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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)

2015 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) are pleased to announce the first quarterly results of the Company and its subsidiaries (the “Group”) for the three months ended March 31, 2015 (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, unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of cash flows for the Period together with the comparative figures for the corresponding period of 2014:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the three months ended March 31,	
		2015	2014
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue	1	2,470,398	2,018,110
Operating costs		(1,413,107)	(1,246,087)
Gross profit		1,057,291	772,023
Securities investment gains		78,376	21,209
Other income	2	48,867	48,329
Administrative expenses		(18,115)	(14,100)
Other expenses		(24,302)	(9,590)
Share of profit of associates		11,183	16,321
Share of loss of a joint venture		(7,446)	(7,489)
Finance costs		(56,849)	(21,141)
Profit before tax		1,089,005	805,562
Income tax expense		(277,633)	(202,244)
Profit for the Period		811,372	603,318

		For the three months ended March 31,	
		2015	2014
	<i>Notes</i>	Rmb'000	<i>Rmb'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Fair values gain (loss) during the Period		9,444	(1,785)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(650)	–
Income tax relating to components of other comprehensive income (loss)		(2,199)	446
Other comprehensive income (loss) for the Period (net of tax)		6,595	(1,339)
Total comprehensive income for the Period		817,967	601,979
Profit for the Period attributable to:			
Owners of the Company		630,502	512,529
Non-controlling interests		180,870	90,789
		811,372	603,318
Total comprehensive income attributable to:			
Owners of the Company		633,698	511,640
Non-controlling interests		184,269	90,339
		817,967	601,979
Earnings per share – Basic and diluted	3	Rmb14.52 cents	Rmb11.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at March 31, 2015 <i>Rmb'000</i> (Unaudited)	As at December 31, 2014 <i>Rmb'000</i> (Audited)
Non-current assets	15,415,818	15,609,023
Current assets	48,218,847	35,745,721
Current liabilities	36,847,629	28,680,080
	11,371,218	7,065,641
Net current assets	11,371,218	7,065,641
Total assets less current liabilities	26,787,036	22,674,664
Non-current liabilities	4,839,447	1,545,042
	21,947,589	21,129,622
Capital and Reserves		
Share capital	4,343,115	4,343,115
Reserves	13,292,409	12,658,711
	17,635,524	17,001,826
Equity attributable to owners of the Company	17,635,524	17,001,826
Non-controlling interests	4,312,065	4,127,796
	21,947,589	21,129,622

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the three months****ended March 31,**

	2015	2014
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(3,651,031)	772,942
Net cash used in investing activities	(148,839)	(6,108)
Net cash from (used in) financing activities	3,870,605	(483,191)
Net increase in cash and cash equivalents	70,735	283,643
Cash and cash equivalents at beginning of the Period	3,301,722	1,806,981
Cash and cash equivalents at end of the Period	<u>3,372,457</u>	<u>2,090,624</u>

Notes:

1. REVENUE

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

	For the three months ended March 31,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Toll operation revenue	1,019,296	970,699
Toll related operation revenue:		
Service area businesses revenue (mainly sales of goods)	411,219	544,434
Advertising business revenue	10,389	25,196
Others	15,454	11,460
Securities operation revenue:		
Commission income from securities operation	656,345	326,087
Interest income from securities operation	357,695	140,234
Total	<u>2,470,398</u>	<u>2,018,110</u>

2. OTHER INCOME

	For the three months ended March 31,	
	2015	2014
	Rmb'000	Rmb'000
	(Unaudited)	(Unaudited)
Interest income on bank balances, entrusted loan receivables and financial products investment	13,123	16,113
Rental income	25,860	26,755
Handling fee income	287	260
Towing income	2,120	2,349
Exchange (loss) gain, net	(9)	2
Others	7,486	2,850
Total	<u>48,867</u>	<u>48,329</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 Rmb630,502,000 (corresponding period of 2014: Rmb512,529,000) and the 4,343,114,500 (2014: 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

In the first quarter of 2015, the growth rate of China's economy fell due to increased downward pressure. Macro regulatory policies continued to be supportive and the national economy remained steady with a year-on-year increase of 7.0% in GDP in the first quarter. In Zhejiang Province, economic growth has picked up on a quarter-on-quarter basis since last year, as a number of economic indicators including exports and fixed asset investments recorded decent growth rates, and the province's GDP in the first quarter of this year rose 8.2% year-on-year.

