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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 0576)

2014 INTERIM RESULTS ANNOUNCEMENT

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announce the unaudited consolidated operating results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2014 (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 Rmb4,121.82 million, representing an increase of 13.0% over the same period in 2013. Profit for the Period attributable to owners of the Company was Rmb1,063.43 million, representing an increase of 14.3% year-on-year. Earnings per share for the Period was Rmb24.49 cents (same period in 2013: Rmb21.42 cents).

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, which is expected to be held on October 16, 2014.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2014, with comparative figures for the same period in 2013 and relevant notes to the condensed consolidated financial statements:

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

	<i>Notes</i>	For the six months ended June 30,	
		2014	2013
		<i>Rmb'000</i>	<i>Rmb'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	4,121,822	3,647,268
Operating costs		(2,580,471)	(2,283,848)
Gross profit		1,541,351	1,363,420
Securities investment gains		87,240	79,786
Other income	4	140,164	103,890
Administrative expenses		(33,552)	(36,126)
Other expenses		(26,556)	(21,401)
Share of profit of associates		24,868	4,791
Share of loss of a joint venture		(15,602)	(13,938)
Finance costs		(39,869)	(43,079)
Profit before tax		1,678,044	1,437,343
Income tax expense	5	(430,799)	(374,175)
Profit for the Period		1,247,245	1,063,168
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale financial assets			
– Fair values loss during the Period		(2,719)	(3,681)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		–	(1,381)
Income tax relating to components of other comprehensive loss		680	1,266
Other comprehensive loss for the Period (net of tax)		(2,039)	(3,796)
Total comprehensive income for the Period		1,245,206	1,059,372

	For the six months ended June 30,	
	2014	2013
<i>Note</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the Period attributable to:		
Owners of the Company	1,063,433	930,385
Non-controlling interests	183,812	132,783
	1,247,245	1,063,168
	<u>1,247,245</u>	<u>1,063,168</u>
Total comprehensive income for the Period attributable to:		
Owners of the Company	1,062,183	928,429
Non-controlling interests	183,023	130,943
	1,245,206	1,059,372
	<u>1,245,206</u>	<u>1,059,372</u>
Earnings per share – Basic and diluted	7	
	24.49 cents	21.42 cents
	<u>24.49 cents</u>	<u>21.42 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at June 30, 2014	As at December 31, 2013
	<i>Note</i>	Rmb'000 <i>(Unaudited)</i>	<i>Rmb'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		1,801,968	1,762,042
Prepaid lease payments		67,079	68,156
Expressway operating rights		11,511,820	11,911,133
Goodwill		86,867	86,867
Other intangible assets		145,997	154,564
Interests in associates		597,414	574,733
Interest in a joint venture		318,342	333,944
Available-for-sale investments		160,500	143,514
Other receivables		–	401,400
		14,689,987	15,436,353
Current assets			
Inventories		71,277	73,576
Trade receivables	8	116,871	101,428
Loans to customers arising from margin financing business		3,256,393	2,946,911
Other receivables and prepayments		773,945	451,968
Prepaid lease payments		2,155	2,155
Available-for-sale investments		512,789	281,924
Held for trading investments		1,785,239	1,181,025
Financial assets held under resale agreements		1,130,604	874,254
Bank balances held on behalf of customers		9,726,025	8,228,160
Bank balances and cash			
– Time deposits with original maturity over three months		726,245	704,459
– Cash and cash equivalents		1,773,320	1,806,981
		19,874,863	16,652,841

		As at June 30, 2014	As at December 31, 2013
	<i>Note</i>	Rmb'000 <i>(Unaudited)</i>	<i>Rmb'000</i> <i>(Audited)</i>
Current liabilities			
Accounts payable to customers arising from securities business		9,686,410	8,167,103
Trade payables	9	511,459	421,994
Tax liabilities		255,147	331,611
Other taxes payable		36,418	53,417
Other payables and accruals		1,071,569	995,496
Dividends payable		171,240	94,976
Bank and other borrowings		500,000	540,000
Financial assets sold under repurchase agreements		630,531	–
Placements from other financial institution		560,000	310,000
Short-term loan note		1,000,000	1,000,000
		14,422,774	11,914,597
Net current assets		5,452,089	4,738,244
Total assets less current liabilities		20,142,076	20,174,597
Non-current liabilities			
Bank loans		200,000	300,000
Deferred tax liabilities		200,708	205,638
		400,708	505,638
		19,741,368	19,668,959
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		11,605,827	11,629,423
Equity attributable to owners of the Company		15,948,942	15,972,538
Non-controlling interests		3,792,426	3,696,421
		19,741,368	19,668,959

