



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 2015 Interim Report

Deepen Reform and Innovation Achieve Steady Growth

In the first half of 2015, Zhejiang Province's economy steadily improved, and traffic volume on the Group's expressways continued to maintain decent organic growth. In addition, trading activities on the domestic stock markets were active. As a result, income from the Group's overall operations increased 46.2% year-on-year to Rmb6,203.63 million, of which Rmb2,230.83 million was generated by the three major expressways operated by the Group, representing an increase of 5.7% year-on-year and 36.0% of the total income. Income from the Group's toll road-related businesses was Rmb940.00 million, representing a decrease of 22.2% year-on-year and 15.2% of the total income. The Group's securities business contributed income of Rmb3,025.10 million, representing an increase of 227.3% year-on-year and 48.8% of the total income.

Looking ahead to the second half of the year, China's economy is under a full transition to the "new normal." The Group will analyze both internal and external environment and strengthen its strategic development research. It will focus on enhancing its core toll road business by prudently investing in and acquiring high-quality road assets. The Group will also optimize its securities business and seek suitable investment projects via a wide variety of channels so as to further expand the asset size of its core business and enhance profitability in the future.

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● 2015 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, 2015 (the “Period”), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

During the Period, revenue for the Group was Rmb5,959.48 million, representing an increase of 44.6% over the same period in 2014. Profit for the Period attributable to owners of the Company was Rmb1,514.45 million, representing an increase of 42.4% year-on-year. Earnings per share for the Period was Rmb34.87 cents (same period in 2014: Rmb24.49 cents).

The Directors have recommended to pay an interim dividend of Rmb6 cents per share (same period in 2014: Rmb6 cents), subject to shareholders’ approval at the extraordinary general meeting of the Company to be held in due course.

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

Benefiting from a series of policies on ensuring steady growth in the first half of 2015, China's economy is currently in a steady phase. The national GDP exceeded expectations and grew by 7.0% year-on-year. Thanks to the initial success of Zhejiang's economic transformation and upgrade, which partially offset the slow growth suggested by conventional economic growth indicators (investment, consumption and exports), Zhejiang Province's GDP increased by 8.3% year-on-year.

As Zhejiang Province's economy steadily improved during the Period, traffic volume on the Group's expressways continued to maintain decent organic growth. In addition, trading activities on the domestic stock markets were active. As a result, income from the Group's overall operations increased 46.2% year-on-year to Rmb6,203.63 million, of which Rmb2,230.83 million was generated by the three major expressways operated by the Group, representing an increase of 5.7% year-on-year and 36.0% of the total income. Income from the Group's toll road-related businesses was Rmb940.00 million, representing a decrease of 22.2% year-on-year and 15.2% of the total income. The Group's securities business contributed income of Rmb3,025.10 million, representing an increase of 227.3% year-on-year and 48.8% of the total income.

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

	For the six months ended June 30,		% Change
	2015 Rmb'000	2014 Rmb'000	
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	1,552,029	1,495,972	3.7%
Shangsan Expressway	513,395	470,822	9.0%
Jinhua section, Ningbo-Jinhua Expressway	165,406	144,724	14.3%
Toll road-related business			
Service areas	887,622	1,138,682	-22.0%
Advertising	22,994	50,027	-54.0%
Road maintenance	29,385	19,852	48.0%
Securities business income			
Commission	2,132,766	641,797	232.3%
Interest income	892,330	282,349	216.0%
Other income			
Hotel business	7,702	–	N/A
Subtotal	6,203,629	4,244,225	46.2%
Less: Revenue taxes	(244,150)	(122,403)	99.5%
Revenue	5,959,479	4,121,822	44.6%

Toll Road Operations

Driven by the macro and regional economic effects, the Group's expressways' traffic volume maintained solid growth. During the Period, the organic traffic volume growth rates for the Group's three expressways, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway and the Jinhua Section of the Ningbo-Jinhua Expressway, were of 5.9%, 8.6% and 10.8%, respectively, with the varied rates of growth due to the different regions where these three expressways are located.

The construction on the neighbouring Hangzhou Airport Road started on April 15, 2014, resulting in a truck traffic restriction for 23.7 km section of the Group's Shanghai-Hangzhou-Ningbo Expressway. The opening of the Qianjiang Road on April 16, 2014 also diverted traffic and led to a loss in toll income from the Shanghai-Hangzhou-Ningbo Expressway in the same period of 2014. During the period, as the traffic diversion effect gradually stabilized, toll income of Shanghai-Hangzhou-Ningbo Expressway posted decent growth.

Since its opening in July, 2013, the Jiaxing-Shaoxing Bridge (not operated by the Group) has had positive effects to the Shangsans Expressway. During the Period, the high traffic volume growth stabilized and toll income of the section returned to stable growth.

Meanwhile, the Jinhua Section of the Ningbo-Jinhua Expressway continued to have a high organic growth in traffic volume resulting from strong growth in trade at the nearby Yiwu small commodities market and the booming development of e-commerce and foreign trade in the surrounding areas. The positive effects on toll income growth caused by construction of local roads that run parallel to the Jinhua Section of the Ningbo-Jinhua Expressway gradually diminished. Meanwhile, since the neighbouring Hangzhou-Jinhua-Quzhou Expressway has closed since June 6, 2015 due to construction, the diverted traffic has led to a substantial growth in traffic volume in the Jinhua Section of the Ningbo-Jinhua Expressway.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 46,449, representing an increase of 6.1% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 44,251, representing an increase of 4.8% year-on-year, and that along the Hangzhou-Ningbo Section was 48,021, representing an increase of 7.0% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 25,081, representing an increase of 11.8% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 17,852, representing an increase of 17.7% year-on-year.

During the Period, total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsans Expressway and the 70km Jinhua Section of the Ningbo-Jinhua Expressway was Rmb2,230.83 million, representing an increase of 5.7% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,552.03 million, representing an increase of 3.7% year-on-year; toll income from the Shangsans Expressway was Rmb513.39 million, representing an increase of 9.0% year-on-year. Toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb165.41 million, representing an increase of 14.3% 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 and shops in service areas, as well as advertising at expressway interchanges and external road maintenance.

During the Period, affected by the temporary closure of the Bei'an Service Area to the north of the Hangzhou Bay Bridge for renovation and the competition from surrounding new service areas, the Group's income from service areas along the expressway (excluding gas stations) recorded only a slight increase year-on-year.

In addition, Zhejiang Province took action to remove billboards from along sides of the expressway, which gradually narrowed the advertising business of the Group's subsidiary to expressway exchange areas, toll stations and service areas. As a result, advertising income was substantially reduced within the period.

During the Period, external road maintenance projects brought satisfactory revenue. However, total income from toll road-related operations was adversely affected by several reductions to retail price of domestic refined oil. During the Period, income from toll road-related operations was Rmb940.00 million, representing a decrease of 22.2% year-on-year.

Securities Business

During the Period, Zheshang Securities' average brokerage commission rate continued to decline due to intensified competition in the securities industry and the gradual relaxation of controls on commissions. Benefiting from a revival of activity in the domestic securities market, the total trading volume of the Shanghai and Shenzhen stock markets increased 545.8% from last year. As a result, even though the Shanghai and Shenzhen stock markets were significantly volatile in June, 2015, the brokerage business of Zheshang Securities achieved a substantial increase in trading volume and posted a year-on-year increase of 308.6% in brokerage commission income.

In addition, while accelerating the comprehensive development of each of its business segment, Zheshang Securities has been actively developing innovative businesses, and constantly working to improve its income and profit structure. During the Period, even though income from its investment banking business slightly decreased, Zheshang Securities margin financing and securities lending, as well as asset management businesses recorded significant year-on-year increases of 353.3% and 267.5%, respectively.

Zheshang Securities' IPO application to the Shanghai Stock Exchange was accepted by the China Securities Regulatory Commission in May, 2013, and it remains on the wait list for an IPO.

During the Period, Zheshang Securities' total operating income was Rmb3,025.10 million, an increase of 227.3% year-on-year. Of this, brokerage commission income rose 232.3% year-on-year to Rmb2,132.77 million, and interest income from the securities business was Rmb892.33 million, an increase of 216.0%. Moreover, during the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb324.65 million (the corresponding period of 2014: gains of Rmb79.15 million).

Business Review

Other Business

Grand New Century Hotel Yuhang Hangzhou, owned and operated by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), began operating on April 28, 2015 and realized income (including sales tax and additional tax) of Rmb7.70 million as of June 30, 2015.

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company), adversely affected by the continuous reduction in prices of domestic refined oil product and declining sales volume, recorded income of Rmb2,554.88 million, a decrease of 21.8% from last year. During the Period, net profit of the associate company was Rmb7.42 million (corresponding period of 2014: net profit of Rmb11.36 million).

Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 14,357, an increase of 5.1% year-on-year. Toll income during the Period was Rmb154.94 million. However, due to its relatively heavy financial burden, the joint venture reported a loss of Rmb30.47 million (corresponding period of 2014: loss of Rmb31.20 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company), derives income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, this associate company realized a net profit of Rmb78.49 million (corresponding period of 2014: net profit of Rmb66.89 million).

Human Resources

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

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 Rmb1,514.45 million, representing an increase of 42.4% year-on-year, return on owners' equity was 8.7%, representing an increase of 30.7% year-on-year, while earnings per share for the Company was Rmb34.87 cents.

Liquidity and financial resources

As at June 30, 2015, current assets of the Group amounted to Rmb74,885.63 million in aggregate (December 31, 2014: Rmb35,745.72 million), of which bank balances and cash accounted for 11.4% (December 31, 2014: 11.4%), bank balances held on behalf of customers accounted for 57.1% (December 31, 2014: 46.4%), held for trading investments accounted for 5.9% (December 31, 2014: 5.9%) and loans to customers arising from margin financing business accounted for 21.8% (December 31, 2014: 23.9%). Current ratio (current assets over current liabilities) of the Group as at June 30, 2015 was 1.2 (December 31, 2014: 1.2). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.8 (December 31, 2014: 1.6).

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Cash and cash equivalents		
Rmb	7,849,578	3,266,792
US\$ in Rmb equivalent	30,146	28,832
HK\$ in Rmb equivalent	13,819	6,098
Time deposit – Rmb	606,320	761,320
Held for trading investments – Rmb	4,437,443	2,124,740
Available-for-sale investments – Rmb	600,711	570,021
Total	13,538,017	6,757,803
Rmb	13,494,052	6,722,873
US\$ in Rmb equivalent	30,146	28,832
HK\$ in Rmb equivalent	13,819	6,098

The amount of held for trading investments of the Group as at June 30, 2015 was Rmb4,437.44 million (December 31, 2014: Rmb2,124.74 million), of which 90.3% was invested in bonds, 4.8% was invested in stocks, and the rest was invested in open-end equity funds.

Financial Analysis

During the Period, net cash flow used in the Group's operating activities amounted to Rmb3,899.54 million. Excluding the effect of increase of loans to customers arising from margin financing business of Zheshang Securities, the resultant net cash inflow generated from operating activities amounted to Rmb3,886.39 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, 2015, total liabilities of the Group amounted to Rmb68,836.45 million (December 31, 2014: Rmb30,225.12 million), of which 0.4% was bank borrowings, 3.0% was short-term loan note, 12.6% was bonds payable, 12.6% was financial assets sold under repurchase agreements, 2.1% was placements from other financial institutions and 62.0% was accounts payable to customers arising from securities business.

As at June 30, 2015, total interest-bearing borrowings of the Group amounted to Rmb11,090.00 million, representing an increase of 355.7% compared to that as at December 31, 2014. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb300.00 million, short-term loan note with three-month maturity of Rmb500.00 million, beneficial certificates of Rmb1,590.00 million, subordinated bonds of Rmb7.20 billion and corporate bonds of Rmb1.50 billion. Of the interest-bearing borrowings, 70.8% was not payable within one year.

	Gross total Rmb'000	Maturity Profile		
		Within 1 year Rmb'000	>1 year– 5 year inclusive Rmb'000	Beyond 5 year Rmb'000
Floating rates				
Domestic commercial bank loans	300,000	150,000	150,000	–
Fixed rates				
Short-term loan note payable – beneficial certificates	1,590,000	1,590,000	–	–
Short-term loan note payable – short-term loan note	500,000	500,000	–	–
Bonds payable – subordinated bonds	7,200,000	1,000,000	6,200,000	–
Bonds payable – corporate bonds	1,500,000	–	1,500,000	–
Total as at June 30, 2015	11,090,000	3,240,000	7,850,000	–
Total as at December 31, 2014	2,433,570	1,033,570	1,400,000	–

As at June 30, 2015, the Group's loans from domestic commercial banks were short and long-term loans, of which long-term loans due in one year amounted to Rmb150.00 million, with floating interest rate ranging from 5.085% to 6.33% per annum. The annual coupon rate for short-term loan note was fixed at 2.93%. The fixed annual interest rates of beneficial certificates ranged from 5.2% to 6.47% respectively. The fixed annual interest rates for subordinated bonds ranged from 5.7% to 6.3% respectively. The annual coupon rate for corporate bonds was fixed at 4.9%, while the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses for the Period amounted to Rmb172.19 million, while profit before interest and tax amounted to Rmb2,939.40 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 17.1 times (corresponding period of 2014: 39.7 times).

As at June 30, 2015, the asset-liability ratio (total liabilities over total assets) of the Group was 75.8% (December 31, 2014: 58.9%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances held on behalf of customers) of the Group was 54.4% (December 31, 2014: 39.3%).

Capital structure

As at June 30, 2015, the Group had Rmb21,948.38 million in total equity, Rmb63,576.95 million in fixed-rate liabilities, Rmb300.00 million in floating-rate liabilities, and Rmb4,959.49 million in interest-free liabilities, representing 24.2%, 70.0%, 0.3% and 5.5% 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 119.2% as at June 30, 2015 (December 31, 2014: 64.7%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totalled Rmb282.60 million, while capital expenditure of the Company totalled Rmb118.61 million. Amongst the total capital expenditure of the Group, Rmb98.01 million was incurred for equity investment, Rmb105.07 million was incurred for acquisition and construction of properties, Rmb61.51 million was incurred for purchase and construction of equipments and facilities, and Rmb18.01 million was incurred for service area renovation and expansion.

As at June 30, 2015, the remaining capital expenditure committed by the Group and the Company totalled Rmb737.57 million and Rmb392.20 million, respectively. Amongst the remaining balance of total capital expenditures committed by the Group, Rmb115.00 million will be used for equity investment, Rmb202.98 million will be used for acquisition and construction of properties, Rmb369.90 million for acquisition and construction of equipment and facilities, Rmb49.69 million for service area renovation and expansion.

● Financial Analysis

The Group will finance the above-mentioned capital expenditure commitments with internally generated cash flow first and then will 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, Rmb55.00 million of the bank loans had been repaid.

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 a pledged asset for its domestic commercial bank loans, the remaining outstanding balance of which was Rmb100.00 million. As at June 30, 2015, the carrying amount of the pledged asset was Rmb1,721.73 million.

Except for the above, as at June 30, 2015, 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 and Zheshang Futures Co., Ltd. (a wholly owned subsidiary of Zheshang Securities) setting up Zheshang Futures (Hong Kong) Co., Limited with HK\$10.00 million contributed capital on April 23, 2015, 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.

Since the global economy is recovering slowly and China's economy is facing downward pressure, the economy of Zhejiang province also continues to encounter headwinds in the "new normal" phase. Due to both macro and regional economic factors affecting the Group's toll road business, overall traffic volume growth in 2015 will remain steady, although slower than the growth seen in 2014.

The Dongyang-Yongkang Expressway that was opened to traffic in July, 2015 is expected to have a slight diversion impact on traffic for the Jinhua Section of the Ningbo-Jinhua Expressway. To address this negative effect caused by the surrounding new road networks, the Group will continue to attract more traffic to the Group's expressways by closely monitoring the roads and conducting timely research and analysis, thereby minimizing the loss caused by traffic diversions from new road networks.

In recent years, the Chinese government's policy of allowing small passenger cars to travel for free on toll roads during important holidays has brought challenges and pressure to the Group's toll road business. However, the Ministry of Transport of the PRC has newly published a draft amendment of the Regulation of the Administration of Toll Roads to solicit opinions from the public, which we expect might present new opportunities to the expressway toll sector.

The stock markets in Shanghai and Shenzhen were hit by major volatility in mid-June. While the Chinese government has already ushered in a series of stabilization measures, it is expected that proactive financial policies, an accommodative monetary policy, and other moves that promote the development of the capital markets will be enacted in the second half of the year. The Group anticipates that these will bring new opportunities for the Group's securities business. Zheshang Securities Co., Ltd. will further reinforce its risk and cost controls, closely monitor new market policies, as well as seek new profit drivers by continuously innovating its business. In terms of the ongoing public offering process, Zheshang Securities' IPO may be delayed due to the IPO suspension imposed by the China Securities Regulatory Commission.

Looking ahead to the second half of 2015, China's economy is under a full transition to the "new normal." The new session of the management of the Company believes that the economic transformation and optimization of the industry structure in Zhejiang Province will bring new opportunities for the Group to grow and evolve. Management will analyze both internal and external environment and strengthen its strategic development research. It will focus on enhancing its core toll road business by prudently investing in and acquiring high-quality road assets. The Group will also optimize its securities business and seek suitable investment projects via a wide variety of channels so as to further expand the asset size of its core business and enhance profitability in the future.

