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

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

2018 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, 2018 (the “Period”), with the basis of preparation as stated in note 1 set out below.

During the Period, revenue for the Group was Rmb4,632.30 million, representing a year-on-year decrease of 0.8%. Profit attributable to owners of the Company was Rmb1,812.22 million, representing a year-on-year increase of 20.0%. Basic earnings per share for the Period was Rmb41.73 cents, representing a year-on-year increase of 20.0%. Diluted earnings per share for the Period was Rmb37.47 cents, representing a year-on-year increase of 7.7%.

Given the regulatory requirements related to fund transfers out of mainland China, the Directors suggest to adjust dividend policy of the Company and consolidate the interim dividend into the final dividend payment.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2018 have not been audited or reviewed by the auditors of the Company but have been reviewed by the audit committee of the Company. 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, 2018, with comparative figures for the corresponding period in 2017 and relevant notes to the condensed consolidated financial statements:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended June 30,	
		2018	2017
	Notes	Rmb'000	Rmb'000
		(Unaudited)	(Unaudited)
Revenue	3	4,632,296	4,668,758
Including: Interest income		704,445	661,293
Operating costs		(2,058,029)	(2,240,430)
Gross profit		2,574,267	2,428,328
Securities investment gains		142,049	366,387
Other income and gains and losses	4	261,329	(78,572)
Administrative expenses		(37,733)	(34,316)
Other expenses		(33,650)	(20,740)
Impairment losses, net of reversal		20,708	9,603
Share of profit of associates		136,133	96,064
Share of profit of a joint venture		11,652	5,131
Finance costs		(408,606)	(330,307)
Profit before tax		2,666,149	2,441,578
Income tax expense	5	(587,921)	(559,763)
Profit for the Period		2,078,228	1,881,815
Profit for the Period attributable to:			
Owners of the Company		1,812,222	1,510,743
Non-controlling interests		266,006	371,072
		<u>2,078,228</u>	<u>1,881,815</u>

		For the six months ended June 30,	
		2018	2017
Notes		Rmb'000	Rmb'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
	– Fair value gain during the Period	–	75,929
	– Reclassification adjustments for cumulative gain upon disposal	–	(75,641)
	Exchange difference on translation of financial statements of foreign operations	652	(242)
	Income tax relating to items that may be reclassified subsequently	–	(72)
		<u>–</u>	<u>(72)</u>
Other comprehensive income (expense) for the Period, net of income tax			
		652	(26)
		<u>652</u>	<u>(26)</u>
Total comprehensive income for the Period		2,078,880	1,881,789
		<u>2,078,880</u>	<u>1,881,789</u>
Total comprehensive income attributable to:			
	Owners of the Company	1,812,528	1,510,730
	Non-controlling interests	266,352	371,059
		<u>266,352</u>	<u>371,059</u>
		2,078,880	1,881,789
		<u>2,078,880</u>	<u>1,881,789</u>
Earnings per share			
	Basic (Rmb cents)	41.73	34.78
		<u>41.73</u>	<u>34.78</u>
	Diluted (Rmb cents)	37.47	34.78
		<u>37.47</u>	<u>34.78</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at June 30, 2018 <i>Rmb'000</i> (Unaudited)	As at December 31, 2017 <i>Rmb'000</i> (Audited)
Non-current assets			
Property, plant and equipment		2,842,703	2,948,134
Prepaid lease payments		64,231	65,300
Expressway operating rights		12,820,111	13,379,674
Goodwill		86,867	86,867
Other intangible assets		162,885	161,486
Interests in associates		4,501,035	1,686,227
Interest in a joint venture		314,717	303,065
Available-for-sale investments		–	711,715
Financial assets at fair value through profit or loss		493,012	–
Deferred tax assets		351,978	355,803
Other receivables		69,903	–
		21,707,442	19,698,271
Current assets			
Inventories		131,530	131,261
Trade receivables	7	220,445	244,587
Loans to customers arising from margin financing business		6,921,488	7,851,609
Other receivables and prepayments		433,172	911,226
Prepaid lease payments		2,137	2,137
Derivative financial assets		24	4,587
Available-for-sale investments		–	1,800,835
Held for trading investments		–	12,568,694
Financial assets at fair value through profit or loss		18,667,176	–
Financial assets held under resale agreements		8,921,218	9,793,492
Bank balances and clearing settlement fund held on behalf of customers		16,316,534	15,035,007
Pledged bank deposit		9,992	–
Bank balances, clearing settlement fund, deposits and cash		7,734,828	5,608,814
		59,358,544	53,952,249

