



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

*Achieve*

*through Innovation  
and Prudence*

*Growth*

2017 Interim Report

*Expand core*

***EXPRESSWAY BUSINESS***

*while strengthening*

***SECURITIES BUSINESS***

With a strong presence in the industry, the Company aims to further expand and enhance its core expressway business. In the first half of 2017, the economy in Zhejiang Province maintained healthy growth momentum. As a result, the organic traffic volume on the Group's expressways registered strong rate of growth. On the other hand, the Company's subsidiary Zheshang Securities was successfully listed on Shanghai Stock Exchange in June 2017. Although its revenue decreased during the first half of 2017 due to the sluggish market environment, the development of each segment continued to progress steadily with growing asset management scale.

Looking ahead over the second half of 2017, the macro economy is expected to rebound with upside momentum while confronted by serious pressures. Under the backdrop of "New Normal" in terms of economic development, the Group believes that the positive momentum presented by the ever-improving policy environment in Zhejiang Province is set to bring new opportunities to all business segments of the Group. Leveraging its leading market position and its strengths in operational management, the Company's management will look to expand its core expressway business while strengthening its securities business and seeking suitable investments and development projects in order to enlarge the asset scale of its core businesses and increase future profitability.



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# 2017 Interim Results

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2017 (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 Rmb4,668.76 million, representing a decrease of 2.8% over the corresponding period of 2016. Profit attributable to owners of the Company was Rmb1,510.74 million, representing an increase of 10.4% year-on-year. Earnings per share for the Period was Rmb34.78 cents (corresponding period of 2016: Rmb31.50 cents).

The Directors have recommended to pay an interim dividend of Rmb6 cents per share (corresponding period in 2016: Rmb6 cents), subject to shareholders’ approval at the extraordinary general meeting of the Company to be held in due course. The interim dividend is expected to be paid by no later than December 31, 2017.

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**

In the first half of 2017, China's economic development maintained stable growth while showing positive signs of development. The pace of economic growth was at a reasonable level, with GDP growing 6.9% year-on-year, while investment, consumption and exports of Zhejiang Province all grew at a faster rate. The rapid development of the tertiary industry, in particular the information technology sector, was the main contributor to Zhejiang Province's GDP growth, driving its overall economy to grow at a medium-to-high pace. The year-on-year GDP growth in Zhejiang Province was 1.1 percentage points higher than the country, standing at 8.0% for the first half of 2017.

As Zhejiang Province's economy steadily improved during the Period, traffic volume on the Group's expressways continued to maintain solid organic growth. However, as Zheshang Securities was affected by bearish market sentiment, revenue from the Group's overall operations decreased 2.8% year-on-year. Total revenue reached Rmb4,668.76 million, of which Rmb2,868.62 million was generated from the five major expressways operated by the Group, representing an increase of 13.0% year-on-year and 61.4% of the total revenue, and Rmb1,705.45 million was from the securities business, representing a decrease of 20.8% year-on-year and 36.6% of the total revenue.

# Business Review

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

	For the six months ended June 30,		
	2017 Rmb'000	2016 Rmb'000 (Restated)	% Change
Toll revenue			
Shanghai-Hangzhou-Ningbo Expressway	<b>1,781,361</b>	1,620,279	9.9%
Shangsan Expressway	<b>609,249</b>	537,800	13.3%
Jinhua section, Ningbo-Jinhua Expressway	<b>177,522</b>	160,198	10.8%
Hanghui Expressway	<b>232,051</b>	219,529	5.7%
Huihang Expressway	<b>68,434</b>	–	N/A
Securities business revenue			
Commission	<b>1,044,160</b>	1,407,455	-25.8%
Interest	<b>661,293</b>	744,925	-11.2%
Other operation revenue			
Property sales	<b>47,413</b>	71,397	-33.6%
Hotel operation	<b>47,275</b>	43,431	8.9%
<b>Total revenue</b>	<b>4,668,758</b>	4,805,014	-2.8%

# Business Review

## Toll Road Operations

During the Period, driven by growth in key GDP contributors including investments, consumption and exports, the economy of Zhejiang Province maintained healthy growth momentum. As a result, the organic traffic volume on the Group's expressways registered strong rate of growth. During the Period, the organic traffic volume growth rates for the Group's five expressways, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway, and Huihang Expressway, were 9.3%, 11.1%, 10.4%, 9.5% and 8.3%, respectively, with the varied rates of growth due to the different regions where the five expressways are located.

Previously, the opening of the Hangzhou Xiaoshan Airport Expressway and surrounding elevated highways in May 2016 caused certain traffic volume diversion for the Second Qiantang River Bridge of the Shanghai-Hangzhou-Ningbo Expressway (operated by the Group). However, starting from November 25, 2016, the "no-trucks" policy was lifted on the Second Qiantang River Bridge, resulting in traffic volume recovery that was able to largely offset the previous diversion impact. Based on the latest data, this section started to see strong recovery in traffic volume from May 2017.

In addition, after Ministry of Transport of the PRC released "Regulation on overloaded trucks on roadways" on September 21, 2016, the Zhejiang Government tightened controls on overloaded trucks and adjusted the maximum limits on local roads. As a result, some trucks switched to expressways, which benefited the Shangsang Expressway and the Jinhua Section of the Ningbo-Jinhua Expressway operated by the Group, both of which are heavy in truck traffic. Consequently, the two expressways recorded rapid growth in both truck traffic and toll revenue, with the rate of growth in truck traffic higher than that of passenger vehicles.

The Hangzhou-Xinanjiang-Jingdezhen Expressway opened for traffic on December 1, 2016 and caused certain diversion impact on both the Hanghui Expressway and the Huihang Expressway, more so for the latter. Overall, traffic growth along both expressways was lower than the Group's other sections during the Period.

# Business Review

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 54,284, representing an increase of 9.0% 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 55,764, representing an increase of 13.8% year-on-year, and that along the Hangzhou-Ningbo Section was 53,226, representing an increase of 5.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 30,100, representing an increase of 10.9% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 19,673, representing an increase of 11.4% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 17,527, representing an increase of 8.6% year-on-year. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 7,991, representing an increase of 2.3% year-on-year.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsans Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway and the 82km Huihang Expressway was Rmb2,868.62 million, representing an increase of 13.0% year-on-year. Among which, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,781.36 million, representing an increase of 9.9% year-on-year; toll revenue from the Shangsans Expressway was Rmb609.25 million, representing an increase of 13.3% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb177.52 million, representing an increase of 10.8% year-on-year; and toll revenue from the Hanghui Expressway was Rmb232.05 million, representing an increase of 5.7% year-on-year. The Huihang Expressway, which was acquired by the Group in September 2016, contributed Rmb68.43 million to the consolidated toll revenue of the Group during the Period.



# Business Review

## Securities Businesses

During the Period, due to the volatility in domestic stock markets, trading volume on the Shanghai and Shenzhen stock markets decreased 18.5% year-on-year in total. Moreover, overall brokerage commission rate of Zheshang Securities has been declining as affected by the downturn of trading volume and the decline in its market share. During the Period, though the revenue from Zheshang Securities' investment banking business experienced slight growth, its other business segments recorded varied levels of revenue decreases year-on-year.

During the Period, Zheshang Securities recorded total revenue of Rmb1,705.45 million, a decrease of 20.8% year-on-year. Of which, commission income declined 25.8% year-on-year to Rmb1,044.16 million, and interest income from the securities business was Rmb661.29 million, representing a decrease of 11.2% year-on-year. In addition, 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 Rmb370.30 million (corresponding period in 2016: gains of Rmb107.99 million).

Although revenue from most of Zheshang Securities' business segments (with the exception of the investment banking business) decreased during the Period, the development of each segment continued to progress steadily and the asset management scale grew continuously. Concurrently, after all the efforts made by various parties, Zheshang Securities has finally obtained the approval from the China Securities Regulatory Commission (CSRC) and was listed on the Shanghai Stock Exchange on June 26, 2017. Zheshang Securities has issued 333,333,400 new shares in total with an offering price of Rmb8.45. The net proceeds (after deducting the issue costs) were approximately Rmb2,757 million. Following the listing, Zhejiang Shangsang Expressway Co., Ltd. (Shangsang Co.) owns a 63.74% equity stake in Zheshang Securities.

## Other Business Operations

Other business revenue was mainly derived from hotel operations and sales of ancillary apartments, namely the Qiyu Apartments.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb47.28 million for the Period.

Qiyu Apartments opened for sale on November 29, 2015. 90 flats were sold during the Period and realized sales revenue of Rmb47.41 million.