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, 2015, 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, 2015, 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)
BlackRock, Inc.	Interest of controlled corporations	190,559,467 (L)	13.29%
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	160,528,605 (L) 76,571,808 (P)	11.19% 5.34%

The letter "L" denotes a long position. The Letter "P" denotes interest in a lending pool.

Disclosure of Interests and Other Matters

Save as disclosed above, as at June 30, 2015, 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 includes a fair review of the material related party transactions that have taken place during the Period and any material changes in the related party transactions described in the Company’s annual report for the year ended 31 December 2014.

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

Hangzhou, the PRC, August 21, 2015

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,	
		2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Revenue	3	5,959,479	4,121,822
Operating costs		(3,385,571)	(2,580,471)
Gross profit		2,573,908	1,541,351
Securities investment gains		332,925	87,240
Other income	4	111,284	140,164
Administrative expenses		(40,772)	(33,552)
Other expenses		(43,854)	(26,556)
Share of profit of associates		21,141	24,868
Share of loss of a joint venture		(15,234)	(15,602)
Finance costs	5	(168,937)	(39,869)
Profit before tax	6	2,770,461	1,678,044
Income tax expense	7	(710,645)	(430,799)
Profit for the Period		2,059,816	1,247,245
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair values gain (loss) during the Period		21,747	(2,719)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(410)	–
Exchange differences on translating foreign operations		(125)	–
Income tax relating to components of other comprehensive income (loss)		(5,334)	680
Other comprehensive income (loss) for the Period (net of tax)		15,878	(2,039)
Total comprehensive income for the Period		2,075,694	1,245,206
Profit for the Period attributable to:			
Owners of the Company		1,514,448	1,063,433
Non-controlling interests		545,368	183,812
		2,059,816	1,247,245
Total comprehensive income for the Period attributable to:			
Owners of the Company		1,522,570	1,062,183
Non-controlling interests		553,124	183,023
		2,075,694	1,245,206
Earnings per share – Basic and diluted	9	34.87 cents	24.49 cents

Condensed Consolidated Statement of Financial Position

		As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,064,021	2,987,465
Prepaid lease payments		64,925	66,001
Expressway operating rights		10,710,162	11,112,507
Goodwill		86,867	86,867
Other intangible assets		152,561	155,590
Interests in associates		685,391	627,866
Interest in a joint venture		285,433	300,667
Available-for-sale investments		393,375	221,232
Other receivables	12	456,461	50,828
		15,899,196	15,609,023
CURRENT ASSETS			
Inventories		211,351	170,654
Trade receivables	10	213,183	135,609
Loans to customers arising from margin financing business	11	16,331,848	8,545,913
Other receivables and prepayments	12	825,338	832,238
Prepaid lease payments		2,155	2,155
Dividends receivable		40,494	–
Available-for-sale investments		600,711	570,021
Held for trading investments		4,437,443	2,124,740
Financial assets held under resale agreements	13	999,819	2,724,598
Bank balances held on behalf of customers		42,723,429	16,576,751
Bank balances and cash			
– Time deposits with original maturity over three months		606,320	761,320
– Cash and cash equivalents		7,893,543	3,301,722
		74,885,634	35,745,721

Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
CURRENT LIABILITIES			
Placements from other financial institutions		1,470,000	1,940,000
Accounts payable to customers arising from securities business		42,673,988	16,545,146
Trade payables	14	740,669	693,604
Tax liabilities		448,298	463,648
Other taxes payable		121,744	67,642
Other payables and accruals	15	2,243,815	1,561,274
Dividends payable		1,257,112	76,139
Bank borrowings		150,000	150,000
Financial assets sold under repurchase agreements	16	2,090,000	883,570
Short-term loan note payable		8,642,966	6,299,057
Bonds payable		1,000,000	–
		60,838,592	28,680,080
NET CURRENT ASSETS			
		14,047,042	7,065,641
TOTAL ASSETS LESS CURRENT LIABILITIES			
		29,946,238	22,674,664
NON-CURRENT LIABILITIES			
Bank loans		150,000	200,000
Bonds payable		7,700,000	1,200,000
Deferred tax liabilities		147,855	145,042
		7,997,855	1,545,042
		21,948,383	21,129,622
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		13,030,356	12,658,711
Equity attributable to owners of the Company		17,373,471	17,001,826
Non-controlling interests		4,574,912	4,127,796
		21,948,383	21,129,622

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		Dividend reserve	Retained profits	Total		
					revaluation reserve	Special reserves					
					Rmb'000	Rmb'000					
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

	Attributable to owners of the Company									Non-controlling interests	Total	
	Share capital	Share premium	Statutory reserve	Capital reserve	Investment		Special reserves	Dividend reserve	Retained profits			Total
					revaluation reserve	Foreign currency translation reserve						
					Rmb'000	Rmb'000						
At January 1, 2015 (Audited)	4,343,115	3,645,726	3,907,055	1,712	28,403	-	138,132	1,150,925	3,786,758	17,001,826	4,127,796	21,129,622
Profit for the Period	-	-	-	-	-	-	-	-	1,514,448	1,514,448	545,368	2,059,816
Other comprehensive income for the Period	-	-	-	-	8,187	(65)	-	-	-	8,122	7,756	15,878
Total comprehensive income for the Period	-	-	-	-	8,187	(65)	-	-	1,514,448	1,522,570	553,124	2,075,694
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(106,008)	(106,008)
Final dividend	-	-	-	-	-	-	(1,150,925)	-	(1,150,925)	-	(1,150,925)	
Proposed interim dividend	-	-	-	-	-	-	260,587	(260,587)	-	-	-	
At June 30, 2015 (Unaudited)	4,343,115	3,645,726	3,907,055	1,712	36,590	(65)	138,132	260,587	5,040,619	17,373,471	4,574,912	21,948,383

● Condensed Consolidated Statement of Cash Flows

	For the six months ended,	
	2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Net cash (used in)from operating activities	(3,899,544)	1,401,752
Net cash used in investing activities	(198,724)	(218,880)
Net cash from (used in) financing activities	8,690,214	(1,216,533)
Net increase (decrease) in cash and cash equivalents	4,591,946	(33,661)
Cash and cash equivalents at beginning of the Period	3,301,722	1,806,981
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(125)	–
Cash and cash equivalents at end of the Period	7,893,543	1,773,320

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.

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

Except for the above, the accounting policies and methods of computation applied in the condensed consolidated financial statements for the Period are consistent with those in the preparation of the Group’s annual financial statements for the year ended December 31, 2014.

Notes to 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, 2015

	Toll related operation		Securities operation	Other operation	Total segment	Elimination	Total	
	Service area and advertising businesses	Other toll road related service						
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Other operation	Total segment	Elimination	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue								
External sales	2,156,365	905,541	28,436	2,861,871	7,266	5,959,479	-	5,959,479
Inter-segment sales	-	2,377	8,878	-	-	11,255	(11,255)	-
Total	2,156,365	907,918	37,314	2,861,871	7,266	5,970,734	(11,255)	5,959,479
Segment profit	1,027,957	19,572	25,536	990,906	(4,155)	2,059,816		2,059,816

For the six months ended June 30, 2014

	Toll related operation		Securities operation	Other operation	Total segment	Elimination	Total	
	Service area and advertising businesses	Other toll road related service						
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Other operation	Total segment	Elimination	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
	(unaudited)	(unaudited)	(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

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.

Notes to Condensed Consolidated Financial Statements

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 followed:

	For the six months ended June 30,	
	2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Toll operation revenue	2,156,365	2,041,188
Service area businesses revenue (mainly sales of goods)	883,489	1,134,635
Advertising business revenue	22,052	48,606
Commission income from securities operation	1,969,541	595,994
Interest income from securities operation	892,330	282,349
Others	35,702	19,050
Total	5,959,479	4,121,822

4. OTHER INCOME

	For the six months ended June 30,	
	2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Interest income on bank balances, entrusted loan receivables and financial products investment	28,449	34,494
Rental income	50,056	55,155
Gain on disposal of an associate	—	24,490
Handling fee income	1,674	1,487
Towing income	4,228	4,695
Exchange (loss) gain, net	(9)	861
Others	26,886	18,982
Total	111,284	140,164

Notes to Condensed Consolidated Financial Statements

5. FINANCE COSTS

	For the six months ended June 30,	
	2015	2014
	Rmb'000 (Unaudited)	Rmb'000 (Unaudited)
Interest expenses wholly repayable within 5 years:		
Bank and other borrowings	8,058	14,425
Long-term bonds	111,546	–
Short-term bonds	9,977	–
Short-term loan note	42,609	28,845
Total borrowing costs	172,190	43,270
Less: Amount capitalised in the cost of qualifying assets	(3,253)	(3,401)
	168,937	39,869

6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2015	2014
	Rmb'000 (Unaudited)	Rmb'000 (Unaudited)
Depreciation of property, plant and equipment	98,700	88,812
Amortisation of prepaid lease payments	1,076	1,077
Amortisation of expressway operating rights (included in operating costs)	402,345	404,193
Amortisation of other intangible assets (included in operating costs)	11,477	10,033
Cost of inventories recognised as an expense	794,047	1,045,030

Notes to Condensed Consolidated Financial Statements

7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	713,166	435,049
Deferred tax	(2,521)	(4,250)
	710,645	430,799

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 2014: 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 Rmb1,514,448,000 (corresponding period of 2014: Rmb1,063,433,000) and the 4,343,114,500 (corresponding period of 2014: 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.

