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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)

**2014 THIRD QUARTERLY RESULTS ANNOUNCEMENT
AND
PROPOSED CHANGES IN DIRECTORS**

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) are pleased to announce the third quarterly results of the Company and its subsidiaries (the “Group”) for the nine months ended September 30, 2014 (the “Period”).

The audit committee of the Company has reviewed the quarterly results of the Group for the Period. Set out below are the Group’s unaudited condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of cash flows for the Period together with the comparative figures for the corresponding period of 2013:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		For the nine months ended September 30,	
		2014	2013
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue	1	6,470,934	5,707,357
Operating costs		<u>(4,023,225)</u>	<u>(3,595,286)</u>
Gross profit		2,447,709	2,112,071
Securities investment gains		164,533	86,886
Other income	2	190,605	158,570
Administrative expenses		(52,192)	(55,096)
Other expenses		(54,180)	(33,685)
Share of profit of associates		48,524	8,059
Share of loss of a joint venture		(23,801)	(21,481)
Finance costs		<u>(57,303)</u>	<u>(68,311)</u>
Profit before tax		2,663,895	2,187,013
Income tax expense		<u>(678,719)</u>	<u>(550,428)</u>
Profit for the Period		<u>1,985,176</u>	<u>1,636,585</u>
Other comprehensive income			
Items that may be reclassified subsequently reclassified to profit or loss:			
Available-for-sale financial assets			
– Fair values gain during the Period		31,716	10,992
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		–	(1,381)
Income tax relating to components of other comprehensive income		<u>(7,929)</u>	<u>(2,403)</u>
Other comprehensive income for the Period (net of tax)		<u>23,787</u>	<u>7,208</u>
Total comprehensive income for the Period		<u>2,008,963</u>	<u>1,643,793</u>
Profit for the Period attributable to:			
Owners of the Company		1,661,211	1,421,238
Non-controlling interests		<u>323,965</u>	<u>215,347</u>
		<u>1,985,176</u>	<u>1,636,585</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		1,673,433	1,425,340
Non-controlling interests		<u>335,530</u>	<u>218,453</u>
		<u>2,008,963</u>	<u>1,643,793</u>
Earnings per share – Basic and diluted	3	<u>38.25 cents</u>	<u>32.72 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at September 30, 2014 <i>Rmb'000</i> (Unaudited)	As at December 31, 2013 <i>Rmb'000</i> (Audited)
Non-current assets	14,759,281	15,436,353
Current assets	27,381,657	16,652,841
Current liabilities	20,544,734	11,914,597
Net current assets	6,836,923	4,738,244
Total assets less current liabilities	21,596,204	20,174,597
Non-current liabilities	1,097,079	505,638
	20,499,125	19,668,959
Capital and reserves		
Share capital	4,343,115	4,343,115
Reserves	12,217,077	11,629,423
Equity attributable to owners of the Company	16,560,192	15,972,538
Non-controlling interests	3,938,933	3,696,421
	20,499,125	19,668,959

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the three months ended September 30,	
	2014	2013
	<i>Rmb'000</i> (Unaudited)	<i>Rmb'000</i> (Unaudited)
Net cash from operating activities	2,591,735	1,676,442
Net cash used in investing activities	(954,118)	(1,321,780)
Net cash used in financing activities	(1,017,637)	(1,781,969)
Net increase (decrease) in cash and cash equivalents	619,980	(1,427,307)
Cash and cash equivalents at beginning of the Period	1,806,981	3,392,053
Cash and cash equivalents at end of the Period	<u>2,426,961</u>	<u>1,964,746</u>

Notes:

1. REVENUE

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

	For the nine months ended September 30,	
	2014	2013
	<i>Rmb'000</i> (Unaudited)	<i>Rmb'000</i> (Unaudited)
Toll operation revenue	3,174,879	2,978,465
Service area businesses revenue (mainly sales of goods)	1,703,467	1,482,842
Advertising business revenue	66,350	76,844
Commission income from securities operation	1,026,556	871,047
Interest income from securities operation	463,383	297,685
Others	36,299	474
Total	<u>6,470,934</u>	<u>5,707,357</u>

