



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

Stock Code : 0576

*Leveraging Opportunities,
Pursuing Growth*

2011 Interim Report



Leveraging Opportunities, Pursuing Growth

During the first half of 2011, the increase in both traffic volume and toll income of the Group's two expressways dipped significantly as a result of slackened growth in the economy. In the second half of 2011, the organic growth of traffic volume on the Group's expressways is likely to improve as the economic environment is improving. Meanwhile, the Group's securities business will still be affected by the volatility in the A-share market and the intense competition in the securities brokerage industry. The securities business will enhance the competitiveness of its operating network by establishing more new outlets in the Zhejiang market. It will also aggressively expand other operations, striving to further promote a sound development of the business.

The Company will face unprecedented challenges, given the extremely complex internal and external environments for economic development as well as the uncertainties due to recent policy changes or adjustments for the toll road industry. The Company's management will closely monitor the changes in policies for the industry and the impact of road networks within the province on the Group. The Company will adjust its business strategies on a timely basis to strengthen the core expressway business, and strive to seek and cultivate new businesses and new income bases so as to achieve a sustainable and healthy development.

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2011 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, 2011 (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 Rmb3,339.37 million, representing an increase of 6.7% over the same period in 2010. Profit attributable to owners of the Company for the Period was Rmb900.32 million, representing an increase of 5.2% year-on-year. Earnings per share for the Period was Rmb20.73 cents, representing an increase of 5.2% over the same period in 2010.

The Directors have recommended to pay an interim dividend of Rmb6 cents per share, subject to shareholders’ approval at the extraordinary general meeting of the Company expected to be held on October 13, 2011.

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

Although China's domestic economy continued to maintain a sound development trend on the whole in the first half of 2011, its GDP growth had notably decelerated, registering an increase of 9.6% over the same period last year due to the impact from the macro-economic control initiatives of the PRC Government. During the Period, the growth pace of Zhejiang Province's economy also tended to slow in the second quarter of 2011, with the overall economic structure undergoing the adjustment process of continuous improvement. The province's GDP increased by 9.9% year-on-year during the Period.

Given the gradual slowdown of growth in the domestic economy and in automobile sales in China, the organic growth of traffic volume on the Group's expressways also showed a significant falling trend during the Period. As China's stock market remained volatile and tumbled during the Period, revenue from the securities business of the Group was generally on par with the same period last year. Consequently, during the Period, income for the Group increased by 6.5% year-on-year, amounting to Rmb3,436.13 million. Of such income, Rmb1,791.91 million was generated from the two major expressways owned and operated by the Group, representing an increase of 3% year-on-year and accounting for 52.1% of total income; and Rmb954.94 million was generated from the toll road-related businesses, representing an increase of 19.5% year-on-year and accounting for 27.8% of total income. The securities business contributed an income of Rmb689.28 million to the Group, representing an increase of 0.1% year-on-year and accounting for 20.1% of total income.

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

For the six months ended June 30,			
	2011	2010	
	Rmb'000	Rmb'000	Change%
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	1,437,224	1,361,787	5.5%
Shangsan Expressway	354,681	377,864	-6.1%
Other income			
Service areas	911,890	758,195	20.3%
Advertising	43,053	41,166	4.6%
Others	-	33	-100.0%
Securities business income			
Commission	535,900	590,936	-9.3%
Bank interests	153,381	97,509	57.3%
Subtotal	3,436,129	3,227,490	6.5%
Less: Revenue taxes	(96,762)	(96,588)	0.2%
Revenue	3,339,367	3,130,902	6.7%

TOLL ROAD OPERATIONS

The organic growth of traffic volume on the Group's expressways suffered significantly due to the impact from a slowdown of growth in China's macro-economy. Meanwhile, the Shangsang Expressway continued to be hit by traffic diversions to the Zhuyong Expressway after the new expressway had been opened to traffic in July 2010. As a result, growth of traffic volume on the Group's two expressways was relatively slower than expected during the Period.

Coupled with the above-said challenges were frequent severe weather conditions in Zhejiang Province during the first half of 2011. In addition to frequent rains and snows between January and February, heavy rainfalls in June also caused inconvenience to vehicle travels, thus bringing a significant negative impact on traffic volume and toll income.

The PRC government's abolition of toll tariffs for local Class II highways in early March 2010 resulted in diversions of some trucks travelling on the Group's expressways to ordinary highways and recent changes in vehicle mix on the Group's expressways. Meanwhile, the gradual increase in large trucks has led to a decrease in small and medium-sized trucks, thereby weakening the positive impact of the toll-by-weight policy on the Group's toll income on the whole.

Average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 39,703 during the Period, representing an increase of 4.7% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway increased by 3.3% year-on-year, and that along the Hangzhou-Ningbo Section increased by 5.7% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 17,089 during the Period, representing a decrease of 9.3% year-on-year.

Toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb1,437.23 million during the Period, representing an increase of 5.5% year-on-year; while toll income from the Shangsang Expressway amounted to Rmb354.68 million during the Period, representing a decrease of 6.1% year-on-year.

TOLL ROAD-RELATED BUSINESS OPERATIONS

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

During the Period, income from the service areas (except for the gas station business) declined as a result of the slackened growth in traffic volume on the Group's two expressways, frequent adverse weather conditions and reduced travels of coach buses and passenger cars after the Shanghai-Hangzhou High-Speed Railway and Hangzhou-Wenzhou Train increased their frequency schedules. However, the surge in the selling prices of petroleum products prompted a significant rise in the sales of petroleum products, generating satisfactory income on the whole. Consequently, income from the toll road-related businesses of the Group amounted to Rmb954.94 million during the Period, representing an increase of 19.5% year-on-year.