Notes to Condensed Consolidated Financial Statements

10. TRADE RECEIVABLES

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Trade receivables comprise:		
A fellow subsidiary	1,500	3,212
Third parties	212,635	133,349
Total trade receivables	214,135	136,561
Less: Allowance for doubtful debts	(952)	(952)
	213,183	135,609

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 and regularly monitor overdue balances.

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, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Within 3 months	176,172	116,473
3 months to 1 year	34,575	18,111
1 to 2 years	2,322	971
Over 2 years	114	54
Total	213,183	135,609

Notes to Condensed Consolidated Financial Statements

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, 2015, 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 Rmb48,790,440,000 (December 31, 2014: Rmb24,411,134,000). Cash collateral of Rmb3,541,271,000 (December 31, 2014: Rmb975,337,000) 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.

Notes to Condensed Consolidated Financial Statements

12. OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Current:		
Entrusted loans receivables from related parties (Note 17(ii) (2))	154,856	491,911
Interest receivables	266,515	163,609
Prepayments	53,331	86,242
Financial products investment receivables	–	17,000
Bonds subscription receivables	280,000	–
Others	70,636	73,476
	825,338	832,238
Non-current:		
Entrusted loans receivables from related parties (Note 17(ii) (2))	456,461	50,828
	456,461	50,828
	1,281,799	883,066

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	99,649	1,316,942
Stock securities	900,170	1,407,656
	999,819	2,724,598
Analysed by market:		
Inter-bank market	29,649	1,316,942
Shanghai/Shenzhen Stock Exchange	970,170	1,407,656
	999,819	2,724,598

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, 2015, the fair value of equity and debt securities as collaterals was Rmb4,656,515,000 (December 31, 2014: Rmb4,762,681,000) and Rmb98,140,000 (December 31, 2014: Rmb1,320,746,000), 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:

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Within 3 months	309,638	438,079
3 months to 1 year	297,503	119,156
1 to 2 years	63,309	67,732
2 to 3 years	15,925	10,897
Over 3 years	54,294	57,740
Total	740,669	693,604

15. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Other liabilities:		
Accrued payroll and welfare	1,190,826	841,314
Advance from customers	59,433	96,763
Toll collected on behalf of other toll roads	2,600	2,759
Retention payable	165,010	176,416
Deposit received for disposal of an associate	103,500	103,500
Others	492,787	263,169
	2,014,156	1,483,921
Other accruals	229,659	77,353
Total	2,243,815	1,561,274

Notes to Condensed Consolidated Financial Statements

16. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Analysed as collateral type:		
Bonds	3,116,396	2,400,257
Beneficial rights	5,526,570	3,898,800
	8,642,966	6,299,057
Analysed by market:		
Shanghai Stock Exchange	90,000	70,000
Inter-bank market	3,026,396	2,330,257
Other financial institutions	5,526,570	3,898,800
	8,642,966	6,299,057

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 are 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, 2015, 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 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 Zhejiang Communications Investment Group Co., Ltd. (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:

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(a) Transactions with Communications Group

	For the six months ended June 30,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Toll road service area leasing income earned (Note)	1,500	1,500
Property leasing income earned	807	776
Office building property management expense incurred	389	–
Road maintenance service expense incurred	1,863	2,120

Note: 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.

(b) Transactions with other government related parties

(1) Petroleum Co

	For the six months ended June 30,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Purchase of petroleum products	735,770	988,858

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.

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

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(b) *Transactions with other government related parties (Continued)*

(2) Others

The Group has entered into various significant transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

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

(1) Loan advanced from Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance")

	For the six months ended June 30,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Interest expenses incurred	-	3,293

During the Period, no loan advanced from Zhejiang Communications Finance was incurred. The Company has fully repaid loans advanced from Zhejiang Communications Finance as at December 31, 2014.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

- (2) Loans advanced to a subsidiary of Zhejiang Concord Property Investment Co., Ltd. ("Zhejiang Concord Property")

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Outstanding loan receivable balances	600,000	500,000
Interest receivables	11,318	42,739
	611,318	542,739
Analysed for reporting purpose as:		
Current assets	154,857	491,911
Non current assets	456,461	50,828
	611,318	542,739

	For the six months ended June 30, 2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Interest income earned	21,794	24,940

The Group advanced several entrusted loans to a subsidiary of Zhejiang Concord Property. During the Period, the Group advanced additional entrusted loans totaling Rmb500,000,000 (corresponding period of 2014: Rmb50,000,000) and received settlement of loan principal and interests amounting to Rmb400,000,000 (corresponding period of 2014: Rmb50,000,000) and Rmb11,304,000 (corresponding period of 2014: Rmb1,686,000), respectively.

The entrusted loans were unsecured and repayable in accordance with the terms of entrusted loan agreements, carrying interests at an effective interest rate of 8% (2014: 10%) per annum. Such entrusted loans were guaranteed by World Trade Center Zhejiang Real Estate Development Co., Ltd., in full.

Notes to Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

(3) Financial service provided by Zhejiang Communications Finance

The Group has entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with Deposit Services, the Loan and Financial Leasing Services, the Clearing Services and Other Financial Services.

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Bank balances and cash		
– Time deposits with original maturity over three months	20,000	20,000
– Cash and cash equivalents	634,241	536,751
	654,241	556,751

	For the six months ended June 30, 2015 Rmb'000 (Unaudited)	2014 Rmb'000 (Unaudited)
Interest income earned	1,824	848

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, 2015 Rmb'000 (Unaudited)	December 31, 2014 Rmb'000 (Audited)				
1)	Equity investment listed in exchange	Held for trading investments	Assets – 211,022	Assets – 89,877	Level 1	Quoted bid prices in an active market	N/A	N/A
2)	Equity securities listed on National Equities Exchange and Quotations (inactive due to low transaction volume)	Available-for-sale investment	Assets – 76,168	Assets – 8,761	Level 2	Derived from recent transaction price	N/A	N/A
3)	Listed Open-ended equity funds	Held for trading investments	Assets – 220,428	Assets – 97,718	Level 1	Quoted bid prices in an active market	N/A	N/A
4)	Funds listed in exchange	Available-for-sale investment	Assets – 44,220	Assets – 35,233	Level 1	Quoted bid prices in an active market	N/A	N/A
5)	Debt investments listed in exchange	Held for trading investments	Assets – 1,502,803	Assets – 621,813	Level 1	Quoted bid prices in an active market	N/A	N/A
		Available-for-sale investment	Assets – N/A	Assets – 122,000				

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, 2015 Rmb'000 (Unaudited)	December 31, 2014 Rmb'000 (Audited)					
6)	Debt investments in inter-bank market	Held for trading investments	Assets – 2,503,190	Assets – 1,315,332	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.	N/A	N/A
7)	Investment in structured products	Available-for-sale investment	Assets – 311,989	Assets – 246,053	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 – 230,492	Assets – 251,191	Level 3	Discounted cash flow. Future cash flows are estimated based on applicable yield of underlying investment portfolio and adjustment of related expenses, discounted at a rate that reflects the credit risk of various counterparties	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
8)	Investment in trust products	Available-for-sale investment	Assets – 86,620	Assets – 89,515	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

