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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)**

## **2016 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, 2016 (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 2015:

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

	Notes	For the three months ended March 31 ,	
		2016 Rmb'000 (Unaudited)	2015 Rmb'000 (Unaudited and restated)
Revenue	2	<b>2,694,358</b>	2,586,127
Operating costs		<b>(1,563,905)</b>	(1,491,025)
Gross profit		<b>1,130,453</b>	1,095,102
Securities investment gains		<b>46,937</b>	78,376
Other income	3	<b>100,789</b>	59,905
Administrative expenses		<b>(19,903)</b>	(22,840)
Other expenses		<b>(12,119)</b>	(24,449)
Share of profit of associates		<b>3,798</b>	11,183
Share of loss of a joint venture		<b>(1,173)</b>	(7,446)
Finance costs		<b>(180,614)</b>	(101,662)
Profit before tax		<b>1,068,168</b>	1,088,169
Income tax expense		<b>(269,691)</b>	(275,081)
Profit for the Period		<b>798,477</b>	813,088
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
– Fair values gain during the Period		<b>19,401</b>	9,444
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		<b>(11,716)</b>	(650)
Share of differences arising on translation		<b>(160)</b>	–
Income tax relating to items that may be reclassified subsequently		<b>(1,921)</b>	(2,199)
Other comprehensive income for the Period, net of income tax		<b>5,604</b>	6,595
Total comprehensive income for the Period		<b>804,081</b>	819,683
Profit for the Period attributable to:			
Owners of the Company		<b>661,821</b>	631,885
Non-controlling interests		<b>136,656</b>	181,203
		<b>798,477</b>	813,088
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>664,744</b>	635,081
Non-controlling interests		<b>139,337</b>	184,602
		<b>804,081</b>	819,683
Earnings per share – Basic and diluted	4	<b>Rmb15.24 cents</b>	Rmb14.55 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>March 31, 2016</b> <i>Rmb'000</i> <b>(Unaudited)</b>	As at December 31, 2015 <i>Rmb'000</i> (Audited)
Non-current assets	<b>19,291,506</b>	19,532,288
Current assets	<b>52,431,885</b>	54,359,475
Current liabilities	<b>41,366,103</b>	42,440,986
Net current assets	<b>11,065,782</b>	11,918,489
Total assets less current liabilities	<b>30,357,288</b>	31,450,777
Non-current liabilities	<b>7,554,558</b>	9,452,128
	<b>22,802,730</b>	21,998,649
Capital and Reserves		
Share capital	<b>4,343,115</b>	4,343,115
Reserves	<b>13,058,287</b>	12,393,543
Equity attributable to owners of the Company	<b>17,401,402</b>	16,736,658
Non-controlling interests	<b>5,401,328</b>	5,261,991
	<b>22,802,730</b>	21,998,649

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the three months ended March 31,</b>	
	<b>2016</b>	2015
	<i><b>Rmb'000</b></i>	<i>Rmb'000</i>
	<b>(Unaudited)</b>	(Unaudited and restated)
	<u>                    </u>	<u>                    </u>
Net cash from (used in) operating activities	<b>100,515</b>	(3,594,944)
Net cash used in investing activities	<b>(229,841)</b>	(168,480)
Net cash (used in) from financing activities	<b>(1,416,100)</b>	3,860,605
	<u>                    </u>	<u>                    </u>
Net (decrease) increase in cash and cash equivalents	<b>(1,545,426)</b>	97,181
Cash and cash equivalents at beginning of the Period	<b>4,983,051</b>	3,356,563
Effect of foreign exchange rate changes	<b>(160)</b>	–
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents at end of the Period	<b><u>3,437,465</u></b>	<b><u>3,453,744</u></b>

*Notes:*

## **1. MERGER ACCOUNTING RESTATEMENT**

On August 5, 2015, the Company entered into a share transfer agreement with Zhejiang Communications Investment Group Co., Ltd. (“Communications Group”) to acquire 80.614% equity interest in Zhejiang Hanghui Expressway Co., Ltd. (“Hanghui Co”) from Communications Group for a cash consideration of Rmb1,699,348,000. Hanghui Co is principally engaged in the operation and management of the Hanghui Expressway, which is the Zhejiang section of Hangzhou–Ruili Expressway (G56) within the national expressway network. Before the above acquisition, Hanghui Co was 80.614% owned by Communications Group and 19.386% owned by non-controlling shareholders. The acquisition has been approved by independent shareholders on October 15, 2015 and subsequently completed on November 10, 2015. After the completion of the acquisition, Hanghui Co then became an 80.614% owned subsidiary of the Company and in December 2015, the equity interest held by the Company was increased to 88.674% after the Company made a capital contribution to Hanghui Co. Since Communications Group is the parent company of the Company, the Group’s acquisition of the 80.614% equity interest from Communications Group was regarded as a business combination involving entities under common control and was accounted for using merger accounting method, in accordance with the guidance set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

As a result, in the comparative consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the three months ended March 31, 2015 have therefore been restated, in order to include the profit, assets and liabilities of the combining entities since the date on which they first come under common control.