During the Period, as Zhejiang Province's economy steadily improved, traffic volume on the Group's expressways continued to witness decent organic growth. In addition, there was active trading volume in the domestic stock market. As a result, income from the Group's overall operations increased 23.4% year-on-year. Total income reached Rmb2,564.89 million, of which Rmb1,054.50 million was generated from the three major expressways operated by the Group, representing an increase of 5.0% year-on-year and 41.1% of the total income; Rmb439.69 million was from the Group's toll road-related businesses, representing a decrease of 24.7% year-on-year and 17.2% of the total income; and Rmb1,070.70 million was from the securities business of the Group, representing an increase of 118.2% year-on-year and 41.7% of the total income.

Toll Road Operations

The Group's three expressways maintained solid organic growth in traffic volume, with strong growth rates recorded in January and February though growth rate fell back somewhat in March. During the Period, the Group's three expressways, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway and the Jinhua Section of the Ningbo-Jinhua Expressway recorded organic growth of 5.7%, 8.5% and 10.8%, respectively in traffic volume. The Group's three expressways recorded different growth rates because they are located in different regions. Among these expressways, the Jinhua Section of the Ningbo-Jinhua Expressway continued to see robust organic growth in traffic volume as a result of the rapid economic development in Yiwu and nearby regions, as well as a rapid increase in small truck ownership in Yiwu.

In addition, the construction on the Hangzhou Airport Road started on April 15, 2014, has resulted in a truck traffic restriction for 23.7 km on the Group's Shanghai-Hangzhou-Ningbo Expressway. As a result, toll income from the Shanghai-Hangzhou-Ningbo Expressway decreased by Rmb15.21 million, despite our efforts to open a four-hour window for trucks to pass through every day. Also, toll income was negatively affected by the opening of Qianjiang Road (not operated by the Group) on April 16, 2014, resulting in a decrease of Rmb5.4 million in toll income from the Shanghai-Hangzhou-Ningbo Expressway.

Taking all the factors stated above into account, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 45,080 during the Period, representing an increase of 5.8% 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 42,586, representing an increase of 2.5% year-on-year, and that along the Hangzhou-Ningbo Section was 47,023, representing an increase of 8.4% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 25,442, representing an increase of 12.3% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 17,181, representing an increase of 15.6% year-on-year.

During the Period, 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 Rmb1,054.50 million, representing an increase of 5.0% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb732.10 million, representing an increase of 2.7% year-on-year; toll income from the Shangsans Expressway was Rmb245.94 million, representing an increase of 10.3% year-on-year. Toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb76.46 million, representing an increase of 12.3% year-on year.

Toll Road-Related Business Operations

The Company operates certain toll road-related businesses along its expressways through its subsidiaries and associated companies, including gas stations, restaurants and shops in service areas, as well as advertising at expressway interchanges and external road maintenance.

During the Period, due to the impact from the temporary closure of the Bei'an Service Area to the north of the Hangzhou Bay Bridge for renovation as well as increased competition from new service areas nearby, the income from service areas (excluding gas stations) along the Group's expressways did not have significant change compared to that of last year.

In addition, due to a clean-up campaign of billboards along all expressways in Zhejiang Province, the advertising business of the Group's subsidiaries continued to shrink to expressway interchanges, toll stations and service areas, resulting in a substantial decline in advertising revenue.