2. OTHER INCOME

	For the nine months ended September 30,	
	2014	2013
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank balances, entrusted loan receivables and financial products investment	47,197	68,911
Rental income	82,496	55,584
Gain on disposal of an associate	24,490	–
Handling fee income	1,821	2,492
Towing income	7,215	7,573
Exchange gain (loss), net	854	(202)
Others	26,532	24,212
Total	190,605	158,570

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 Rmb1,661,211,000 (corresponding period of 2013: Rmb1,421,238,000) and the 4,343,114,500 (2013: 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 during both periods.

BUSINESS REVIEW

Although the Chinese economic growth has slowed down in the third quarter of 2014, the overall trend remained steady and to the upside as the GDP for the past three quarters grew 7.3% year-on-year. In Zhejiang Province, the economic growth continued to rise on a quarter-on-quarter basis during the year. Given a few economic indicators including exports and fixed asset investment recorded a decent growth rate, the GDP for the first three quarters this year rose 7.4% year-on-year, up 0.4 percentage points and 0.2 percentage points compared with the first quarter and the first half of this year respectively.

Due to steady economic growth in Zhejiang Province in the past three quarters as well as a gradual recovery in the organic growth of traffic volume and in the domestic financial markets, total income of the Group increased 13.3% year-on-year to Rmb6,669.26 million. Income from the three major expressways increased 6.6% year-on-year to Rmb3,284.62 million and accounted for 49.3% of total income. Income from toll road-related businesses increased 15.7% year-on-year to Rmb1,815.79 million and accounted for 27.2% of total income. Income from the securities business increased 27.0% year-on-year to Rmb1,568.85 million and accounted for 23.5% of total income.

Toll Road Operations

During the Period, exports from Zhejiang Province grew at a strong pace and the Group saw a relatively significant recovery in organic traffic volume on its three expressways. As a result, the overall organic traffic volume growth for the first three quarters was better than anticipated.

During the Period, the traffic volume on the Group's three expressways experienced varying levels of organic growth corresponding to the regions in which they are located. Organic traffic volume growth rates for the Shanghai-Hangzhou-Ningbo Expressway, Shangsans Expressway and the Jinhua Section of Ningbo-Jinhua Expressway were 7.0%, 7.5% and 12.2%, respectively. The growth rates were all higher than the corresponding Period of last year.

The opening of the Jiaxing-Shaoxing Bridge (not operated by the Group) in July, 2013, caused a certain amount of traffic to divert from the Group's Shanghai-Hangzhou-Ningbo Expressway, which resulted in a decrease of Rmb98.47 million in the Group's toll income during the Period. However, the Jiaxing-Shaoxing Bridge had a more positive effect on the Shangsans Expressway. As a result of effective promotions to attract more traffic, most of the vehicles passing through Jiangsu Province, Taizhou and Wenzhou took the Shangsans Expressway directly. Furthermore, a number of vehicles traveling between Shanghai, Taizhou and Wenzhou via the Shangsans Expressway, and others traveling between Jiangsu and Ningbo via the Hangzhou Bay Bridge, also shortened their routes via the Shangsans Expressway and Hangzhou-Ningbo Section of the Shanghai-Hangzhou-Ningbo Expressway. During the Period, the opening of the Jiaxing-Shaoxing Bridge led to an increase of Rmb129.16 million in terms of toll income on the Shangsans Expressway.