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2015 (Unaudited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	73,107	–	–	73,107
b. Finance service	99,365	–	–	99,365
c. Information technology service	20,017	–	–	20,017
d. Energy and water service	1,065	–	–	1,065
e. Transportation, storage and postal service	8,836	–	–	8,836
f. Real Estate	651	–	–	651
g. Construction	3,133	–	–	3,133
h. Mining	2,131	–	–	2,131
i. Culture, Sports and Entertainment	649	–	–	649
j. Others	2,068	–	–	2,068
	211,022	–	–	211,022
– Open-ended funds	220,428	–	–	220,428
– Bonds	1,502,803	2,503,190	–	4,005,993
Sub-total	1,934,253	2,503,190	–	4,437,443
Available-for-sale investments				
– Equity securities				
a. Manufacturing	–	28,259	–	28,259
b. Information technology service	–	13,922	–	13,922
c. Transportation, storage and postal service	–	1,157	–	1,157
d. Agriculture, forestry, fishery and animal husbandry	–	3,710	–	3,710
e. Leasing and commercial service	–	5,359	–	5,359
f. Others	–	23,761	–	23,761
	–	76,168	–	76,168
– Funds	44,220	–	–	44,220
– Structured products	–	311,989	230,492	542,481
– Trust products	–	–	86,620	86,620
Sub-total	44,220	388,157	317,112	749,489

Notes to Condensed Consolidated Financial Statements

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2014 (Audited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Held for trading investments				
– Equity securities				
a. Manufacturing	14,915	–	–	14,915
b. Finance service	73,395	–	–	73,395
c. Energy and water service	1,543	–	–	1,543
d. Mining	24	–	–	24
	89,877	–	–	89,877
– Open-ended funds	97,718	–	–	97,718
– Bonds	621,813	1,315,332	–	1,937,145
Sub-total	809,408	1,315,332	–	2,124,740
Available-for-sale investments				
– Equity securities				
a. Manufacturing	–	1,763	–	1,763
b. Information technology service	–	6,998	–	6,998
	–	8,761	–	8,761
– Funds	35,233	–	–	35,233
– Corporate bonds	122,000	–	–	122,000
– Structured products	–	246,053	251,191	497,244
– Trust products	–	–	89,515	89,515
Sub-total	157,233	254,814	340,706	752,753

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

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, 2014	74,402	41,514	115,916
Addition	154,870	42,000	196,870
Total gain recognised in other comprehensive income	21,919	6,001	27,920
As at December 31, 2014	251,191	89,515	340,706
Addition (Disposal)	(19,920)	11,500	(8,420)
Total loss recognised in other comprehensive loss	(779)	(14,395)	(15,174)
As at June 30, 2015	230,492	86,620	317,112

Notes to Condensed Consolidated Financial Statements

19. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2015 Rmb'000 (Unaudited)	As at December 31, 2014 Rmb'000 (Audited)
Investments in subsidiaries	6,640,021	6,640,021
Amounts due from subsidiaries	611,841	530,619
Other assets	7,913,222	6,855,808
	15,165,084	14,026,448
Total liabilities	2,971,722	1,468,381
Capital and reserves		
Share capital	4,343,115	4,343,115
reserves	7,850,247	8,214,952
	12,193,362	12,558,067

20. EVENTS AFTER THE REPORTING PERIOD

As at July 31, 2015, the Company held the board meeting and the Board of Directors approved the resolution of acquisition of 80.614% equity share of Zhejiang Hanghui Expressway Co., Ltd. from Communications Group, for a cash consideration of Rmb1,699,348,471.50 (equivalent to approximately HK\$2,153,527,400). The resolution is still subject to shareholders' approval at the extraordinary general meeting of the Company and approval from State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province.

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 21, 2015.

● 2015 Environment and Social Responsibility Report

Reporting Scope

The reporting scope of this Environment and Social Responsibility Report includes the Company and all affiliated companies involved in the highway business, exclusive of Zheshang Securities and its associated companies, joint ventures and joint-stock companies.

Reporting Period

The reporting period is from 1 July 2014 to 30 June 2015.

Environment and Social Responsibility Report

Elements of Work Environment

Work Environment

We believe that employees are the most valuable assets of the Company and we rely on them for development. The Company is committed to fostering the corporate values of integrity, harmony, open-mindedness and ambition, with the goal of encouraging a competitive yet relaxing working atmosphere in which employees can fully utilize their talents. The Company attracts and retains talented people who fit well into the strategic requirements of the Company by means of campus recruiting, social recruiting, references and recruitment through agencies. Remuneration is determined based on an employee's function and ability, and also their performance. The whole remuneration package offered by the company to its employees includes basic salary, incentive pay, paid leaves, supplementary health insurance, annuity, etc. Employees are given the opportunity to pursue their most suitable career path through contest, discretionary choice, references and rotations.

2015 Environment and Social Responsibility Report

As at 30 June 2015, the Company had a headcount of 3,874 employees (2014: 3,770), of which 441 (2014: 488) were hired by third-party labor service agencies, and male and female employees took up 57.8% and 42.2%, respectively. During the reporting period, 182 employees resigned (2014: 169), representing 4.6 % of the headcount (2014: 4.5%).

Figure 1: Male/Female Employees

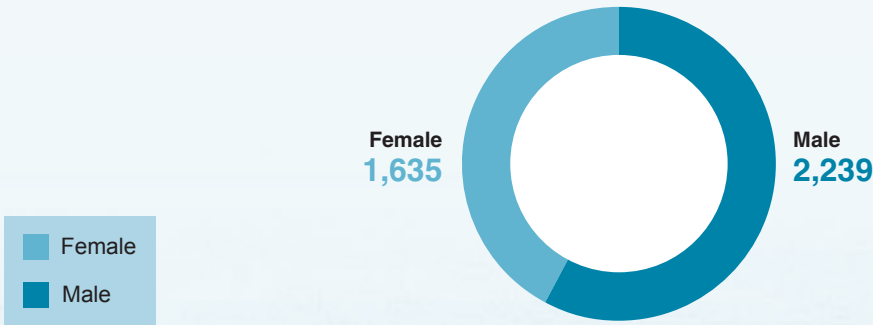
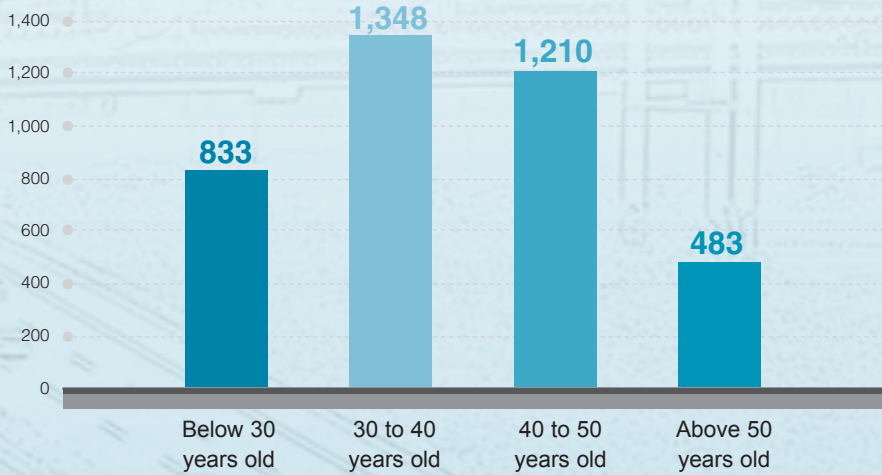


Figure 2: Employment Type



Figure 3: Age Distribution of the staff



● 2015 Environment and Social Responsibility Report

Occupational Health and Safety

The Company insists on “human-oriented safe development”, and focuses primarily on safety in all business and production activities. The Company has implemented production safety accountability and safety risk deposits, defined the duties and responsibilities of each position for the purpose of production safety, set forth standardized safe operation procedures in line with the nature of each job, regularly assessed hazards and risks in occupational health and safety and took appropriate action to ensure risks were kept under control. The Occupational Health and Safety (OHS) management system of the Company was certified by Hangzhou-based WIT Assessment. During the reporting period, the Company promoted standardization of production safety, commissioned the development of a production safety management information software, built a production safety information management platform, hosted special activities including “Year of Good Tunnel Safety Management Practices” and “Find Hidden Fire Hazards”, and carried out diversified forms of safety education and training programmes to reduce the probability of accidents to a minimum. The Company has also purchased personal accident insurance and arranged physical check-ups for all employees, and bought relevant Personal Protective Equipment (PPE) to provide employees with protection during work.

During the reporting period, the Company paid Rmb564,000 (2014: Rmb544,000) on personal accident insurance, Rmb968,000 (2014: Rmb933,000) on physical check-ups, and Rmb7,684,000 (2014: Rmb7,598,000) on PPEs. During the reporting period, 3 employees (2014: 7) were injured at work, representing 0.07% of the headcount, and there was no death caused by work.

