



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**

2014 Interim Report



Deepen Reform and Innovation Achieve Steady Growth

In the first half of 2014, China's economic growth has been leveling off. 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. Traffic volumes for the Group's three expressways, namely Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Jinhua Section of Ningbo-Jinhua Expressway increased 7.0%, 6.7% and 11.7% respectively, in line with the economic growth of the regions in which they are located. 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.

In the future, for the toll road business, the Group will make efforts to further increase income from its main businesses through various measures, including reducing costs, increasing operational efficiency, and improving facilities management and service quality. Meanwhile, the Group will continue to strengthen its securities businesses. Also, the Group will look for suitable investment projects while nurturing management capabilities in its diversified operations. By taking advantage of its financial resources, the Group will create strategic synergies with its parent company in order to broaden its future development, improve profitability, and achieve sustainable development over the long term.



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2014 Interim Results

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 expected to be held on October 16, 2014.

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

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	% Change
	Rmb'000	Rmb'000	
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 Jiaying-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 Co., Ltd. ("Zheshang Securities", a 70.83% owned subsidiary of Zhejiang Shangsans Expressway Co., Ltd. which is a subsidiary of the Company), 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 flat 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 was 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.

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 Rmb1,063.43 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).

	As at June 30, 2014 Rmb'000	As at December 31, 2013 Rmb'000
Cash and cash equivalents		
Rmb	1,739,561	1,773,310
US\$ in Rmb equivalent	28,301	28,209
HK\$ in Rmb equivalent	5,458	5,462
Time deposit – Rmb	726,245	704,459
Held for trading investments – Rmb	1,785,239	1,181,025
Available-for-sale investments – Rmb	512,789	281,924
Total	4,797,593	3,974,389
Rmb	4,763,834	3,940,718
US\$ in Rmb equivalent	28,301	28,209
HK\$ in Rmb equivalent	5,458	5,462

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 Rmb1.00 billion. Of the interest-bearing borrowings, 11.8% was not payable within one year.

Maturity Profile of Interest-bearing Borrowings

	Gross total	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	300,000	100,000	200,000	–
Fixed rates				
Loans from a domestic non-bank financial institution	400,000	400,000	–	–
Short-term loan note	1,000,000	1,000,000	–	–
Total as at June 30, 2014	1,700,000	1,500,000	200,000	–
Total as at December 31, 2013	1,840,000	1,540,000	300,000	–

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 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, 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.

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, 2014, 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, 2014, 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%

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	201,538,938 (L) 1,866,000 (S) 148,181,542 (P)	14.05% 0.13% 10.33%
BlackRock, Inc.	Interest of controlled corporations	130,511,912 (L)	9.10%
Invesco Asset Management Limited	Investment manager/ advisor of various accounts	88,834,000 (L)	
Deutsche Bank Aktiengesellschaft	Investment manager	85,135,815 (L) 3,786,000 (S)	5.94% 0.26%

Disclosure of Interests and Other Matters

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, 2014, 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.

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 profit 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 include 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 2013.

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

Hangzhou, the PRC, August 27, 2014

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,	
		2014 Rmb'000 (Unaudited)	2013 Rmb'000 (Unaudited)
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	5	(39,869)	(43,079)
Profit before tax	6	1,678,044	1,437,343
Income tax expense	7	(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
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
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
Earnings per share – Basic and diluted	9	24.49 cents	21.42 cents

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
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	10	116,871	101,428
Loans to customers arising from margin financing business	11	3,256,393	2,946,911
Other receivables and prepayments	12	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	13	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

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
CURRENT LIABILITIES			
Accounts payable to customers arising from securities business		9,686,410	8,167,103
Trade payables	14	511,459	421,994
Tax liabilities		255,147	331,611
Other taxes payable		36,418	53,417
Other payables and accruals	15	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	16	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

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			Retained profits	Total		
					revaluation reserve	Special reserves	Dividend reserve				
Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	
At January 1, 2013 (Audited)	4,343,115	3,645,726	3,227,511	1,712	254	18,666	1,042,347	3,240,921	15,520,252	3,496,023	19,016,275
Merger accounting restatement	-	-	-	-	-	797,471	-	(273,263)	524,208	81,198	605,406
At January 1, 2013 (Restated)	4,343,115	3,645,726	3,227,511	1,712	254	816,137	1,042,347	2,967,658	16,044,460	3,577,221	19,621,681
Profit for the Period	-	-	-	-	-	-	-	930,385	930,385	132,783	1,063,168
Other comprehensive loss for the Period	-	-	-	-	(1,956)	-	-	-	(1,956)	(1,840)	(3,796)
Total comprehensive income for the Period	-	-	-	-	(1,956)	-	-	930,385	928,429	130,943	1,059,372
Consideration paid for acquisition of a subsidiary under common control	-	-	-	-	-	(678,005)	-	-	(678,005)	(78,863)	(756,868)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(106,008)	(106,008)
Final dividend	-	-	-	-	-	-	(1,042,347)	-	(1,042,347)	-	(1,042,347)
Proposed interim dividend	-	-	-	-	-	-	260,587	(260,587)	-	-	-
At June 30, 2013 (Unaudited)	4,343,115	3,645,726	3,227,511	1,712	(1,702)	138,132	260,587	3,637,456	15,252,537	3,523,293	18,775,830
At January 1, 2014 (Audited)	4,343,115	3,645,726	3,545,859	1,712	1,801	138,132	1,085,779	3,210,414	15,972,538	3,696,421	19,668,959
Profit for the Period	-	-	-	-	-	-	-	1,063,433	1,063,433	183,812	1,247,245
Other comprehensive loss for the Period	-	-	-	-	(1,250)	-	-	-	(1,250)	(789)	(2,039)
Total comprehensive income for the Period	-	-	-	-	(1,250)	-	-	1,063,433	1,062,183	183,023	1,245,206
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(87,018)	(87,018)
Final dividend	-	-	-	-	-	-	(1,085,779)	-	(1,085,779)	-	(1,085,779)
Proposed interim dividend	-	-	-	-	-	-	260,587	(260,587)	-	-	-
At June 30, 2014 (Unaudited)	4,343,115	3,645,726	3,545,859	1,712	551	138,132	260,587	4,013,260	15,948,942	3,792,426	19,741,368