SECURITIES BUSINESS

During the Period, competition in the securities business intensified further due to the volatility and adjustments of the domestic stock market, compounded with increasing sales outlets set up by various securities firms since 2010. The positive effect from the increased market share of Zheshang Securities was offset by a decline in commission rates, thereby impacting the performance of the securities business.

Faced with an intensely competitive environment, Zheshang Securities endeavored to expand various businesses, and consequently, the market share of its securities brokerage business and the total number of customers continued to increase in the Period, while the investment banking and asset management businesses maintained steady growth. During the Period, the securities business realized an operating income of Rmb689.28 million, representing an increase of 0.1% year-on-year. Of such income, brokerage commissions income amounted to Rmb535.90 million, representing a decrease of 9.3% year-on-year; bank interests income amounted to Rmb153.38 million, representing an increase of 57.3% year-on-year; and the proprietary securities trading business recorded a profit of Rmb27.89 million as accounted for in the income statement (Same period in 2010: Rmb51.61 million).

LONG-TERM INVESTMENTS

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) ("Petroleum Co") realized an income of Rmb2,393.40 million, representing an increase of 49.6% year-on-year due to a rise in the prices of petroleum products and a growth in sales of petroleum products during the Period. In the Period, Petroleum Co achieved a net profit of Rmb17.52 million.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company) operates the 69.7 kilometre Jinhua Section of the Ningbo-Jinhua Expressway. During the Period, the Company achieved a satisfactory growth in toll income benefitting from an increase in traffic volume driven by the opening of nearby road networks. The Jinhua Section of the Ningbo-Jinhua Expressway recorded an average daily traffic volume in full-trip equivalents of 10,604 during the Period, representing an increase of 17.2% year-on-year; while toll income amounted to Rmb105.78 million, representing an increase of 19.7% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb30.13 million during the Period but the Directors believe that the loss is gradually decreasing.

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) did not show any improvement to its operations during the Period and realized a loss of Rmb1.20 million during the Period.

HUMAN RESOURCES

There were no significant changes to the Company's overall number of employees, remuneration policies, bonus schemes and training schemes from what have been disclosed in the Company's latest annual report.

Financial Analysis

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

During the Period, profit attributable to owners of the Company for the year was approximately Rmb900.32 million, representing an increase of 5.2% year-on-year; return on shareholders' equity was 6.2%, representing an increase of 1.0% year-on-year; while earnings per share for the Company was Rmb20.73 cents.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2011, current assets of the Group amounted to Rmb16,629.86 million in aggregate (December 31, 2010: Rmb19,673.10 million), of which bank balances and cash accounted for 30.6% (December 31, 2010: 30.5%), bank balances held on behalf of customers accounted for 52.0% (December 31, 2010: 59.4%), and held-for-trading investments accounted for 7.9% (December 31, 2010: 4.1%). Current ratio (current assets over current liabilities) as at June 30, 2011 was 1.5 (December 31, 2010: 1.3). Excluding the effect of 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 the securities dealing business) was 3.1 (December 31, 2010: 2.6).

	As at June 30, 2011	As at December 31, 2010
	Rmb'000	Rmb'000
Cash and cash equivalent		
Rmb	4,313,471	5,674,173
US\$ in Rmb equivalent	3,194	2,616
HK\$ in Rmb equivalent	5,286	5,264
Time deposit		
Rmb	735,066	301,286
US\$ in Rmb equivalent	24,497	24,259
Held-for-trading investments-Rmb	1,309,511	803,772
Available-for-sale investments-Rmb	61,359	71,928
Financial assets held under resale agreement-Rmb	51,063	80,163
Total	6,503,447	6,963,461
Rmb	6,470,470	6,931,322
US\$ in Rmb equivalent	27,691	26,875
HK\$ in Rmb equivalent	5,286	5,264

The amount for held-for-trading investments of the Group as at June 30, 2011 amounted to Rmb1,309.51 million (December 31, 2010: Rmb803.77 million), of which 81.6% was invested in corporate bonds, 18.0% was invested in the stock market, and the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb666.12 million.

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

BORROWINGS AND SOLVENCY

As at June 30, 2011, total liabilities of the Group amounted to Rmb12,429.60 million (December 31, 2010: Rmb15,956.94 million), of which 15.7% was borrowings and 69.4% was accounts payable to customers arising from the securities dealing business.

Total interest-bearing borrowings of the Group as at June 30, 2011 amounted to Rmb1,952.61 million, representing an increase of 7.2% over December 31, 2010. The borrowings comprised outstanding balances of loans from domestic foreign banks, denominated in HK dollar, totalling approximately Rmb320.61 million equivalent; outstanding balances of loans from domestic commercial banks totalling Rmb632.00 million; and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. Of the interest-bearing borrowings, 51.2% were not repayable within one year. The details of relevant outstanding amounts are as follows:

Maturity Profiles				
	Gross amount Rmb'000	Within 1 year Rmb'000	>1 year-5years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
World Bank loan	532,000	532,000	–	–
Fixed rates				
Domestic commercial bank loans	100,000	100,000	–	–
Domestic foreign bank loan	320,611	320,611	–	–
Corporate bonds	1,000,000	–	1,000,000	–
Total as at June 30, 2011	1,952,611	952,611	1,000,000	–
Total as at December 31, 2010	1,822,000	822,000	1,000,000	–

As at June 30, 2011, the Group's loans from domestic commercial banks are one-year short-term loans, of which Rmb100.00 million was fixed-rate loans with interest rates ranging from 5.31% to 6.06% per annum and Rmb532.00 million was floating-rate loans with interest rates ranging from 5.68% to 6.31% per annum. The annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. The annual interest rate for accounts payable to customer arising from the securities dealing business was fixed at 0.36%. The annual interest rate for the Group's loan denominated in HK dollars was 4.95% per annum.