		As at June 30, 2018 <i>Rmb'000</i> (Unaudited)	As at December 31, 2017 <i>Rmb'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Accounts payable to customers arising from securities business		16,290,060	14,933,719
Trade payables	8	596,706	628,592
Tax liabilities		463,407	608,284
Other taxes payable		90,468	90,266
Other payables and accruals		1,722,071	2,515,399
Contract liabilities		25,648	—
Dividends payable		1,529,124	261,239
Derivative financial liabilities		412	3,941
Bank and other borrowings		2,453,054	420,000
Short-term financing note payable		3,454,781	762,800
Bonds payable		2,049,715	1,300,000
Financial assets sold under repurchase agreements		9,890,214	10,523,414
Financial liabilities at fair value through profit or loss		130,573	373,427
		<u>38,696,233</u>	<u>32,421,081</u>
Net current assets		<u>20,662,311</u>	<u>21,531,168</u>
Total assets less current liabilities		<u>42,369,753</u>	<u>41,229,439</u>
Non-current liabilities			
Bank and other borrowings		61,380	60,000
Bonds payable		9,585,249	8,850,000
Convertible bond	9	2,615,021	2,720,654
Deferred tax liabilities		338,730	394,434
		<u>12,600,380</u>	<u>12,025,088</u>
		<u>29,769,373</u>	<u>29,204,351</u>
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		16,820,979	16,311,385
Equity attributable to owners of the Company		<u>21,164,094</u>	<u>20,654,500</u>
Non-controlling interests		<u>8,605,279</u>	<u>8,549,851</u>
		<u>29,769,373</u>	<u>29,204,351</u>

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2017.

Application of new and amendments to HKFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provision in the respective standards and amendments, the impacts on opening condensed consolidated statement of financial position arising from the application of all new standards are described as below.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	As at December 31, 2017	HKFRS 15	HKFRS 9	As at January 1, 2018
	<i>Rmb'000</i> (Audited)	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i> (Restated)
Non-current assets				
Available-for-sale investments	711,715	–	(711,715)	–
Financial assets at fair value through profit or loss	–	–	711,715	711,715
Current assets				
Available-for-sale investments	1,800,835	–	(1,800,835)	–
Held for trading investments	12,568,694	–	(12,568,694)	–
Financial assets at fair value through profit or loss	–	–	14,369,529	14,369,529
Current liabilities				
Other payables and accruals	2,515,399	(19,614)	–	2,495,785
Contract liabilities	–	19,614	–	19,614
Capital and reserves				
Reserves	16,311,385	–	–	16,311,385

3. REVENUE AND SEGMENT INFORMATION

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, 2018 (Unaudited)

	Toll operation <i>Rmb'000</i>	Securities operation <i>Rmb'000</i>	Others <i>Rmb'000</i>	Total <i>Rmb'000</i>
Revenue – external customers	3,065,847	1,513,651	52,798	4,632,296
Segment profit	1,684,227	251,648	142,353	2,078,228

For the six months ended June 30, 2017 (Unaudited)

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

Segment profit represents the profit after tax 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, net of discounts and taxes, for the Period is as follows:

	For the six months ended June 30,	
	2018	2017
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Toll operation revenue	3,065,847	2,868,617
Commission and fee income from securities operation	809,206	1,044,160
Interest income from securities operation	704,445	661,293
Revenue from sales of properties	–	47,413
Hotel and catering revenue	52,798	47,275
Total	4,632,296	4,668,758

4. OTHER INCOME AND GAINS AND LOSSES

	For the six months ended June 30,	
	2018	2017
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank balances and entrusted loan receivables	28,691	10,937
Rental income	19,144	17,837
Handling fee income	2,008	1,762
Towing income	3,232	3,595
(Loss) gain on commodity trading, net	(9,102)	9,917
Exchange gain (loss), net	66,823	(130,465)
Gain (loss) on change in fair value in respect of the derivative component of convertible bond	109,334	(45,242)
Others	41,199	53,087
Total	<u>261,329</u>	<u>(78,572)</u>

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2018	2017
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	639,800	572,541
Deferred tax	(51,879)	(12,778)
	<u>587,921</u>	<u>559,763</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the 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 in Hong Kong during the Period.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	For the six months ended June 30,	
	2018	2017
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share (Profit for the Period attributable to owners of the Company)	1,812,222	1,510,743
Effect of dilutive potential ordinary shares arising from convertible bond	(94,405)	143,050
Earnings for the purpose of diluted earnings per share	1,717,817	1,653,793
Number of shares		
	For the six months ended June 30,	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	241,482	166,727
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,584,597	4,509,842

For the six months ended June 30, 2017, the computation of diluted earnings per share does not assume to the conversion of the Company's outstanding convertible bond since their exercise would result in an increase in earnings per share, therefore the basic earnings per share presented is the same as diluted earnings per share.