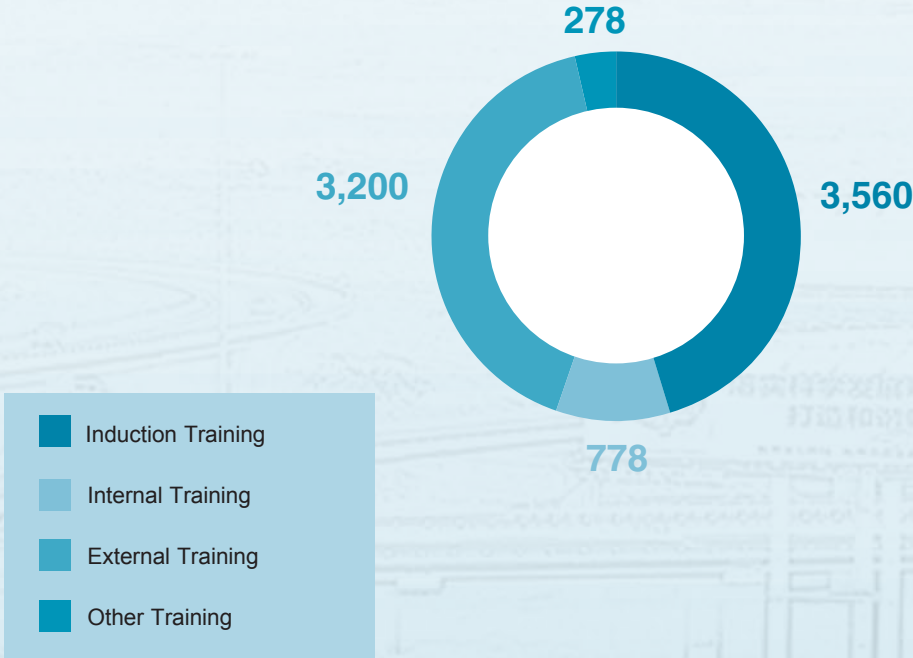
2015 Environment and Social Responsibility Report

Development and Training

Development and training are essential to enhance the abilities of employees, in order to ensure the sustainable growth of the Company. The Company provides four types of training for staff, namely induction training, internal training, external training and online training. Employees are encouraged to receive continuing education and those who meet learning requirements and have achieved positive results will be rewarded. Management knowledge training, technical training, and work skills training of different classes and levels corresponding to relevant jobs are provided to sharpen the skills and management abilities of employees.

During the reporting period, the Company ran a wide range of educational and training programmes, totaling 75,000 class hours (2014: 72,000 class hours), and incurred total expenses of Rmb4,500,000 (2014: Rmb4,410,000). The senior management, middle management and grassroots employees of the Company received 48 class hours, 33 class hours, and 19 class hours of training on average respectively (2014: 40 class-hours, 31 class hours and 19 class hours).

Headcount of Trainings



● 2015 Environment and Social Responsibility Report

Corporate Culture

During the reporting period, the Company focused on reform, innovation, transformation and development, and promoted corporate culture by compiling and circulating our *Corporate Culture Handbook*, unveiling a corporate culture development plan and defining vision, core values and philosophy of the Company. The philosophy of “create value for customers, create opportunities for employees, deliver performance for shareholders and create fortune for society” is deeply rooted in every staff member.

During the reporting period, Gu Weilin, a clerk working at the Company’s Dayun tollhouse, was awarded as a National Model Worker; Xu Yongquan, chief of the Company’s Shaoxing office, won Zhejiang’s May 1st Labour Medal, and twenty workers won the honorary title of “One Hundred Moral Models”. The Company appraised all high-performers and organized speaking tours of model workers in order to motivate all employees to do an excellent job, foster talent, and encourage dedication. Tollhouse brand, culture and signature projects were developed to highlight the theme “Beautiful Tollhouse, Beautiful Life”. During the reporting period, Xinchang tollhouse, Tongxiang tollhouse, Fucun tollhouse and Dongyang tollhouse were among the first “Beautiful Tollhouses” named by the Communications Group.

During the reporting period, nearly 100 employees took part in a variety of special events organized under the theme “Year of Culture Promotion by Communications Group”, such as an electrician skills contest, a culture wall design, and “Heart To Heart” cycling. Over 1,800 employees participated in 16 special training sessions on corporate culture. “Home of Workers” and the staff club helped boost morale across the Company, and helped fuel work enthusiasm, all of which had positive effects on employee’s productivity.

Labor Standards

The Company obeys and follows all relevant labor laws, respects justice and fairness in its employment policies, never employed child labor or forced labor but signs employment contracts with all employees. The Company supports group negotiation of wages but any major changes in the rights and interests of employees must be made by a resolution in the worker’s congress. A commission of conciliation is formed to defend the rights and interests of employees. Tollhouses of the Company are equipped with a counseling room and an emotion venting room with part-time qualified psychologists to provide services and to help employees stay in peace, enjoy work and have a happy life. A poverty relief foundation is established to give assistance, in forms of holiday gifts and subsistence allowances, to those employees who are having hard times because of serious illness or accidents. The Company has launched a series of policies named *Administrative Measures for Early Retirement*, to make acceptable arrangements for senior employees who are no longer suitable for their current positions. During the reporting period, the Company hired no child labor and had no labor disputes.

2015 Environment and Social Responsibility Report

Environmental Protection

Effluents

Every member of the Company's society is obligated to protect the environment. The Company is principally engaged in investing, developing and operating high-end expressways. Its businesses, though different from those enterprises involved in the environment business directly, do have an impact on the environment. The Company follows all environment-related laws and regulations strictly, and conducts environment impact assessments as required for all new projects. All service areas have to meet national standards on sewage treatment and disposal. The Company's dust emission from asphalt mixing also meets national standards. The company promotes the use of low-carbon, environmentally-friendly and effective hot-in-place recycling on asphalt pavements to reduce the use of bituminous mixtures and recycle them. The environment management system of the Company is certified by WIT Assessment, a third-party institution.

	Reporting Period	
	2015	2014
Waste water discharge from toilets, canteens and the square in the service stations (0,000 tonnes)	80.0	74.3
Waste water discharge compliance rate	100%	100%
Recovery of bituminous mixture waste ¹ (0,000 tonnes)	9.2	8.4
Recycling of bituminous mixture waste ² (0,000 tonnes)	4.6	1.0
Dust emission compliance rate from asphalt mixing	100%	100%

Note 1: During the reporting period, there was an increase in asphalt pavement maintenance workload because of the country-wide inspections of arterial expressway maintenance.

Note 2: During the reporting period, as the results of trial use of the technology of hot in-place recycling on asphalt pavement was satisfactory, the Company promoted the use of this technology.

2015 Environment and Social Responsibility Report

Resource Consumption

The Company encourages all employees to save resources, protect the environment and lower costs. Without compromising service and product quality, the Company tries to minimize resource consumption and usage. Energy-efficient processes and products are used wherever possible. The Company's lighting equipment is also remodeled for energy savings. Employees are encouraged and supported to make rationalization proposals for energy saving, emission reduction and efficiency improvements.

	Reporting Period	
	2015	2014
Water (0,000 tonnes)	133.2	130.8 (adjusted)
Power (0,000 kWh)	3,863.8	3,638.4
Steam (tonnes)	2,372.0	2,392.7
Oil		
Gasoline ¹ (tonnes)	657.0	760.6
Diesel oil (tonnes)	1,821.0	1,688.7
Heavy oil ² (tonnes)	1,232.1	2,892.2
Natural gas (0,000 m ³)	100.1	

Note 1: The Company scrapped some vehicles that were identified as yellow symbol in the environmental protection test.

Note 2: Shanghai & Hangzhou road maintenance center of the Company phased in the use of natural gas as batching plant fuel in place of heavy oil during the reporting period.

Environment and Natural Resources

The Company follows an environmental management policy that is focused on energy saving, consumption reduction and environmental protection. Tollhouses are beautified by planting greens, fruit trees and crops strategically in order to improve both the air quality of the local environment as well as working environment for the grass root employees. During the reporting period, environmentally-friendly materials were maximized when decorating new offices. A lot of plants are placed in offices to purify the air and cleanse the working environment, and the air quality inside the Company's new offices is up to national standards. In order to save on paper and other office products, the Company uses video conferencing systems as well as electronic communications such as emails widely. The Deskmedia paperless digital conferencing system was introduced in the Company's offices in order to minimize the use of paper and other office consumables. The Company also encourages double-sided printing to minimize environmental impact and paper consumption. During the reporting period, the Company used 807 cartons of paper (corresponding period of 2014: 820 cartons) (5,000 pieces/carton).

2015 Environment and Social Responsibility Report

Business Practices

Supplier Management

The Company chooses suppliers according to the *Administrative Measures for Bids*. Suppliers of compliant procurement projects must be determined by means of bidding, competitive negotiation, inquiry and comparison, subject to the rules of transparency, fairness, justice and good faith. The Company has formed a bid management committee and a bid evaluation committee. If any member of the bid evaluation committee has any kind of interest in a prospective supplier, he or she needs to sidestep. During the reporting period, the Company selected 69 suppliers by bidding (2014: 50) and purchased maintenance machinery, safety renovation devices and upgraded equipment at a combined value of Rmb320,781,000 (2014: Rmb280,427,000).

