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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)

2012 FIRST QUARTERLY RESULTS ANNOUNCEMENT

This quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) for the three months ended March 31, 2012 (the “Period”) is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has been prepared in compliance with section 4.3 of the Disclosure and Transparency Rules of the United Kingdom Listing Authority.

The audit committee of the Company has reviewed the quarterly results of the Company and its subsidiaries (collectively the “Group”) for the Period. Set out below are the Group’s unaudited condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of cash flow for the Period together with the comparative figures for the corresponding period of 2011:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		For the three months ended March 31,	
	<i>Notes</i>	2012	2011
		<i>Rmb’000</i>	<i>Rmb’000</i>
Revenue	1	1,584,489	1,627,592
Operating costs		(990,040)	(960,559)
Gross profit		594,449	667,033
Securities investment gains (losses)		15,202	(3,949)
Other income	2	59,807	51,271
Administrative expenses		(16,639)	(19,680)
Other expenses		(7,625)	(10,159)
Share of (loss) profit of associates		(3,651)	1,020
Finance costs		(16,536)	(19,489)

		For the three months ended March 31,	
	<i>Note</i>	2012	2011
		<i>Rmb'000</i>	<i>Rmb'000</i>
Profit before tax		625,007	666,047
Income tax expense		(157,973)	(167,366)
Profit for the Period		467,034	498,681
Other comprehensive income (expense)			
Available-for-sale financial assets:			
– Fair value gain (loss) during the Period		2,997	(4,130)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		–	(4,200)
Income tax relating to components of other comprehensive income		(749)	2,083
Other comprehensive income (expense) for the Period (net of tax)		2,248	(6,247)
Total comprehensive income for the Period		469,282	492,434
Profit for the Period attributable to:			
Owners of the Company		416,943	425,004
Non-controlling interests		50,091	73,677
		467,034	498,681
Total comprehensive income for the Period attributable to:			
Owners of the Company		418,115	421,746
Non-controlling interests		51,167	70,688
		469,282	492,434
Earnings per share – basic	3	9.60 cents	9.79 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at March 31, 2012 <i>Rmb'000</i> Unaudited	As at December 31, 2011 <i>Rmb'000</i> Audited
Non-current assets	13,933,092	14,126,326
Current assets	16,323,440	15,006,633
Current liabilities	10,961,548	9,301,793
Net current assets	5,361,892	5,704,840
Total assets less current liabilities	19,294,984	19,831,166
Non-current liabilities	226,602	1,232,066
	19,068,382	18,599,100
Capital and Reserves		
Share capital	4,343,115	4,343,115
Reserves	11,253,539	10,835,424
Equity attributable to owners of the Company	15,596,654	15,178,539
Non-controlling interests	3,471,728	3,420,561
	19,068,382	18,599,100

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the three months ended March 31,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash from operating activities	494,690	378,600
Net cash used in investing activities	(612,820)	(812,459)
Net cash used in financing activities	(50,000)	(180,000)
Net decrease in cash and cash equivalents	(168,130)	(613,859)
Cash and cash equivalents at beginning of the Period	3,120,430	5,682,053
Cash and cash equivalents at end of the Period	2,952,300	5,068,194

Notes:

1. REVENUE

An analysis of the Group's revenue, net of discounts and taxes, for the Period is as follows:

	For the three months ended March 31,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited
Toll operation revenue	830,753	831,723
Service area business revenue	470,603	438,989
Advertising business revenue	22,688	19,364
Commission income from securities operation	194,655	262,680
Interest income from securities operation	65,790	74,836
Total revenue	<u>1,584,489</u>	<u>1,627,592</u>

2. OTHER INCOME

	For the three months ended March 31,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited
Interest income from bank balances and entrusted loan receivables	35,305	27,655
Rental income	15,990	15,165
Net exchange gain	38	2
Handling fee income	2,008	3,126
Towing income	1,827	2,154
Others	4,639	3,169
Total	<u>59,807</u>	<u>51,271</u>

3. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the Period attributable to owners of the Company of Rmb416,943,000 (2011: Rmb425,004,000) and the 4,343,114,500 (2011: 4,343,114,500) ordinary shares in issue during the Period.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding in both periods.

BUSINESS REVIEW

China's economy maintained reasonable and moderate levels of growth despite a decline in its rate of growth in the first quarter, during which the rate of in GDP growth increased by 8.1% year-on-year. Economic growth in Zhejiang Province continued to demonstrate a slowing trend during the period, recording GDP growth of 7.1% for the province in the first quarter of the year over the corresponding period last year. Hit by the slowing rate of growth both inside and outside the province, the Group's two expressways recorded worse-than-expected performance during the Period in terms of traffic volume growth and toll revenue.

