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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)**

**2013 FIRST QUARTERLY RESULTS ANNOUNCEMENT**

This quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) for the three months ended March 31, 2013 (the “Period”) is made pursuant to 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, unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of cash flow for the Period together with the comparative figures for the corresponding period of 2012:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

		<b>For the three months ended March 31,</b>	
	<i>Notes</i>	<b>2013</b>	2012
		<b><i>Rmb'000</i></b>	<b><i>Rmb'000</i></b>
Revenue	1	<b>1,682,303</b>	1,584,489
Operating costs		<b>(1,043,994)</b>	(990,040)
Gross profit		<b>638,309</b>	594,449
Securities investment gains		<b>40,138</b>	15,202
Other income	2	<b>50,335</b>	59,807
Administrative expenses		<b>(17,066)</b>	(16,639)
Other expenses		<b>(7,746)</b>	(7,625)
Share of loss of associates		<b>(3,107)</b>	(3,651)
Share of loss of a jointly controlled entity		<b>(9,323)</b>	–
Finance costs		<b>(2,700)</b>	(16,536)

		<b>For the three months ended March 31,</b>	
	<i>Note</i>	<b>2013</b>	2012
		<b><i>Rmb'000</i></b>	<i>Rmb'000</i>
Profit before tax		<b>688,840</b>	625,007
Income tax expense		<b>(177,181)</b>	(157,973)
Profit for the Period		<b>511,659</b>	467,034
Other comprehensive income			
Available-for-sale financial assets:			
– Fair value gain during the Period		<b>2,767</b>	2,997
Income tax relating to components of other comprehensive income		<b>(692)</b>	(749)
Other comprehensive income for the Period (net of tax)		<b>2,075</b>	2,248
Total comprehensive income for the Period		<b>513,734</b>	469,282
Profit for the Period attributable to:			
Owners of the Company		<b>440,092</b>	416,943
Non-controlling interests		<b>71,567</b>	50,091
		<b>511,659</b>	467,034
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>441,174</b>	418,115
Non-controlling interests		<b>72,560</b>	51,167
		<b>513,734</b>	469,282
Earnings per share – basic and diluted	3	<b>Rmb10.13 cents</b>	Rmb9.60 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at March 31, 2013 <i>Rmb'000</i> <b>Unaudited</b>	As at December 31, 2012 <i>Rmb'000</i> Audited
Non-current assets	<b>13,212,818</b>	13,692,835
Current assets	<b>16,017,256</b>	15,752,546
Current liabilities	<b>9,378,486</b>	10,204,886
Net current assets	<b>6,638,770</b>	5,547,660
Total assets less current liabilities	<b>19,851,588</b>	19,240,495
Non-current liabilities	<b>321,579</b>	224,220
	<b>19,530,009</b>	19,016,275
Capital and Reserves		
Share capital	<b>4,343,115</b>	4,343,115
Reserves	<b>11,618,311</b>	11,177,137
Equity attributable to owners of the Company	<b>15,961,426</b>	15,520,252
Non-controlling interests	<b>3,568,583</b>	3,496,023
	<b>19,530,009</b>	19,016,275

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the three months ended March 31, 2013 <i>Rmb'000</i>	2012 <i>Rmb'000</i>
Net cash from operating activities	<b>17,959</b>	494,690
Net cash from (used in) investing activities	<b>382,855</b>	(612,820)
Net cash used in financing activities	<b>(900,000)</b>	(50,000)
Net decrease in cash and cash equivalents	<b>(499,186)</b>	(168,130)
Cash and cash equivalents at beginning of the Period	<b>3,362,709</b>	3,120,430
Cash and cash equivalents at end of the Period	<b>2,863,523</b>	2,952,300

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,	
	2013 Rmb'000 Unaudited	2012 Rmb'000 Unaudited
Toll operation revenue	847,019	830,753
Service area businesses revenue (mainly sales of goods)	455,757	470,603
Advertising business rental revenue	26,722	22,688
Commission income from securities operation	280,047	194,655
Interest income from securities operation	72,758	65,790
Total revenue	<u>1,682,303</u>	<u>1,584,489</u>

### 2. OTHER INCOME

	For the three months ended March 31,	
	2013 Rmb'000 Unaudited	2012 Rmb'000 Unaudited
Interest income from bank balances, entrusted loan receivables and financial products investment	26,175	35,305
Rental income	17,480	15,990
Handling fee income	631	2,008
Towing income	2,430	1,827
Exchange gain, net	6	38
Others	3,613	4,639
Total	<u>50,335</u>	<u>59,807</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 Rmb440,092,000 (corresponding period of 2012: Rmb416,943,000) and the 4,343,114,500 (2012: 4,343,114,500) ordinary shares in issue during the Period.