Total interest expense for the Period amounted to Rmb41.85 million, while profit before interest and tax amounted to Rmb1,435.77 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 34.3 (June 30, 2010: 31.0).

The asset-liability ratio (total liabilities over total assets) was 41.0% as at June 30, 2011 (December 31, 2010: 47.4%). 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 the securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 17.6% (December 31, 2010: 19.7%).

CAPITAL STRUCTURE

As at June 30, 2011, the Group had Rmb17,873.70 million total equity, Rmb10,041.85 million fixed-rate liabilities, Rmb532.00 million floating-rate liabilities and Rmb1,855.75 million interest-free liabilities, representing 59.0%, 33.1%, 1.8% and 6.1% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customers arising from the securities dealing business by total equity, was 21.3% as at June 30, 2011 (December 31, 2010: 24.4%).

CAPITAL EXPENDITURE COMMITMENTS AND UTILIZATION

During the Period, capital expenditures of the Group totaled Rmb117.53 million, while capital expenditures of the Company totaled Rmb4.97 million. Amongst the total capital expenditures of the Group, Rmb76.24 million was incurred for acquisition and construction of properties and Rmb38.14 million for purchase of equipment.

As at June 30, 2011, capital expenditures committed by the Group and the Company totaled Rmb648.12 million and Rmb221.75 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb283.94 million was used for acquisition and construction of properties, Rmb304.62 million for acquisition of equipment, Rmb46.62 million for the widening project between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub of the Shangsang Expressway, and Rmb12.94 million for service area renovation and expansion.

The Group will finance its above-mentioned capital expenditure commitments mainly with internally generated cash flow, with a preference for debt financing to meet any shortfalls thereof.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at June 30, 2011, the Group did not have any contingent liabilities nor any pledge of assets or guarantees.

FOREIGN EXCHANGE EXPOSURE

Save for the repayment of a domestic foreign bank loan in HK dollar amounting to an equivalent of approximately Rmb320.61 and dividend payments to the holders of H shares in HK dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited.

With an aim to hedge against foreign exchange risks arising from borrowings denominated in HK dollar, the Group has purchased Hong Kong dollar equivalent forward contracts with one-year term at a rate lower than the spot exchange rate on the borrowing date during the Period. Save for the above-mentioned, the Group has not used financial instrument for hedging purposes during the Period.

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

During the Period, China's economic growth slowed moderately as expected under the State's policy of continuously strengthening and improving the macro-economic control initiatives. The corresponding slowdown in growth in domestic automobile sales and foreign trade exports had affected the organic growth of traffic volume on expressways. It is anticipated that as inflationary pressures begin to subside in the second half of 2011, the intensity of the macro-economic control initiatives is likely to be eased such that economic growth may demonstrate a trend of "first decelerating then accelerating".

Although the increase in both traffic volume and toll income of the Group's two expressways dipped significantly during the Period as a result of slackened growth in the province's economy as well as the impact of traffic diversions to the Zhuyong Expressway, it is anticipated that the organic growth of traffic volume on the Group's expressways is likely to improve in the second half of 2011 as the impact from traffic diversions to the Zhuyong Expressway is stabilizing and the economic environment in Zhejiang Province is improving.

Meanwhile, following the commencement of operation of eight toll stations and 20 electronic toll collection (ETC) lanes, seven toll stations and 18 ETC lanes commenced operation upon completion on 1 August 2011 as planned in the first half of 2011. The remaining 17 toll stations and 52 ETC lanes are expected to be built and to commence operation next year. The Group will then be able to offer more convenient and efficient services to traveling vehicles and to further enhance the traffic capacity of its expressways.

As regards the policy announced in mid-June 2011 by five national ministries and commissions of China for specifically rectifying highway tolling, relevant implementation policies expected to be formulated by Zhejiang Province in the second half of the year will perhaps affect the current toll standards, thereby triggering uncertainties over the toll income to be generated on the Group's expressways.

As China's stock market will experience quite a high level of uncertainties once the stock indices are being consolidated at low levels, the Group's securities business will be affected by the volatility in the A-share market and the intense competition in the securities brokerage industry. Zheshang Securities will enhance the competitiveness of its operating network by establishing more new outlets in the Zhejiang market. It will aggressively expand investment banking, fixed income, asset management and other operations, while striving to create new businesses for further promoting a sound development of the securities business.

The Company will face unprecedented challenges, given the extremely complex internal and external environments for economic development as well as the uncertainties due to recent policy changes or adjustments for the toll road industry. We expect that during the second half of 2011, we will be facing increasing uncertainties regarding the traffic volumes on the Group's expressways, the service area operations and the performance of the capital market. Under such a complex situation, the Company's management will closely monitor the changes in policies for the industry and the impact of road networks within the province on the Group. We will adjust business strategies on a timely basis to strengthen the expressway core business, and strive to seek and cultivate new businesses and new income bases so as to achieve a sustainable and healthy development of the Company.

Disclosure of Interests and Other Matters

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

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

As at June 30, 2011, none of the Directors, Supervisors and chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

As at June 30, 2011, 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)
Communications Investment Group	Beneficial owner	2,909,260,000	100%

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H shares)
Blackrock, Inc.	Interest of controlled corporations	139,122,847 (L)	9.70%
		4,221,904 (S)	0.29%
JP Morgan Chase & Co.	Interest of controlled corporations Investment manager and custodian corporation/ approved lending agent	126,968,109 (L)	8.86%
		95,112,482 (P)	6.63%
Invesco Hong Kong Limited	Investment Manager / Advisor of various accounts	112,646,000 (L)	7.86%
Macquarie Group Limited	Interest of controlled corporations	86,945,647 (L)	6.06%
		3,010 (S)	0.00%

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, 2011, 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 CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

The Company was in compliance with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Period.