Condensed Consolidated Statement of Cash Flows

	For the six months ended,	
	2014 Rmb'000 (Unaudited)	2013 Rmb'000 (Unaudited)
Net cash from operating activities	1,401,752	1,050,327
Net cash used in investing activities	(218,880)	(709,921)
Net cash used in financing activities	(1,216,533)	(959,622)
Net decrease in cash and cash equivalents	(33,661)	(619,216)
Cash and cash equivalents at beginning of the Period	1,806,981	3,392,053
Cash and cash equivalents at end of the Period	1,773,320	2,772,837

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

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

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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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,	
	2014	2013
	Rmb'000 (Unaudited)	Rmb'000 (Unaudited)
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	2013
	Rmb'000 (Unaudited)	Rmb'000 (Unaudited)
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 (Note)	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

Note: The Company instituted legal proceedings with regards to the transfer of the equity interest in JoinHands Technology Co., Ltd. ("JoinHands Technology", a 27.582% owned associate) and then lodged an appeal against the subsequent judgment of the Company's priority of compensation for the mortgaged properties. The appeal was ruled in favor of the Company by the Hangzhou Intermediate People's Court on April 28, 2013. These mortgaged properties in JoinHands Technology were auctioned off by the court and the Company has received Rmb23,834,000 on May 16, 2014. From then on, JoinHands Technology was no longer an associate of the Company. For the Period, gain on disposal of an associate amounted to Rmb24,490,000 was recognised.

5. FINANCE COSTS

	For the six months ended June 30,	
	2014 Rmb'000 (Unaudited)	2013 Rmb'000 (Unaudited)
Interest expenses wholly repayable within 5 years:		
Bank and other borrowings	14,425	40,379
Long-term bonds	–	2,700
Short-term loan note	28,845	–
Total borrowing costs	43,270	43,079
Less: Amount capitalised in the cost of qualifying assets	(3,401)	–
	39,869	43,079

6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2014 Rmb'000 (Unaudited)	2013 Rmb'000 (Unaudited)
Depreciation of property, plant and equipment	88,812	95,632
Amortisation of prepaid lease payments	1,077	1,087
Amortisation of expressway operating rights (included in operating costs)	404,193	403,604
Amortisation of other intangible assets (included in operating costs)	10,033	8,978
Cost of inventories recognised as an expense	1,045,030	871,039

Notes to Condensed Consolidated Financial Statements

7. INCOME TAX EXPENSE

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

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.

8. 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.

9. 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.

10. TRADE RECEIVABLES

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

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., 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

11. 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 collateral 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, 2014, 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 Rmb9,581,111,000 (December 31, 2013: Rmb8,207,640,000). Cash collateral of Rmb246,610,000 (December 31, 2013: Rmb222,313,000) received from clients has been 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.

12. OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Current:		
Entrusted loans receivables from related parties (Note 17(ii))	474,654	54,000
Interest receivables	112,523	122,392
Prepayments	44,107	30,195
Financial products investment receivables (Note a)	62,000	168,000
Others	80,661	77,381
	773,945	451,968
Non-current:		
Entrusted loans receivables from related parties (Note 17(ii))	–	401,400
	–	401,400
	773,945	853,368

Note:

- (a) Short-term fixed-yield and principal protected bank financial products.

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	153,503	20,500
Stock securities (Note)	977,101	853,754
	1,130,604	874,254
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	1,130,604	874,254

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group to purchase the specified securities at a predetermined price and a predetermined day in the future.

Notes to Condensed Consolidated Financial Statements

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT (Continued)

The collaterals include both equity and debt securities listed in the PRC. As at June 30, 2014, the fair value of equity and debt securities as collaterals was Rmb2,650,255,000 (December 31, 2013: Rmb1,915,221,000) and Rmb153,622,000 (December 31, 2013: Rmb20,500,000), respectively.

14. 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 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

15. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Other liabilities:		
Accrued payroll and welfare	576,568	544,469
Advance from customers	60,522	94,124
Toll collected on behalf of other toll roads	3,021	5,057
Retention payable	126,545	143,807
Others	281,882	192,382
	1,048,538	979,839
Other accruals	23,031	15,657
Total	1,071,569	995,496

16. Financial assets sold under repurchase agreements

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 but regarded as “collateral” for the secured lending from these counterparties 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, 2014, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. The cash advanced to the Group were interest bearing. 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.

17. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party transactions 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 the 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) *Transactions with Communications Group*

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 for Jinhua Section in 2030.

For the six months ended June 30, 2014, Jinhua Co earned the leasing income of Rmb1,500,000 (corresponding period of 2013: Rmb1,500,000).

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(b) *Transactions with other government related parties*

- (1) 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 Zhejiang Expressway Petroleum Development Co., Ltd. (“Petroleum Company”) 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. During the Period, purchase of petroleum products from Petroleum Company totaled Rmb988,858,000 (corresponding period of 2013: Rmb811,976,000).

Petroleum Company is a government related party and also an associate of the Group.

- (2) 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.

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

- (1) On July 25, 2013 and December 30, 2013, Zhejiang Communications Finance provided the Company with short-term loans amounted to Rmb190,000,000 and Rmb150,000,000, at a fixed interest rate of 5.04% per annum, with maturity date of January 24, 2014 and March 31, 2014 respectively. Such loans were repaid on the maturity date. On June 9, 2014, Zhejiang Communications Finance provided the Company with short-term loans amounted to Rmb400,000,000, at a fixed interest rate of 5.04%, with maturity date of December 9, 2014. During the Period, the relevant interest expense amounted to Rmb3,293,000. Such loan was early settled before the issue date of the report.
- (2) Pursuant to the board resolutions of the Company as at August 28, 2010 and the entrusted loan contracts, the Company continued to provide entrusted loans totaling Rmb400,000,000, with a term of 18 months, to Zhejiang Canal Concord Property Co., Ltd. (“Zhejiang Canal Concord”, a subsidiary of the Group’s associate), at a fixed interest rate of 12% per annum. Such entrusted loans are guaranteed by World Trade Center Zhejiang Real Estate Development Co., Ltd. (“World Trade Ltd”), in full.

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

- (3) Pursuant to the board resolutions of Development Company on April 22, 2013, and the entrusted loan contract, Development Company provided entrusted loan on April 27, 2013 totalling Rmb50,000,000 with maturity date of April 27, 2014 to Zhejiang Canal Concord, at a fixed interest rate of 12% per annum. Such entrusted loan was guaranteed by World Trade Ltd in full and was repaid on the maturity date. Development Company continued to provide entrusted loan on May 28, 2014 totalling Rmb50,000,000 with maturity date of May 27, 2015 to Zhejiang Canal Concord, at a fixed interest rate of 12% per annum. Such entrusted loan is guaranteed by World Trade Ltd in full.