Meanwhile, the Jinhua Section of the Ningbo-Jinhua Expressway saw a relatively high organic growth in traffic volume as a result of the continued high pace of economic development in Yiwu and nearby regions, as well as a speedy increase in small truck ownership in Yiwu. Construction work on roads surrounding the Ningbo-Jinhua Expressway and the Company's ongoing promotions to attract more traffic also had a positive impact on toll income. Container trucks traveling along the Jinhua Section of the Ningbo-Jinhua Expressway also posted a notable increase in miles driven. During the Period, the Jinhua Section of the Ningbo-Jinhua Expressway recorded an increase of approximately Rmb9.21 million in toll income as a result of factors such as construction work on surrounding roads.

In addition, toll income from the Shanghai-Hangzhou-Ningbo Expressway decreased by approximately Rmb38.03 million as a result of construction on the Hangzhou Airport road that began on April 15, 2014. Moreover, the opening of the Qianjiang Road (not operated by the Group) on April 16, 2014, also led to a decline of approximately Rmb6.26 million in toll income from the Shanghai-Hangzhou-Ningbo Expressway.

As a result of the factors mentioned above, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 45,346 during the Period, representing an increase of 2.3% 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 43,669, representing a decrease of 1.7% year-on-year. The average daily traffic volume in full-trip equivalents along the Hangzhou-Ningbo Section was 46,545, representing an increase of 5.6% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 22,983 during the Period, representing an increase of 27.7% year-on-year. The average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 15,878 during the Period, representing an increase of 17.9% year-on-year.

Total toll income from the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsans Expressway and the 70 km Jinhua Section of the Ningbo-Jinhua Expressway was Rmb3,284.62 million during the Period, representing an increase of 6.6% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb2,324.70 million, representing a decrease of 0.1% year-on-year; toll income from the Shangsans Expressway was Rmb731.27 million, representing an increase of 31.2% year-on-year. Toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb228.65 million, representing an increase of 16.4% year-on-year.

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 and shops in service areas, advertising at expressway interchanges, as well as road maintenance.

During the Period, as the opening of the Jiaxing-Shaoxing Bridge helped to increase the traffic volume along the Shangsang Expressway, the service areas along the Shangsang Expressway also saw a significant growth in income. However, the decrease in traffic volume on the Shanghai-Hangzhou-Ningbo Expressway adversely affected income from service areas along the expressway. Given that these service areas make a relatively large contribution to income from service areas, overall income from service areas slightly declined.

The Zhejiang Provincial Government launched a specific rectification action on billboard advertising along expressways in the province which restricted the advertising business carried out by Zhejiang Expressway Investment Development Co., Ltd. to expressway interchanges, toll plazas and service areas. Therefore the revenue from the advertising business has been greatly reduced.

Due to a solid increase in sales of refined oil products and additional income from external road maintenance projects, the Group's toll road-related businesses achieved a solid increase in overall income. Income from toll road-related businesses was Rmb1,815.79 million for the Period, representing an increase of 15.7% year-on-year.

Securities Business

During the Period, the average commission rate of Zheshang Securities Co., Ltd. ("Zheshang Securities", a 70.83% owned subsidiary of Zhejiang Shangsang Expressway Co., Ltd. which is a subsidiary of the Company) declined from 0.08% to 0.07% due to intensified competition in the securities industry and the gradual relaxation of controls on commissions. The cumulative trading volume of the Shanghai and Shenzhen exchanges continued to gradually recover, increasing 21.7% year-on-year. As a result, Zheshang Securities saw an increase in trading volume and market share, leading to a year-on-year rise in income from Zheshang Securities' brokerage business.

Additionally, while accelerating the comprehensive development of each business segment, Zheshang Securities has been actively working to streamline its income and profit structure to gradually reduce the dominant role that its brokerage business played in the past. During the Period, income from investment banking, margin financing and securities lending, and asset management businesses of Zheshang Securities all grew steadily year-on-year.

Meanwhile, the IPO application submitted by Zheshang Securities was accepted by the China Securities Regulatory Commission in May 2013. Zheshang Securities remains on the waiting list for an IPO.