7. TRADE RECEIVABLES

	As at June 30, 2018 <i>Rmb'000</i> (Unaudited)	As at December 31, 2017 <i>Rmb'000</i> (Audited)
Trade receivables comprise:		
Fellow subsidiaries	13,686	10,207
Third parties	209,742	236,608
Total trade receivables	223,428	246,815
Less: Allowance for doubtful debts	(2,983)	(2,228)
	220,445	244,587

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respect expressway fee settlement centres of Zhejiang Province and Anhui Province, which are normally settled within 3 months. All of these trade receivables were not past due 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 the management.

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

	As at June 30, 2018 <i>Rmb'000</i> (Unaudited)	As at December 31, 2017 <i>Rmb'000</i> (Audited)
Within 3 months	179,776	222,020
3 months to 1 year	30,806	20,468
1 to 2 years	7,325	2,010
Over 2 years	2,538	89
Total	220,445	244,587

8. 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 at the end of the reporting period:

	As at June 30, 2018 <i>Rmb'000</i> (Unaudited)	As at December 31, 2017 <i>Rmb'000</i> (Audited)
Within 3 months	228,646	267,464
3 months to 1 year	114,946	73,433
1 to 2 years	104,305	112,374
2 to 3 years	61,738	70,812
Over 3 years	87,071	104,509
Total	596,706	628,592

9. CONVERTIBLE BOND

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 Bond”). The Convertible Bond is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

(1) Conversion right

The Convertible Bond will, at the option of the holder (the “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 the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. As at June 30, 2018, the conversion price is HK\$12.54 per H share.

(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 Bond 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 Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such 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 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 Bond 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 bond on April 21, 2020 (the “Put Option Date”) at 100 percent of their outstanding principal amount on the Put Option Date.

The Convertible Bond comprises two components:

- (1) Debt component was initially measured at fair value amounted to approximately Euro297,801,000 (equivalent to 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. The effective interest rate used is 4.28%.
- (2) Derivative component comprises conversion right of the Bondholders, redemption option of the Company, and redemption option of the Bondholders.

Transaction costs totalling Rmb16,725,000 that relate to the issue of the Convertible Bond are allocated to the (including conversion right and redemption options) components in proportion to their respective fair values. Transaction costs amounting to approximately Euro419,000 (equivalent to Rmb3,079,000) relating to the derivative component were charged to profit or loss of the corresponding period of 2017. Transaction costs amounting to approximately Euro1,855,000 (equivalent to 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 Bond using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

The movement of the debt and derivative components of the Convertible Bond for the Period is set out as below:

	Debt component		Derivative components		Total	
	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>	<i>Euro'000</i>	<i>Rmb'000</i>
Opening balance (Audited)	304,504	2,375,831	44,195	344,823	348,699	2,720,654
Exchange realignment	–	(44,909)	–	–	–	(44,909)
Interest charge	6,520	48,610	–	–	6,520	48,610
Gain on change in fair value	–	–	(13,418)	(109,334)	(13,418)	(109,334)
Closing balance (Unaudited)	<u>311,024</u>	<u>2,379,532</u>	<u>30,777</u>	<u>235,489</u>	<u>341,801</u>	<u>2,615,021</u>

No conversion or redemption of the Convertible Bond has occurred up to June 30, 2018.

BUSINESS REVIEW

In the first half of 2018, the Chinese economy maintained stable growth with positive trend alongside the restructuring of the economy. Driven by the transition from old to new growth drivers, the national GDP rose 6.8% year-on-year, and the quality and efficiency of economic growth continued to improve as the country transitions to high-quality development. During the Period, Zhejiang Province's GDP grew by 7.6% year-on-year, 0.8 of a percentage point higher than the national rate. The revenue of services, consumption, import and export, and digital economy in Zhejiang Province grew by 8.1%, 10.1%, 8.9% and 16.4% year-on-year, respectively, which drove the province's overall economy to achieve medium-to-high growth.