The adoption of merger accounting method in respect of the Group’s acquisition of 80.614% equity interest in Hanghui Co has resulted in an increase in total comprehensive income attributable to owners of the Company, an increase in profit attributable to owners of the Company and an increase in earnings per share (basic and diluted) for the three months ended March 31, 2015 by Rmb1,383,000, Rmb1,383,000 and Rmb0.03, respectively.

## 2. 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,	
	2016	2015
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited and restated)
Toll operation revenue	1,244,359	1,133,585
Service area businesses revenue (mainly sales of goods)	391,846	412,659
Advertising business revenue	5,663	10,389
Commission and fee income from securities operation	641,251	678,207
Interest income from securities operation	379,895	335,833
Others	31,344	15,454
Total	<b>2,694,358</b>	<b>2,586,127</b>

## 3. OTHER INCOME

	For the three months ended March 31,	
	2016	2015
	<i>Rmb'000</i>	<i>Rmb'000</i>
	(Unaudited)	(Unaudited and restated)
Interest income on bank balances and entrusted loan receivables	14,045	13,192
Rental income	29,927	25,860
Handling fee income	324	287
Towing income	1,975	2,120
Exchange loss, net	(48)	(9)
Gain on commodity trading, net	2,267	1,318
Others	52,299	17,137
Total	<b>100,789</b>	<b>59,905</b>

## 4. 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 Rmb661,821,000 (corresponding period of 2015 (Restated): Rmb631,885,000) and the 4,343,114,500 (2015: 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**

As China's current economic environment remains grim and continues to face intensifying downward pressure, the overall economy recorded a steady 6.7% year-on-year GDP growth in the first quarter, despite the rate of economic growth slowing down further. Benefitting from improved structures in industry, investment and export, especially the rapid development of tertiary service industry, Zhejiang Province's first quarter GDP recorded a year-on-year increase of 7.2%, 0.5 percentage points higher than the national rate.

During the Period, as Zhejiang Province's economy grew, traffic volume on the Group's expressways continued to register decent organic growth. Total income from the Group's overall operations was Rmb2,793.34 million, of which Rmb1,287.35 million was generated from the four major expressways operated by the Group, representing an increase of 9.8% year-on-year and 46.1% of the total income; Rmb399.66 million was from the Group's toll road related businesses, representing a decrease of 9.4% year-on-year and 14.3% of the total income; and Rmb1,073.67 million was from the securities business of the Group, representing an increase of 0.3% year-on-year and 38.4% of the total income.

### **Toll Road Operations**

During the Period, driven by Zhejiang Province's steady economic development, traffic volume on the Group's four expressways registered solid organic growth. The organic traffic volume growth rates for the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway, were 8.8%, 10.3%, 10.6% and 8.5%, respectively.

During the Period, as Hangzhou's GDP in the first quarter surged by 10.3% year-on-year, the transportation volume of the city and its surrounding areas saw substantial increase, resulting in an apparent increase in the number of passenger cars and truck vehicles as well as traffic volume along the Shanghai-Hangzhou-Ningbo Expressway.

The overall traffic volume of the Shangsans Expressway was higher than expected during the Period due to increased truck traffic volume during the Spring Festival rush traffic period.

Despite regions around Yiwu demonstrating strong growth momentum, the high base GDP figures from the rapid economic growth in recent years has resulted in slower year-on-year GDP growth in these regions. In addition, the Dongyang-Yongkang Expressway, which was opened to traffic in July, 2015, continued to have a diversion impact on the traffic volume of the Jinhua Section of the Ningbo-Jinhua Expressway.

Starting from the fourth quarter of 2015, a section of the Hangzhou-Jinhua-Quzhou Expressway, which is not operated by the Group but runs parallel to the Hanghui Expressway, was reopened for traffic following construction, and certain sections of expressways running from Jiangxi to Hangzhou cancelled its truck height limit. As a result, a majority of long-distance trucks have returned to their original routes or chose alternative local roads, causing significant decreases in the truck traffic volume of the Hanghui Expressway and lower-than-expected overall traffic volume on the section during the Period.

Due to the factors mentioned above, during the Period, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 49,193, representing an increase of 8.9% 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 47,854, representing an increase of 12.4% year-on-year, and that along the Hangzhou-Ningbo Section was 50,151, representing an increase of 6.7% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsans Expressway was 27,985, representing an increase of 9.5% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 18,039, representing an increase of 5.0% year-on-year. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 17,841, representing an increase of 7.8% year-on-year.