For the six months ended June 30, 2014, the interest income recognised on the above entrusted loan transactions with the associate were Rmb24,940,000 (corresponding period of 2013: Rmb23,548,000).

Interest receivables as at June 30, 2014 on the above entrusted loan transactions with the associate were Rmb24,654,000 (December 31, 2013: Rmb5,400,000). The amount will be repaid at maturity.

- (4) 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. On June 30, 2014, the balance of the Group under account of Zhejiang Communications Finance is Rmb194,827,000 (December 31, 2013: Rmb60,443,000).

Notes to Condensed Consolidated Financial Statements

18. 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).

	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, 2014 Rmb'000 (Unaudited)	December 31, 2013 Rmb'000 (Audited)				
1)	Equity investment listed in exchange	Held for trading investments	Assets – 111,370	Assets – 78,658	Level 1	Quoted bid prices in an active market	N/A	N/A
2)	Equity securities and Open-ended equity funds	Held for trading investments	Assets – 1,406	–	Level 1	Quoted bid prices in an active market	N/A	N/A
		Held for trading investments	Assets – 5,176	Assets – 5,242	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
3)	Fund listed in exchange	Available-for-sale investment	Assets – 40,894	Assets – 44,574	Level 1	Quoted bid prices in an active market	N/A	N/A
4)	Debt investments listed in exchange and debt investment in interbank market	Held for trading investments	Assets – 588,979	Assets – 443,810	Level 1	Quoted bid prices in an active market	N/A	N/A
		Available-for-sale investment	Assets – 127,000	Assets – 127,000	Level 1	Quoted bid prices in an active market	N/A	N/A
		Held for trading investments	Assets – 1,078,308	Assets – 653,315	Level 2	Discounted cash flow. Future cash flows are estimated on applying the interest curves of different types of bonds as the key parameter.	N/A	N/A

Notes to Condensed Consolidated Financial Statements

18. 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, 2014 Rmb'000 (Unaudited)	December 31, 2013 Rmb'000 (Audited)				
5) Investment in structured products	Available-for-sale investment	Assets – 211,200	Assets -126,948	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
		Assets – 163,031	Assets – 74,402	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
6) Investment in trust products	Available-for-sale investment	Assets – 92,664	Assets – 41,514	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

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2014 (Unaudited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	56,612	–	–	56,612
b. Finance service	27,769	–	–	27,769
c. Information technology service	6,020	–	–	6,020
d. Energy and water service	2,898	–	–	2,898
e. Transportation, storage and postal service	2,057	–	–	2,057
f. Real Estate	3,805	–	–	3,805
g. Construction	2,435	–	–	2,435
h. Mining	5,055	–	–	5,055
i. Wholesaling	2,260	–	–	2,260
j. Agriculture, forestry, fishing and animal husbandry	262	–	–	262
k. Leasing and commercial service	788	–	–	788
l. Culture, Sports and Entertainment	749	–	–	749
m. Others	660	–	–	660
Sub-total	111,370	–	–	111,370
– Open-ended fund	1,406	5,176	–	6,582
– Corporate bonds	588,979	1,078,308	–	1,667,287
Sub-total	701,755	1,083,484	–	1,785,239
Available-for-sale investments				
– Fund	40,894	–	–	40,894
– Corporate bonds	127,000	–	–	127,000
– Structured products	–	211,200	163,031	374,231
– Trust products	–	–	92,664	92,664
Sub-total	167,894	211,200	255,695	634,789

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2013 (Audited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	43,720	–	–	43,720
b. Finance service	15,482	–	–	15,482
c. Information technology service	6,396	–	–	6,396
d. Energy and water service	3,057	–	–	3,057
e. Transportation, storage and postal service	1,218	–	–	1,218
f. Real Estate	2,002	–	–	2,002
g. Construction	1,539	–	–	1,539
h. Mining	2,937	–	–	2,937
i. Wholesaling	1,170	–	–	1,170
j. Agriculture, forestry, fishing and animal husbandry	366	–	–	366
k. Others	771	–	–	771
	78,658	–	–	78,658
– Open-ended fund	–	5,242	–	5,242
– Corporate bonds	443,810	653,315	–	1,097,125
Sub-total	522,468	658,557	–	1,181,025
Available-for-sale investments				
– Fund	44,574	–	–	44,574
– Corporate bonds	127,000	–	–	127,000
– Structured products	–	126,948	74,402	201,350
– Trust products	–	–	41,514	41,514
Sub-total	171,574	126,948	115,916	414,438

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

18. 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	Total Rmb'000
As at January 1, 2013	–	–	–
Addition	74,810	41,000	115,810
Total (loss) gain recognised in other comprehensive income	(408)	514	106
As at December 31, 2013	74,402	41,514	115,916
Addition	138,770	52,500	191,270
Disposal	(49,500)	(500)	(50,000)
Total loss recognised in other comprehensive loss	(641)	(850)	(1,491)
As at June 30, 2014	163,031	92,664	255,695

19. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2014 Rmb'000 (Unaudited)	As at December 31, 2013 Rmb'000 (Audited)
Investments in subsidiaries	6,640,021	6,610,021
Amounts due from subsidiaries	537,549	328,324
Other assets	6,559,357	6,645,966
	13,736,927	13,584,311
Total liabilities	1,909,325	1,323,793
Capital and reserves		
Share capital	4,343,115	4,343,115
reserves	7,484,487	7,917,403
	11,827,602	12,260,518

20. EVENTS AFTER THE REPORTING PERIOD

As at August 14, 2014, Zheshang Securities, together with Yangshengtang Co., Ltd., an independent third party, auctioned off their respective 25% equity interest (totaling 50%) in Zheshang Fund Management Co., Ltd. in the manner of a bundled transfer through electronic bidding at Zhejiang Property and Stock Exchange. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd., another shareholder (independent from the Group) of Zheshang Fund. Zheshang Securities will receive a consideration of Rmb207,000,000. The equity transfer is still subject to approval from China Securities Regulatory Commission and equity transfer registration. Upon the disposal of such equity interest, Zheshang Securities will have no equity interest in Zheshang Fund any more.