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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules. 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.

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

Each of the Directors of the Company, whose name and function is listed in the section headed “Corporation 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 profit of the Group and the undertakings included in the consolidation taken as a whole; and
- 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, together with a description of the principal risks and uncertainties that the Group faces.

By order of the Board
Zhejiang Expressway Co., Ltd.
Chen Jisong
Chairman

Hangzhou, the PRC, August 23, 2011

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended June 30,

	Notes	2011 Rmb'000	2010 Rmb'000
Revenue	3	3,339,367	3,130,902
Operating costs		(1,986,690)	(1,756,462)
Gross profit		1,352,677	1,374,440
Securities investment gains		27,885	51,605
Other income	4	119,926	77,453
Administrative expenses		(36,032)	(30,843)
Other expenses		(19,323)	(7,010)
Share of loss of associates		(9,367)	(6,394)
Finance costs		(41,852)	(47,007)
Profit before tax	5	1,393,914	1,412,244
Income tax expense	6	(352,347)	(362,597)
Profit for the Period		1,041,567	1,049,647
Other comprehensive expenses			
Available-for-sale financial assets:			
– Fair values loss during the Period		(8,662)	(841)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(4,072)	(23,453)
Income tax relating to components of other comprehensive income		3,184	6,074
Other comprehensive expenses for the Period (net)		(9,550)	(18,220)
Total comprehensive income for the Period		1,032,017	1,031,427
Profit for the Period attributable to:			
Owners of the Company		900,316	855,609
Non-controlling interests		141,251	194,038
		1,041,567	1,049,647
Total comprehensive income for the Period attributable to:			
Owners of the Company		895,336	846,157
Non-controlling interests		136,681	185,270
		1,032,017	1,031,427
EARNINGS PER SHARE-BASIC	8	20.73 cents	19.70 cents

Condensed Consolidated Statement of Financial Position

		As at June 30, 2011	As at December 31, 2010
	Notes	Rmb'000 Unaudited	Rmb'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,174,377	1,120,626
Prepaid lease payments		70,010	71,035
Expressway operating rights		11,725,839	12,071,497
Goodwill		86,867	86,867
Other intangible assets		152,520	155,020
Interests in associates		462,826	472,910
Available-for-sale investments		1,000	1,000
		13,673,439	13,978,955
CURRENT ASSETS			
Inventories		21,807	17,715
Trade receivables	10	47,607	50,768
Other receivables	11	1,407,717	953,153
Prepaid lease payments		2,052	2,052
Available-for-sale investments		61,359	71,928
Held-for-trading investments		1,309,511	803,772
Financial assets held under resale agreement		51,063	80,163
Bank balances held on behalf of customers		8,647,233	11,685,951
Bank balances and cash			
– Time deposits with original maturity over three months		759,563	325,545
– Cash and cash equivalents		4,321,951	5,682,053
		16,629,863	19,673,100
CURRENT LIABILITIES			
Accounts payable to customers arising from securities dealing business		8,621,235	11,631,030
Trade payables	12	432,387	548,695
Tax liabilities		203,745	450,708
Other taxes payable		49,719	51,002
Other payables and accruals	13	641,349	1,049,301
Financial assets sold for repurchase		40,000	–
Dividends payable		215,264	120,319
Interest-bearing bank and other loans		952,611	822,000
Provisions	14	21,238	21,238
		11,177,548	14,694,293
NET CURRENT ASSETS		5,452,315	4,978,807
TOTAL ASSETS LESS CURRENT LIABILITIES		19,125,754	18,957,762

Condensed Consolidated Statement of Financial Position

	As at June 30, 2011 Rmb'000 Unaudited	As at December 31, 2010 Rmb'000 Audited
NON-CURRENT LIABILITIES		
Long-term bonds	1,000,000	1,000,000
Deferred tax liabilities	252,055	262,647
	1,252,055	1,262,647
	17,873,699	17,695,115
CAPITAL AND RESERVES		
Share capital	4,343,115	4,343,115
Reserves	10,191,749	10,380,137
Equity attributable to owners of the Company	14,534,864	14,723,252
Non-controlling interests	3,338,835	2,971,863
	17,873,699	17,695,115

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Attributable to owners of the Company							Non-controlling	Total
	Share Capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Investment		Retained profits Rmb'000	Total Rmb'000	interests Rmb'000	
				revaluation reserve Rmb'000	Dividend reserve Rmb'000				
At January 1, 2010	4,343,115	3,645,726	2,467,011	8,016	1,085,779	2,633,973	14,183,620	2,881,234	17,064,854
Profit for the Period	-	-	-	-	-	855,609	855,609	194,038	1,049,647
Other comprehensive expenses for the Period	-	-	-	(9,452)	-	-	(9,452)	(8,768)	(18,220)
Total comprehensive (expenses) income for the Period	-	-	-	(9,452)	-	855,609	846,157	185,270	1,031,427
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(219,948)	(219,948)
Final dividend	-	-	-	-	(1,085,779)	-	(1,085,779)	-	(1,085,779)
Proposed interim dividend	-	-	-	-	260,587	(260,587)	-	-	-
At June 30, 2010	4,343,115	3,645,726	2,467,011	(1,436)	260,587	3,228,995	13,943,998	2,846,556	16,790,554