# Business Review

## Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (“Shengxin Co”, a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 18,852, representing an increase of 15.5% year-on-year. Toll revenue during the Period was Rmb192.07 million. During the Period, the joint venture reported a net profit of Rmb10.26 million (corresponding period in 2016: net profit of Rmb0.20 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company), derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd., (浙江省交通投資集團有限公司) (“Communication Group”) the controlling shareholder of the Company. During the Period, this associate company realized a net profit of Rmb160.27 million (corresponding period in 2016: net profit of Rmb49.92 million).

During the Period, Yangtze United Financial Leasing Co., Ltd. (a 13% owned associate company of the Company, the ownership increased from 9% on December 14, 2016), was involved in the finance leasing business, transferring and receiving the transfer of financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the China Banking Regulatory Commission. During the Period, this associate company realized a net profit of Rmb117.00 million (corresponding period in 2016: net profit of Rmb57.86 million).

## New Business

During the Period, the Group had no new business, products and services introduced or announced.

## Material Acquisitions and Disposals

During the Period, the Group had no material acquisitions or disposals in relation to its subsidiaries, joint ventures and associates.

## Human Resources

As at June 30, 2017, the Group employed 6,818 employees (December 31, 2016: 7,775 employees) in total. During the Period, the Company actively revamped its human resources 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. The Group disposed of its 100% equity interest in its subsidiary Zhejiang Expressway Investment Development Co., Ltd. (浙江高速投資發展有限公司) on 28 December 2016 and so the number of staff reduced accordingly during the Period. There was no significant change in other staff matters, assignment and training 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 in a long run.

During the Period, profit attributable to owners of the Company was approximately Rmb1,510.74 million, representing an increase of 10.4% over the corresponding period of 2016, earnings per share for the Company from continuing and discontinued operation was Rmb34.78 cents, representing an increase of 10.4%, and return on owners' equity was 7.8%, representing a decline of 3.7% over the corresponding period of 2016.

## Liquidity and financial resources

As at June 30, 2017, current assets of the Group amounted to Rmb55,836.30 million in aggregate (December 31, 2016: Rmb52,158.22 million), of which bank balances and cash accounted for 15.0% (December 31, 2016: 14.1%), bank balances held on behalf of customers accounted for 32.5% (December 31, 2016: 38.5%), held for trading investments accounted for 21.7% (December 31, 2016: 15.6%) and loans to customers arising from margin financing business accounted for 12.7% (December 31, 2016: 15.2%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2017 was 1.4 (December 31, 2016: 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 1.7 (December 31, 2016: 1.4).

The amount of held for trading investments of the Group as at June 30, 2017 was Rmb12,095.58 million (December 31, 2016: Rmb8,144.13 million), of which 89.2% was invested in bonds, 3.8% was invested in stocks, and the rest was invested in open-ended funds and open-ended trust products.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb1,487.33 million. The currency mix in which cash and cash equivalents are held have not substantially changed as compared to the same period last year.

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

# Financial Analysis

## Borrowings and solvency

As at June 30, 2017, total liabilities of the Group amounted to Rmb48,388.19 million (December 31, 2016: Rmb49,585.51 million), of which 3.9% was bank and other borrowings, 4.2% was short-term financing note payable, 14.9% was bonds payable, 5.9% was convertible bonds, 20.7% was financial assets sold under repurchase agreements, and 37.3% was accounts payable to customers arising from securities business.

As at June 30, 2017, total interest-bearing borrowings of the Group amounted to Rmb13,961.45 million, representing a decrease of 16.1% compared to that as at December 31, 2016. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb1,000.00 million, borrowings from a domestic financial institution of Rmb870.00 million, subordinated bonds of Rmb3,000.00 million, corporate bonds of Rmb3,400.00 million, beneficial certificates of Rmb2,850.00 million and convertible bonds of Rmb2,841.45 million. Of the interest-bearing borrowings, 59.0% was not payable within one year.

	Gross amount Rmb'000	Maturity Profile		
		Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from a domestic financial institution	870,000	870,000	-	-
Fixed rates				
Domestic commercial bank loans	1,000,000	1,000,000	-	-
Beneficial certificates	2,850,000	2,850,000	-	-
Subordinated bonds	3,000,000	1,000,000	2,000,000	-
Corporate bonds	3,400,000	-	3,400,000	-
Convertible bonds	2,841,449	-	2,841,449	-
<b>Total as at June 30, 2017</b>	<b>13,961,449</b>	<b>5,720,000</b>	<b>8,241,449</b>	<b>-</b>
<b>Total as at December 31, 2016</b>	<b>16,644,735</b>	<b>9,944,735</b>	<b>6,700,000</b>	<b>-</b>

## Financial Analysis

As at June 30, 2017, the Group's loans from domestic commercial banks were short-term loans with annual fixed interest rates at 3.915%. The annual floating interest rate for borrowings from a domestic financial institution was 3.915%. The annual interest rates for beneficial certificates were fixed at rates between 3.7% and 5.3%. The annual interest rates for subordinated bonds were fixed at rates between 3.63% and 6.3%. The annual interest rates for corporate bonds were fixed at 3.08% and 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 and profit before interest and tax for the Period amounted to Rmb330.31 million and Rmb2,771.89 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) remained at 8.4 (corresponding period of 2016: 7.6) times.

As at June 30, 2017, the asset-liability ratio (total liabilities over total assets) of the Group was 63.8% (December 31, 2016: 67.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances held on behalf of customers) of the Group was 52.6% (December 31, 2016: 55.0%).

Except for the convertible bonds which are issued in Euro dollars, all the borrowings are in Rmb.

### Capital structure

As at June 30, 2017, the Group had Rmb27,435.18 million in total equity, Rmb41,560.39 million in fixed-rate liabilities, Rmb870.00 million in floating-rate liabilities, and Rmb5,957.80 million in interest-free liabilities, representing 36.2%, 54.8%, 1.1% and 7.9% 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 110.6% as at June 30, 2017 (December 31, 2016: 122.1%).

### Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group amounted to Rmb281.82 million in total. Amongst the total capital expenditure of the Group, Rmb216.00 million was incurred for acquiring equity investment, Rmb25.74 million was incurred for acquisition and construction of properties, Rmb40.08 million was incurred for purchase and construction of equipment and facilities.

As at June 30, 2017, the remaining capital expenditure committed by the Group amounted to Rmb488.73 million in total. Amongst the remaining balance of total capital expenditures committed by the Group, Rmb216.66 million will be used for acquisition and construction of properties, Rmb272.07 million for acquisition and construction of equipment and facilities.

# Financial Analysis

The Group will consider financing the above-mentioned capital expenditure commitments with internally generated cash flow first and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

## **Contingent liabilities and pledge of assets**

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with a joint guarantee for its bank loans of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb112.00 million of the bank loans had been repaid. As at June 30, 2017, the remaining bank loan balance is Rmb1,780.00 million.

Except for the above, as at June 30, 2017, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

## **Foreign exchange exposure**

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars, (ii) borrowing in the amount of HK\$432.53 million on June 8, 2016 and repayment on the borrowing on June 8, 2017, and (iii) Zheshang International Financial Holding Co., Limited (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, (iv) issuance of the zero coupon convertible bonds in an aggregate principal amount of Euro365.00 million in Hong Kong capital market, the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group completed one-year HK dollar forwards of equivalent amount to hedge the foreign exchange risk derived from the Hong Kong dollar borrowing, which was purchased in the corresponding period of 2016. Besides, the Group has not used any other financial instruments for hedging purpose during the Period.

## Outlook

In the first half of 2017, China's economic development maintained stable growth while showing more positive changes, a trend continued from last year. The economic development in Zhejiang Province, a key area in the Yangtze River Delta area, performed well, hitting a new high before stabilizing, driven by an improved economic structure and strong new momentum. Benefiting from a faster development of both macro and local economic environment, the Group expects that the organic traffic volume for its major expressway sections will enjoy robust growth throughout 2017, while the overall traffic volume is likely to register healthy growth as well.

Currently, the Group saw not just the positive network effect but also certain diversion impact. It is expected that in the second half of 2017, the newly launched Hangzhou-Xinjiang-Jingdezhen Expressway will continue to cause a diversion impact on the traffic volume of the nearby Hanghui Expressway and Huihang Expressway. In response, the Group will continue to improve operating management by optimizing the toll collection system and promoting smart payment solutions. The Group also plans to strengthen analysis of expressway networks and adopt effective promotional and marketing measures to direct and attract more vehicles to use the expressways operated by the Group to minimize the diversion impact.

The stock markets in China are likely to fluctuate, however Chinese regulators continue to work towards healthy development of the capital markets and improved regulatory frameworks. The Group believes such measures will bring new opportunities to its securities business. For Zheshang Securities, its successful listing on the Shanghai Stock Exchange on June 26, 2017, builds a solid foundation for further expansions in asset scale, as well as its sustainable and healthy development. At the same time, its listing is also set to improve its management capabilities through standardizing procedures and strengthen risk control.