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 27, 2014.

2014 Environmental and Social Responsibility Report

I. Scope of Report

The scope of this environmental and social responsibility report covers the Company and its subsidiaries with businesses related to expressway operations. Zheshang Securities Co. Ltd. and its affiliates, joint ventures and joint-stock companies are not included in this report.

II. Reporting Period

This environmental and social responsibility report covers the reporting period from 1 July 2013 to 30 June 2014.

III. Environmental and Social Responsibility Report

1. Quality of Work Environment

(1) *Work Environment*

Employees are the foundation for the Company's survival and development as well as the Company's valuable assets. The Company is committed to creating the corporate values of integrity, harmony, openness and progressiveness, providing employees with a good working environment and relaxed working atmosphere, and striving to establish a career platform on which the full potential of employees can be realized. Through a number of recruitment channels including campus recruitment, social recruitment, recommendation, self-recommendation, and recruitment agencies, the Company enlists talent and builds talent reserves that are in line with the Company's strategic requirements. A remuneration philosophy of grading by job specification, promotion by ability, and compensation adjusted by performance have been implemented. Compensation and benefits such as basic salaries, incentive payments, paid vacations, supplemental medical scheme and corporate annuity are provided. Career development paths such as competition for positions, two-way selection process, democratic recommendation and tasks swapping between employees have been implemented.

In order to resolve the employees' parking problem at the frontline stations, the company invested RMB1,090,000 during the reporting period for the construction of parking sheds by way of repairing and reconstructing the administration buildings at the Hangzhou management office, Shaoxing management office and the information centre.

As at the end of the reporting period, there were a total of 3,770 employees of the Company, among them 488 were hired by third-party employment agencies. The percentage of male employees and the percentage of female employees were 56.6% and 43.4% respectively. During the reporting period, the employee turnover was 169, representing 4.5% of the Company's total number of employees.

Figure 1. Number of male and female employees in the Company

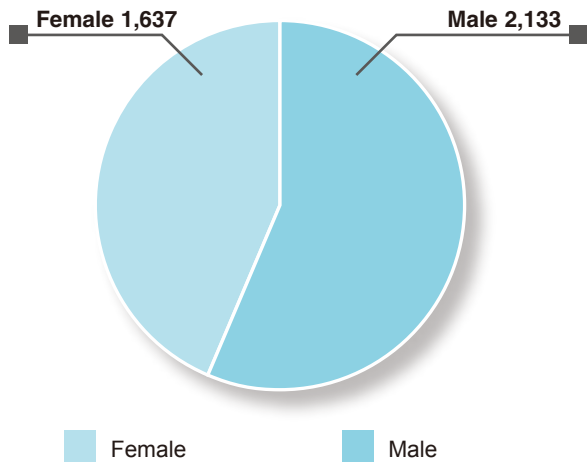


Figure 2. Categories of hired employees in the Company

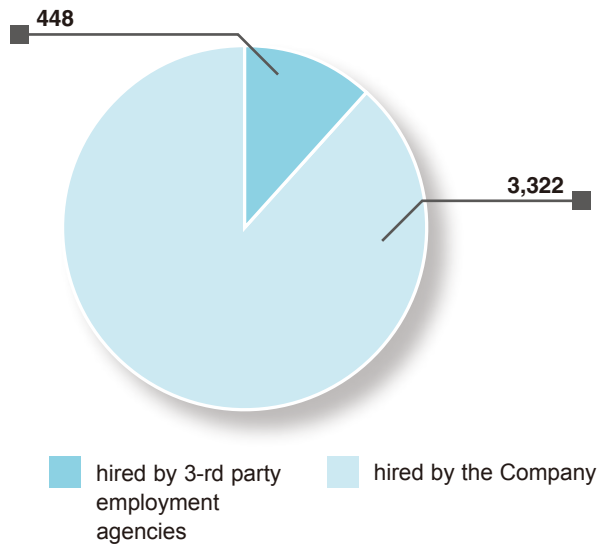
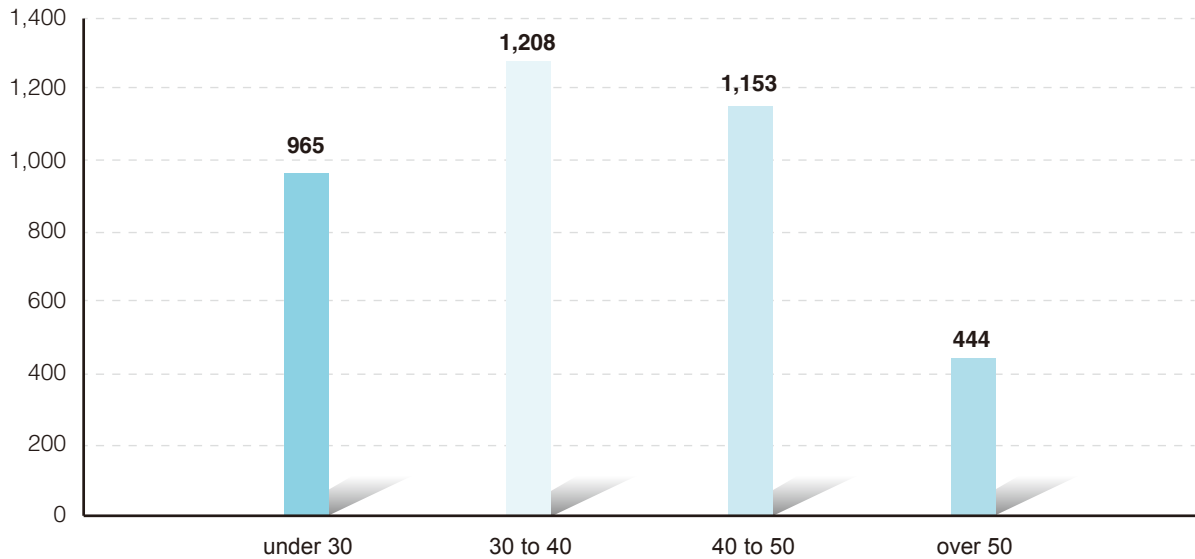


Figure 3. Employees' distribution by age in the Company



(2) Occupational Health and Safety

The Company adheres to the production safety policy of “people-oriented production and safe development”, and upholds the management principle of seamless integration between business operation and production safety. A responsibility system of production safety targets and risk-based deposits system have been implemented. Standardized safety operation procedures specific to the job positions have been implemented. Identification of potential sources of occupational health and safety hazards, assessment of risks and formulation of control measures are carried out from time to time. The Company’s occupational health and safety management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd. From time to time, the Company also carries out various forms of safety alert education sessions and training, as well as activities of special themes such as “identification of hidden risks”, “knowing and carrying out responsibilities” and “production safety month”. The Company provides personal accident insurance for all employees, arranges for regular staff medical inspections, and procures labour protection supplies for the protection of employees as necessary.