During the Period, the Group's external road maintenance projects brought additional income. However, continuous cuts on the price of domestic refined oil products negatively affected overall income of the Group's toll road-related businesses. During the Period, income from toll road related operations was Rmb439.69 million, representing a decrease of 24.7% year-on-year.

Securities Business

During the Period, the average brokerage commission rate for Zheshang Securities Co., Ltd. (“Zheshang Securities”, a 70.83% owned subsidiary of Zhejiang Shangsang Expressway Co., Ltd. which in turn is a subsidiary of the Company) saw a continuous downward trend as a result of intensified competition in the securities industry and relaxed controls on commissions. However, total trading volume on the Shanghai and Shenzhen stock markets increased 244.7% year-on-year due to the revival of a bullish domestic securities market. During the Period, the brokerage business of Zheshang Securities saw a substantial increase in trading volume and posted a year-on-year increase of 147.3% in brokerage commission income.

In addition, while accelerating the development of each business segment, Zheshang Securities has been focusing on major undertakings, building up businesses with competitive strengths, exploring innovative businesses, adjusting and optimizing its diversified business structure, and constantly working to streamline its income and profit structure. Though income from investment banking declined during the Period, income from margin financing and securities lending as well as asset management recorded substantial year-on-year increases.

Meanwhile, Zheshang Securities’ IPO application on the Shanghai Stock Exchange was accepted by the China Securities Regulatory Commission in May, 2013. Zheshang Securities remains on the wait list for an IPO.

During the Period, Zheshang Securities’ total operating income was Rmb1,070.70 million, representing an increase of 118.2% year-on-year, of which brokerage commission income rose 103.5% year-over-year to Rmb713.01 million, and interest income from the securities business was Rmb357.69 million, representing an increase of 155.1%. Moreover, securities investment gains of Zheshang Securities included in the condensed consolidated statements of profit or loss and other comprehensive income of the Group was Rmb74.46 million during the Period (corresponding period of 2014: gains of Rmb17.41 million).

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd., (a 50% owned associate company of the Company) recorded income of Rmb1,183.71 million, representing a decrease of 25.2% year-on-year, as a result of continuous cuts on the price of domestic refined oil products. During the period, net profit of the associate company was Rmb3.96 million (corresponding period of 2014: net profit of Rmb4.19 million).

Zhejiang Shaoxing Shengxin Expressway Co (a 50% owned joint venture of the Company) operates the 73.4 km long Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 14,099, representing an increase of 7.13% year-on-year. Toll income during the Period was Rmb72.33 million. However, due to increased road maintenance expenses and its relatively heavy financial burden, the joint venture reported a loss of Rmb14.89 million during the Period (corresponding period of 2014: loss of Rmb14.98 million).

During the Period, the income of Zhejiang Communications Investment Group Finance Co., Ltd (a 35% owned associate company of the Company) was mainly derived from fees and commissions from providing financial services, including arranging loans and receiving deposits, for the subsidiaries of Zhejiang Communications Investment Group Co., Ltd. During the Period, this associate company realized a net profit of Rmb48.15 million (corresponding period of 2014: net profit of Rmb54.44 million).

FINANCIAL ANALYSIS

Liquidity and financial resources

As at March 31, 2015, current assets of the Group amounted to Rmb48,218.85 million in aggregate (December 31, 2014: Rmb35,745.72 million), of which bank balances and cash accounted for 8.6% (December 31, 2014: 11.4%), bank balances held on behalf of customers accounted for 46.1% (December 31, 2014: 46.4%), held for trading investments accounted for 10.1% (December 31, 2014: 5.9%) and loans to customers arising from margin financing business accounted for 28.1% (December 31, 2014: 23.9%). Current ratio (current assets over current liabilities) of the Group as at March 31, 2015 was 1.3 (December 31, 2014: 1.2). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.8 (December 31, 2014: 1.6).