	Attributable to owners of the Company							Non-controlling	Total	
	Share Capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Investment		Special reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000		interests Rmb'000
				revaluation reserve Rmb'000	Dividend reserve Rmb'000					
January 1, 2011	4,343,115	3,645,726	2,727,900	3,849	1,085,779	18,666	2,898,217	14,723,252	2,971,863	17,695,115
Profit for the Period	-	-	-	-	-	-	900,316	900,316	141,251	1,041,567
Other comprehensive expenses for the Period	-	-	-	(4,980)	-	-	-	(4,980)	(4,570)	(9,550)
Total comprehensive (expenses) income for the Period	-	-	-	(4,980)	-	-	900,316	895,336	136,681	1,032,017
Injection	-	-	-	-	-	2,055	-	2,055	336,299	338,354
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(106,008)	(106,008)
Final dividend	-	-	-	-	(1,085,779)	-	-	(1,085,779)	-	(1,085,779)
Proposed interim dividend	-	-	-	-	260,587	-	(260,587)	-	-	-
At June 30, 2011	4,343,115	3,645,726	2,727,900	(1,131)	260,587	20,721	3,537,946	14,534,864	3,338,835	17,873,699

Condensed Consolidated Cash Flow Statement (Unaudited)

	For the six months ended June 30,	
	2011 Rmb'000	2010 Rmb'000
Net cash from operating activities	666,121	962,120
Net cash used in investing activities	(1,062,242)	(355,175)
Net cash used in financing activities	(963,981)	(1,006,326)
Net decrease in cash and cash equivalents	(1,360,102)	(399,381)
Cash and cash equivalents at beginning of the Period	5,682,053	5,049,003
Cash and cash equivalent at end of the Period	4,321,951	4,649,622

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting”.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended December 31, 2010 except as described below.

During the Period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards that have been issued but are not yet effective. The following are the new and revised standard that have been issued after the date of the consolidated financial statements for the year ended December 31, 2010 were authorized for issuance and are not yet effective:

HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of financial statements ¹
HKAS 19 (Amendments)	Employee benefits ²
HKAS 27 (Amendments)	Separate in financial statements ²
HKAS 28 (Amendments)	Investments in associates and joint ventures ²

¹ Effective for annual periods beginning on or after January 1, 2012.

² Effective for annual periods beginning on or after January 1, 2013.

The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION

Comparing to the same period last year, there were no changes in the reportable 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 segment:

For the Period ended June 30, 2011				
	Service area			Total Rmb'000
	Toll operation Rmb'000	and advertising business Rmb'000	Securities operation Rmb'000	
Segment revenue from external customers	1,731,996	947,294	660,077	3,339,367
Segment profit	846,359	21,273	173,935	1,041,567

For the period ended June 30, 2010				
	Service area			Total Rmb'000
	Toll operation Rmb'000	and advertising business Rmb'000	Securities operation Rmb'000	
Segment revenue from external customers	1,684,074	791,969	654,859	3,130,902
Segment profit	768,384	35,418	245,845	1,049,647

Segment profit represents the profit after tax of each reportable segment. This is the measure reported to the chief operating decision maker and the Group's Chief Executive Officer, for the purposes 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 follows:

	For the six months ended June 30,	
	2011 Rmb'000 Unaudited	2010 Rmb'000 Unaudited
Toll operation revenue	1,731,996	1,684,074
Service area business revenue	908,049	754,265
Advertising business revenue	39,245	37,671
Commission income from securities operation	506,696	557,350
Interest income from securities operation	153,381	97,509
Others	–	33
Total revenue	3,339,367	3,130,902

4. OTHER INCOME

	For the six months ended June 30,	
	2011 Rmb'000 Unaudited	2010 Rmb'000 Unaudited
Interest income on bank balances and an entrusted loan receivable	67,128	21,734
Rental income	32,754	30,729
Net exchange gain	2,252	3,135
Handling fee income	8,649	7,894
Towing income	5,805	7,090
Others *	3,338	6,871
Total	119,926	77,453

* During the Period, the Group has borrowed a loan from a domestic foreign bank in HK dollar amounting to an equivalent of RMB320.61 million with one-year term. With an aim to hedge against foreign exchange risks arising from the loan, the Group has purchased HK dollar equivalent forward contracts with one-year term at a rate lower than the spot exchange rate on the borrowing date. During the Period, the floating loss of the HK dollar forward contracts amounted to RMB2.72 million.

5. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2011 Rmb'000 Unaudited	2010 Rmb'000 Unaudited
Depreciation of property, plant and equipment	73,064	53,642
Amortisation of expressway operating rights	345,658	345,188
Amortisation of prepaid lease payments	1,025	1,021
Amortisation of other intangible assets	7,969	5,069
Cost of inventories recognized as an expense	834,614	705,097

Notes to Condensed Consolidated Financial Statements

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2011 Rmb'000 Unaudited	2010 Rmb'000 Unaudited
Current tax:		
PRC enterprise income tax	359,756	372,826
Deferred tax	(7,409)	(10,229)
	352,347	362,597

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group is 25% from January 1, 2008 onwards.

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

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	For the six months ended June 30,	
	2011 Rmb'000 Unaudited	2010 Rmb'000 Unaudited
Profit before tax	1,393,914	1,412,244
Tax at the PRC enterprise income tax rate of 25%	348,479	353,061
Tax effect of share of loss of a jointly controlled entity	2,342	1,599
Tax effect of (income)/expense that is not (taxable) and deductible for tax purposes	1,526	7,937
Tax charge for the Period	352,347	362,597

7. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (2010: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on October 13, 2011.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the year attributable to owners of the Company of Rmb900,316,000 (2010: Rmb855,609,000) and the 4,343,114,500 (2010: 4,343,114,500) ordinary shares in issue during the Period.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares outstanding during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

There were no significant changes to the Group's property, plant and equipment during the Period.