During the Period, the Group realized total income of Rmb1,629.79 million, representing a decrease of 2.7% year-on-year, of which Rmb858.77 million was attributable to the two major expressways operated by the Group, representing 52.7% of the total income; Rmb497.35 million was attributable to the Group's toll road-related businesses, representing 30.5% of total income; and Rmb273.67 million was attributable to the securities business, representing 16.8% of total income.

TOLL ROAD OPERATIONS

Due to the slowing rate of growth at the macroeconomic level, the increase in the traffic volume of the Group's expressways decelerated accordingly in the first quarter, represented in particular by a year-on-year decrease of 1% in the traffic volume of trucks, rendering overall toll revenue lower than expected during the period. The opening of the Shaozhu Expressway on December 29, 2011 has since caused slight traffic diversions from the Shaoxing section of the Shanghai-Hangzhou-Ningbo Expressway.

Meanwhile, the organic growth in the traffic volume of Shangsang Expressway had not yet bottomed out during the period, showing a month-by-month downside trend, thus resulting in the growth rate of toll revenue from the Shangsang Expressway falling further behind that from the Shanghai-Hangzhou-Ningbo Expressway. Moreover, traffic congestion caused by accidents and the frequent construction work on the Shangsang Expressway and its adjacent expressways caused traffic flow to be diverted from the Shangsang Expressway. The impact of this traffic diversion was especially substantial during the peak periods of the Spring Festival and Qingming Festival periods as the positive impact of holidays and festivals on toll revenue was significantly minimized.

The average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 40,303 during the Period, representing an increase of 4.5% 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 40,955 an increase of 6.4% year-on-year, and that along the Hangzhou-Ningbo section was 39,836, an increase of 3.2% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 17,143 during the Period, representing a decrease of 3.5% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb694.80 million, an increase of 1.7% year-on-year, while toll income from the Shangsang Expressway amounted to Rmb163.98 million, a decrease of 7.1% year-on-year.

TOLL ROAD-RELATED BUSINESS OPERATIONS

The Company also operates toll road-related businesses along its expressways through its subsidiaries and associate companies, including gas stations, restaurants and shops in service areas, as well as roadside advertising and vehicle service businesses.

As a result of slowing growth in traffic volume along the Group's two expressways and the impact of traffic diversions from the Shaoxing Section of the Shanghai-Hangzhou-Ningbo Expressway to the newly opened Shaozhu Expressway during the Period, the client volume of service areas declined. However, owing to increases in the sale prices of petroleum products, which in turn led to a substantial increase in sales revenue of petroleum products, overall income from the service areas was satisfactory. Income from toll road-related businesses amounted to Rmb497.35 million during the Period, representing a year-on-year increase of 7.1%.

SECURITIES BUSINESS

The aggregate trading volume in the domestic stock market declined significantly as compared to the corresponding period last year as the market continued to experience a downward trend during the first quarter of 2012. Although commission rates continued to decline, the declines tended to ease as an increasing number of local securities industry associations introduced a minimum commission standard for new customers following the implementation of the "Notice on Further Strengthening Customer Services of Securities Companies and the Management of Commissions for Dealing in Securities" in early 2011. Moreover, the increase in the number of operational networks and employees both raised operational costs and undermined the profitability of the securities business during the period.

During the period, revenue from both the investment banking and asset management businesses decreased year-on-year but the market share of the securities brokerage increased over the same period last year, while the customer base continued to rise and the operational network increased to 60 branches.

During the Period, Zheshang Securities realized an operating income of Rmb273.67 million, a decrease of 22.4% year-on-year. Of this income, brokerage commission income amounted to Rmb207.88 million, a year-on-year decrease of 25.2%; and bank interest income amounted to Rmb65.79 million, a year-on-year decrease of 12.1%. During the Period, securities investment gains from Zheshang Securities accounted for in the condensed consolidated statement of comprehensive income amounted to Rmb13.60 million.

LONG-TERM INVESTMENTS

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) was blessed by a further increase in the retail prices of petroleum and significant growth in petroleum sales during the Period, and consequently realized income of Rmb1,386.80 million during the Period, representing an increase of 23.4% year-on-year. During the Period, net profit amounted to Rmb3.08 million (corresponding period of 2011: Rmb9.08 million).

The 69.7km Jinhua Section of the Ningbo-Jinhua Expressway, operated by Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company), was affected by the continuous slowdown in domestic macroeconomic growth; therefore, its toll income was affected during the Period. It recorded an average daily traffic volume of 11,910 in full-trip equivalents, representing an increase of 9.8% year-on-year, while toll income amounted to Rmb55.19 million, representing an increase of 5.6% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb15.28 million during the Period (corresponding period of 2011: net loss amounted to Rmb15.20 million).