During the Period, Zheshang Securities' total operating income was Rmb1,568.85 million, an increase of 27.0% year-on-year. Brokerage commission income was Rmb1,105.47 million, a year-on-year increase of 17.9%. Interest income from the securities business was Rmb463.38 million, a year-on-year increase of 55.7%. Moreover, securities investment gains from Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb151.97 million during the Period.

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) recorded income of Rmb4,920.05 million, a year-on-year increase of 2.8%. The increase was primarily attributable to an increase in sales volume of refined oil products. During the Period, net profit realized was Rmb20.36 million (corresponding period of 2013: net profit of Rmb17.48 million).

Shengxin Expressway Co., Ltd. (a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the traffic volume of the Shaoxing Section of the Ningbo-Jinhua Expressway increased as the economy of Zhejiang Province continued to expand. The average daily traffic volume in full-trip equivalents was 14,210, an increase of 11.5% year-on-year. Toll income during the Period was Rmb239.23 million. However, due to an increase in road maintenance costs and its relatively heavy financial burden, the joint venture reported a loss of Rmb47.60 million (corresponding period of 2013: loss of Rmb42.96 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company) derives income mainly from fees and commissions for providing financial services, including arranging loans to, and receiving deposits from subsidiaries of Zhejiang Communications Investment Group Finance Co., Ltd. Profit from Zhejiang Communications Investment Group Finance Co., Ltd. was accounted for as gain of associates of the Company starting from May 1, 2013 and realized a net profit of Rmb113.42 million during the Period.

FINANCIAL ANALYSIS

Liquidity and financial resources

As at September 30, 2014, current assets of the Group amounted to Rmb27,381.66 million in aggregate (December 31, 2013: Rmb16,652.84 million), of which bank balances and cash accounted for 12.1% (December 31, 2013: 15.1%), bank balances held on behalf of customers accounted for 45.0% (December 31, 2013: 49.4%) and held for trading investments accounted for 8.0% (December 31, 2013: 7.1%). The current ratio (current assets over current liabilities) of the Group as at September 30, 2014 was 1.3 (December 31, 2013: 1.4). 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 1.8 (December 31, 2013: 2.2).

The amount of held for trading investments of the Group as at September 30, 2014 was Rmb2,199.94 million (December 31, 2013: Rmb1,181.03 million), of which 91.6% was invested in bonds, 8.1% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb2,591.74 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 September 30, 2014, total liabilities of the Group amounted to Rmb21,641.81 million (December 31, 2013: Rmb12,420.24 million), of which 1.4% was bank and other borrowings, 3.2% was subordinated debenture, 4.4% was short-term loan note and 57.0% was accounts payable to customers arising from securities business.

As at September 30, 2014, total interest-bearing borrowings of the Group amounted to Rmb1,950.00 million, representing an increase of 6.0% compared to that as at December 31, 2013. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb300.00 million, and a subordinated debenture of Rmb700.00 million, which was issued by Zheshang Securities in September 2014, with a four-year term and an issuer redemption right at the second year end, and short-term loan note with three-month maturity of Rmb950.00 million. Of the interest-bearing borrowings, 46.2% was not payable within one year.

Total interest expenses for the Period amounted to Rmb62.43 million, of which capitalized interest amounted to Rmb5.13 million, while profit before interest and tax amounted to Rmb2,721.20 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 43.6 (corresponding period of 2013: 33.0) times.

As at September 30, 2014, the asset-liability ratio (total liabilities over total assets) of the Group was 51.4% (December 31, 2013: 38.7%). 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 31.2% (December 31, 2013: 17.8%).

Capital structure

As at September 30, 2014, the Group had Rmb20,499.13 million in total equity, Rmb18,778.25 million in fixed-rate liabilities, Rmb300.00 million in floating-rate liabilities, and Rmb2,563.56 million in interest-free liabilities, representing 48.6%, 44.6%, 0.7% 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 45.4% as at September 30, 2014 (December 31, 2013: 21.6%).