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as disclosed below, the accounting policies and methods of computation applied in the condensed consolidated financial statements for the Period are consistent with those in the preparation of the Group’s annual financial statements for the year ended December 31, 2013.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the condensed consolidated statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the condensed consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

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

3. REVENUE AND SEGMENT INFORMATION

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

Segment revenue and results

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

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

For the six months ended June 30, 2013							
	Toll related operation						
	Service	Other					
	area and	toll road					
	Toll advertising	related	Securities	Total			
	operation	service	operation	segment	Elimination	Total	
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue							
External sales	1,921,545	1,010,644	–	715,079	3,647,268	–	3,647,268
Inter-segment sales	–	2,377	–	–	2,377	(2,377)	–
Total	<u>1,921,545</u>	<u>1,013,021</u>	<u>–</u>	<u>715,079</u>	<u>3,649,645</u>	<u>(2,377)</u>	<u>3,647,268</u>
Segment profit	<u>868,464</u>	<u>20,250</u>	<u>7,589</u>	<u>166,865</u>	<u>1,063,168</u>		<u>1,063,168</u>

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

Revenue from major services

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

	For the six months ended June 30,	
	2014 <i>Rmb'000</i> <i>(Unaudited)</i>	2013 <i>Rmb'000</i> <i>(Unaudited)</i>
Toll operation revenue	2,041,188	1,921,545
Service area businesses revenue (mainly sales of goods)	1,134,635	958,740
Advertising business revenue	48,606	51,904
Commission income from securities operation	595,994	538,279
Interest income from securities operation	282,349	176,800
Others	19,050	–
Total	4,121,822	3,647,268

4. OTHER INCOME

	For the six months ended June 30,	
	2014 <i>Rmb'000</i> <i>(Unaudited)</i>	2013 <i>Rmb'000</i> <i>(Unaudited)</i>
Interest income on bank balances, entrusted loan receivables and financial products investment	34,494	45,746
Rental income	55,155	32,652
Gain on disposal of an associate	24,490	–
Handling fee income	1,487	2,193
Towing income	4,695	4,883
Exchange gain, net	861	14
Others	18,982	18,402
Total	140,164	103,890

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2014 <i>Rmb'000</i> <i>(Unaudited)</i>	2013 <i>Rmb'000</i> <i>(Unaudited)</i>
Current tax:		
PRC Enterprise Income Tax	435,049	388,811
Deferred tax	(4,250)	(14,636)
	<u>430,799</u>	<u>374,175</u>

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

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

6. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (corresponding period of 2013: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the Period attributable to owners of the Company of Rmb1,063,433,000 (corresponding period of 2013: Rmb930,385,000) and the 4,343,114,500 (2013: 4,343,114,500) ordinary shares in issue during the Period.

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

8. TRADE RECEIVABLES

	As at June 30, 2014 <i>Rmb'000</i> <i>(Unaudited)</i>	As at December 31, 2013 <i>Rmb'000</i> <i>(Audited)</i>
	Trade receivables comprise:	
A fellow subsidiary	1,500	3,077
Third parties	116,043	99,023
Total trade receivables	<u>117,543</u>	<u>102,100</u>
Less: Allowance for doubtful debts	(672)	(672)
	<u>116,871</u>	<u>101,428</u>

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

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

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

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Within 3 months	97,317	90,812
3 months to 1 year	19,391	10,453
Over 2 years	163	163
Total	116,871	101,428

9. TRADE PAYABLES

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

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Within 3 months	214,332	214,669
3 months to 1 year	193,375	82,048
1 to 2 years	39,635	29,518
2 to 3 years	6,652	8,496
Over 3 years	57,465	87,263
Total	511,459	421,994

BUSINESS REVIEW

As the government's macro economic control policies that are aimed at sustaining stable growth and the implementation of deep level structural reforms gradually took effect, the growth of the nation's economy has been stabilizing. China recorded 7.4% GDP growth in the first half of 2014 compared with the corresponding period of last year. During the first half of 2014, though Zhejiang Province saw varied levels of growth in investment, consumption and exports, the growth rate of Zhejiang Province's economy was slower than the corresponding period of last year. During the Period, the GDP of Zhejiang Province increased 7.2% compared with the corresponding period of last year.