10. TRADE RECEIVABLES

The Group has no credit period granted to its trade customers of toll operation, service area businesses and securities operation. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	As at June 30, 2011 Rmb'000 Unaudited	As at December 31, 2010 Rmb'000 Audited
Within 3 months	46,505	49,666
3 months to 1 year	–	–
1 to 2 years	271	271
Over 2 years	831	831
Total	47,607	50,768

11. OTHER RECEIVABLES

	As at June 30, 2011 Rmb'000 Unaudited	As at December 31, 2010 Rmb'000 Unaudited
Consideration receivable (Note a)	–	115,000
Entrusted loan receivable from a related party (Note 16(1))	500,000	500,000
Entrusted loan receivable from a third party (Note b)	700,000	60,000
Dividend receivable from a jointly controlled entity*	–	53,000
Prepayments	53,137	53,223
Others*	154,580	171,930
Total	1,407,717	953,153

* The amounts were unsecured, interest-free and repayable on demand.

Notes to Condensed Consolidated Financial Statements

11. OTHER RECEIVABLES (Continued)

Note:

- (a) The balance represented the receivable of the unsettled consideration of disposal of Hangzhou Shida Highway Co., Ltd. in 2009.
- (b) Shangsang Co., a subsidiary of the Company, provided entrusted loans during 2010 to Taizhou State-Owned Asset Operations Co., Ltd. through Industrial and Commercial Bank of China for an amount of Rmb60,000,000 at a fixed interest rate of 5.56% per annum for a term of one year. The entrusted loan was fully repaid during the Period.

Pursuant to the resolutions of the board of directors meeting on August 28, 2010, the Company provided an entrusted loan to Zhejiang Jiahe Industrial Co., Ltd. through Industrial and Commercial Bank of China for an amount of Rmb500,000,000, with a maturity date on January 29, 2013 at a fixed interest rate of 12% per annum. Greentown China Holdings Limited provided a joint responsibility irrevocable guarantee to such entrusted loan, covering the full amount with equities and properties as collateral.

Pursuant to the resolutions of the board of directors meeting on August 28, 2010, the Company provided an entrusted loan to Zhejiang Yunhe Concord Property Investment Co., Ltd. through Industrial and Commercial Bank of China for an amount of Rmb200,000,000, with a maturity date on November 4, 2011 at a fixed interest rate of 12% per annum. Hangzhou Yunhe Group Investment Company Limited and World Trade Centre Zhejiang Real Estate Development Co., Ltd. provided a full-amount joint responsibility irrevocable guarantee to such entrusted loan.

12. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on payment due date at the end of the reporting period.

	As at June 30, 2011 Rmb'000 Unaudited	As at December 31, 2010 Rmb'000 Audited
Within 3 months	116,494	166,438
3 months to 1 year	162,865	232,122
1 to 2 years	59,181	60,701
2 to 3 years	12,339	83,256
Over 3 years	81,508	6,178
Total	432,387	548,695

13. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2011 Rmb'000 Unaudited	As at December 31, 2010 Rmb'000 Audited
Other liabilities:		
Accrued payroll and welfare	324,572	386,033
Advance from customers	62,079	67,102
Toll collected on behalf of other toll roads	39,737	33,630
Prepayment from non-controlling shareholder of Zheshang Securities *	–	338,354
Others	194,193	182,365
	620,581	1,007,484
Accruals	20,768	41,817
Total	641,349	1,049,301

* Amount represents prepayment for additional capital injection to Zheshang Securities from a non-controlling shareholder of Zheshang Securities. Such amount will be credited to non-controlling interest upon the approval of the relevant government authorities.

14. PROVISIONS

Subsequent to the relevant disclosure made in the Company's 2010 annual report (pages 114 – 115) relating to "Provisions", as at the date of this report, there was no material change for the Period.

15. COMMITMENTS

	As at June 30, 2011 Rmb'000	As at December 31, 2010 Rmb'000
Authorised but not contracted for:		
Investments in expressway upgrade services	46,620	46,620
Renovation of service areas	12,945	16,100
Purchase of equipment	304,619	342,757
Acquisition and construction of properties and its renovation work	283,939	360,180
Total	648,123	765,657

Notes to Condensed Consolidated Financial Statements

16. RELATED PARTY TRANSACTION

The following is a summary of the related party transactions arising from the Group's daily operating activities:

- 1) Pursuant to the resolutions of the shareholders' meeting of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") on June 21, 2010, Development Co provided entrusted loans during 2010 to Hangzhou Concord Property Investment Co., Ltd. ("Hangzhou Concord Co"), a subsidiary of an associate of Development Co, through Industrial and Commercial Bank of China for an amount of Rmb270,000,000, with maturity dates between July 11, 2011 and September 20, 2011 at a fixed interest rate of 12.0% per annum.

Pursuant to the resolutions of the shareholders' meeting on July 8, 2010 of Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co"), a subsidiary of Development Co, Advertising Co provided an entrusted loan to Hangzhou Concord Co, through Industrial and Commercial Bank of China for an amount of Rmb30,000,000, with a maturity date on July 11, 2011 at a fixed interest rate of 12.0% per annum.

Pursuant to the resolutions of the Company's board of directors meeting on August 28, 2010, the Company provided an entrusted loan to Hangzhou Concord Co through Industrial and Commercial Bank of China for an amount of Rmb200,000,000, with a maturity date on September 30, 2011 at a fixed interest rate of 12.0% per annum.

World Trade Centre Zhejiang Real Estate Development Co., Ltd. provided full-amount guarantee to such entrusted loans. Interest income recognized for the Period on the above transactions with Hangzhou Concord Co amounted to Rmb28,312,000.