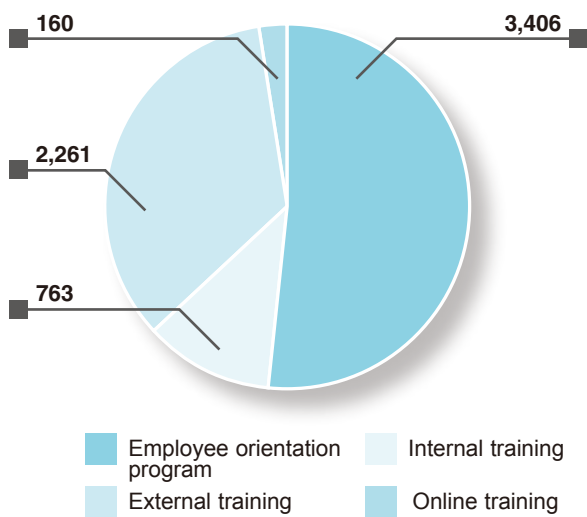
During the reporting period, the Company spent RMB544,000 for the purchase of employees’ personal accident insurance, RMB933,000 for staff medical inspections and RMB7,598,000 for the procurement of labour safety supplies and subsidies for use by the employees. During the reporting period, 7 cases of injured employees were reported, representing 0.2% of the total number of employees, while there was no fatal case of employees that was work-related.

(3) Development and Training

Staff development and training are pertinent to uplift employees' capabilities as well as to sustain the Company's development. The Company provides all staff with four types of training, namely new employee orientation programs, internal training, external training and online training. Employees are encouraged to participate in further education through appropriate incentives for those who have met training requirements and achieved results. According to the specific characteristics of different job positions, training including integrated management knowhow training, professional and technical business training, and production job skills training are provided in different categories and degrees of depth for the improvement of employees' technical capabilities and management skills.

During the reporting period, the Company has actively carried out various types of education and training tasks. The expenditure for training and development amounted to RMB4,410,000 and the accumulated training reached a total of 72,000 man-class-hours. The average training hours for senior staff, mid-level staff and junior staff were approximately 40 class-hours, 31 class-hours and 19 class-hours, respectively.

Number of employees participated in various trainings in Company



(4) Building a Corporate Culture

Corporate culture is the soul of the Company's development and its soft power equipped to beat the competition. During the reporting period, the Company was facing new circumstances and new challenges of reforms and innovations as well as restructuring and development. After a comprehensive selection process, Beijing AproaChina Investment and Management Consulting Co. Ltd. was selected to help the Company rebuild its corporate culture. Through processes including corporate culture diagnosis, corporate culture refinement, corporate culture discussions among all staff, and corporate culture establishment and promotion, a system of corporate culture which is appropriate for the Company's development needs has been established, at the same time consolidating and summarizing the fine traditions the Company has accumulated over the past 17 years since the establishment of the Company. A corporate culture handbook was prepared, a three-year corporate culture development plan was formulated and the establishment of "Home for Employees" and staff club for the frontline staff was greatly supported, with an aim to enhance internal vitality and stimulate the employees' enthusiasm for work, pro-activeness and initiatives so that they can support and safeguard the Company's new developments.

(5) Labour Standards

The Company supports and complies with the labour and employment laws and regulations, adheres to fair and equitable employment policies, and condemns the use of child labour and forced labour. Employment contracts are signed for 100% with all employees. The Company has established a collective bargaining process for the negotiation of employees' wages and has set up a system in which any major issues that may affect labour rights would require the consideration by and consent from the employees' representatives. A labour dispute arbitration committee has been put in place for the employees to protect labour rights. Dedicated rooms for psychological counseling and expressing emotion have also been established at the frontline stations. These facilities are manned by qualified, part-time psychological counselors who offer psychological consultations and counseling services to the employees, and guide them toward the maintenance of rational and peaceful minds, congenial work environments and contented lives. A distress relief fund (the distribution of which is in form of festive regards and living subsidies) has been established by the Company for the purposes of resolving special living difficulties of its staff resulted from critical illness and accidents. With the practical circumstances in mind, the Company has formulated the "Employee Retirement Administrative Guideline", which provides alternatives to properly resolve the actual difficulties of the elderly employees who are unable to fulfill the job requirements of their current positions. During the reporting period, the Company did not employ any child labour, nor has there been any labour dispute.

2. Environmental Protection

(1) Emissions

Protecting the environment is a shared responsibility of every member of society. The Company is primarily engaged in the investment, development and operation of high-grade highways. Although they are different from businesses which are involved in operations with direct impact to the environment, there are still certain direct or indirect impacts to the environment. The Company strictly complies with all environment-related laws and regulations. Environmental assessments are conducted according to relevant policy requirements. Wastewater disposal in the serviced areas as well as dust emission during the asphalt mixing process are in line with national standards. The “low-carbon, environmental friendly and high efficiency” asphalt pavement process which makes use of hot in-place recycling technique to achieve reduced use of asphalt mixture and enhance recycled materials for reuse is promoted and implemented. The Company’s environmental management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd.

	Reporting Period
Wastewater from toilets, restaurants and plaza within the service areas	743,000 metric tons
Compliance rate of discharged wastewater	100%
Recovered waste asphalt mixture	84,000 metric tons
Reused of waste asphalt mixture	10,000 metric tons
Dust emission compliance rate for hot mix asphalt	100%

(2) Resource Consumption

The Company encourages all staff to conserve resources for the improvement of the environment and cost reduction. On the basis that quality of products and services are ensured, the Company strives to minimize the quantity used as well as wastage during the resource utilization processes, to use energy-saving, low-power technology and products as much as possible, to adopt energy-efficient light sources for the energy saving transformation of lighting equipment, and to encourage and support staff to bring up justifiable suggestions about energy conservation and energy saving.