Benefiting from the gradual recovery of Zhejiang Province's economy and an improved environment for foreign trade, the Group's total income increased by 12.9% compared with the corresponding period of last year to Rmb4,244.23 million. Income generated from the three major expressways operated by the Group was Rmb2,111.52 million, representing an increase of 6.3% over the corresponding period of 2013 and 49.8% of total income. Income from the Group's toll road-related businesses was Rmb1,208.56 million, representing an increase of 18.9% over the corresponding period of 2013 and 28.5% of total income. The Group's securities business contributed income of Rmb924.15 million, representing an increase of 22.3% over the corresponding period of 2013 and 21.7% of total income.

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

	For the six months ended June 30,		
	2014	2013	
	Rmb'000	Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo			
Expressway	1,495,972	1,502,446	-0.4%
Shangshan Expressway	470,822	359,199	31.1%
Jinhua section, Ningbo-Jinhua			
Expressway	144,724	125,490	15.3%
Other income			
Service areas	1,138,682	962,830	18.3%
Advertising	50,027	53,815	-7.0%
Road maintenance	19,852	-	N/A
Securities business income			
Commission	641,797	579,077	10.8%
Interest income	282,349	176,800	59.7%
Subtotal	4,244,225	3,759,657	12.9%
Less: Revenue taxes	(122,403)	(112,389)	8.9%
Revenue	4,121,822	3,647,268	13.0%

Toll Road Operations

The organic growth in toll road traffic volume is closely associated with the regional economy along the toll roads. During the Period, the traffic volume on the Group's three expressways experienced varying levels of organic growth corresponding to the regions in which they are located. Organic traffic volume growth rates for the Shanghai-Hangzhou-Ningbo Expressway, Shangsans Expressway and Jinhua Section of Ningbo-Jinhua Expressway were 7.0%, 6.7% and 11.7%, respectively, of which the growth rate was slightly lower than the corresponding period of last year for the Shanghai-Hangzhou-Ningbo Expressway, at about equal level for the Shangsans Expressway, and at a slightly higher level for the Jinhua Section of Ningbo-Jinhua Expressway.

Since the opening of Jiaxing-Shaoxing Bridge (not operated by the Group) in July, 2013, a certain level of traffic diversion has taken place for the Group's Shanghai-Hangzhou-Ningbo Expressway and resulted in a decrease of Rmb75.00 million in terms of the Group's toll income during the Period. However, the Jiaxing-Shaoxing Bridge has a more positive effect on the Shangsans Expressway. Most of the vehicles passing through Jiangsu Province, Taizhou and Wenzhou took the Shangsans Expressway, while a number of vehicles traveling between Shanghai, Taizhou and Wenzhou and between Jiangsu and Ningbo also chose to take the Shangsans Expressway or Hangzhou-Ningbo Section of the Shanghai-Hangzhou-Ningbo Expressway as a result of the Company's effective promotions to attract more traffic. During the Period, the opening of the Jiaxing-Shaoxing Bridge led to an increase of Rmb86.00 million in terms of toll income on the Shangsans Expressway.

The Jinhua Section of the Ningbo-Jinhua Expressway maintained a relatively high organic growth in traffic volume as a result of continuing high speed economic development in Yiwu and nearby regions, as well as a speedy increase in small truck ownership in Yiwu. Construction work on roads surrounding the Ningbo-Jinhua Expressway and the Company's effective promotions efforts also had a positive impact on toll income. Container trucks traveling along the Ningbo-Jinhua Expressway also posted a notable increase in miles driven. During the Period, the Jinhua Section of the Ningbo-Jinhua Expressway recorded an increase of approximately Rmb5.00 million in toll income as a result of factors such as construction work on surrounding roads.