The traffic volume on the Group's expressways continued to maintain steady growth, contributed by the stable and rapid growth of Zhejiang Province's economy during the Period. However, as impacted by the market depression, the revenue of Zheshang Securities has fallen, which caused a year-on-year decrease of 0.8% in the Group's revenue. The total revenue of the Group amounted to Rmb4,632.30 million, of which Rmb3,065.85 million was generated by the five major expressways operated by the Group, representing an increase of 6.9% year-on-year and 66.2% of the total revenue. The total revenue of the securities business amounted to Rmb1,513.65 million, representing a decrease of 11.2% year-on-year and 32.7% 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,		
	2018	2017	
	<i>Rmb'000</i>	<i>Rmb'000</i>	% Change
Toll revenue			
Shanghai-Hangzhou-Ningbo			
Expressway	1,930,874	1,781,361	8.4%
Shangsan Expressway	616,614	609,249	1.2%
Jinhua section, Ningbo-Jinhua			
Expressway	184,333	177,522	3.8%
Hanghui Expressway	259,853	232,051	12.0%
Huihang Expressway	74,173	68,434	8.4%
Securities business revenue			
Commission and fee income	809,206	1,044,160	-22.5%
Interest income	704,445	661,293	6.5%
Other operation revenue			
Property sales	–	47,413	-100.0%
Hotel operation	52,798	47,275	11.7%
Total revenue	4,632,296	4,668,758	-0.8%

Toll Road Operations

During the Period, traffic volume on the Group's expressways experienced high organic growth, benefitting from Zhejiang Province's favorable economic development. The varied rates of growth reflect the different regions in which the five expressways are located. 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 10.4%, 7.0%, 9.4%, 11.1% and 9.3%, respectively.

The "Regulations on Overloaded Trucks on Roadways" released on September 21, 2016 has continued to have a positive impact on the growth of truck traffic on the expressways of the Company. During the Period, truck traffic on the expressways of the Company increased 8.6% year-on-year. In addition, the Yuhang District government of Hangzhou reset toll collection rules for vehicles travelling between the Yuhang and Hangzhou sections of the Shanghai-Hangzhou Expressway. Under the new rules, within a two-year period from September 28, 2017 on which the new rules became into effect, the Yuhang District government pays the toll between the two sections for all Hangzhou passenger vehicles that have ETC registration, which led to an increase in passenger vehicle traffic along the Shanghai-Hangzhou-Ningbo Expressway.

During the Period, the traffic volume growth rate on the Shangsang Expressway was relatively slow, which was mainly due to traffic controls and frequent road closures related to construction projects on the Taizhou section of the Ningbo-Taizhou-Wenzhou Expressway. In addition, the Dongyang-Yiwu Provincial Highway opened traffic on June 30, 2017, which led to a decline in short-distance traffic on the Jinhua section of the Ningbo-Jinhua Expressway.

During the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 35,999, representing an increase of 9.4% 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 63,699, representing an increase of 13.7% year-on-year, and that along the Hangzhou-Ningbo Section was 58,282, representing an increase of 9.2% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 31,177, representing an increase of 4.2% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 20,400, representing an increase of 3.7% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 19,517 representing an increase of 11.4% year-on-year. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 8,802, representing an increase of 10.2% year-on-year.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsang Expressway, the 70km Jinhua Section of the Ningbo Jinhua Expressway, the 122km Hanghui Expressway and the 82km Huihang Expressway was Rmb3,065.85 million, representing an increase of 6.9% year-on-year. Within this, toll revenue from the Shanghai-Hangzhou-Ningbo Expressway was Rmb1,930.87 million, representing an increase of 8.4% year-on-year; toll revenue from the Shangsang Expressway was Rmb616.61 million, representing an increase of 1.2% year-on-year; toll revenue from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb184.33 million, representing an increase of 3.8% year-on-year; toll revenue from the Hanghui Expressway was Rmb259.85 million, representing an increase of 12.0% year-on-year; and toll revenue from the Huihang Expressway was Rmb74.17 million, representing an increase of 8.4% year-on-year.

Securities Business

During the Period, the domestic stock market remained volatile and the domestic bond market was in downturn, in spite of a year-on-year increase of 1.41% in trading volume across the Shanghai and Shenzhen stock markets. In addition, the average commission rate for the traditional brokerage business remained at a low level, which weighed down the revenue of Zheshang Securities. During the Period, except for a modest increase in interest income, Zheshang Securities' other businesses recorded varied levels of revenue decreases year-on-year.