Diluted earnings per share presented is the same as basic earnings per share since there were no potential ordinary shares outstanding for both Periods.

## **BUSINESS REVIEW**

While China's economy stabilized and recovered in the fourth quarter of 2012, it has shown another slowdown in growth in the first quarter of 2013. China's GDP recorded a year-on-year growth of 7.7% for the first quarter, which is 0.2 percentage point lower than the last quarter. Despite the deceleration in domestic economic growth in the first quarter, Zhejiang Province's economy maintained its upward trend since last year, evidenced by a year-on-year GDP growth of 8.3% in the first quarter and improvements in various economic indicators including foreign trade and investment as compared to the corresponding period of last year.

Benefitting from the gradual recovery of the province's economy and improved environment for foreign trade, the Group's income increased by 6.3% year-on-year during the Period, realizing a total of Rmb1,732.61 million generated from various income sources. Of this, Rmb875.12 million was generated from the two major expressways owned and operated by the Group, representing an increase of 1.9% over the corresponding period of 2012 and accounting for 50.5% of total income; and Rmb485.45 million was generated from the Group's toll road-related businesses, representing a slight decline of 2.4% as compared to the corresponding period of 2012 and accounting for 28.0% of total income. The Group's securities business contributed income of Rmb372.04 million, representing an increase of 35.9% over the corresponding period of 2012 and accounting for 21.5% of total income.

## **TOLL ROAD OPERATIONS**

During the Period, the organic growth in traffic volume on the Group's two expressways maintained an upward trend since the fourth quarter of last year as the province's economy gradually recovered. Meanwhile, with the improvement seen in the province's indicators such as the scale of foreign trade and investment in fixed assets, the traffic volume along the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway recorded significantly higher organic growth for the Period as compared to that of the fourth quarter of last year. In particular, the traffic volume along the Shangsang Expressway and the Ningbo Section of the Hangzhou-Ningbo Expressway connecting to the Beilun Port, along which many small- and medium-sized enterprises are located, recorded relatively rapid organic growth.

The new policy for exemption from toll charges for passenger vehicles with seven seats or less travelling on expressways during major festivals and holidays, introduced for the first time on September 30, 2012 was extended to the seven-day Chinese New Year holiday in February 2013. This resulted in a decrease of approximately Rmb30.00 million in the Group's toll income, representing a decrease of approximately 3.4 percentage points for the Period.

Moreover, the gradual abolition of the "Unified Toll Card" policy in early 2012 resulted in a slight decrease in traffic volume on the Hangzhou Section during the first quarter. The adjustment to the rounding of the last figures of tolls for passenger vehicles in mid-May 2012 and the policy of adjusting passenger vehicle classification launched in early August 2012 also resulted in a slight decrease in toll income for passenger vehicles and motorcycles.

Nevertheless, since the implementation of the tolling policy based on actual travel routes for expressways on May 15, 2012, the Company has adopted various promotional methods to guide and attract more vehicles to travel on the Group's expressways, while further strengthening the initiatives for increasing income as well as plugging loopholes, thereby increasing the traffic volume and toll income on some sections of the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway.

During the Period, the average daily traffic volume in full-trip equivalents on the Group's Shanghai-Hangzhou-Ningbo Expressway was 41,549, representing a year-on-year increase of 3.1%. In particular, the average daily traffic volume in full-trip equivalents on the Shanghai-Hangzhou Section of Shanghai-Hangzhou-Ningbo Expressway was 42,015, representing a year-on-year increase of 2.6%, and that along the Hangzhou-Ningbo Section was 41,217, representing a year-on-year increase of 3.5%. The average daily traffic volume in full-trip equivalents on the Shangsang Expressway was 17,634 during the Period, representing a year-on-year increase of 2.9%.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb702.26 million, representing a year-on-year increase of 1.1%; while toll income from the Shangsang Expressway amounted to Rmb172.86 million during the Period, representing a year-on-year increase of 5.4%.