Assurance System

Safe, smooth, high-quality and efficient traffic defines the quality management philosophy of the Company. It is the core responsibility of the Company to keep expressways and the ancillary facilities intact, flat and smooth. In order to achieve this, the Company has deployed a medium- to long-term maintenance plan and annual maintenance plan, put in place a standardized toll service system, and put together a traffic accident response team and mechanism. A full range of services are provided, including catering, shopping, hygiene, fuel refills and vehicle repairs. An effective equipment maintenance, support and emergency response mechanism and an OHS system have been implemented. The Company has also set up a service hotline 12122, and has specified traffic video storage periods and inquiry procedures. The tollbooth staff is good-mannered with respects to rules. The quality management system of the Company is certified by WIT Assessment, a third party institution.

During the reporting period, the Company recorded road maintenance costs of Rmb384,800,000 (the corresponding period of 2014: Rmb391,878,000). This included the improvement of 375,000 square meters of distressed pavement (the corresponding period of 2014: 408,000 square meters), and pavement overlay mileage of 76 km (the corresponding period of 2014: 70.5 km) (single breadth), repaved 107 bridgeheads (the corresponding period of 2014: 196), and consolidated 21 high slope protections (the corresponding period of 2014: 33). The Zhejiang Expressway Administration Bureau tested the Shanghai-Hangzhou-Ningbo Expressway, Shangsans Expressway, and the Jinhua Section of the Ningbo-Jinhua Expressway and rated their Pavement Quality Index (PQI) as 92.7, 92.7 and 92.5 (the corresponding period of 2014: 94.3, 94.4 and 94.1), respectively, among the best in class as recognized by the communications authority. The Company was acclaimed as the most advanced unit for its excellent performance in Zhejiang expressway maintenance in 2014. The Company seeks to spot and clear litter on the road as early as possible by implementing regular road monitoring and patrols, and extraordinary patrols under unusual weather or events. Public liability insurance is acquired against potential losses arising from traffic accidents caused by litter on the road. During the Period, there were 568 events of road litter incidents on the Shanghai-Hangzhou-Ningbo Expressway, Shangsans Expressway, and the Jinhua Section of the Ningbo-Jinhua Expressway (the corresponding period of 2014: 487), of which 12 incidents were covered by public liability insurance (the corresponding period of 2014: 13). There were no traffic accidents for which the Company was legally obligated under a court ruling.

● 2015 Environment and Social Responsibility Report

During the reporting period, the Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway, and the Jinhua Section of the Ningbo-Jinhua Expressway were open for traffic for 340 days (the corresponding period of 2014: 331 days), and blocked or closed on the remaining 25 days (the corresponding period of 2014: 34 days) due to traffic accidents, weather, road construction or other problems (including full closure, lane closure, timed closure, tollbooth closure and split traffic). The Company has 112 ETC lanes (the corresponding period of 2014: 104), and 78 lanes with a self-service card issue machine at the entrance (the corresponding period of 2014: 22), of which 8 were newly added during the reporting period (the corresponding period of 2014: 22). A total of 174,930,000 vehicles passed through the Company's tollbooths in the first half (the corresponding period of 2014: 144,598,000).

During the reporting period, the Company received a total of 4,650 incoming calls (the corresponding period of 2014: 4,500) via its service hotline, including 77 complaints (the corresponding period of 2014: 106). The complaint rate was 4 ppm (the corresponding period of 2014: 7 ppm) and the complaint settlement and response rate was 100% (the corresponding period of 2014: 100%). The result of surveying 908 customers at random (the corresponding period of 2014: 1,109) showed that customer satisfaction rate was at 98.1 % (the corresponding period of 2014: 97.6%).

During the reporting period, the Company optimized the layout of some service areas under its management, and upgraded hardware and equipment to present a more attractive appearance. To better satisfy customers' needs, some service areas have brought in renowned Chinese or foreign branded restaurants and baggage stores to allow customers to enjoy better shopping experience, and this move has been widely applauded by customers. The Jiaxing, Shaoxing, Bei'an, Cicheng, Yuyao and Chang'an service areas received four-star ratings and the Shengzhou, Xinchang and Tiantai service areas received three-star ratings from the Zhejiang Provincial Communication Department.

During the reporting period, the Company responded to 31,455 roadside service requests (the corresponding period of 2014: 31,473) and the duration from receiving a request to dispatching a team averaged about five minutes (the corresponding period of 2014: five minutes).

During the reporting period, the Company was not involved in any charge of intellectual property, private client information leakage and no food safety accidents happened at service areas.

External Responsibilities

The Company's products and services have some impact on the environment and the life of residents along the roadside, such as noise from vehicles running on expressways and occasional accidents of leakage of hazardous products. The Company regularly exchanges views with the government and affected residents, and does its best to minimize the impact of noise on the life of residents via initiatives such as installing sound-proof glass and planting trees on the roadside. The possibility of leakage of hazardous products in transit is mitigated or eliminated by a combination of effective measures, for example, registration of vehicles loaded with hazardous products, warning signage, renovation of dangerous sections, development of an internal contingency plan, assistance to local governments along the roadside in drafting a contingency plan, and organization of drills to shorten response time and sharpen employee's crisis management skills.

2015 Environment and Social Responsibility Report

During the reporting period, no accidents of leakage of hazardous products occurred on the Shanghai-Hangzhou-Ningbo expressway, Shangyu-Sanmen expressway, and the Jinhua part of Ningbo-Jinhua expressway. The Company took active measures as required by the production safety supervisor and environmental authorities and no leakage of hazardous products caused by the Company occurred.

Anti-Corruption

The Company has implemented strict internal discipline management and appointed a part-time discipline liaison for each tollhouse, to tighten the internal surveillance of corruption and bribery. The Company continues to strengthen the anti-corruption responsibility of all management members and employees by signing the “Anti-corruption Commitment”. The Company also created the *Code of Conduct of Part-time Discipline Liaisons* to reinforce the training and management of the discipline liaison team while enhancing their capabilities and performance. “Corruption Risk Awareness” campaign was launched to effectively prevent and root up corruption risk in management. During the reporting period, no material events of corruption took place.

Community Involvement

Community Investment

The Company takes part in the construction of civilised units, places significant emphasis on community activities, and actively joins pair-up poverty alleviation program to extend generous financial, social and skill-related assistance to those in need and improve the quality of the villagers in pair-up villages. The Company also promotes good manner and public morals, improves the cultural lives, living environment and lifestyle of rural residents, and cares for left-behind children. During the reporting period, the Company paired up with 22 households to provide them with financial and social assistance, and assisted with the education of 24 children in need as well as made donations worth Rmb286,000 in total.

Volunteer Activities

The Company believes that volunteer activities are an important way to pay back society and strongly advocates the spirit of community service. The Company has formed several volunteer groups, all of which are involved in a variety of activities on non-working days, including first-aid, road guidance, public service, blood donation, and safe driving initiatives. During the reporting period, the Company organized 203 volunteer activities, with a total of 1,612 participants, and 62 participated in blood donation events.

Donations

The Company supports the development of culture and sports in Zhejiang. A sponsorship cooperation agreement was entered with the Sports Bureau of Zhejiang Province, whereby during the reporting period, the Company provided funding of Rmb1,000,000 for education, scientific studies and talent development to the Zhejiang College of Sports.