Meanwhile, toll income from the Shanghai-Hangzhou-Ningbo Expressway decreased by approximately Rmb18.00 million as a result of construction on the Hangzhou Airport road that began on April 15, 2014. Moreover, the opening of the Qianjiang Road (not operated by the Group) on April 16, 2014, also led to a decline in toll income of the Shanghai-Hangzhou-Ningbo Expressway by approximately Rmb2.70 million.

The average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 43,764 during the Period, representing an increase of 1.2% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway was 42,211, representing a decrease of 3.3% year-on-year. The average daily traffic volume in full-trip equivalents along the Hangzhou-Ningbo Section was 44,873, representing an increase of 4.3% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 22,435 during the Period, representing an increase of 29.0% year-on-year. The average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 15,162 during the Period, representing an increase of 17.3% year-on-year.

Total toll income from the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsans Expressway and the 70 km Jinhua Section of the Ningbo-Jinhua Expressway amounted to Rmb2,111.52 million during the Period, representing an increase of 6.3% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,495.97 million, representing a decrease of 0.4% year-on-year; toll income from the Shangsans Expressway was Rmb470.82 million, representing an increase of 31.1% year-on-year; while toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb144.73 million, representing an increase of 15.3% year-on-year.

Toll Road-Related Business Operations

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

During the Period, with the opening of the Jiaxing-Shaoxing Bridge, the service areas along Shangsans Expressway saw significant growth in income due to the increase in traffic volume. However, the decrease in traffic volume on the Shanghai-Hangzhou-Ningbo Expressway adversely affected income from service areas along the expressway, and these service areas make a relatively large contribution to income from service areas. Therefore, the overall income from service areas declined. However, due to a solid increase in sales of refined oil products and additional income from the external road maintenance projects, the Group's toll road-related businesses achieved a solid increase in overall income. Income from toll road-related businesses was Rmb1,208.56 million for the Period, representing an increase of 18.9% year-on-year.

Securities Business

During the Period, although the Shanghai and Shenzhen stock indices declined slightly, the aggregate trading volume increased by 4.7% compared with the corresponding period of last year. Despite the slight growth in market share and trading volume of Zheshang Securities, its average commission rate declined from 0.08% to 0.072% due to intensified competition in the securities industry and the gradual relaxation of controls on commissions. As a result, income from Zheshang Securities' brokerage business was generally flattish compared with the same period last year.

Additionally, while accelerating the comprehensive development of each business segment, Zheshang Securities has been actively working to improve its income and profit structure to gradually reduce the dominant role that its brokerage business played in the past. During the Period, income from investment banking, margin financing and securities lending, as well as asset management businesses of Zheshang Securities all grew steadily year-on-year.

The IPO application submitted by Zheshang Securities was accepted by the China Securities Regulatory Commission in May 2013. Zheshang Securities remains on the waiting list for an IPO.

During the Period, Zheshang Securities' total operating income was Rmb924.15 million, an increase of 22.3% year-on-year. Brokerage commission income was Rmb641.80 million, a year-on-year increase of 10.8%. Interest income from the securities business was Rmb282.35 million, a year-on-year increase of 59.7%. Moreover, securities investment gains from Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb79.15 million during the Period.

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) recorded income of Rmb3,265.30 million, a year-on-year increase of 5.8%. The increase was primarily attributable to an increase in sales volume of refined oil products. During the Period, net profit realized Rmb11.36 million (corresponding period of 2013: net profit of Rmb11.34 million).

Shengxin Expressway Co., Ltd. ("Shengxin Company", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the traffic volume of the Shaoxing Section of the Ningbo-Jinhua Expressway increased as the economy of Zhejiang Province grew steadily. The average daily traffic volume in full-trip equivalents was 13,661, an increase of 10.9% year-on-year. Toll income during the Period was Rmb152.92 million. However, due to an increase in road maintenance costs and its relatively heavy financial burden, the joint venture reported a loss of Rmb31.20 million (corresponding period of 2013: loss of Rmb27.88 million).

JoinHands Technology Co., Ltd. is a 27.582% owned associate company of the Company. The Company instituted legal proceedings with regards to the transfer of the equity interest in this associate company and then lodged an appeal against the subsequent judgment. The appeal was ruled in favor of the Company by the Hangzhou Intermediate People's Court on April 28, 2013 regarding the Company's priority of compensation for the mortgaged properties. These mortgaged properties were auctioned off by the court and the Company has received proceeds of Rmb23.83 million as consideration for its equity interest transfer on May 16, 2014. From then on, JoinHands Technology Co., Ltd. is no longer an associate of the Company.

Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company) derives income mainly from fees and commissions for providing financial services, including arranging loans to, and receiving deposits from subsidiaries of Zhejiang Communications Investment Group Co., Ltd. (the controlling shareholder of the Company). Profit from Zhejiang Communications Investment Group Finance Co., Ltd. was accounted for as gain of associates of the Company starting from May 1, 2013 and realized a net profit of Rmb66.89 million during the Period.

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 Rmb1,063.43 million, representing an increase of 14.3% year-on-year, return on owners' equity was 6.7%, representing an increase of 9.8% year-on-year, while earnings per share for the Company was Rmb24.49 cents.

Liquidity and financial resources

As at June 30, 2014, current assets of the Group amounted to Rmb19,874.86 million in aggregate (December 31, 2013: Rmb16,652.84 million), of which bank balances and cash accounted for 12.6% (December 31, 2013: 15.1%), bank balances held on behalf of customers accounted for 48.9% (December 31, 2013: 49.4%) and held for trading investments accounted for 9.0% (December 31, 2013: 7.1%). Current ratio (current assets over current liabilities) of the Group as at June 30, 2014 was 1.4 (December 31, 2013: 1.4). 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 2.1 (December 31, 2013: 2.2).

The amount of held for trading investments of the Group as at June 30, 2014 was Rmb1,785.24 million (December 31, 2013: Rmb1,181.03 million), of which 93.4% was invested in bonds, 6.2% was invested in stocks, 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 Rmb1,401.75 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, 2014, total liabilities of the Group amounted to Rmb14,823.48 million (December 31, 2013: Rmb12,420.24 million), of which 4.7% was bank and other borrowings, 6.7% was short-term loan note and 65.3% was accounts payable to customers arising from securities business.

As at June 30, 2014, total interest-bearing borrowings of the Group amounted to Rmb1,700.00 million, representing a decrease of 7.6% compared to that as at December 31, 2013. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb300.00 million, loans from a domestic non-bank financial institution of Rmb400.00 million and short-term loan note with three-month maturity of Rmb1 billion. Of the interest-bearing borrowings, 11.8% was not payable within one year.

As at June 30, 2014, all of the Group's loans from domestic commercial banks were long-term loans, of which long-term loans due in one year amounted to Rmb100.00 million, with floating interest rate ranging from 5.895% to 6.765% per annum. Loans from a domestic non-bank financial institution were short-term loans, with the interest rate fixed at 5.04% per annum. The annual coupon rate for the latest short-term loan note was fixed at 4.87%, 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 Rmb43.27 million, while profit before interest and tax amounted to Rmb1,717.91 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 39.7 (corresponding period of 2013: 34.4) times.

As at June 30, 2014, the asset-liability ratio (total liabilities over total assets) of the Group was 42.9% (December 31, 2013: 38.7%). 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 20.7% (December 31, 2013: 17.8%).

Capital structure

As at June 30, 2014, the Group had Rmb19,741.37 million in total equity, Rmb12,276.94 million in fixed-rate liabilities, Rmb300.00 million in floating-rate liabilities, and Rmb2,246.54 million in interest-free liabilities, representing 57.1%, 35.5%, 0.9% and 6.5% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 26.0% as at June 30, 2014 (December 31, 2013: 21.6%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb193.55 million, while capital expenditure of the Company totaled Rmb41.87 million. Amongst the total capital expenditure of the Group, Rmb57.50 million was incurred for setting up a wholly-owned subsidiary of the Company and external equity acquisition by Zheshang Securities, Rmb114.29 million was incurred for acquisition and construction of properties, Rmb20.15 million was incurred for purchase and construction of equipments and facilities, and Rmb1.61 million was incurred for service area renovation and expansion.

As at June 30, 2014, the remaining capital expenditure committed by the Group and the Company totaled Rmb1,550.97 million and Rmb270.00 million, respectively. Amongst the remaining balance of total capital expenditures committed by the Group, Rmb1,209.80 million will be used for acquisition and construction of properties, Rmb324.78 million for acquisition and construction of equipments and facilities, Rmb16.39 million for service area renovation and expansion.