During the Period, Zheshang Securities recorded total revenue of Rmb1,513.65 million, a decrease of 11.2% year-on-year. Within this, commission and fee income declined 22.5% year-on-year to Rmb809.21 million, and interest income derived from the securities business was Rmb704.45 million, representing an increase of 6.5% year-on-year. Securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income was Rmb142.05 million (Corresponding period of 2017: securities investment gains of Rmb370.30 million).

With a view to minimizing the negative impact of the market, Zheshang Securities has been continuously strengthening its internal controls, optimizing the business structure and promoting business development since its listing.

Other Business Operations

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), realized revenue of Rmb52.80 million for the Period, representing an increase of 11.7% year-on-year.

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 20,335, representing an increase of 9.1% year-on-year. Toll revenue during the Period was Rmb201.89 million. During the Period, the joint venture reported a net profit of Rmb23.30 million, representing an increase of 127.1% year-on-year.

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (“**Zhejiang Communications Finance**”, a 35% owned associate 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. (“**Communications Group**”), the controlling shareholder of the Company. During the Period, the associate company realized a net profit of Rmb242.65 million, representing an increase of 51.4% year-on-year.

During the Period, Yangtze United Financial Leasing Co., Ltd. (“**Yangtze Financial Leasing**”, a 13% owned associate of the Company), was primarily engaged in the finance leasing business, transferring and receiving financial leasing assets, fixed-income securities investment businesses, and other businesses approved by the China Banking Regulatory Commission. During the Period, the associate company realized a net profit of Rmb168.49 million, representing an increase of 44.0% year-on-year.

During the Period, Shanghai Rural Commercial Bank Co., Ltd. (“**SRCB**”, a 4.9% owned associate of the Company, which was acquired on May 31, 2018), was primarily engaged in commercial banking business, including deposits, loans, and domestic and overseas settlements, which is approved by the banking regulatory authorities in China. In June 2018, the associate company realized a net profit of Rmb508.40 million.

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was approximately Rmb1,812.22 million, representing an increase of 20.0% over the corresponding period of 2017, basic earnings per share for the Company was Rmb41.73 cents, representing an increase of 20.0% year-on-year, diluted earnings per share for the Company was Rmb37.47 cents, representing an increase of 7.7%, and return on owners’ equity was 8.6%, representing an increase of 10.3% year-on-year.

Liquidity and financial resources

As at June 30, 2018, current assets of the Group amounted to Rmb59,358.54 million in aggregate (December 31, 2017: Rmb53,952.25 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 13.0% (December 31, 2017: 10.4%), bank balances and clearing settlement fund held on behalf of customers accounted for 27.5% (December 31, 2017: 27.9%), financial assets at fair value through profit or loss accounted for 31.4% (on the same basis as at December 31, 2017: 26.6%) and loans to customers arising from margin financing business accounted for 11.7% (December 31, 2017: 14.6%). The current ratio (current assets over current liabilities) of the Group as at June 30, 2018 was 1.5 (December 31, 2017: 1.7). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.9 (December 31, 2017: 2.2).

The amount of financial assets at fair value through profit or loss included in current assets of the Group as at June 30, 2018 was Rmb18,667.18 million (on the same basis as at December 31, 2017: Rmb14,369.53 million), of which 78.3% was invested in bonds, 3.1% was invested in stocks, 12.9% was invested in structured products, and the rest were invested in equity funds and trust products.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb748.58 million. The currency mix in which cash and cash equivalents are held has 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.

Borrowings and solvency

As at June 30, 2018, total liabilities of the Group amounted to Rmb51,296.61 million (December 31, 2017: Rmb44,446.17 million), of which 4.9% was bank and other borrowings, 6.7% was short-term financing note payable, 22.7% was bonds payable, 5.1% was Convertible Bond, 19.3% was financial assets sold under repurchase agreements and 31.8% was accounts payable to customers arising from securities business.

As at June 30, 2018, total interest-bearing borrowings of the Group amounted to Rmb20,219.20 million, representing an increase of 43.3% compared to that as at December 31, 2017. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb1,201.57 million, borrowings from a domestic financial institution of Rmb of 1,251.49 million, borrowings from a domestic institution of Rmb61.38 million, subordinated bonds of Rmb9,689.91 million, corporate bonds of Rmb1,945.05 million, beneficial certificates of Rmb3,454.78 million, and Convertible Bond denominated in Euro and equivalents to Rmb2,615.02 million. Of the interest-bearing borrowings, 60.6% was not payable within one year.