	Reporting Period
Water ¹	1,848,000 metric ton
Electricity ¹	36,384,000 kWh
Steam	2,392.7 metric ton
Fuel	
Gasoline	760.6 metric ton
Diesel	1,688.7 metric ton
Heavy oil	2,892.2 metric ton

Note 1: The water and electricity charges for the Company's headquarters are included in the property management fees and are difficult to estimate. As such, the data on water and electricity consumption excludes the water and electricity consumed by the Company's headquarters.

(3) Environment and Natural Resources

The Company adopts an energy-saving and green environmental management policy. Integrated with the specific locations and environment of the frontline toll stations, "Beautiful Stations" are erected with planting of greeneries, fruit trees and seasonal crops, with an aim to create a rural economy and achieve a greener environment at the same time, to enhance the appearances of the frontline stations and to improve the work environment of the frontline staff. In the office areas, the Company places green plants at appropriate spots according to the spatial arrangements at work place so as to create a vibrant atmosphere in the work environment. Video conferencing, office automation and email systems are widely used by the Company. Daily consumption of paper and office supplies is minimized and double-sided printing in the offices is encouraged to reduce the consumption of paper and its impact on the environment. During the reporting period, the Company consumed 820 cartons of paper (each carton contains 5,000 pieces of paper).

3. Operation Practices

(1) *Management of Suppliers*

The selection and identification of suppliers for the Company is subject to the “Guidelines on Management of Company’s Bidding” (《公司招標投標管理辦法》) issued by the Company. The procurements which are within the scope and meet the standards should be processed by way of tender, competitive negotiation and quotation comparison, and are conducted based on the principles of transparency, fairness, equity and integrity. The Company has established a bidding management committee and a bid evaluation committee. Any member of the bid evaluation committee who is found connected to potential suppliers must abstain from the evaluation. In relation to maintenance projects, equipment replacements, asphalt and stone procurements, the Company identified 50 suppliers by way of tender, with total procurement amounted to RMB280,427,000 during the reporting period.

(2) *Security System*

The Company’s quality management policy is to ensure safety, accessibility, quality and efficiency. Its core responsibilities in respect of products and services are to ensure that highways and ancillary facilities are intact, smooth and accessible. In order to best fulfill its core responsibilities, the Company has prepared mid to long-term road maintenance plans as well as annual maintenance schedules, established a standardized toll services system, formed an emergency team and set up a response mechanism for traffic accidents. An integrated support service combining dining, shopping, sanitation, fueling and vehicle repair has been established. Equipment repairs, maintenance and emergency handling procedures were standardized. An operational system for the assurance of occupational health and production safety was formulated. Access to the Zhejiang Provincial expressway service hotline 12122 has been set up. The retention period for vehicles images and inquiry procedures were standardized. With a team who provides courteous customer service and collects tolls only according to defined charging mechanism, the Company’s quality management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd.

During the reporting period, the Company invested RMB391,878,000 on road maintenance for road surface treatment of 408,000 square meters of defective road surface, 70.5 kilometers of pavement overlay (single carriageway), overlay at 196 bridgeheads as well as protection and reinforcement of 33 high slopes. As inspected by the Zhejiang Road Administration Bureau, the pavement quality indices (PQI) of Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway were 94.3, 94.4 and 94.1, respectively, all of which have met the highest standards recognized by the government transportation authority, and was named as a “2013 Progressive Unit in Zhejiang Province Highway Maintenance Responsibilities Targets Inspection”. The Company monitors the full length of highways and carries out regular road inspections and special inspections in response to abnormal weather and events, with an aim to detect abandoned objects or spilled materials on expressways as early as possible and to take appropriate measures to clean or to remove them. Public liability insurances are purchased to cover the potential loss suffered by the Company as a result of traffic accidents caused by abandoned objects or spillage on roads. During the reporting period, there were 487 traffic accidents along Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway caused by abandoned objects or spillage on roads, of which 13 were covered by the Company’s public liability insurances and compensated by the insurance company for the benefit of the parties involved. There was no similar traffic accident for which the court held that the Company had to be liable for the compensation.

2014 Environmental and Social Responsibility Report

During the reporting period, the full length of the Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway were open for 331 days, inaccessible or closed for 34 days (including complete closure, closure of certain lanes, closure for a specified period, closure of toll stations and traffic diversion from main roads, etc.) due to causes such as traffic accidents, bad weather and road construction. The total number of the Company's ETC lanes reached 104, and a total of 22 automatic card issuing lanes at the entrances were added. The throughput of vehicles reached 144,598,000 units.

During the reporting period, the Company's 24-hour service hotline received a total of approximately 4,500 inquiries, of which 106 were related to customer complaints, representing a complaint rate of seven millionths (0.00007%) and the ratio of complaint handling and response was 100%. 1,109 customers were randomly selected for customer satisfaction survey and the results demonstrated that the rate of customer satisfaction was 97.6%.

In order to improve the overall appearance of the service areas, the Company carried out improvements on spatial arrangement and upgraded hardware equipment for some service areas under its management during the reporting period. The Company carried out a questionnaire survey in respect to customer demand and consumer trend, after which new foods and beverages including fast foods and local specialty snacks were introduced to meet customers' needs. The Company made contribution to public liability insurance in order to cover the losses incurred by its customers from accidental injuries within the service areas. The Company was awarded as one of the ten best contenders in the "The First Session of Outstanding Management Company of Highway Service Areas in China" ("中國第一屆高速公路服務區優秀管理公司" 十佳稱號). The Company was assessed and selected by the China Highway and Transportation Society among more than 200 competitors in China, and reviewed by competent authorities including the Zhejiang Provincial Communication Department. Jiaxing service area, Shaoxing service area, Yuyao service Area and Chang'an service area were awarded as four-star service areas, and Shengzhou service area, Xinchang service area and Tiantai service area were awarded as three-star service areas.

During the reporting period, the Company performed 31,473 roadside assistances. From receiving a request for roadside assistance to dispatch of rescue team, the average response time required was approximately 5 minutes.

During the reporting period, the Company has not been involved in any intellectual property litigation or any proceedings in relation to customer privacy leakage, nor has there been any food safety incident in its service areas.