## **TOLL ROAD-RELATED BUSINESS OPERATIONS**

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

During the Period, the continued closure of the Yuyao Service Area for expansion work which commenced in June last year had certain impacts on sales of refined oil products in the service areas, resulting in a decrease in overall income of the service areas for the Period as compared to the corresponding period of last year. Accordingly, income from the toll road-related businesses amounted to Rmb485.45 million for the Period, representing a year-on-year decrease of 2.4%.

## **SECURITIES BUSINESS**

China's stock markets showed a hint of stabilizing and rebounded in December 2012. In the first quarter of 2013, the aggregate trading volume of the Shanghai and Shenzhen stock markets rose by 27.1% year-on-year and trading in domestic stock markets has also improved. Although the market share of Zheshang Securities declined slightly, its commission income recorded significant growth during the Period.

Benefitting from the substantial growth in trading volume of the stock markets as well as the slight rebound in commission rates, revenue from Zheshang Securities' securities brokerage business, investment banking business and asset management business showed varying degrees of year-on-year growth during the Period.

Meanwhile, to cope with the uncertainties amidst the prevailing recovery of the stock market, Zheshang Securities committed full effort to developing various businesses while actively improving its income and profit structure. By continuously developing businesses such as futures brokerage, investment banking and margin trading, Zheshang Securities gradually adjusted its business structure, which was previously dominated by its brokerage operations, with a view to further facilitating the sustainable and solid development of various businesses.

During the Period, Zheshang Securities recorded an operating income of Rmb372.04 million, representing a year-on-year increase of 35.9%. Of this, brokerage commission income amounted to Rmb299.28 million, representing a year-on-year increase of 44.0%; and interest income from the securities business amounted to Rmb72.76 million, representing a year-on-year increase of 10.6%. Moreover, securities investment gains from Zheshang Securities accounted for in the unaudited condensed consolidated statement of comprehensive income amounted to Rmb37.07 million during the Period.

### **LONG-TERM INVESTMENTS**

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) benefited from the increase in the prices and sales of refined oil products during the Period, with the associate company realizing income of Rmb1,478.60 million during the Period, representing a year-on-year increase of 6.6%. During the Period, the associate company achieved net profit of Rmb4.46 million (for the corresponding period of 2012: net profit of Rmb3.08 million).

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company) operates the 69.7km Jinhua Section of the Ningbo-Jinhua Expressway. During the Period, passenger traffic and logistics volume of the Jinhua Section grew as the economy gradually rebounded. This section recorded an average daily traffic volume of 14,244 in full-trip equivalents, representing a year-on-year increase of 19.6%; while toll income amounted to Rmb60.16 million, representing a year-on-year increase of 9.0%. Due to its heavy financial burden, the associate company incurred a loss of Rmb12.64 million during the Period (for the corresponding period of 2012: a loss of Rmb15.28 million).

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) generated its income primarily from property leasing activities during the Period, and the associate company did not show any significant improvements in its operations. The Company filed a lawsuit regarding the transfer of equity interest in the associate company and subsequently made an appeal against the ruling. The case is pending a final judgment to be made by the Intermediate People's Court in Hangzhou City. Please refer to page 23 of the 2012 annual report of the Company for details.

Shengxin Expressway Co., Ltd. (“Shengxin Company”, a jointly controlled entity in which the Company owns a 50% equity interest), operates the Shaoxing Section of the 73.4km Ningbo-Jinhua Expressway. During the Period, the progressive growth of the province’s economy drove up traffic volume of this section, which recorded an average daily traffic volume of 11,850 in full-trip equivalents, representing a year-on-year increase of 0.8%, while toll income amounted to Rmb65.04 million. Due to its heavy financial burden, the associate company incurred a loss of Rmb18.65 million during the Period.

## **FINANCIAL ANALYSIS**

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at March 31, 2013, the current assets of the Group aggregated to Rmb16,017.26 million (December 31, 2012: Rmb15,752.55 million), of which bank balances and cash accounted for 24.0% (December 31, 2012: 30.8%), bank balances held on behalf of customers accounted for 48.1% (December 31, 2012: 47.6%), and held-for-trading investments accounted for 8.8% (December 31, 2012: 9.4%). Current ratio of the Group (current assets over current liabilities) as at March 31, 2013 was 1.7 (December 31, 2012: 1.5). 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 business) was 4.8 (December 31, 2012: 3.0).