- 2) Pursuant to the operation management agreement entered into between Development Co and Petroleum Co in respect of the petrol stations in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsang Expressways, Petroleum Co will assist Development Co with their expertise in running the latter's petrol stations along the Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway. Purchases of petroleum products from Petroleum Co during the Period amounted to Rmb772,091,000.

Transactions and balances with other State-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("State-controlled entities"). In addition, the Group itself is part of a larger group of companies under Zhejiang Communications Investment Group Co., Ltd. (the "Communications Investment Group") which is controlled by the PRC government. Apart from the transactions with the Communications Investment Group and parties under the common control of the Communications Investment Group, the Group also conducts business with other State-controlled entities. The directors consider those State-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are State-controlled entities in their ordinary course of business. In view of the nature of those bank transactions, the directors are of the opinion that individual disclosures would not be necessary.

In respect of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identities of the counterparts of the above-said transactions and accordingly the directors cannot be sure that the transactions are conducted with other State-controlled entities in the PRC.

17. CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group did not have any other contingent liabilities, pledge of assets or guarantees as at June 30, 2011.

18. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorized for issue by the board of directors on August 23, 2011.

Corporate Information

EXECUTIVE DIRECTORS

CHEN Jisong (Chairman)
ZHAN Xiaozhang (General Manager)
JIANG Wenyao
ZHANG Jingzhong
DING Huikang

NON-EXECUTIVE DIRECTORS

ZHANG Luyun

INDEPENDENT NON-EXECUTIVE DIRECTORS

TUNG Chee Chen
ZHANG Junsheng
ZHANG Liping

SUPERVISORS

MA Kehua
FANG Zhexing
JIANG Shaozhong
WU Yongmin
LIU Haiseng

COMPANY SECRETARY

Tony Zheng

AUTHORIZED REPRESENTATIVES

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ZHANG Jingzhong

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Hong Kong
Tel: 852-2520 2201
Fax: 852-2520 2241

PRINCIPAL BANKERS

Industrial and Commercial Bank of China,
Zhejiang Branch
China Construction Bank, Zhejiang Branch
Shanghai Pudong Development Bank,
Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
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