(3) *External Liabilities*

Due to the inherent characteristics of our products and services, such as highway traffic noises and occasional spillage of dangerous goods on the roads, there are inevitably some impacts to the social environment and the daily lives of the residents along the roads. In this respect, the Company, through consultation with the government and residents, has installed soundproofed glasses in the affected residential units, and planted trees on roadsides to mitigate the noise nuisance caused to the residents. The Company has taken a series of measures to reduce or eliminate spillage of dangerous goods on the roads, including registration of vehicles carrying dangerous goods at the entrances, placement of warning signs, upgrading accident-prone road sections, formulation of internal emergency response plans, assisting local governments along the highways in preparation of contingency plans, and organizing emergency drills to shorten response time and improve handling capacity.

During the reporting period, there were a total of 3 incidents of dangerous goods spillage along the Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway. The Company properly handled the incidents through active cooperation with the safety production supervision authorities and government environmental agencies and acted according to their requirements. No incident of dangerous goods spillage occurred due to the Company's fault.

(4) *Anti-corruption*

All of the Company's staff are familiar with the legal liabilities in respect to corruption. In order to strengthen its internal anti-corruption and anti-bribery monitoring work. The Company has established an internal monitoring unit—discipline inspection and supervision office, and each frontline station is manned with part-time discipline inspection and liaison personnel. The Company fortifies the responsibility of leaders and employees at all levels in fighting against corruption by way of signing a "letter of responsibility against corruption". Anti-corruption education activities such as "performance evaluation and integrity evaluation", "watching anti-corruption education videos", "visiting police education bases" and holding "anti-corruption business reporting seminars" are carried out. During the reporting period, there was no major illegal case in relation to corruption.

4. Community Involvement

(1) *Investment in Community*

The Company participates in the establishment of civilized units and is enthusiastic about public welfare activities in the community. In particular, it actively engages in helping the distressed people by providing material, mental and capability enhancement assistances, with an aim to uplift the spare-time civil qualities of the villagers in targeted villages, promote moral and ethical education, enrich their business and cultural lives, improve their living environment and quality of life, and to care for the left-behind children. During the reporting period, the Company cooperated with 20 institutions in giving assistance and sharing of cultural life with identified parties, helped 21 poor children to continue with their school, giving assistance amounting in total to RMB279,000.

(2) Volunteer Programme

Volunteer programme is an important vehicle through which our staff contributes to society. It is also a cultural value which the Company advocates. A number of volunteer service teams are formed to carry out volunteer activities in various forms and with different contents which take place during festive occasions and holidays. These include emergency rescues, traffic directions, services for the convenience of people, unpaid blood donations and driving safety initiatives. During the reporting period, the Company organized 129 volunteer activities in which a total of 1,235 employees participated, and 58 employees engaged in blood donations.

(3) Donation

The Company supports the development of cultural and sports activities in Zhejiang Province and has entered into a donation agreement with Zhejiang Sports Bureau, pursuant to which the Company donates RMB1,000,000 every year to Zhejiang College of Sports (three years in total) for the funding of teaching, scientific research and talent development. In response to the call of Zhejiang Provincial government, all employees took the initiative to contribute a total of RMB143,000 to support the Zhejiang Provincial government in the development and implementation of aquatic improvement projects for the enhancement of people's living environment throughout the province.

(This environmental and social responsibility report of 2014 was approved by the Board on 27 August 2014.)

Corporate Information

Executive Directors

ZHAN Xiaozhang (Chairman)
LUO Jianhu (General Manager)
DING Huikang

Non-Executive Directors

LI Zongsheng
WANG Weili
WANG Dongjie

Independent Non-Executive Directors

ZHANG Junsheng
ZHOU Jun
PEI Ker-Wei

Supervisors

FU Zhexiang
WU Yongmin
LIU Haisheng (Resigned on 8 April, 2014)
ZHANG Guohua
ZHANG Xiahua

Company Secretary

Tony Zheng

Authorized Representatives

ZHAN Xiaozhang
ZHANG Jingzhong

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Hong Kong

Investor Relations Consultant

PR Concpets Asia Limited
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36 Hennessy Road, Wanchai
Hong Kong
Tel : 852-2117 0861
Fax: 852-2117 0869

Principal Bankers

Industrial and Commercial Bank of China,
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