Corporate Information

EXECUTIVE DIRECTORS

ZHAN Xiaozhang (Chairman)
CHENG Tao (Appointed on July 1, 2015)
LUO Jianhu (General Manager)
DING Huikang (Resigned on July 1, 2015)

NON-EXECUTIVE DIRECTORS

WANG Dongjie
DAI Benmeng
ZHOU Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Jun
PEI Ker-Wei
LEE Wai Tsang Rosa

SUPERVISORS

WU Yongmin
ZHANG Guohua
YAO Huiliang (Appointed on July 1, 2015)
SHI Ximin (Appointed on July 1, 2015)
LU Xinghai (Appointed on July 1, 2015)
FU Zhexiang (Resigned on July 1, 2015)
ZHANG Xiuhua (Resigned on July 1, 2015)

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

ZHAN Xiaozhang
LUO Jianhu (Appointed on July 1, 2015)
ZHANG Jingzhong (Resigned on July 1, 2015)

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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

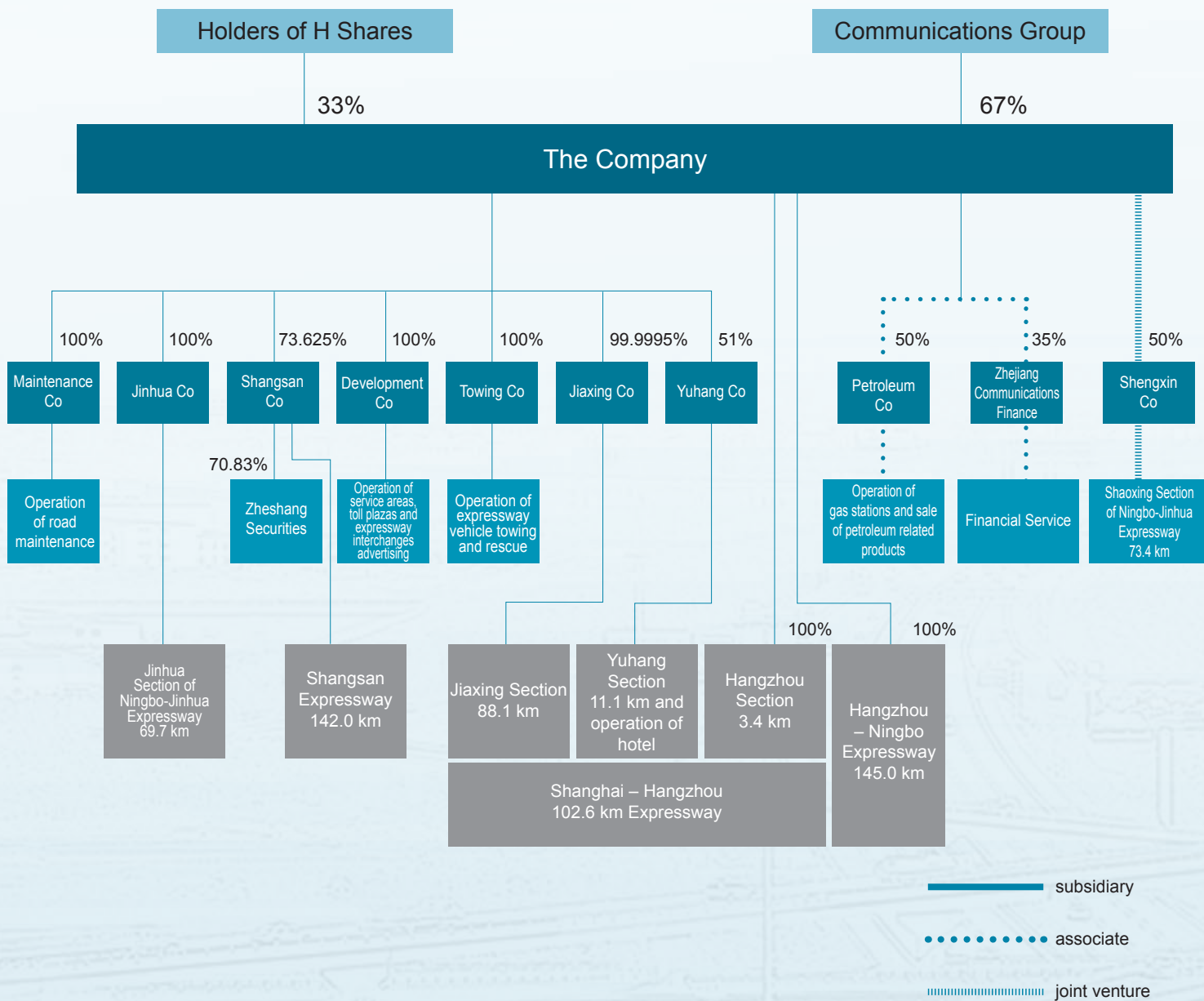
REPRESENTATIVE OFFICE IN HONG KONG

Room 2910
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12 Harcourt Road
Hong Kong
Tel : 852-2537 4295
Fax: 852-2537 4293

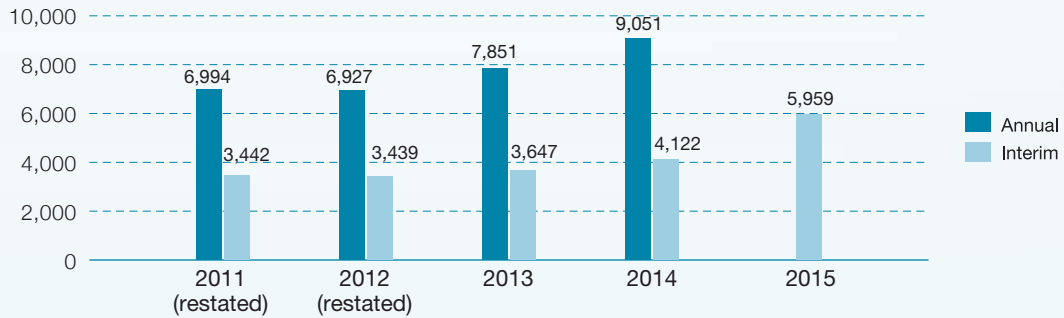
WEBSITE

www.zjec.com.cn

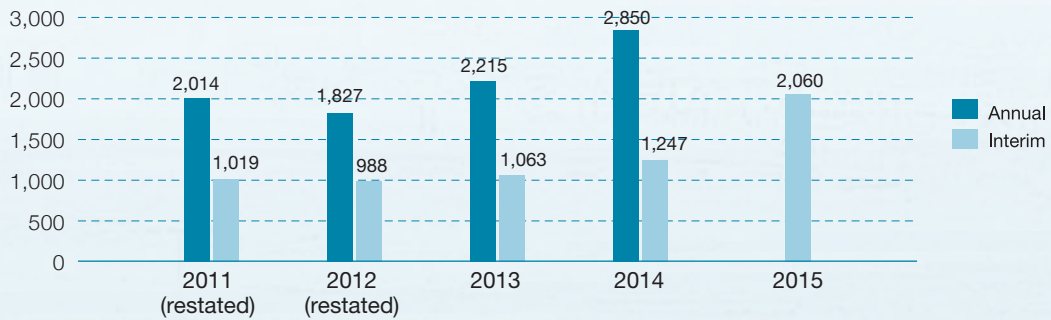
Corporate Structure of the Group



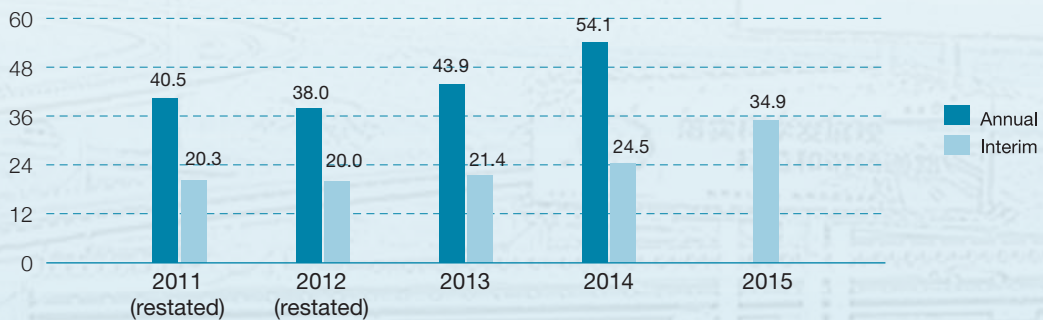
Revenue (Rmb Million)



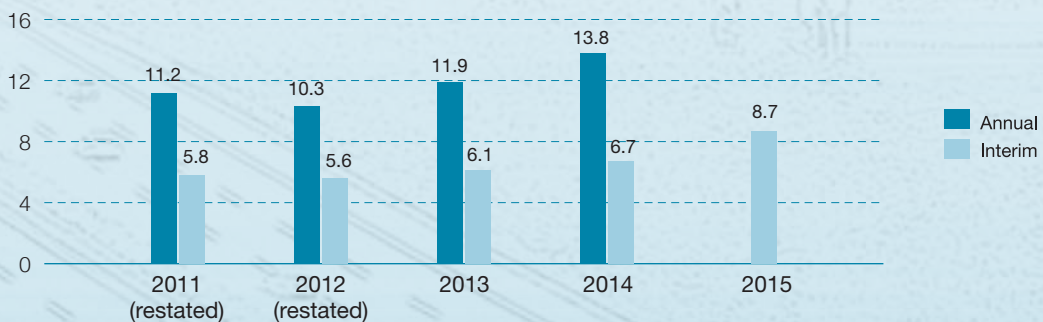
Net Profit (Rmb Million)



EPS (Rmb Cents)



ROE (%)



Location Map of Expressways in Zhejiang Province



Location Map of Expressways in Zhejiang Province