Looking ahead over the second half of 2017, the macro economy is expected to rebound with upside momentum while confronted by serious pressures. Under the backdrop of "New Normal" in terms of economic development, the Group believes that the positive momentum presented by the ever-improving policy environment in Zhejiang Province is set to bring new opportunities to all business segments of the Group. Leveraging its leading market position and its strengths in operational management, the Company's management will look to expand its core expressway business while strengthening its securities business and seeking suitable investments and development projects in order to enlarge the asset scale of its core businesses and increase future profitability.

# Disclosure of Interests and Other Matters

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

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

As at June 30, 2017, 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, 2017, 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:

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



## Disclosure of Interests and Other Matters

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	156,426,687 (L)	10.90%
		795,818 (S)	0.05%
		69,585,632 (P)	4.85%
BlackRock, Inc.	Interest of controlled corporation	143,916,433 (L) 1,282,000 (S)	10.04% 0.09%
The Bank of New York Mellon Corporation	Interest of controlled corporation	74,989,261 (L) 69,658,505 (P)	5.23% 4.86%

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, 2017, 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. Specific enquiry has been made to all the Directors and 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.

### CONTINUING CONNECTED TRANSACTIONS UNDER THE ASSET MANAGEMENT AGREEMENTS

Reference is made to the announcement of the Company dated 18 August 2017 in relation to the Asset Management Agreements, in particular, the Company would like to further illustrate the Listing Rules implications set out therein. Regarding the Asset Management Agreement I, Zhejiang Zheshang Securities Asset Management Co., Ltd. ("Zheshang Securities AM"), as the manager of the Specific Asset Management Scheme, is entitled to the management fee which is 0.3% per annum of the net value of the entrusted assets. As such, the applicable percentage ratios in respect of the transaction contemplated under the Asset Management Agreement I are less than 0.1% and such continuing connected transaction will be exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Asset Management Agreement I was terminated on 1 March 2017.

# Disclosure of Interests and Other Matters

With regard to the Asset Management Agreement II, Zheshang Securities AM, as the manager of the Collective Asset Management Scheme, is entitled to the management fee which is 0.6% per annum of the net value of the entrusted assets. Given the applicable percentage ratios in respect of the transaction contemplated under the Asset Management Agreement II are less than 0.1%, such continuing connected transaction will be exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. It is noted that the applicable percentage ratios in respect of the aggregated transactions contemplated under both Asset Management Agreements are also less than 0.1%.

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

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

- the condensed consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and performance of the Group and the undertakings included in the consolidation taken as a whole;
- the management discussion and analysis included in the interim report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole during the Period, together with a description of the principal risks and uncertainties that the Group faces for the remaining six months of the financial year; and
- the interim report includes a fair review of the material related party transactions that have taken place during the Period and any material changes in the related party transactions described in the Company's annual report for the year ended December 31, 2016.

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

Hangzhou, the PRC, August 23, 2017

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](http://www.zjec.com.cn)).

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the six months ended June 30,	
		2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Continuing operations			
Revenue	3	4,668,758	4,805,014
Operating costs		(2,240,430)	(2,388,753)
Gross profit		2,428,328	2,416,261
Securities investment gains		366,387	112,238
Other income and gains and losses	4	(78,572)	116,425
Administrative expenses		(34,316)	(32,616)
Other expenses		(11,137)	(20,228)
Share of profit (loss) of associates		96,064	(992)
Share of profit of a joint venture		5,131	98
Finance costs	5	(330,307)	(344,479)
Profit before tax	6	2,441,578	2,246,707
Income tax expense	7	(559,763)	(568,432)
Profit for the Period from continuing operations		1,881,815	1,678,275
Discontinued operations			
Profit for the Period from discontinued operations		-	19,851
Profit for the Period		1,881,815	1,698,126
Profit for the Period attributable to Owners of the Company:			
– Continuing operations		1,510,743	1,348,819
– Discontinued operations		-	19,387
		1,510,743	1,368,206
Profit for the Period attributable to non-controlling interest:			
– Continuing operations		371,072	329,456
– Discontinued operations		-	464
		371,072	329,920
		1,881,815	1,698,126

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	For the six months ended June 30,	
		2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Fair value gain during the Period		75,929	2,666
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(75,641)	(21,254)
Share of differences arising on translation		(242)	90
Income tax relating to items that may be reclassified subsequently		(72)	4,647
Other comprehensive loss for the Period, net of income tax		(26)	(13,851)
Total comprehensive income for the Period		1,881,789	1,684,275
Total comprehensive income attributable to:			
Owners of the Company		1,510,730	1,360,985
Non-controlling interest		371,059	323,290
		1,881,789	1,684,275
Earnings per share	9		
From continuing and discontinued operations – basic and diluted		Rmb34.78 cents	Rmb31.50 cents
From continuing operations – basic and diluted		Rmb34.78 cents	Rmb31.06 cents

# Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		2,981,909	3,066,571
Prepaid lease payments		51,702	52,522
Expressway operating rights		13,939,237	14,498,800
Goodwill		86,867	86,867
Other intangible assets		147,093	148,906
Interests in associates		1,625,561	1,310,486
Interest in a joint venture		290,528	285,397
Available-for-sale investments		479,393	1,790,978
Deferred tax assets		384,788	362,681
		<b>19,987,078</b>	21,603,208
<b>Current assets</b>			
Inventories		206,855	206,814
Trade receivables	10	194,436	275,318
Loans to customers arising from margin financing business	11	7,109,318	7,910,032
Other receivables and prepayments	12	1,251,056	2,855,099
Prepaid lease payments		1,639	1,639
Derivative financial assets		125	10,931
Available-for-sale investments		1,528,586	1,342,920
Held for trading investments		12,095,578	8,144,132
Financial assets held under resale agreements	13	6,931,651	3,965,329
Bank balances held on behalf of customers		18,138,634	20,082,265
Bank balances and cash			
– Time deposits with original maturity over three months		–	165,000
– Cash and cash equivalents		8,378,418	7,198,745
		<b>55,836,296</b>	52,158,224

# Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
<b>Current liabilities</b>			
Placements from other financial institutions		400,000	700,000
Accounts payable to customers arising from securities business		18,032,111	20,073,435
Trade payables	14	665,759	784,300
Tax liabilities		310,394	455,249
Other taxes payable		12,277	76,631
Other payables and accruals	15	2,393,355	2,431,148
Dividends payable		98,574	261,046
Derivative financial liabilities		118	413
Bank and other borrowings		1,870,000	2,116,395
Short-term financing note payable		2,050,000	4,828,340
Bonds payable		1,800,000	3,000,000
Financial assets sold under repurchase agreements	16	10,036,834	7,486,743
Financial liabilities at fair value through profit or loss		2,089,771	293,658
		<b>39,759,193</b>	<b>42,507,358</b>
<b>Net current assets</b>		<b>16,077,103</b>	<b>9,650,866</b>
<b>Total assets less current liabilities</b>		<b>36,064,181</b>	<b>31,254,074</b>
<b>Non-current liabilities</b>			
Bonds payable		5,400,000	6,700,000
Convertible bonds	17	2,841,449	-
Deferred tax liabilities		387,548	378,147
		<b>8,628,997</b>	<b>7,078,147</b>
		<b>27,435,184</b>	<b>24,175,927</b>
<b>Capital and reserves</b>			
Share capital		4,343,115	4,343,115
Reserves		14,965,906	13,974,042
Equity attributable to owners of the Company		<b>19,309,021</b>	<b>18,317,157</b>
Non-controlling interests		<b>8,126,163</b>	<b>5,858,770</b>
		<b>27,435,184</b>	<b>24,175,927</b>

# Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Capital reserve Rmb'000	Investment revaluation reserve Rmb'000	Foreign currency translation reserve Rmb'000	Special reserves Rmb'000	Dividend reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000	Rmb'000	Rmb'000
At January 1, 2016 (Audited)	4,343,115	3,355,621	4,505,773	1,712	56,332	191	18,666	1,216,072	3,239,176	16,736,658	5,261,991	21,998,649
Profit for the Period	-	-	-	-	-	-	-	-	1,368,206	1,368,206	329,920	1,698,126
Other comprehensive loss for the Period	-	-	-	-	(7,268)	47	-	-	-	(7,221)	(6,630)	(13,851)
Total comprehensive income for the Period	-	-	-	-	(7,268)	47	-	-	1,368,206	1,360,985	323,290	1,684,275
Settlement of assets management product upon expiry	-	-	-	-	-	-	-	-	-	-	(4,880)	(4,880)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(150,111)	(150,111)
Final dividend	-	-	-	-	-	-	-	(1,216,072)	-	(1,216,072)	-	(1,216,072)
Dividend for non-controlling interests	-	-	-	-	-	-	-	-	-	-	(27,644)	(27,644)
Proposed interim dividend	-	-	-	-	-	-	-	260,587	(260,587)	-	-	-
At June 30, 2016 (Unaudited)	4,343,115	3,355,621	4,505,773	1,712	49,064	238	18,666	260,587	4,346,795	16,881,571	5,402,646	22,284,217

# Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000	Capital reserve Rmb'000	Investment revaluation reserve Rmb'000	Foreign currency translation reserve Rmb'000	Special reserves Rmb'000	Dividend reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000	Rmb'000	Rmb'000
At January 1, 2017 (Audited)	4,343,115	3,355,621	4,767,824	1,712	75,818	458	18,666	1,281,219	4,472,724	18,317,157	5,858,770	24,175,927
Profit for the Period	-	-	-	-	-	-	-	-	1,510,743	1,510,743	371,072	1,881,815
Other comprehensive loss for the Period	-	-	-	-	112	(125)	-	-	-	(13)	(13)	(26)
Total comprehensive income for the Period	-	-	-	-	112	(125)	-	-	1,510,743	1,510,730	371,059	1,881,789
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(98,115)	(98,115)
A subsidiary's Spin-off and Offering (Note)	-	-	-	-	-	-	762,353	-	-	762,353	1,994,449	2,756,802
Final dividend	-	-	-	-	-	-	-	(1,281,219)	-	(1,281,219)	-	(1,281,219)
Proposed interim dividend	-	-	-	-	-	-	-	260,587	(260,587)	-	-	-
At June 30, 2017 (Unaudited)	4,343,115	3,355,621	4,767,824	1,712	75,930	333	781,019	260,587	5,722,880	19,309,021	8,126,163	27,435,184

## Note:

On June 26, 2017, an indirect non wholly-owned subsidiary of the Company, Zheshang Securities Co., Ltd. ("Zheshang Securities") has completed the spin-off and separate listing on the Shanghai Stock Exchange ("Spin-off and Offering").

On the date of Spin-off and Offering, Zheshang Securities issued 333,333,400 new ordinary shares at Rmb8.45 each, the net proceeds after deducting the issuance costs amounted to Rmb2,756,802,000. Upon completion of the Spin-off and Offering, the Group's effective interest in Zheshang Securities has been diluted from approximately 52.15% to approximately 46.93%, the Directors of the Company are of the view that, the Group is still able to exert control over Zheshang Securities.

The Spin-Off and Offering has resulted in a cash receipt of Rmb2,756,802,000, and the dilution impact of the Group's interest in Zheshang Securities has resulted in an increase in non-controlling interests of Rmb1,994,449,000 and a gain of Rmb762,353,000 recognised in special reserves.



# Condensed Consolidated Statement of Cash Flows

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited)
Net cash from operating activities	<b>1,487,333</b>	1,804,419
Net cash from (used in) investing activities	<b>1,314,047</b>	(293,845)
Net cash used in financing activities	<b>(1,621,465)</b>	(2,939,909)
Net increase (decrease) in cash and cash equivalents	<b>1,179,915</b>	(1,429,335)
Cash and cash equivalents at beginning of the Period	<b>7,198,745</b>	4,983,051
Effect of foreign exchange rate changes	<b>(242)</b>	90
Cash and cash equivalents at end of the Period	<b>8,378,418</b>	3,553,806

# 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 at the end of each reporting period.

In the Period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by HKICPA that are mandatorily effective for the Period. The application of the amendments to HKFRSs in the Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or relevant disclosures set out in these condensed consolidated financial statements.

Except for the below, the accounting policies and methods of computation applied in the condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016.

### Convertible bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion right that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of the Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition. Multiple embedded derivatives are generally treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other. At the date of issue, both the debt and the derivative components are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their respective fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

# Notes to Condensed Consolidated Financial Statements

## 3. REVENUE AND SEGMENT INFORMATION

Compared to the same period last year, the operating segment regarding toll related operation was discontinued along with the Group's disposal of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") on December 29, 2016, which contributed substantially all the revenue and profit of the operating segment regarding toll related operation. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income for the corresponding period of 2016 have been restated to re-present the toll related operation as a discontinued operation. The segment information reported below does not include any amounts for the discontinued operation.

### 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, 2017 (Unaudited)

Continuing operations

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external sales	2,868,617	1,705,453	94,688	4,668,758
Segment profit	1,265,357	521,175	95,283	1,881,815

For the six months ended June 30, 2016 (Unaudited and restated)

Continuing operations

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external sales	2,537,806	2,152,380	114,828	4,805,014
Segment profit (loss)	1,183,392	526,063	(31,180)	1,678,275

Segment profit (loss) represents the profit after tax earned or loss after tax incurred of each operating segment. This is the measure reported to the chief operating decision maker for the purposes 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 from continuing operations, net of taxes, for the Period is as follows:

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Toll operation revenue	2,868,617	2,537,806
Commission income from securities operation	1,044,160	1,407,455
Interest income from securities operation	661,293	744,925
Revenue from sales of properties	47,413	71,397
Hotel and catering revenue	47,275	43,431
<b>Total</b>	<b>4,668,758</b>	<b>4,805,014</b>

## 4. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Continuing operations		
Interest income on bank balances and entrusted loan receivables	10,937	14,943
Rental income	17,837	16,805
Handling fee income	1,762	1,298
Towing income	3,595	3,958
Gain on commodity trading, net	9,917	22,747
Exchange loss, net	(130,465)	(4,519)
Loss on fair value change of convertible bonds-derivative component	(45,242)	-
Others	53,087	61,193
<b>Total</b>	<b>(78,572)</b>	<b>116,425</b>

# Notes to Condensed Consolidated Financial Statements

## 5. FINANCE COSTS

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Continuing operations		
Interest expenses wholly repayable within 5 years:		
Bank and other borrowings	42,504	70,660
Short-term financing note	80,101	8,723
Bonds payable	191,389	265,096
Convertible bonds	16,313	-
<b>Total</b>	<b>330,307</b>	<b>344,479</b>

## 6. PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Depreciation of property, plant and equipment	131,186	116,706
Release of prepaid lease payments	1,137	819
Amortisation of expressway operating rights (included in operating costs)	559,563	495,870
Amortisation of other intangible assets (included in operating costs)	12,695	12,416

# Notes to Condensed Consolidated Financial Statements

## 7. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	572,541	579,697
Deferred tax credit	(12,778)	(11,265)
	<b>559,763</b>	568,432

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 PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit during the Period.

## 8. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (corresponding period of 2016: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company.

# Notes to Condensed Consolidated Financial Statements

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share from continuing operations is based on profit for the Period attributable to owners of the Company from continuing operation of Rmb1,510,743,000 (corresponding period of 2016 (Restated): Rmb1,348,819,000) and the 4,343,114,500 (corresponding period of 2016: 4,343,114,500) ordinary shares in issue during the Period.

The calculation of the basic earnings per share from continuing and discontinued operations is based on profit for the Period attributable to owners of the Company from continuing and discontinued operation of Rmb1,510,743,000 (corresponding period of 2016: Rmb1,368,206,000) and the 4,343,114,500 (corresponding period of 2016: 4,343,114,500) ordinary shares in issue during the Period.

For the six months ended June 30, 2016, basic earnings per share for the discontinued operations was Rmb0.44 cents per share, based on the profit for the corresponding period of 2016 attributable to owners of the Company from the discontinued operations of Rmb19,387,000 (Restated) and the denominators detailed above.

For the six months ended June 30, 2017, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share. For the six months ended June 30, 2016, diluted earnings per share presented was the same as basic earnings per share since there were no potential ordinary shares outstanding.

# Notes to Condensed Consolidated Financial Statements

## 10. TRADE RECEIVABLES

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Trade receivables comprise:		
Fellow subsidiaries	4,026	8,068
Third parties	191,816	268,656
Total trade receivables	195,842	276,724
Less: Allowance for doubtful debts	(1,406)	(1,406)
	194,436	275,318

The Group has no credit period granted to its trade customers of toll operation businesses. The Group's trade receivable balance for toll operation is toll receivables from the respective expressway fee settlement centre of Zhejiang Province and Anhui 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, security commission and financial advisory service operated by Zhesang Securities, 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 Period, which approximated the respective revenue recognition dates:

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Within 3 months	182,069	263,822
3 months to 1 year	11,344	9,409
1 to 2 years	995	1,484
Over 2 years	28	603
Total	194,436	275,318



# 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 pledged securities accepted by the Group or the market value of the cash collateral.