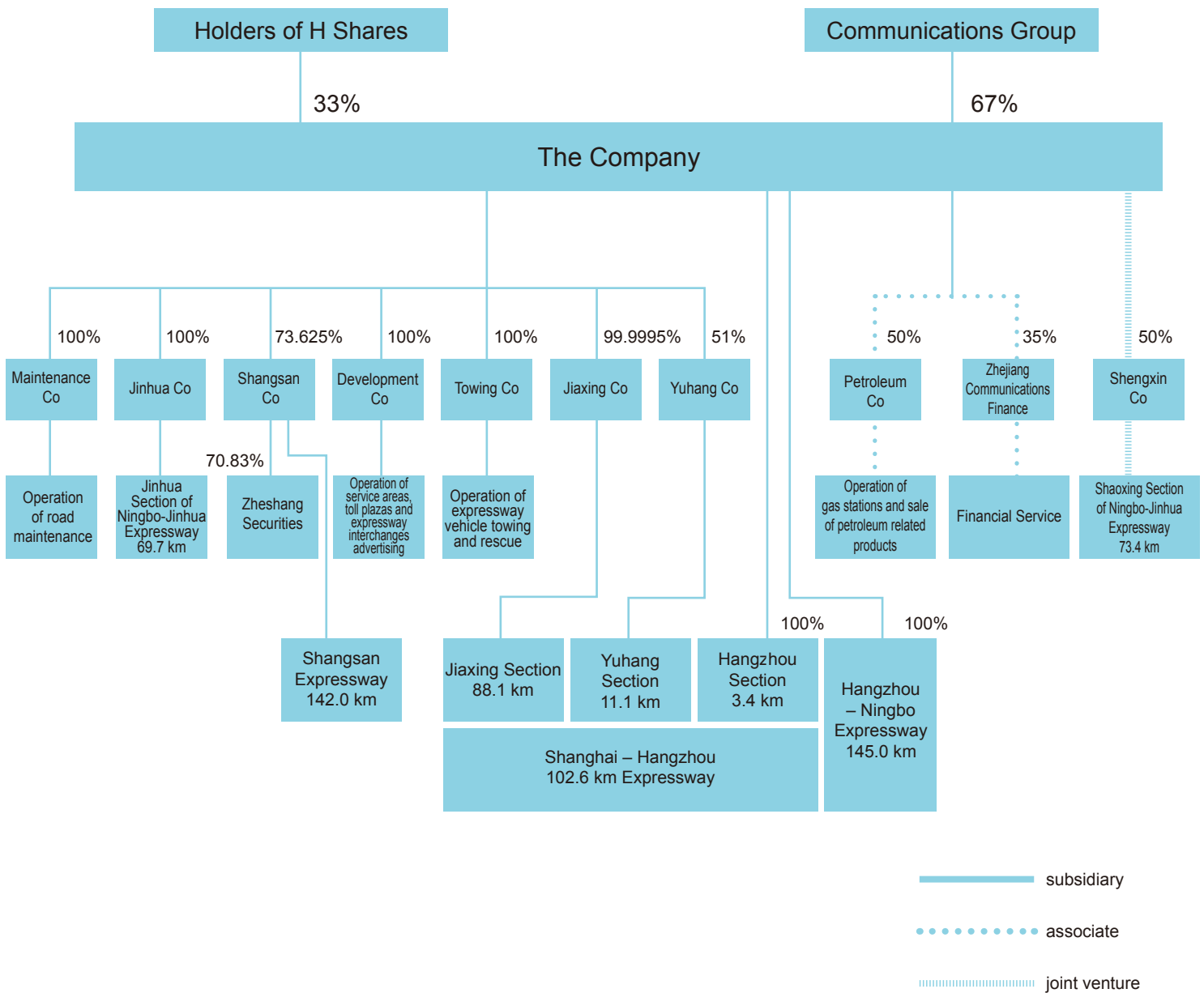
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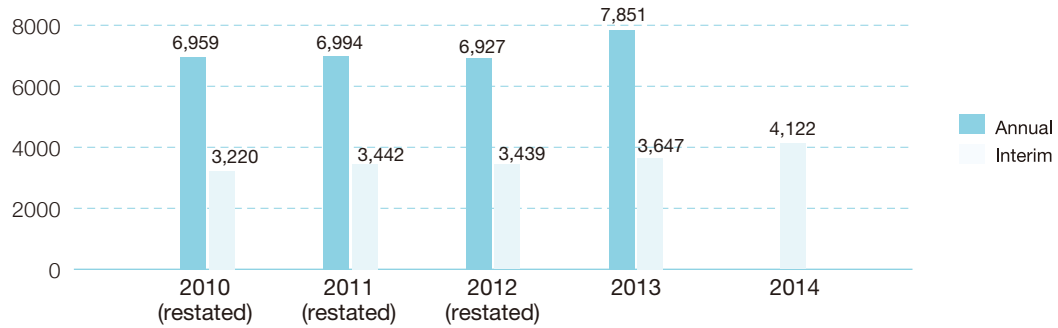
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Corporate Structure of the Group

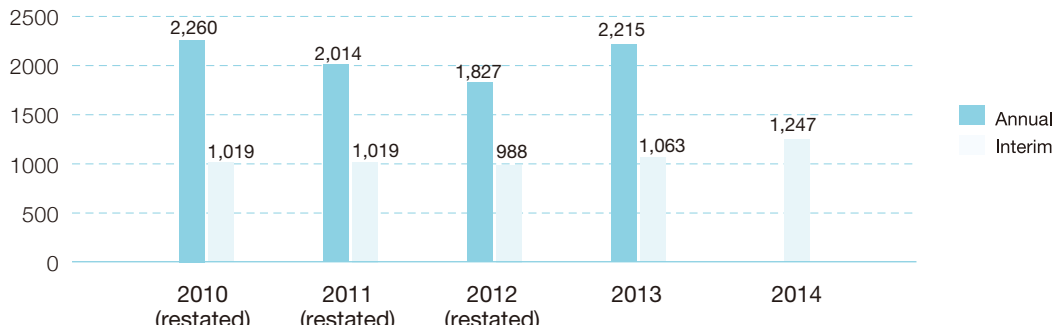


Financial Highlights

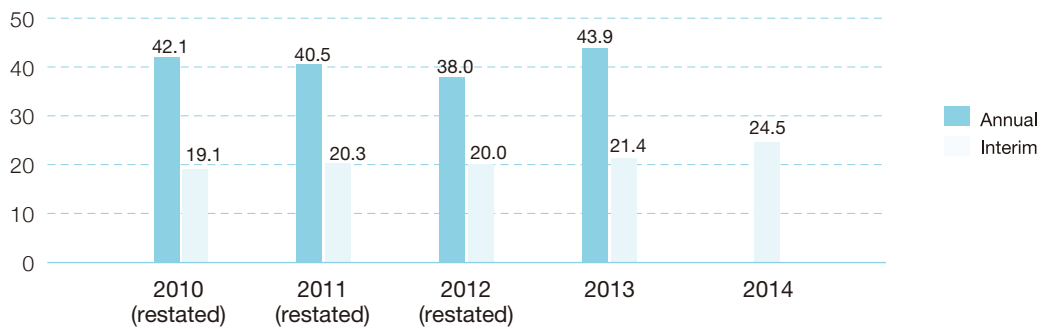
Revenue (Rmb Million)



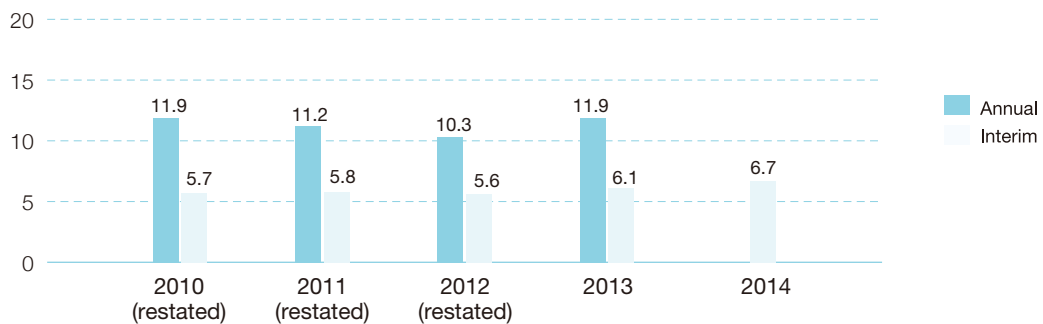
Net Profit (Rmb Million)



EPS (Rmb Cents)



ROE (%)



Location Map of Expressways in Zhejiang Province