During the Period, total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsans Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway and the 122km Hanghui Expressway was Rmb1,287.35 million, representing an increase of 9.8% year-on-year. Among which, toll income from the Shanghai-Hangzhou-Ningbo Expressway was Rmb812.24 million, representing an increase of 10.9% year-on-year; toll income from the Shangsans Expressway was Rmb272.01 million, representing an increase of 10.6% year-on-year; toll income from the Jinhua Section of the Ningbo-Jinhua Expressway was Rmb81.84 million, representing an increase of 7.0% year-on-year; and toll income from the Hanghui Expressway was Rmb121.26 million, representing an increase of 6.0% year-on-year (on the same basis as last 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, as well as advertisements.

Zhejiang Province took action in 2014 to remove billboards from along sides of its expressways, which gradually narrowed most of the advertising business of the Group's subsidiary to expressway service areas. As a result, advertising income was substantially reduced within the Period. Additionally, during the Period, the overall income of the toll road-related business operations was adversely affected due to several reductions in retail prices of domestics refined oil products. During the Period, income from toll road-related operations was Rmb399.66 million, representing a decrease of 9.4% year-on-year.

### **Securities Business**

During the Period, due to the weak domestic market sentiment, trading on domestic stock markets was lackluster. Trading volume on the Shanghai and Shenzhen stock markets decreased 20.5% year-on-year in total. On top of this, there was a continued decline in average brokerage commission rate, which caused the brokerage commission income of Zheshang Securities to decrease 25.0% year-on-year during the Period.

Despite these headwinds, Zheshang Securities actively expanded into innovative businesses while continuing to develop and advance each of its business line to improve income and profit structure. During the Period, even with the backdrop of a market downturn, Zheshang Securities' investment banking business and asset management business continued to expand steadily, recording varied levels of income growth.

The China Securities Regulatory Commission (the "CSRC") has allowed IPOs to resume since November 2015. The IPO application of Zheshang Securities was submitted to the Shanghai Stock Exchange in May 2013 and remains on the waiting list for the CSRC's review and approval.

During the Period, Zheshang Securities recorded total operating income of Rmb1,073.67 million, an increase of 0.3% year-on-year. Of which, commission income declined 5.1% year-on-year to Rmb676.95 million, and interest income from the securities business was Rmb396.72 million, representing an increase of 10.9% year-on-year. Moreover, during the Period, securities investment gains of Zheshang Securities included in the condensed consolidated statement of profit or loss and other comprehensive income of the Group was Rmb45.24 million (corresponding period of 2015: gains of Rmb74.46 million).

### **Other Business Operations**

Other business income was mainly derived from hotel operations and sales of ancillary apartments, namely the Qiyu Apartments.

Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), began trial operation on April 28, 2015, and realized income (before sales tax and additional tax) of Rmb23.41 million for the Period.

Qiyu Apartments opened for sale on November 29, 2015. 19 flats were sold during the Period and realized sales income of Rmb9.25 million.

### **Long-Term Investments**

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (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 16,180, representing an increase of 14.8% year-on-year. Toll income during the Period was Rmb83.20 million. The joint venture reported a loss of Rmb2.35 million during the Period (corresponding period of 2015: loss of Rmb14.89 million).

During the Period, Zhejiang Communications Investment Group Finance Co., Ltd. (a 35% owned associate company of the Company), derived income mainly from interest, fees and commission for providing financial services, including arranging loans and receiving deposits, to subsidiaries of Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company. During the Period, this associate company realized a net profit of Rmb21.51 million (corresponding period of 2015: net profit of Rmb48.15 million).

## **FINANCIAL ANALYSIS**

### **Liquidity and financial resources**

As at March 31, 2016, current assets of the Group amounted to Rmb52,431.89 million in aggregate (December 31, 2015: Rmb54,359.48 million), of which bank balances and cash accounted for 7.1% (December 31, 2015: 9.7%), bank balances held on behalf of customers accounted for 45.2% (December 31, 2015: 49.8%), held for trading investments accounted for 11.7% (December 31, 2015: 6.9%) and loans to customers arising from margin financing business accounted for 15.1% (December 31, 2015: 19.4%). Current ratio (current assets over current liabilities) of the Group as at March 31, 2016 was 1.3 (December 31, 2015: 1.3). 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 1.6 (December 31, 2015: 1.8).

The amount of held for trading investments of the Group as at March 31, 2016 was Rmb6,108.63 million (December 31, 2015: Rmb3,761.22 million), of which 95.5% was invested in bonds, 4.2% was invested in stocks, and the rest was invested in open-end equity funds.