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, 2017, 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 Rmb24,196,779,000 (December 31, 2016: Rmb27,105,442,000). Cash collateral of Rmb950,960,000 (December 31, 2016: Rmb1,298,722,000) 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, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Entrusted loans and interest receivables from a related party (Note 18(2))	323,743	423,613
Interest receivables	339,803	298,741
Prepayments	113,583	77,563
Advances in relation to asset management plans (Note)	228,700	1,973,221
Receivables from Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co") in relation to disposal of maintenance equipment	24,021	34,471
Bond and listed equity subscription deposit	160,000	-
Others	61,206	47,490
<b>Total</b>	<b>1,251,056</b>	<b>2,855,099</b>

Note: The amount represents short-term advance provided to certain unconsolidated asset management plans run by Zheshang Securities AM, a wholly-owned subsidiary of Zheshang Securities. The directors are of the view that there is no impairment indication as the credit risk of the invested products is limited. During the Period, Rmb1,744,521,000 has already been collected.

# Notes to Condensed Consolidated Financial Statements

## 13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Analysed by collateral type:		
Bonds	5,285,149	1,865,992
Stock securities	1,646,502	2,099,337
	<b>6,931,651</b>	3,965,329
Analysed by market:		
Inter-bank market	3,433,749	1,340,492
Shanghai/Shenzhen Stock Exchange	3,497,902	2,624,837
	<b>6,931,651</b>	3,965,329

The collaterals include both equity and debt securities listed in the PRC. As at June 30, 2017, the fair value of equity and debt securities as collaterals was Rmb3,313,043,000 (December 31, 2016: Rmb6,394,960,000) and Rmb5,271,184,000 (December 31, 2016: Rmb1,871,182,000), respectively.

## 14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Within 3 months	205,898	339,391
3 months to 1 year	207,115	117,706
1 to 2 years	74,851	190,561
2 to 3 years	79,231	38,879
Over 3 years	98,664	97,763
Total	<b>665,759</b>	784,300

# Notes to Condensed Consolidated Financial Statements

## 15. OTHER PAYABLES AND ACCRUALS

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Other liabilities:		
Accrued payroll and welfare	1,210,816	1,454,992
Advance from customers	75,415	33,079
Toll collected on behalf of other toll roads	9,633	9,149
Retention payable	103,187	77,746
Deposit received for disposal of an associate	165,600	165,600
Payables to limited partnership in subsidiaries	201,809	178,180
Others	345,368	237,141
Other accruals	2,111,828	2,155,887
	281,527	275,261
Total	2,393,355	2,431,148

## 16. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENT

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Analysed as collateral type:		
Bonds	5,936,834	5,186,743
Other rights and interests in debt instruments	4,100,000	2,300,000
	10,036,834	7,486,743
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	2,282,905	3,119,475
Inter-bank market	3,653,929	2,067,268
Other financial institutions	4,100,000	2,300,000
	10,036,834	7,486,743

# Notes to Condensed Consolidated Financial Statements

## 16. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENT (Continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, the cash received is recognised as financial liability.

As at June 30, 2017, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

## 17. CONVERTIBLE BONDS

On April 21, 2017, the Company issued a zero coupon convertible bond due 2022 in an aggregate principal amount of Euro365,000,000 (the “Convertible Bonds”), the Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The principal terms of the Convertible Bonds are set out below:

### (1) Conversion right

The Convertible Bonds will, at the option of the holder (“Bondholders”), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after June 1, 2017 up to April 11, 2022 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the “Conversion Price”) of HK\$13.10 per H share and a fixed exchange rate of HK\$8.2964 to Euro1.00 (the “Fixed Exchange Rate”). The Conversion Price is subject to adjustments in the manner set out in the agreement of the Convertible Bonds.

A final dividend of Rmb29.5 cents per share for the year ended December 31, 2016 was approved in the annual general meeting in May 2017. Pursuant to the anti-dilutive adjustments on Conversion Price in accordance with the agreement of the Convertible Bonds, the Conversion Price was adjusted from HK\$13.10 per H share to HK\$12.63 per H share effective from May 24, 2017.

# Notes to Condensed Consolidated Financial Statements

## 17. CONVERTIBLE BONDS (Continued)

### (2) Redemption

#### *(i) Redemption at maturity*

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond at 100 percent of its outstanding principal amount on April 21, 2022 (the "Maturity Date").

#### *(ii) Redemption at the option of the Company*

The Company may, having given not less than 30 nor more than 60 days' notice, redeem the Convertible Bonds in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

- (a) at any time after April 21, 2020 but prior to the Maturity Date, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Hong Kong Stock Exchange business day, for any 20 Hong Kong Stock Exchange business days within a period of 30 consecutive Hong Kong Stock Exchange business days, the last of such Hong Kong Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Hong Kong Stock Exchange business days, at least 130 percent of the Conversion Price (translated into Euro at the Fixed Exchange Rate); or
- (b) if at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

# Notes to Condensed Consolidated Financial Statements

## 17. CONVERTIBLE BONDS (Continued)

### (2) Redemption (Continued)

#### (iii) Redemption at the option of the Bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bonds on April 21, 2020 (the "Put Option Date") at 100 percent of their outstanding principal amount on the Put Option Date.

The Convertible Bonds comprise two components:

- (1) Debt component was initially measured at fair value amounted to approximately Rmb2,190,578,000. It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs.
- (2) Derivative component comprises conversion right of the Bondholders, redemption option of the Company, and redemption option of the Bondholders.

Transaction costs that relate to the issue of the Convertible Bonds are allocated to the (including conversion right and redemption option) components in proportion to their respective fair values. Transaction costs amounting to approximately Rmb3,079,000 relating to the derivative component were charged to profit or loss immediately. Transaction costs amounting to approximately Rmb13,646,000 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by an independent valuation institution. The fair value of derivative component is calculated using the binominal option pricing model.

The changes of the debt and derivative component of the Convertible Bonds for the Period are set out below:

	Debt component Rmb'000	Derivative component Rmb'000	Total Rmb'000
Convertible Bonds issued on April 21, 2017	2,190,578	494,302	2,684,880
Transaction costs	(13,646)	-	(13,646)
Interest charged during the period from April 21, 2017 to June 30, 2017	16,313	-	16,313
Exchange loss during the period from April 21, 2017 to June 30, 2017	108,660	-	108,660
Loss on fair value during the period from April 21, 2017 to June 30, 2017	-	45,242	45,242
As at June 30, 2017 (Unaudited)	2,301,905	539,544	2,841,449

No conversion or redemption of the Convertible Bonds has occurred up to June 30, 2017.

# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES

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

### (1) 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:

#### *Entrusted loans*

Pursuant to the entrusted loan contracts entered into between Zhejiang Hanghui Expressway Co., Ltd. (“Hanghui Co”) and Communications Group on March 12, 2013, Communications Group agreed to provide Hanghui Co with entrusted loans amounting to Rmb570,000,000 at a fixed interest rate of 5.24% per annum, which have been renewed for another three years on August 10, 2015, at a fixed interest rate of 4.55% per annum, with maturity date of August 10, 2018. Such amount was early repaid in 2016.

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited)
Interest expenses incurred	-	13,112

# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (1) Transactions and balances with government related parties (Continued)

#### *Management and Administrative services*

On July 1, 2015, the Company entered into agreements with the Communications Group, pursuant to which, the Company would provide management and administrative services to two toll roads of the Communications Group, including Shenjiahuhang Expressway and Shensuzhewan Expressway. According to the agreements, the Company would charge the Communications Group management fee based on actual cost basis. During the Period, a total management fee of Rmb385,000 has been recognized (corresponding period of 2016: Rmb235,000).

#### *Other transactions*

	For the six months ended June 30,	
	2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited)
Toll road service area leasing income earned (Note i)	4,473	4,523
Toll road service area management fee paid (Note i)	1,466	1,953
Property leasing income earned	3,006	794
Road maintenance service expense incurred (Note ii)	106,332	89,294
Information system redevelopment services expenses incurred (Note iii)	2,192	-
Information system services expenses incurred	3,345	-
Purchase of petroleum products (Note iv)	-	396,063
Rental income from petrol stations (Note iv)	-	10,212

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

Pursuant to the leasing and operation agreements entered into between Hanghui Co and Zhejiang Communications Investment, Hanghui Co leased the toll road service area to Zhejiang Communications Investment and Zhejiang Communications Investment managed the operation of the service area. Such business began from January 1, 2011 and will be expired at the same time with the operating right for respective expressway sections in 2029 to 2031.



# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (1) Transactions and balances with government related parties (Continued)

#### *Other transactions (Continued)*

Note ii: Pursuant to a number of daily and specific road maintenance agreements entered between the Company and the relevant subsidiaries of the Company and Maintenance Co, Maintenance Co agreed to provide the daily and specific road maintenance service to the Group's four expressways, namely: the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway, Jinhua section, Ningbo-Jinhua Expressway and the Hanghui Expressway. The road maintenance service expense incurred for the period was Rmb100,963,000. The remaining road maintenance service was provided by other subsidiaries of Communications Group.

Note iii: On September 13, 2016, the Company and the relevant subsidiaries of the Company entered into the information system redevelopment agreements with Zhejiang Expressway Information Technology Engineering Co., Ltd. ("Zhejiang IT Engineering Co"). Pursuant to which, Zhejiang IT Engineering Co agreed to provide the information system redevelopment services to the target expressways for a period of 12 months ended September 12, 2017.

Note iv: Pursuant to the service stations management agreement entered between Development Co and Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co") in relation to the Shanghai-Hangzhou-Ningbo Expressway and the Shangsans Expressway, Petroleum Co provided management service to Development Co for the petrol stations of foresaid expressways. On May 27, 2016, Development Co and Petroleum Co entered into a series of lease agreements, pursuant to which Development Co contracted out the operation of the petrol stations along the Shanghai-Hangzhou-Ningbo Expressway and the Shangsans Expressway, and leased the relevant buildings, facilities and equipment to Petroleum Co. At the end of 2016, the Company sold 100% equity interest in Development Co to Zhejiang Communications Investment.

#### *Others*

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

# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

#### *Financial service provided by Zhejiang Communications Investment Group Finance Co., Ltd. ("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.

#### *Loan advanced from Zhejiang Communications Finance*

Zhejiang Communications Finance provided Hanghui Co with several short-term loans with aggregated amount of Rmb1,160,000,000 and a floating interest rate of 3.915% per annum. Amongst the loans, Rmb660,000,000 was early repaid during the Period; Zhejiang Communications Finance provided the Company with several short-term loans with aggregated amount of Rmb850,000,000 at a floating interest rate of 3.915% per annum, among which Rmb480,000,000 was early repaid during the Period.

During 2016, Zhejiang Communications Finance provided Huangshan Yangtze Huihang Expressway Co., Ltd. ("Huihang Co") a short-term loan which bears a floating interest rate of 3.915% per annum amounted to Rmb15,000,000. The loan was early repaid during the Period.

	<b>As at June 30, 2017 Rmb'000 (Unaudited)</b>	As at December 31, 2016 Rmb'000 (Audited)
Outstanding loan payable balances:		
Repayable within one year	<b>870,000</b>	15,000
	<b>For the six months ended June 30, 2017 Rmb'000 (Unaudited)</b>	2016 Rmb'000 (Unaudited)
Interest expenses incurred	<b>8,597</b>	11,137

# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

#### *Deposits to Zhejiang Communications Finance*

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Bank balances and cash – Cash and cash equivalents	570,013	867,892

	For the six months ended June 30, 2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited)
Interest income earned	3,382	4,179

#### *Sales of the asset management scheme from Zheshang Securities AM to Zhejiang Communications Finance*

Pursuant to the asset management agreement entered between Zhejiang Communications Finance and Zheshang Securities AM on September 20, 2016, Zheshang Securities AM agreed to sell 69,000,000 units (equivalent to Rmb69,000,000) of the asset management scheme to Zhejiang Communications Finance, and the asset management agreement was terminated on March 1, 2017.

# Notes to Condensed Consolidated Financial Statements

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

*Short-term loan advanced to Zhejiang Canal Concord Property Co., Ltd. (“Zhejiang Canal Concord”)*

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Outstanding loan receivable balances	315,000	420,000
Interest receivables	8,743	3,613
Analysed for reporting purpose as: Current assets	323,743	423,613
	For the six months ended June 30, 2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited)
Interest income earned	7,117	11,380

The Group advanced several entrusted loans to Zhejiang Canal Concord, a subsidiary of Zhejiang Concord Property Co., Ltd. (“Zhejiang Concord Property”). During the Period, no additional entrusted loan was provided (corresponding period of 2016: Rmb120,000,000), and the Group received settlement of loan principal and interests amounting to Rmb105,000,000 and Rmb2,414,000 (corresponding period of 2016: Rmb150,000,000 and Rmb12,300,000), respectively.

The entrusted loans were unsecured and repayable in accordance with the terms of entrusted loan agreements, carrying interests at an effective interest rate of 3.915% (correspond period of 2016: 3.915%) per annum. Such entrusted loans were guaranteed by World Trade Center Zhejiang Real Estate Development Co., Ltd., which is the controlling shareholder of Zhejiang Concord Property, an independent third party of the Group, in full.

# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

### *Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

	Financial assets	Classified as	Fair value as at June 30, 2017 Rmb'000 (Unaudited)	Fair value as at December 31, 2016 Rmb'000 (Audited)	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
1)	Equity investments listed in exchange	Held for trading investments	<b>Assets-459,958</b>	Assets-68,996	Level 1	Quoted bid prices in an active market	N/A	N/A
2)	Equity securities listed on exchange (inactive due to low transaction volume)	Available-for-sale investment	<b>Assets-233,390</b>	Assets-272,392	Level 2	Derived from recent transaction price	N/A	N/A
		Available-for-sale investment	<b>Assets-398,951</b>	Assets-315,878	Level 3	Discounted cash flow. The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discounted for lack of marketability	The higher the discount, the lower the fair value
3)	Listed open-ended funds	Held for trading investments	<b>Assets-795,175</b>	Assets-1,279,339	Level 1	Quoted bid prices in an active market	N/A	N/A
4)	Funds listed in exchange	Available-for-sale investment	<b>Assets-93,602</b>	Assets-89,993	Level 1	Quoted bid prices in an active market	N/A	N/A
5)	Debt investments listed in exchange or in inter-bank market	Held for trading investments	<b>Assets-6,179,547</b>	Assets-4,597,320	Level 1	Quoted bid prices in an active market	N/A	N/A
		Held for trading investments	<b>Assets-4,610,894</b>	Assets-2,198,477	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter	N/A	N/A
		Available-for-sale investment	-	Assets-30,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter	N/A	N/A

# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)*

	Financial assets	Classified as	Fair value as at June 30, 2017 Rmb'000 (Unaudited)	Fair value as at December 31, 2016 Rmb'000 (Audited)	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
6)	Investment in structured products	Available-for-sale investment	<b>Assets-1,254,562</b>	Assets-857,148	Level 2	Shares of the net assets of the products, determined with reference to the net asset value of the products, calculated by observable (quoted) prices of underlying investment portfolio and adjustment of related expenses	N/A	N/A
		Available-for-sale investment	-	Assets-133,387	Level 3	Discounted cash flow. Future cash flows are estimated based on expected applicable yield of underlying investment portfolio and adjustment of related expenses	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
7)	Investment in open-ended trust products	Held for trading investments	<b>Assets-50,004</b>	-	Level 2	Derived from recent transaction price	N/A	N/A
8)	Investment in other trust products	Available-for-sale investment	<b>Assets-10,177</b>	Assets-10,000	Level 3	Discounted cash flow. Future cash flows are estimated based on applicable yield of underlying investment portfolio and adjustment of related expenses	Actual yield of the underlying investment portfolio and the discount rate	The higher the actual yield, the higher the fair value
9)	Unlisted equity investment at fair value	Available-for-sale investment	-	Assets-1,380,503	Level 2	Calculated based on the fair value of the underlying investments which are listed equity securities, after making adjustments of related expenses	N/A	N/A

# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*Fair value measurements recognised in the condensed consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)*

	Financial liabilities	Classified as	Fair value as at June 30, 2017 Rmb'000 (Unaudited)	Fair value as at December 31, 2016 Rmb'000 (Audited)	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
1)	Investments in interbank market	Fair value through profit or loss	<b>Liabilities-1,973,466</b>	Liabilities-196,363	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
2)	Investments in asset management scheme	Fair value through profit or loss	<b>Liabilities-116,305</b>	Liabilities-97,295	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)	Convertible bonds-derivative component	Convertible bonds	<b>Liabilities-539,544</b>	-	Level 3	The fair value of derivative component is calculated using the binomial option pricing model	The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life.	N/A

# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at June 30, 2017 (Unaudited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
<b>Held for trading investments</b>				
- Equity securities				
a. Manufacturing	349,977	-	-	349,977
b. Financial service	16,481	-	-	16,481
c. Information technology service	7,488	-	-	7,488
d. Transportation, storage and postal service	5,652	-	-	5,652
e. Energy and water service	43,026	-	-	43,026
f. Real estate	653	-	-	653
g. Construction	14,456	-	-	14,456
h. Mining	5,786	-	-	5,786
i. Wholesaling	16,439	-	-	16,439
	459,958	-	-	459,958
- Open-ended fund	795,175	-	-	795,175
- Open-ended trust products	-	50,004	-	50,004
- Bonds	6,179,547	4,610,894	-	10,790,441
<b>Total</b>	<b>7,434,680</b>	<b>4,660,898</b>	<b>-</b>	<b>12,095,578</b>
<b>Available-for-sale investments</b>				
- Equity				
a. Manufacturing	-	100,237	36,855	137,092
b. Information technology service	-	71,547	362,096	433,643
c. Financial service	-	5,613	-	5,613
d. Transportation, storage and postal service	-	7,133	-	7,133
e. Construction	-	5,667	-	5,667
f. Energy service	-	2,706	-	2,706
g. Wholesaling	-	16,674	-	16,674
h. Agriculture, forestry, fishing and animal husbandry	-	378	-	378
i. Others	-	23,435	-	23,435
	-	233,390	398,951	632,341
- Fund	93,602	-	-	93,602
- Structured products	-	1,254,562	-	1,254,562
- Trust products	-	-	10,177	10,177
<b>Total</b>	<b>93,602</b>	<b>1,487,952</b>	<b>409,128</b>	<b>1,990,682</b>
<b>Financial liabilities at fair value through profit or loss</b>				
- Bonds	-	1,973,466	-	1,973,466
- Asset management scheme	-	116,305	-	116,305
<b>Total</b>	<b>-</b>	<b>2,089,771</b>	<b>-</b>	<b>2,089,771</b>
<b>Convertible bonds</b>				
- Convertible bonds – derivative component	-	-	539,544	539,544



# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2016 (Audited)

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
<b>Held for trading investments</b>				
- Equity securities				
a. Manufacturing	40,680	-	-	40,680
b. Financial service	8,991	-	-	8,991
c. Information technology service	4,718	-	-	4,718
d. Transportation, storage and postal service	2,227	-	-	2,227
e. Energy and water service	7,075	-	-	7,075
f. Real estate	108	-	-	108
g. Water conservancy, environment and public facilities management	59	-	-	59
h. Culture, sports, and entertainment	58	-	-	58
i. Wholesaling	5,076	-	-	5,076
j. Others	4	-	-	4
	68,996	-	-	68,996
- Open-ended fund	1,279,339	-	-	1,279,339
- Bonds	4,597,320	2,198,477	-	6,795,797
<b>Total</b>	<b>5,945,655</b>	<b>2,198,477</b>	<b>-</b>	<b>8,144,132</b>
<b>Available-for-sale investments</b>				
- Equity				
a. Manufacturing	-	118,619	-	118,619
b. Information technology service	-	79,133	315,878	395,011
c. Financial service	-	7,134	-	7,134
d. Transportation, storage and postal service	-	8,170	-	8,170
e. Construction	-	8,693	-	8,693
f. Energy service	-	2,554	-	2,554
g. Wholesaling	-	20,428	-	20,428
h. Agriculture, forestry, fishing and animal husbandry	-	2,603	-	2,603
i. Others	-	1,405,561	-	1,405,561
	-	1,652,895	315,878	1,968,773
- Fund	89,993	-	-	89,993
- Debt investments	-	30,000	-	30,000
- Structured products	-	857,148	133,387	990,535
- Trust products	-	-	10,000	10,000
<b>Total</b>	<b>89,993</b>	<b>2,540,043</b>	<b>459,265</b>	<b>3,089,301</b>
<b>Financial liabilities at fair value through profit or loss</b>				
- Bonds	-	196,363	-	196,363
- Asset management scheme	-	97,295	-	97,295
<b>Total</b>	<b>-</b>	<b>293,658</b>	<b>-</b>	<b>293,658</b>

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

# Notes to Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

The following table represents the changes in Level 3 financial instruments during the year end December 31, 2016 and the period ended June 30, 2017.

	Available-for-sale investments			Convertible bonds-derivative component	Total
	Structured products Rmb'000	Trust products Rmb'000	Restricted Shares Rmb'000	Rmb'000	
As at January 1, 2016	141,418	10,000	202,441	-	353,859
Addition	27,500	-	-	-	27,500
Disposal	(34,000)	-	-	-	(34,000)
Total income recognised in other comprehensive income	(1,531)	-	113,437	-	111,906
As at December 31, 2016	133,387	10,000	315,878	-	459,265
Addition	-	-	27,500	539,544	567,044
Disposal	(132,580)	-	-	-	(132,580)
Total income recognised in other comprehensive income	(807)	177	55,573	-	54,943
As at June 30, 2017	-	10,177	398,951	539,544	948,672

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs (except for the debt component of the convertible bonds as described below) recognised in the condensed consolidated statement of financial position approximate their fair values.

	As at June 30, 2017		As at December 31, 2016	
	Carrying amount Rmb'000 (Unaudited)	Fair value Rmb'000 (Unaudited)	Carrying amount Rmb'000 (Audited)	Fair value Rmb'000 (Audited)
Convertible bonds-debt component	2,301,905	2,342,023	-	-

The fair value of the debt component of convertible bonds as at June 30, 2017 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the debt component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

# Notes to Condensed Consolidated Financial Statements

## 20. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Investments in subsidiaries	11,835,357	11,835,357
Amounts due from subsidiaries	856,822	1,524,639
Other assets	8,410,684	7,035,636
	<b>21,102,863</b>	20,395,632
Total liabilities	<b>8,198,774</b>	6,855,204
Capital and reserves		
Share capital	4,343,115	4,343,115
Reserves	8,560,974	9,197,313
	<b>12,904,089</b>	13,540,428

## 21. EVENT AFTER THE REPORTING PERIOD

On June 26, 2017, the spin-off and listing on stock exchange of Zheshang Securities ("Listing") had been completed and the dealings in the A shares of Zheshang Securities on the Shanghai Stock Exchange had commenced. Pursuant to the "Implementing Measures for the Transfer of Certain State-owned Shares from the Domestic Securities Market to the National Social Security Fund" (No. 94 [2009] of the Ministry of Finance) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) and "Reply on the Proposal of the State-owned Share Transfer in the Initial Public Offerings of Zheshang Securities Co., Ltd. in A Shares Market" (No. 9 [2013] of the SASAC of Zhejiang Province) (《關於浙商證券股份有限公司A股首發上市國有股轉持方案的批復》(浙國資產權[2013]9號)), the state-owned shareholders of Zheshang Securities are required, upon the listing, to transfer a number of shares in Zheshang Securities they hold which, in aggregate, represents 10% of the total number of shares issued under the Listing to the National Social Security Fund ("NSSF"). In addition, Communications Group, being a state-owned shareholder of the Company, shall be required to compensate the non-state-owned shareholders ("H Shareholders") of the Company.

Pursuant to the reply from Communications Group on July 24, 2017, it is confirmed that Shangsang Co. is required to pay Rmb193,617,000 in total into the NSSF by cash and the payment was fulfilled on August 15, 2017. In addition, compensation payment in the amount of Rmb47,062,000, which should be paid to the H Shareholders by Communications Group, was still outstanding.

## 22. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 23, 2017.

# Corporate Information

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

WANG Dongjie  
DAI Benmeng  
ZHOU Jianping

## INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHOU Jun  
PEI Ker-Wei  
LEE Wai Tsang, Rosa

## SUPERVISORS

YAO Huiliang  
HE Meiyun  
WU Qingwang (Appointed on May 18, 2017)  
ZHAN Huagang  
LU Xinghai

## COMPANY SECRETARY

Tony ZHENG

## AUTHORIZED REPRESENTATIVES

ZHAN Xiaozhang  
LUO Jianhu

## STATUTORY ADDRESS

12/F, Block A, Dragon Century Plaza  
1 Hangda Road  
Hangzhou City, Zhejiang Province  
PRC 310007  
Tel : 86-571-8798 5588  
Fax: 86-571-8798 5599

## PRINCIPAL PLACE OF BUSINESS

5/F., No. 2, Mingzhu International Business Center  
199 Wuxing Road  
Hangzhou City  
Zhejiang Province  
PRC 310020  
Tel : 86-571-8798 5588  
Fax: 86-571-8798 5599

## LEGAL ADVISERS

*As to Hong Kong law:*  
Davis Polk & Wardwell  
18/F, The Hong Kong Club Building,  
3A Chater Road, Central, Hong Kong

# Corporate Information

*As to English law:*

Davis Polk & Wardwell London LLP  
5 Aldermanbury Square  
London EC2V 7HR  
United Kingdom