As at June 30, 2018, the annual floating interest rate of the Group's borrowings from a domestic commercial bank was 4.698%, the annual floating interest rate for borrowings from a domestic financial institution was 4.2195% and 4.35%, the annual fixed interest rate from a domestic institution was 3.0%. The annual interest rates of beneficial certificates were fixed at rates between 4.5% and 5.3%. The annual interest rates for subordinated bonds were fixed at rates between 3.63% and 5.93%. The annual fixed interest rate for corporate bonds was 3.08%. The annual coupon rate for convertible bond was nil. 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 Rmb408.61 million and Rmb3,074.76 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 7.5 (Corresponding period of 2017: 8.4) times.

As at June 30, 2018, the asset-liability ratio (total liabilities over total assets) of the Group was 63.3% (December 31, 2017: 60.3%). 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 and clearing settlement fund held on behalf of customers) of the Group was 54.1% (December 31, 2017: 50.3%).

Capital structure

As at June 30, 2018, the Group had Rmb29,769.37 million in total equity, Rmb43,946.42 million in fixed-rate liabilities, Rmb2,453.05 million in floating-rate liabilities, and Rmb4,897.14 million in interest-free liabilities, representing 36.7%, 54.2%, 3.0% and 6.1% 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 117.6% as at June 30, 2018 (December 31, 2017: 101.1%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb2,844.17 million. Amongst the total capital expenditure of the Group, Rmb2,789.14 million was incurred for acquiring equity investments, Rmb12.22 million was incurred for acquisition and construction of properties, and Rmb42.81 million was incurred for purchase and construction of equipments and facilities.

As at June 30, 2018, the remaining capital expenditure committed by the Group amounted to Rmb1,192.50 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb795.40 million will be used for acquiring equity investments, Rmb149.80 million will be used for acquisition and construction of properties, Rmb247.30 million for acquisition and construction of equipments 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 joint guarantee for its bank loan principal of Rmb2.2 billion, in accordance with their proportionate equity interest in Shengxin Co. During the Period, Rmb135.00 million of the bank loan principal had been repaid. As at June 30, 2018, the remaining bank loan principal balance is Rmb1,548.00 million.

Except for the above, as at June 30, 2018, 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) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong, and (iii) issuance of the zero coupon convertible bond in an aggregate principal amount of Euro 365.00 million in Hong Kong capital market in April 2017, which will be due in April 2022, the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group has not used any financial instruments for hedging purpose.

OUTLOOK

In the first half of 2018, China's economy was shifting from high-speed growth to high-quality development. In particular, the service sector in Zhejiang Province continued to grow rapidly, with the digital economy leading a cycle of "industrial upgrading". Although adverse external factors such as intensified international trade friction and rising trade protectionism have increased, China's macro economy and regional economies are still expected to develop rapidly in the second half of 2018. It is expected that overall traffic volume on the major expressway sections of the Group will keep year-on-year growth in the second half of this year, but the growth rate will slow compared with the first half.

The Company will continue to promote the construction of ETC lanes, set up self-service payment lanes on a trial basis, further promote mobile payments, optimize toll collection system functionality, and improve service quality across all areas of the business as a part of the Company's efforts to build its brand. The Company will also improve its big data analytic capabilities related to its road network, promote the establishment of a vehicle confidence system, and continue to apply new technologies to attract more vehicles while improving road safety.

In October 2017, Zhejiang Province launched the "Phoenix Action" plan, which aims to encourage listings, mergers and acquisitions, and restructuring for companies in order to promote economic transformation and strengthen the real economy. This plan will bring new opportunities to the Group's securities business. Zheshang Securities will make a rational assessment of the current economic situation, carefully analyze the government policies, promote the construction of information risk control system, deepen the research and development of products with unique features, and vigorously promote the transformation and upgrading of traditional businesses, such as brokerage and asset management. Zheshang Securities will also actively explore innovative businesses, take advantage of the opportunities brought about by "Phoenix Action", and expand the pipeline of premium projects so as to further optimize resource allocation and business structure.

Looking ahead to the second half of 2018, the management of the Company will leverage its competitive advantages, strengthen existing businesses and explore potential developments, continue to strengthen its core expressway business, improve the performance of the securities and financial business, and seek opportunities to invest in suitable projects through multiple channels in order to further increase the scale of the overall business and improve 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.

By Order of the Board
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

Hangzhou, the PRC, August 23, 2018

As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive directors of the Company are: Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. DAI Benmeng, Mr. YU Qunli, and Mr. YU Ji; and the independent non-executive directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, and Mr. CHEN Bin.