18, 2016)
YAO Huiliang
SHI Ximin
LU Xinghai

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

ZHAN Xiaozhang
LUO Jianhu

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Tel : 852-2117 0861
Fax: 852-2117 0869

PRINCIPAL BANKERS

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Hangzhou Jiefang Road Subbranch

Shanghai Pudong Development Bank,
Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

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

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

LONDON STOCK EXCHANGE PLC

Code: ZHEH

ADRS INFORMATION

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

REPRESENTATIVE OFFICE IN HONG KONG

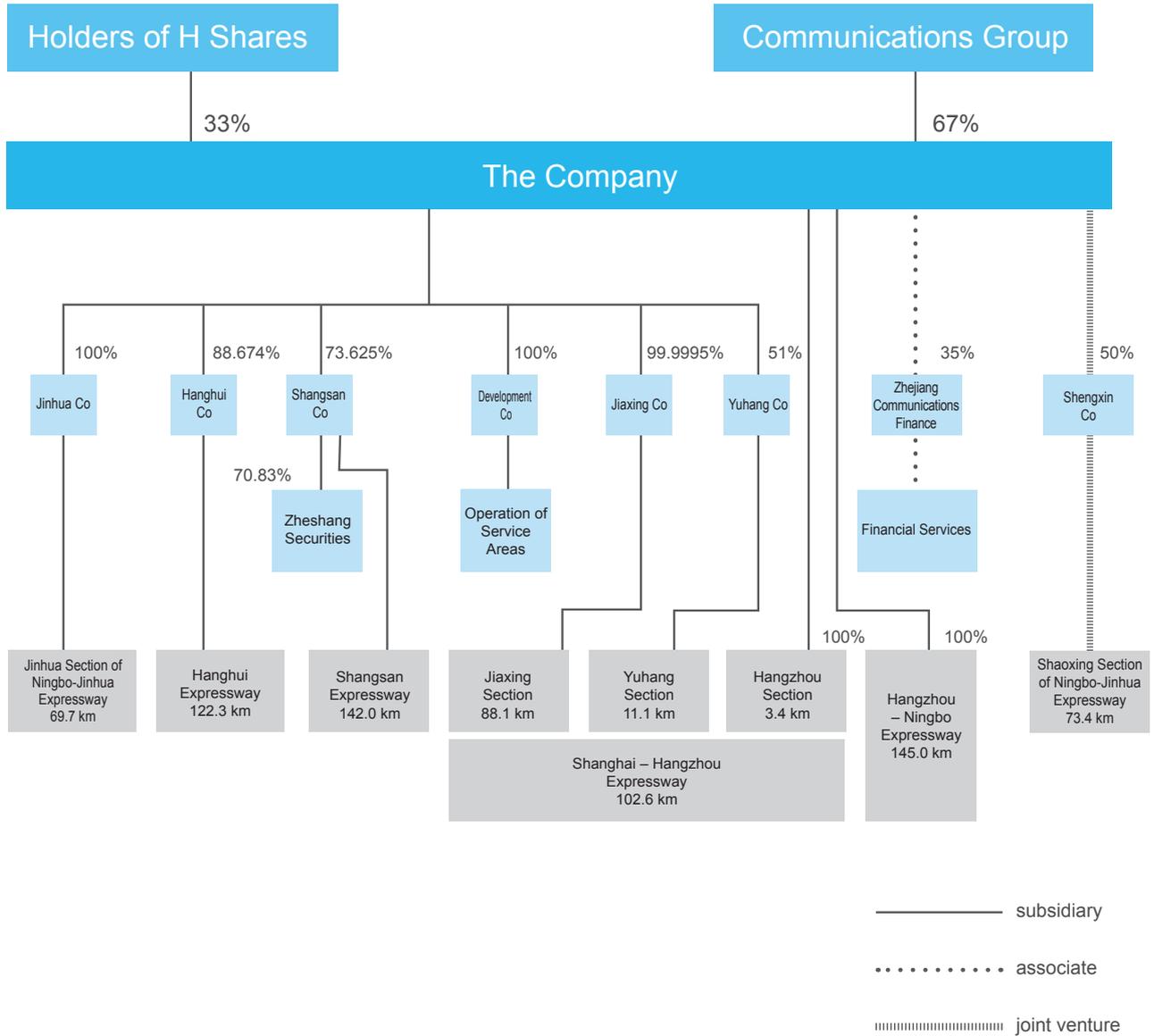
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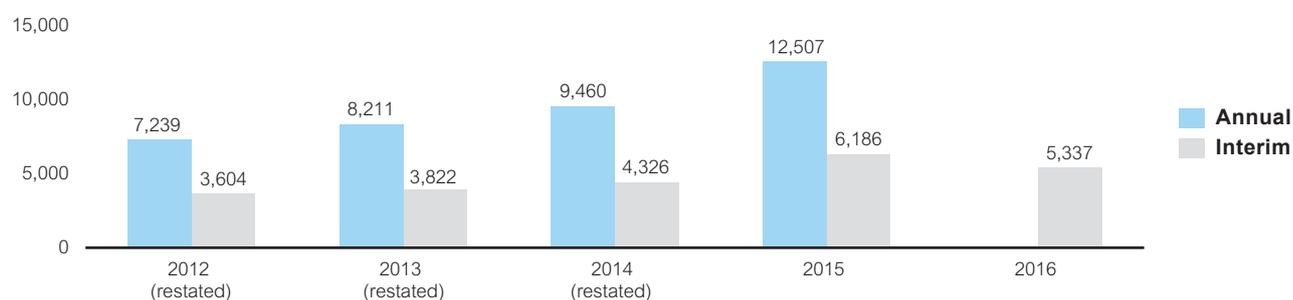
Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at June 30, 2016:

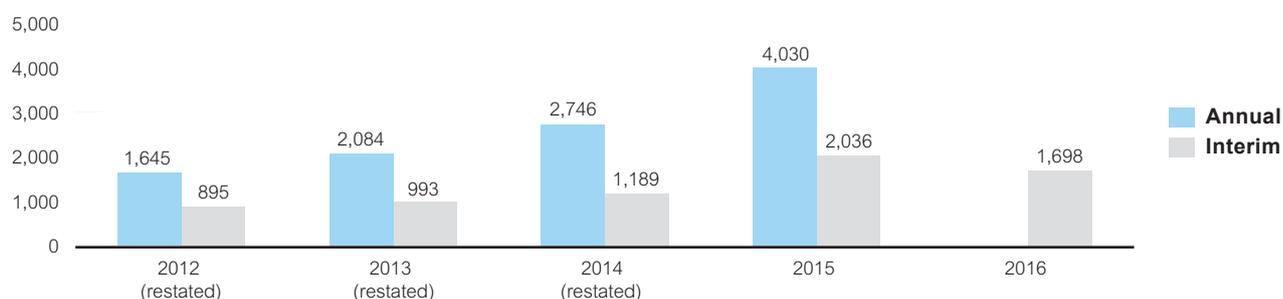


Financial Highlights

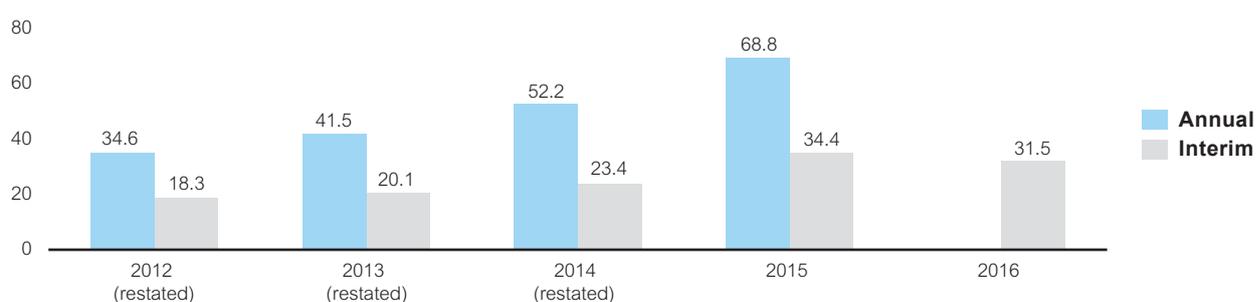
Revenue (Rmb Million)



Net Profit (Rmb Million)



EPS (Rmb Cents)



ROE (%)



Location Map of Expressways Ring in Zhejiang Province



Location Map of Expressways in Zhejiang Province