*As to PRC law:*

T & C Law Firm  
11/F, Block A, Dragon Century Plaza  
1 Hangda Road  
Hangzhou City, Zhejiang Province  
PRC 310007

## AUDITORS

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## INVESTOR RELATIONS CONSULTANT

Christensen China Limited  
16/F., Methodist House  
36 Hennessy Road, Wanchai  
Hong Kong  
Tel : 852-2117 0861  
Fax: 852-2117 0869

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China,  
Jiefang Road 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: ZEH

## REPRESENTATIVE OFFICE IN HONG KONG

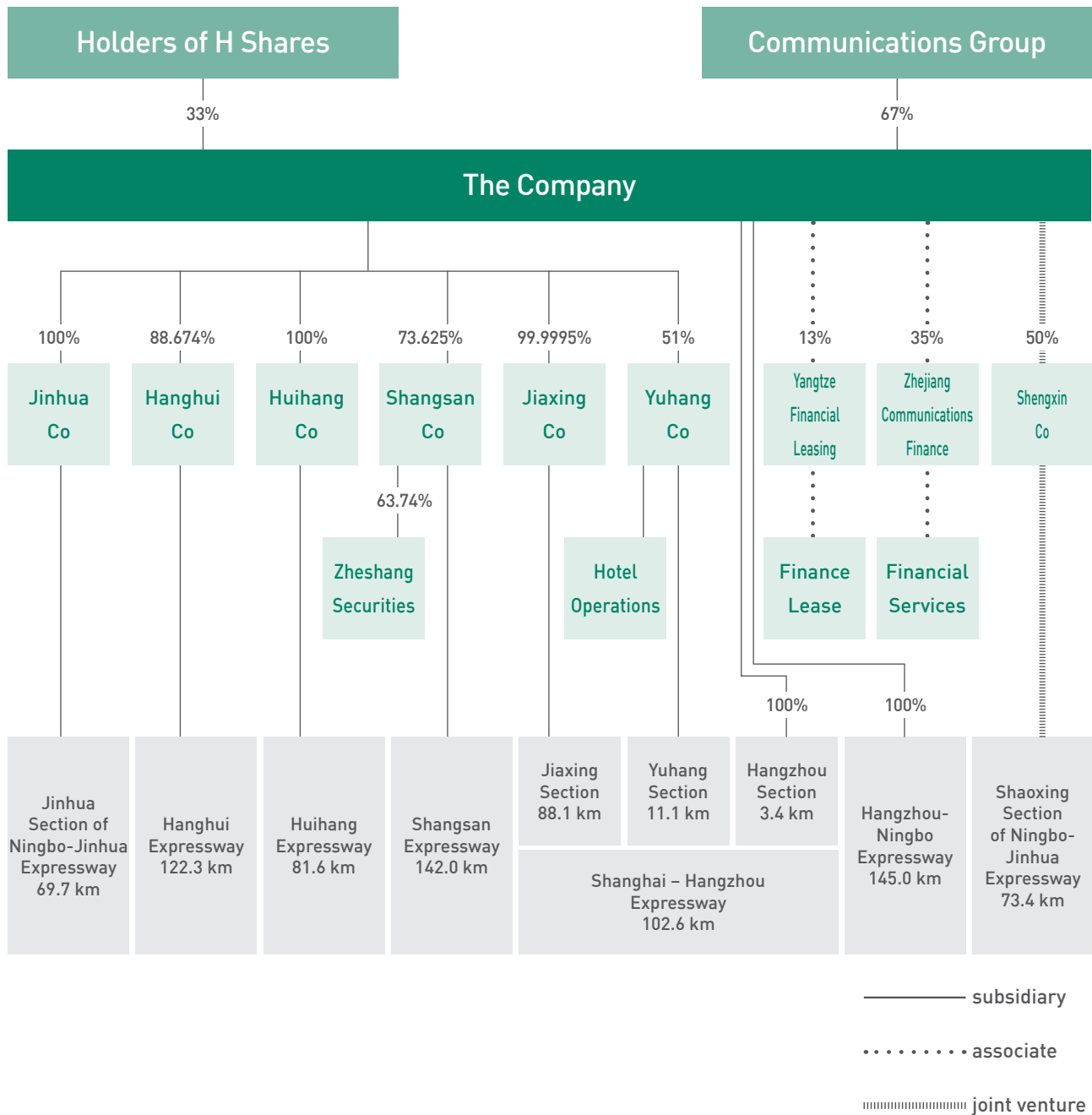
Room 2910  
29/F, Bank of America Tower  
12 Harcourt Road  
Hong Kong  
Tel : 852-2537 4295  
Fax: 852-2537 4293

## WEBSITE

[www.zjec.com.cn](http://www.zjec.com.cn)

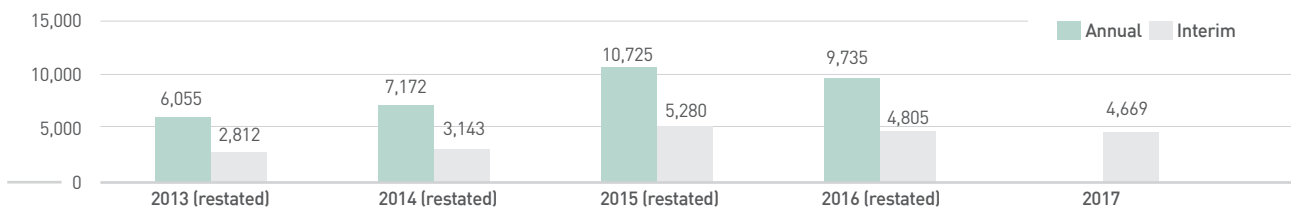
# Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at June 30, 2017:

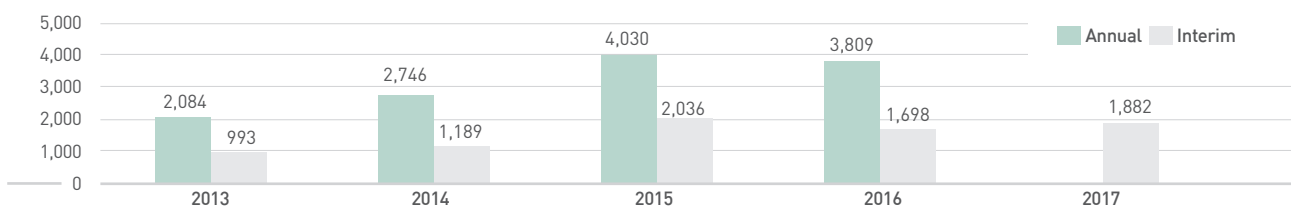


# Financial Highlights

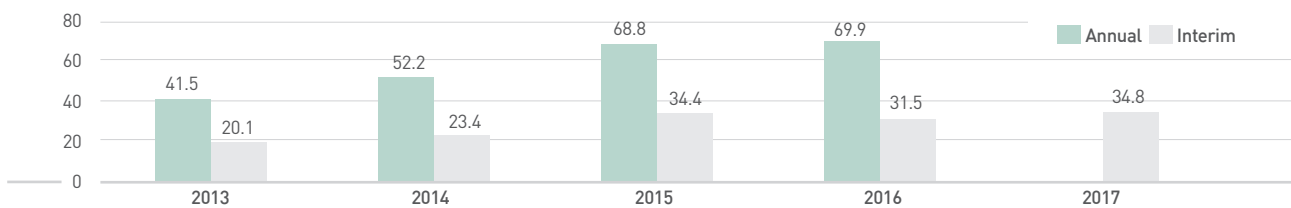
## Revenue/Rmb Million (Continuing operations)



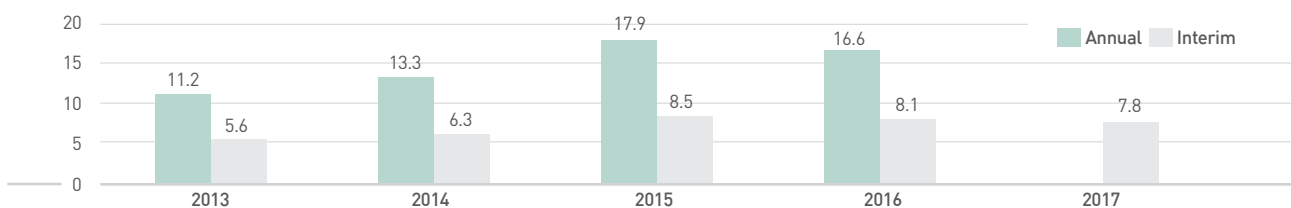
## Net Profit/Rmb Million (Continuing and discontinued operations)



## EPS/Rmb Cents (Continuing and discontinued operations)



## ROE (%)



# Location Map of Expressways in Zhejiang Province