During the Period, net cash flow from the Group's operating activities amounted to Rmb100.52 million and net cash flow from the Company's operating activities amounted to Rmb568.08 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, 2016, total liabilities of the Group amounted to Rmb48,920.66 million (December 31, 2015: Rmb51,893.11 million), of which 6.7% was bank borrowings, 17.8% was bonds payable, 16.1% was financial assets sold under repurchase agreements and 48.5% was accounts payable to customers arising from securities business.

As at March 31, 2016, the Group's interest-bearing borrowings totaled Rmb13,167.95 million, representing 9.7% decrease compared to that as at December 31, 2015. The borrowings comprised domestic commercial bank borrowings of Rmb2,197.95 million, borrowings from other domestic financial institution of Rmb500.00 million, entrusted loans from Communication Group of Rmb570.00 million, subordinated bonds of Rmb7.20 billion, corporate bonds of Rmb1.50 billion and beneficial certificates of Rmb1.20 billion. 55.4% of the interest-bearing borrowings is not payable within one year.

Total interest expenses for the Period amounted to Rmb180.61 million, while profit before interest and tax amounted to Rmb1,248.78 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 6.9 times (corresponding period of 2015(Restated): 11.4 times).

As at March 31, 2016, the asset-liability ratio (total liabilities over total assets) was 68.2% (December 31, 2015: 70.2%). 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 business over total assets less bank balances held on behalf of customers) of the Group was 52.5% (December 31, 2015: 53.2%).

### **Capital structure**

As at March 31, 2016, the Group had Rmb22,802.73 million in total equity, Rmb43,540.98 million in fixed-rate liabilities, Rmb1,220.00 million in floating-rate liabilities, and Rmb4,159.68 million in interest-free liabilities, representing 31.8%, 60.7%, 1.7% and 5.8% 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 110.5% as at March 31, 2016 (December 31, 2015: 113.1%).

## OUTLOOK

Though strong downward pressure continued to weigh on Chinese economy, major indicators have shown positive signs and overall economic growth remains at a reasonable level. As traffic demand is closely related to macroeconomic development, we expect the growth of overall traffic volume for the Group's expressways to remain steady albeit with a slightly slower growth rate in organic traffic volume in 2016.

Additionally, the Dongyang-Yongkang Expressway, which opened to traffic in July 2015, will continue to have a slight diversion impact on the Jinhua Section of the Ningbo-Jinhua Expressway. Given further expansion and enhancement of the expressway network, the number of paralleling roads and substitute sections alongside the Hanghui Expressway are increasing, and we expect to see a continued diversion impact on truck traffic volume of the Hanghui Expressway. Therefore, in addition to efforts in enhancing the tracking of road network changes, the Group will aim to thoroughly analyze the characteristics and factors entailed in traffic volume changes in the Group's expressways, and use this data to introduce targeted marketing and traffic enhancement measures to attract more vehicles to expressways operated by the Group to minimize the negative diversion impact.

As the Company has sold the equity interest of its associate, Zhejiang Expressway Petroleum Development Co., Ltd, to Zhejiang Communications Investment Group Co., Ltd. in October 2015, the Company's gas stations in service areas will change from self-operation to a leasing model. While the Company expects significant decline in revenues and costs related to gasoline sales, no major impact on profit is expected.

Although trading volume on the Shanghai and Shenzhen stock markets remained low, we believe the Group's securities business will be able to take advantage of new business opportunities given the government's efforts to actively promote the healthy development of the capital market as well as the upcoming launch of the Shenzhen-Hong Kong Link. Also, it is expected that Zheshang Securities' A-Share listing process on the Shanghai Stock Exchange will progress further as the CSRC has allowed A-Share IPOs to resume. Currently, Zheshang Securities continues to strengthen its cost and risk controls while expanding its efforts in developing innovative businesses in order to overcome challenges arising from the market environment and intense industry competition. Zheshang Securities will endeavor to achieve sustainable and healthy development for each of its businesses.

Concurrently, according to the reform program to replace the revenue tax with a value-added tax ("VAT"), starting from May 1, 2016, VAT shall be levied at the rate of 3% for expressway tolls and 6% for financial businesses. The burden of taxation on the Group's expressway business will be slightly less as the new policy levies VAT as tax excluded in price. However, the new policy's impact on the tax burden of the securities business remains unclear.

Facing new and complex domestic and overseas circumstances, the Company's management will continue to adjust its strategies according to the Company's development needs and external policy changes. The Company will also continue to reinforce its core expressway business and strengthen its securities business. Under the premise of controlling risks, the Company will leverage its investment and financing abilities to seek suitable projects and cultivate managing capabilities on diversified operations in order to achieve sustainable long-term development.

By Order of the Board  
**Zhejiang Expressway Co., Ltd**  
**ZHAN Xiaozhang**  
*Chairman*

Hangzhou, the PRC, May 18, 2016

*As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; 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.*