OUTLOOK

During the first three quarters in 2014, the scale of exports from Zhejiang Province continued to reach new highs as the region's economy has been making steady progress. Benefitting from this, the Group experienced an improvement in traffic volume on its expressways. Since the GDP growth rate for Zhejiang Province in the fourth quarter is expected to keep rising on a quarterly basis, the traffic volume on the Group's expressways is also expected to grow healthily.

Additionally, Qianjiang Road, which opened for traffic in the first half of this year, and construction on the airport road near the Second Qianjiang Bridge, are still expected to have an adverse impact on the Group's Shanghai-Hangzhou-Ningbo Expressway in the fourth quarter. Therefore, the Group will closely monitor traffic volumes alongside the construction on the airport road, analyze the impact of the newly opened network of roads around Qianjiang Road and the Jiaxing-Shaoxing Bridge, and undertake effective promotional efforts to attract more vehicles to the expressways operated by the Group so as to reduce the negative impact of traffic diversions.

The anticipated recovery of the Chinese stock market and a series of policies carried out by the Chinese government to reform China's stock markets, which include the establishment of the Shanghai-Hong Kong Stock Connect, are expected to present new opportunities for Zheshang Securities. Zheshang Securities will accelerate the development of innovative businesses and further push forward its A-share listing process while strengthening cost and risk controls to facilitate the sustainable development of its businesses.

The Company's management will continue to strengthen its main expressway business by further increasing income from its main businesses and enhancing service quality of its operations while paying close attention to changes in the external environment and adjusting managerial strategies accordingly. In addition to continuing to strengthen its securities businesses, the Group will look for suitable investment projects while nurturing management capabilities in diversified operations to improve profitability and achieve sustainable development over the long term.

PROPOSED CHANGES IN DIRECTORS

Mr. Zhang Junseng, an independent non-executive Director, in accordance with the "Opinions on Further Regulation on Party and Political Leaders and Cadres Working Part-Time (Holding Office) in Enterprises" (Zhong Zu Fa No. 18 of 2013) issued by the Organization Department of the CPC Central Committee, has submitted his resignation application as an independent non-executive Director; Mr. Li Zongsheng and Mr. Wang Weili, both non-executive Directors, have also submitted their resignation applications as non-executive Directors due to job reassignments. According to the Company's "Articles of Association", new Directors need to be elected at a shareholders' meeting. Before new Directors are considered and approved by the shareholders of the Company, Mr. Zhang Junseng, Mr. Li Zongsheng and Mr. Wang Weili will continue to be Directors and perform their duties. Mr. Zhang Junseng, Mr. Li Zongsheng and Mr. Wang Weili have confirmed that they have no disagreement with the board of the Company (the "Board") and there is no other matter in relation to their resignation applications that needs to be brought to the attention of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the shareholders of the Company.

The Company has selected suitable candidates to fill the vacancies according to relevant requirements. The Board has resolved to propose Mr. Dai Benmeng and Mr. Zhou Jianping to be appointed as non-executive Directors and Ms. Lee Wai Tsang, Rosa to be appointed as an independent non-executive Director. The proposed appointments will be submitted to the Company's extraordinary general meeting ("EGM") for the election of the proposed new Directors. Such proposed appointments shall become effective subject to shareholders' approval at the EGM and the term of the office of the proposed new Directors will end on the date of expiry of the term of the Sixth session of the Board, being June 30, 2015.

The biographical information of the above Director candidates, other matters relating to their proposed appointments that need to be brought to the attention of the shareholders of the Company and information to be disclosed pursuant the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange shall be further set out in a circular to be despatched to the shareholders of the Company and the announcement regarding their respective effective appointment as and when appropriate.

A circular containing details of proposed appointments (including the above Director candidates' biographical information), together with a notice of the EGM, will be despatched to the shareholders of the Company as soon as practicable.

By order of the Board
Zhan Xiaozhang
Chairman

Hangzhou, PRC, November 11, 2014

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.