The amount of held for trading investments of the Group as at March 31, 2015 was Rmb4,880.20 million (December 31, 2014: Rmb2,124.74 million), of which 93.2% was invested in bonds, 4.4% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash flow used in the Group's operating activities amounted to Rmb3,651.03 million. Excluding the effect of increase of loans to customers arising from margin financing business of Zheshang Securities, the resultant net cash inflow generated from operating activities amounted to Rmb1,345.38 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 March 31, 2015, total liabilities of the Group amounted to Rmb41,687.08 million (December 31, 2014: Rmb30,225.12 million), of which 0.6% was bank borrowings, 11.3% was bonds payable, 21.4% was financial assets sold under repurchase agreements and 53.2% was accounts payable to customers arising from securities business.

As at March 31, 2015, the Group's interest-bearing borrowings totaled Rmb6,306.65 million, representing 159.2% increase compared to that as at December 31, 2014. The borrowings comprised of domestic commercial bank loans of Rmb250.00 million, subordinated bonds of Rmb3,200.00 million, corporate bonds of Rmb1,500.00 million and beneficial certificates of Rmb1,356.65 million. 74.5% of the interest-bearing borrowings is not payable within one year.

Total interest expenses for the Period amounted to Rmb59.31 million, of which capitalized interest amounted to Rmb2.46 million, while profit before interest and tax amounted to Rmb1,145.85 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 19.3 times (corresponding period of 2014: 39.1 times).

As at March 31, 2015, the asset-liability ratio (total liabilities over total assets) was 65.5% (December 31, 2014: 58.9%). 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 47.1% (December 31, 2014: 39.3%).

Capital structure

As at March 31, 2015, the Group had Rmb21,947.59 million in total equity, Rmb38,616.23 million in fixed-rate liabilities, Rmb250.00 million in floating-rate liabilities, and Rmb2,820.85 million in interest-free liabilities, representing 34.5%, 60.7%, 0.4% and 4.4% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less balance of accounts payable to customers arising from securities business by total equity, was 88.9% as at March 31, 2015 (December 31, 2014: 64.7%).

OUTLOOK

Currently, China's economy is moving into a "new normal" as it downshifts from rapid growth to fast albeit more moderate growth. It is anticipated that the Group's toll road business, which is closely tied to the macro-economic development, will see steady growth in total traffic volume in the first half of 2015, but the rate of organic growth is expected to slow down.

Though the negative impact on the Shanghai-Hangzhou-Ningbo Expressway as a result of the opening of the Jiaxing-Shaoxing Bridge has gradually stabilized, the Dongyang-Yongkang Expressway nearby is scheduled to open to traffic in May 2015 and is expected to have a diversion impact on traffic for certain sections of the Group's expressways. The Company will closely monitor and conduct timely research and analysis on surrounding new road networks as well as to improve road signage to attract more traffic to the Group's expressways, thereby minimizing the loss caused by traffic diversions.

Following the launch of the Shanghai-Hong Kong Stock Connect program, it is expected that a series of favorable policies will be launched to promote the development of the capital markets in China, including an expansion of the Shanghai-Hong Kong Stock Connect program and the launch of the Shenzhen-Hong Kong Stock Connect program, which will present new opportunities for the Group's securities business. Meanwhile, Zheshang Securities will pay close attention to new market policies, and seek new profit drivers through continuously innovating its business. In addition, while remained focused on reinforcing cost and risk controls, Zheshang Securities will look to push forward its listing process on the Shanghai Stock Exchange and promote a sustainable and healthy development of its various lines of businesses.

At present, the Company is actively developing its strategic transformation plan. The Company's management will pay close attention to change in the business environment and relevant policies to adjust its business strategies in a timely manner based on the Company's needs, and will continue to improve the Company's core expressways business and optimize the securities and finance business. The Group will strive to find suitable investment projects with manageable risks and nurture management capabilities in our diversified operations in order to support the long-term and sustainable development of the Company, creating value for shareholders.

By Order of the Board
ZHAN Xiaozhang
Chairman

Hangzhou, the PRC, May 18, 2015

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: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang, Rosa.