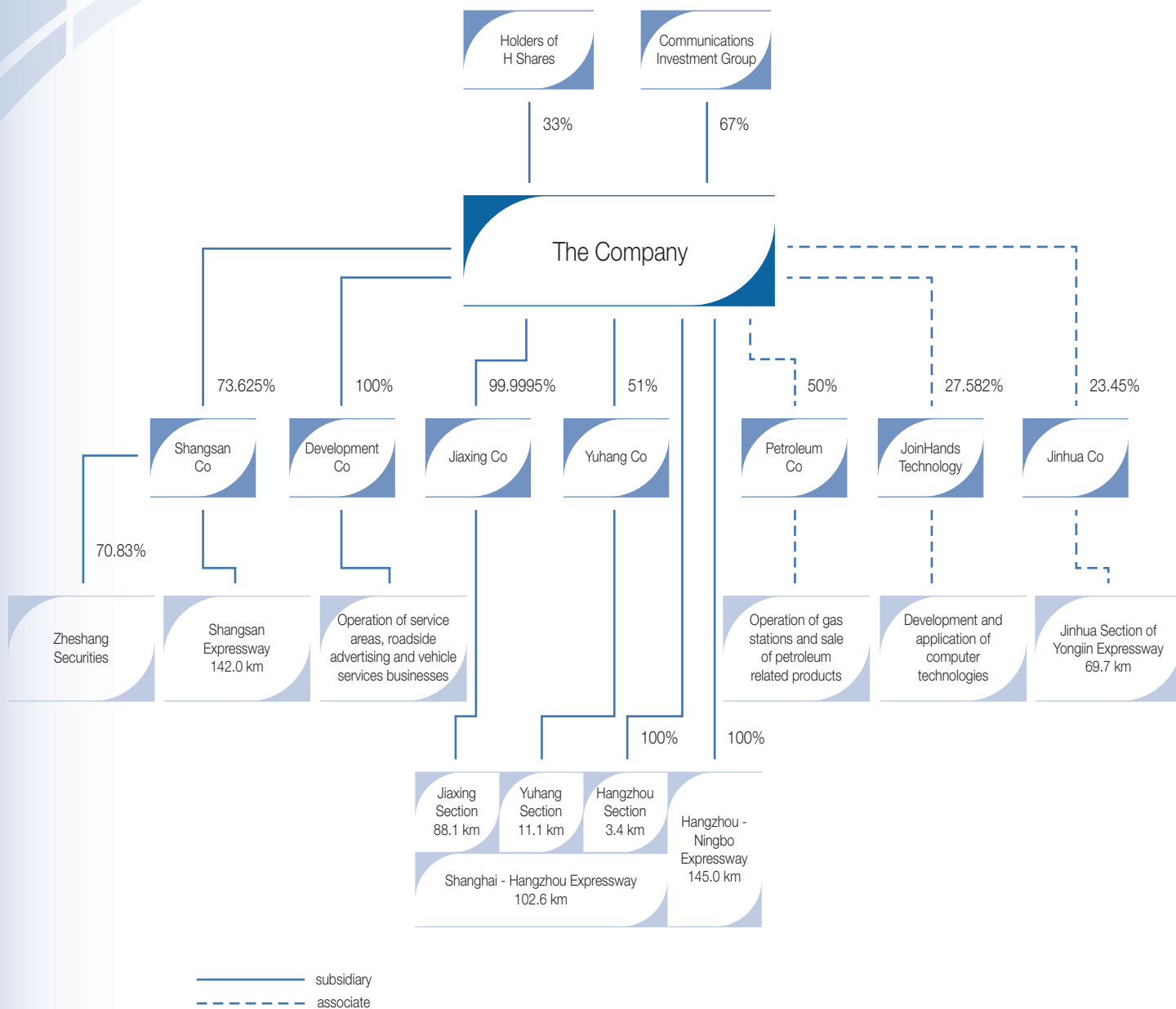
CORPORATE BOND LISTING INFORMATION

The Shanghai Stock Exchange
Symbol: 03 滬杭甬
Code: 120308

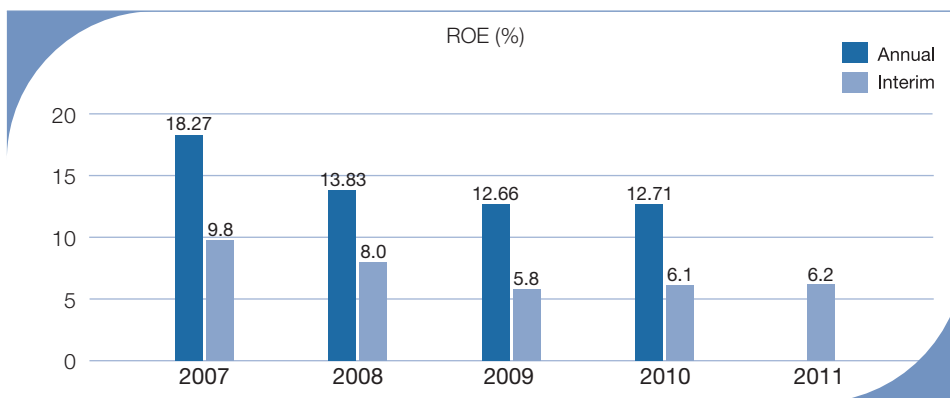
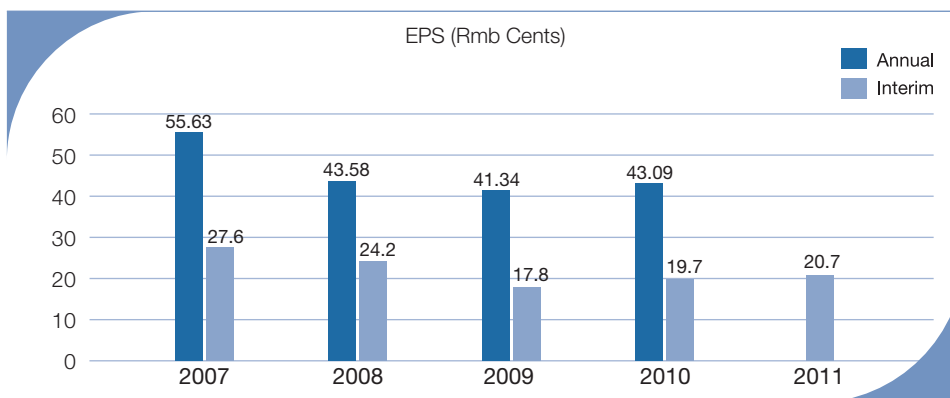
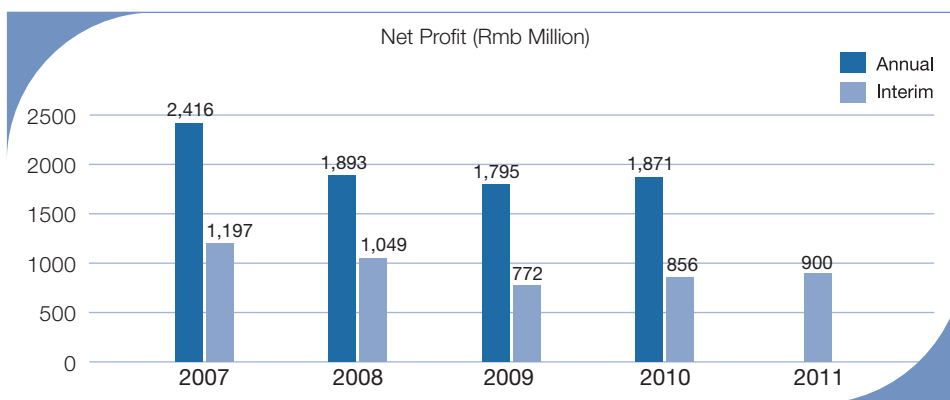
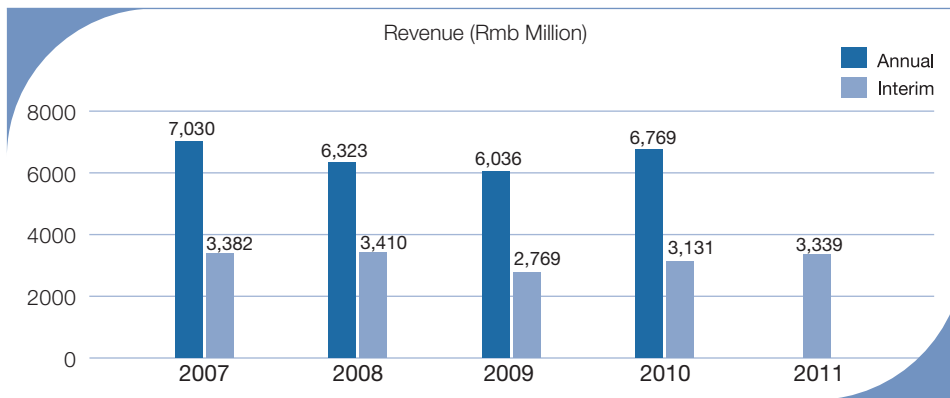
WEBSITE

www.zjec.com.cn

Corporate Structure of the Group



Financial Highlights



Location Map of Expressways in Zhejiang Province