During the Period, net cash inflow generated from the Group’s operating activities amounted to Rmb17.96 million.

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, 2013, total liabilities of the Group amounted to Rmb9,700.07 million (December 31, 2012: Rmb10,429.11 million), of which 1.0% was domestic bank loan, and 78.8% was accounts payable to customers arising from securities business.

During the Period, total interest expenses amounted to Rmb2.70 million (for the corresponding period of 2012: Rmb16.54 million), while profit before interest and tax amounted to Rmb691.54 million (for the corresponding period of 2012: Rmb641.54 million). The interest cover ratio (profit before interest and tax over interest expenses) stood at 256.1 times (corresponding period of 2012: 38.8 times).

The asset-liability ratio (total liabilities over total assets) was 33.2% as at March 31, 2013 (December 31, 2012: 35.4%). 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 9.5% (December 31, 2012: 13.4%).

## **CAPITAL STRUCTURE**

As at March 31, 2013, the Group had Rmb19,530.01 million total equity, Rmb7,645.65 million fixed-rate liabilities, Rmb100.00 million floating-rate liabilities and Rmb1,954.42 million interest-free liabilities, representing 66.8%, 26.2%, 0.3% and 6.7% 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 business by total equity, was 10.5% as at March 31, 2013 (December 31, 2012: 15.5%).

## **CONTINGENT LIABILITIES AND PLEDGE OF ASSETS**

As at March 31, 2013, Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company) provided a property under construction as a mortgaged asset for its domestic commercial bank loan of Rmb100.00 million. The carrying amount of the mortgaged asset was Rmb268.59 million.

Apart from the above-mentioned, the Group did not have any contingent liabilities nor pledge of assets or guarantees.

## **OUTLOOK**

Entering 2013, although the United States' economy has shown a relatively significant recovery, the European debt crisis has yet to come to an end and the global economy still lacks growth momentum. The domestic economy is now on a track of moderate recovery under structural adjustment, and the economic growth of Zhejiang Province in the second quarter is therefore expected to be slower than that in the first quarter. As such, the organic growth in traffic volume on the Group's two expressways is anticipated to decline from the first quarter.

In addition, the policy of expressway toll exemptions for small passenger vehicles, introduced by the Government in September last year, has brought adverse impact to toll expressway companies. Therefore, such impact of expressway toll exemptions for small passenger vehicles in the second quarter, in which there are two key festivals and holidays namely Ching Ming Festival and Labour Day, is expected to be greater than that during the Chinese New Year holidays. We expect the toll income generated from the expressways of the Group in the second quarter to fall as compared to the first quarter.

At the same time, the lack of organic economic growth momentum and signs of strong macro-economic recovery will also bring along more uncertainties for China's stock markets. On one hand, Zheshang Securities will continue to push forward progress on a listing on the Shanghai Stock Exchange as planned, and has already filed the listing application for A shares in the second quarter; on the other hand, the Company will strengthen its control of costs and risks by taking further steps to explore innovative businesses and by broadening income sources in a bid to facilitate the excellent development of all businesses.

Although a number of new policies on adjusting expressway toll rates have been gradually introduced in Zhejiang Province as per requirements jointly issued by the five ministries and commissions of the State Council in relation to toll rectification, we cannot rule out the possibility of new policies that would further hamper the expressway sector.

The complexities in relation to the global economy, in tandem with a variety of unfavourable factors affecting domestic economic growth in the second quarter as well as persistent uncertainty in relation to highway industry policies, have brought new challenges to the Group's business development. The Company's management will pay close attention to updates in industry policy to adjust its operational strategies in a timely manner, continue to improve our core expressways business and optimize our securities and finance business, while striving to seek for suitable investment projects and to nurture management capabilities in our diversified operations.

By order of the Board  
**Zhan Xiaozhang**  
*Chairman*

Hangzhou, PRC, May 7, 2013

*As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Ms. LUO Jianhu and Mr. DING Huikang; the non-executive directors of the Company are: Messrs. LI Zongsheng, WANG Weili and WANG Dongjie; and the independent non-executive directors of the Company are: Messrs. ZHANG Junsheng, ZHOU Jun and PEI Ker-Wei.*