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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

2017 INTERIM RESULTS ANNOUNCEMENT

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 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 audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the Period and condensed consolidated statement of financial position as at June 30, 2017, with comparative figures for the same period in 2016 and relevant notes to the condensed consolidated financial statements:

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		**(330,307)**	(344,479)
Profit before tax		**2,441,578**	2,246,707
Income tax expense	5	**(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

	Notes	For the six months ended June 30, 2017 Rmb'000 (Unaudited)	2016 Rmb'000 (Unaudited and restated)
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
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

	Notes	For the six months ended June 30, **2017** ***Rmb'000*** **(Unaudited)**	2016 *Rmb'000* (Unaudited and restated)
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	7		
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)
Non-current assets			
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
		19,987,078	21,603,208
Current assets			
Inventories		**206,855**	206,814
Trade receivables	8	**194,436**	275,318
Loans to customers arising from margin financing business		**7,109,318**	7,910,032
Other receivables and prepayments		**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		**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
		55,836,296	52,158,224

	Notes	As at June 30, 2017 Rmb'000 (Unaudited)	As at December 31, 2016 Rmb'000 (Audited)
Current liabilities			
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	9	**665,759**	784,300
Tax liabilities		**310,394**	455,249
Other taxes payable		**12,277**	76,631
Other payables and accruals		**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		**10,036,834**	7,486,743
Financial liabilities at fair value through profit or loss		**2,089,771**	293,658
		39,759,193	42,507,358
Net current assets		**16,077,103**	9,650,866
Total assets less current liabilities		**36,064,181**	31,254,074
Non-current liabilities			
Bonds payable		**5,400,000**	6,700,000
Convertible bonds	10	**2,841,449**	–
Deferred tax liabilities		**387,548**	378,147
		8,628,997	7,078,147
		27,435,184	24,175,927
Capital and reserves			
Share capital		**4,343,115**	4,343,115
Reserves		**14,965,906**	13,974,042
Equity attributable to owners of the Company		**19,309,021**	18,317,157
Non-controlling interests		**8,126,163**	5,858,770
		27,435,184	24,175,927

Notes:

1. BASIS OF PREPARATION

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

2. PRINICIPAL 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.

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 inurred of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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	2016
	Rmb'000	*Rmb'000*
	(Unaudited)	(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
Total	**4,668,758**	4,805,014

4. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2017	2016
	Rmb'000	*Rmb'000*
	(Unaudited)	(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
Total	**(78,572)**	116,425

5. INCOME TAX EXPENSE

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

6. 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 ("EGM") of the Company.

7. 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.

8. TRADE RECEIVABLES

	As at June 30, 2017	As at December 31, 2016
	Rmb'000	*Rmb'000*
	(Unaudited)	(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 centres 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 Zheshang Securities Co., Ltd. ("Zheshang 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	As at December 31, 2016
	Rmb'000	*Rmb'000*
	(Unaudited)	(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

9. TRADE PAYABLES

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. 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	**665,759**	784,300

10. 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.

(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.

(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 options) 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	**Derivative component**	**Total**
	Rmb'000	*Rmb'000*	*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.

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.

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

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

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 Shangsan 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 Shangsan 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.

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 Shangsan 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 Shangsan 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 Shangsan 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.

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 Shangsan Expressway Co., Ltd. (Shangsan Co.) owns a 63.74% equity stake in Zheshang Securities.

Other Business Operations

Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company) derived revenue mainly from hotel operations and sales of ancillary apartments, namely the Qiyu Apartments.

Its subsidiary Grand New Century Hotel 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.

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 Rmb0.2 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).

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

Borrowings and solvency

As at June 30, 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.

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%).

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.

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-Xinanjiang-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.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE PERIOD

There has been no occurrence of important events affecting the Group since the end of the Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

CONTINUING CONNECTED TRANSACTION UNDER ASSET MANAGEMENT AGREEMENT II

Reference is made to the announcement of the Company dated August 18, 2017 in relation to the Asset Management Agreements. In particular, with reference to the Asset Management Agreement II, Zhejiang Zheshang Securities Asset Management Co., Ltd., as the manager of the Asset Management Schemes, is entitled to the management fee which is calculated with reference to 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.

COMPENSATION PAYMENT

On 26 June, 2017, the spin-off of Zheshang Securities ("Listing"), an indirectly owned subsidiary of the Company, 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]) dated 19 June 2009 (the "Measures") and according to the 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)) dated 4 February 2013, 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 Transfer "). Shangsan Co. proposes that the NSSF Transfer be satisfied by way of a payment of cash equivalent to the value of the shares required to be transferred by Shangsan Co. to the National Social Security Fund ("NSSF Payment"). The exact amount of such NSSF Payment will depend upon the size and offer price of the A shares offering of Zheshang Securities as well as the then respective shareholding percentages of the state-owned shareholders in Zheshang Securities.

In addition, pursuant to the Measures, Communications Group, being a state-owned shareholder of the Company, shall be required to compensate the other shareholders of the Company ("H Shareholders"), being non-state-owned shareholders, as a compensation of the NSSF Payment ("Compensation Payment").

The Company received the Reply on the Fulfillment of the State-owned Share Transfer Obligation in the IPO of Zheshang Securities (《關於履行浙商證券IPO國有股轉持義務的批復》) from the Communications Group dated 24 July 2017 whereby the proposed NSSF Payment is approved. It is confirmed that Shangsan Co. is required to pay Rmb193,617,317.25 in total into the National Social Security Fund. At the same time, Compensation Payment in the amount of Rmb47,061,704.55 should be paid to the H Shareholders (the "NSSF Payment" and "Compensation Payment" together the "Payment"). Upon completion of the Payment, the Company is required to notify and complete filing process with the State-owned Assets Supervision and Administration Commission of Zhejiang Province.

As such, the Directors have recommended the Compensation Payment in the amount of Rmb47,061,704.55 to the H Shareholders along with the payment of an interim dividend of Rmb6 cents per share to all shareholders. The proposed payment of interim dividend is subject to approval at the EGM of the Company.

Date of the EGM, as well as relevant book closing period, last day of transfer and record date will be announced separately in due course.

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

Hangzhou, the PRC, August 23, 2017

As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng, and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang, Rosa.