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

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2,200.00 million, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb25.00 million of the bank loans had been repaid.

Pursuant to the resolution of shareholders' meeting dated June 26, 2012 of Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co", a 51% owned subsidiary of the Company), Yuhang Co provided a property under construction as a mortgaged asset for its domestic commercial bank loan of Rmb100.00 million. As at June 30, 2014, the carrying amount of the mortgaged asset was Rmb525.40 million.

Pursuant to the board resolution dated June 24, 2008 of Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co", a 100% owned subsidiary of the Company), Jinhua Co provided the operating right of the expressway operated by it as pledged asset for its domestic commercial bank loans, the remaining outstanding balance of which was Rmb200.00 million. As at June 30, 2014, the carrying amount of the pledged asset was Rmb1,829.78 million.

Except for the above, as at June 30, 2014, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

Save for dividend payments to the holders of H shares in Hong Kong dollars, the Group's principal operations were transacted and booked in Renminbi. Therefore, the Group's exposure to exchange fluctuation is limited. During the Period, the Group has not used any financial instruments for hedging purpose.

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

OUTLOOK

Though the economy is still facing downward pressure, a series of "stabilizing growth" policies implemented by the state are gradually yielding results. While external demands are expected to improve somewhat, internal growth of economic development is expected to strengthen. Therefore, we expect that the organic growth in traffic volume of the Group's expressways will maintain a steady rate in the second half of this year.

Qianjiang Road, which opened for traffic in the first half of this year, and the construction works on the airport road near the Second Qianjiang Bridge, are still expected to have an adverse impact on the Group's Shanghai-Hangzhou-Ningbo Expressway. Therefore, the Group will closely monitor the construction work on the airport road, analyze impact from the newly opened road network of the Qianjiang Road and the Jiaxing-Shaoxing Bridge, and undertake effective promotional efforts to attract more vehicles to the expressways operated by the Group so as to reduce the negative impact of traffic diversion.

Meanwhile, Zhejiang Provincial Government recently launched a specific rectification action on billboard advertising along expressways in the province. The billboards on the two sides of the main lines of the expressways must be removed by the end of October this year, which will restrict the advertising business carried out by Zhejiang Expressway Investment Development Co., Ltd. (a 100% owned subsidiary of the Company) to service areas, toll plazas and expressway interchanges.

Additionally, Zheshang Securities transferred its entire 25% equity interest in Zheshang Fund Management Co., Ltd. to Tonglian Capital Management Co., Ltd. through electronic online bidding on the Zhejiang Property and Stock Exchange on August 14, 2014. The total consideration received for such transfer was Rmb207.00 million, and is expected to have a positive effect on the Group's results for the second half of 2014.

A series of policies carried out by the Chinese government to reform China's stock markets, which include the establishment of the Shanghai-Hong Kong Stock Connect, the anticipated recovery of the Chinese stock market and increased liquidity in China are expected to present new challenges and opportunities for Zheshang Securities. Zheshang Securities will accelerate the development of innovative businesses and further push forward the A-share listing process while strengthening cost and risk control to facilitate the sustainable development of its businesses.

The Group's management is making efforts to further strengthen its core businesses through various measures, including reducing costs, increasing operational efficiency, improving operating management facilities, and further enhance service quality. In addition to continuing to strengthen its securities businesses, the Group will look for suitable investment projects while nurturing management capabilities in diversified operations. By leveraging its financial resources, the Group will develop strategic synergies with its parent company in order to broaden its scope of future development, improve profitability, and achieve sustainable development over the long term.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

The electronic version of this announcement is published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the Company's website (www.zjec.com.cn). The interim report of the Company for the six months ended June 30, 2014 will be dispatched to shareholders of the Company and published on the HKExnews website of the Hong Kong Exchanges and Clearing Limited and the Company's website in due course.

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

Hangzhou, PRC, August 27, 2014

As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Ms. LUO Jianhu and Mr. DING Huikang; the non-executive directors of the Company are: Mr. LI Zongsheng, Mr. WANG Weili and Mr. WANG Dongjie; and the independent non-executive directors of the Company are: Mr. ZHANG Junsheng, Mr. ZHOU Jun and Mr. PEI Ker-Wei.