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) generated its income primarily from property leasing during the Period. It did not show any improvement in its operations and realized a net loss of Rmb1.01 million during the Period (corresponding period of 2011: net loss amounted to Rmb1.04 million).

As Guangzhou Kaixin Consulting Co., Ltd. failed to pay the consideration for the equity transfer according to the terms of the contract entered into with the Company in July 2011, the Company lodged a lawsuit against it in August 2011 at the People's Court of Xihu District, Hangzhou City. The court ruled in favour of the Company in March 2012. However, both the Company and Guangzhou Kaixin Consulting Co., Ltd. filed appeals because of their objections against the court's decision.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

As at March 31, 2012, the current assets of the Group aggregated to Rmb16,323.44 million (December 31, 2011: Rmb15,006.63 million), of which bank balances and cash accounted for 35.5% (December 31, 2011: 37.2%), bank balances held on behalf of customers accounted for 50.6% (December 31, 2011: 47.8%), and held-for-trading investments accounted for 6.4% (December 31, 2011: 8.4%). Current ratio of the Group (current assets over current liabilities) as at March 31, 2012 was 1.5 (December 31, 2011: 1.6). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less balance of cash held on behalf of customers over current liabilities less balance of accounts payable to customer arising from securities dealings) was 3.0 (December 31, 2011: 3.6).

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb494.69 million, representing an increase of 30.7%.

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

Borrowings and Solvency

As at March 31, 2012, total liabilities of the Group amounted to Rmb11,188.15 million (December 31, 2011: Rmb10,533.86 million), of which 3.7% was short-term bank loans, 8.9% was corporate bonds, and 73.6% was accounts payable to customers arising from securities dealing business.

During the Period, total interest expenses amounted to Rmb16.54 million, while profit before interest and tax amounted to Rmb641.54 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 38.8 (corresponding period of 2011: 35.2).

The asset-liability ratio (total liabilities over total assets) was 37.0% as at March 31, 2012 (December 31, 2011: 36.2%). 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 dealing business over total assets less bank balances held on behalf of customers) of the Group was 13.4% (December 31, 2011: 15.4%).

Capital Structure

As at March 31, 2012, the Group had Rmb19,068.38 million total equity, Rmb8,543.22 million fixed-rate liabilities, Rmb100 million floating-rate liabilities and Rmb2,544.93 million interest-free liabilities, representing 63.0%, 28.3%, 0.3% and 8.4% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customer arising from securities dealing business by total equity, was 15.5% as at March 31, 2012 (December 31, 2011: 18.2%).

PROSPECTS

The decelerating pace of economic growth in Zhejiang Province is anticipated to continue to undermine the organic growth in the traffic volume of the Group's two expressways. In particular, this is expected to have more of an impact on the organic growth in the traffic volume of the Shangsang Expressway, along which mostly small and medium-sized enterprises are located, than on the Shanghai-Hangzhou-Ningbo Expressway.

As the clean-up and rectification programme for toll roads is close to completion, two new policies, the toll-by-driving route policy and the improved vehicle tolls charging method, were introduced to the expressways throughout Zhejiang Province in the middle of April, and will come into force on May 15, 2012. In particular, the toll-by-driving route policy for expressways is expected to have a modest positive impact on the Group, while the improved vehicle tolls charging method is expected to have a modest negative impact.

Entering into the second quarter of 2012, the steadily drop in inflation and the expected possible relaxation of the monetary policy are likely to impact China's stock market positively. Zheshang Securities will seize opportunities to continue to expand the development of the investment banking, asset management, futures and other businesses while strengthening cost control and risk control at the same time, to deal with the uncertain impact from the market environment and intense competition.

Following the introduction of the changes in the policy for the toll road industry, new toll rates have recently been unveiled for expressways in Zhejiang Province. Toll rates for ordinary roads in the province are expected to be adjusted as well within the year. This will then have an uncertain impact on the traffic volume of the Group's two expressways. Amid various uncertain internal and external situations, the Company's management will, as in the past, continue to excel in its principal expressway operations, closely monitor any changes in policies relevant to the industry so as to adjust its business strategy and continue to identify appropriate investment projects in the precondition of controllable risk with a view to maximizing shareholder value.

By order of the Board
Zhejiang Expressway Co., Ltd.
Jisong Chen
Chairman

Hangzhou, PRC, May 11, 2012

As at the date of this announcement, the executive directors of the Company are: Messrs. CHEN Jisong, ZHAN Xiaozhang, JIANG Wenyao, ZHANG Jingzhong and DING Huikang; the non-executive director is Ms. ZHANG Luyun; and the independent non-executive directors are: Messrs. TUNG Chee Chen, ZHANG Junsheng and ZHANG Liping.