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)

(i) 2013 Annual Results Announcement and (ii) Change of Chief Financial Officer

- Revenue amounted to Rmb7,851.12 million, representing an increase of 13.3% year-on-year.
- Profit attributable to owners of the Company amounted to Rmb1,907.47 million, representing an increase of 15.6% year-on-year.
- Earnings per share was Rmb43.92 cents.
- A final dividend of Rmb25 cents per share is recommended.
- Mr. Wang Dehua has been appointed as the Chief Financial Officer of the Company in replacement of Mr. Wu Junyi.

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") today announced the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2013 (the "Period"), with the basis of preparation as stated in note 1 set out below.

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb7,851.12 million, representing an increase of 13.3% over 2012. Profit attributable to owners of the Company was Rmb1,907.47 million, representing an increase of 15.6% year-on-year. Earnings per share for the Period was Rmb43.92 cents (2012 (restated): Rmb37.98 cents).

The Directors have recommended to pay a final dividend of Rmb25 cents per share (2012: Rmb24 cents). The final dividend is subject to shareholders' approval at the annual general meeting of the Company to be held on May 5, 2014. Together with an interim dividend of Rmb6 cents per share that has already been paid, the annual dividend payout during the Period is Rmb31 cents per share (2012: Rmb30 cents).

The audit committee of the Company has reviewed the Group's annual results of the Period. Set out below are the audited consolidated statement of profit or loss and other comprehensive income for the Period and consolidated statement of financial position as at December 31, 2013, together with the comparative figures for 2012:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,	
		2013	**2012**
	Notes	*Rmb'000*	*Rmb'000* (Restated)
Revenue	4	7,851,115	6,927,415
Operating costs		(4,955,609)	(4,574,040)
Gross profit		2,895,506	2,353,375
Securities investment gains		99,663	99,783
Other income	5	241,056	291,990
Administrative expenses		(84,792)	(86,287)
Other expenses		(70,061)	(49,778)
Share of profit (loss) of associates		21,537	(4,513)
Share of loss of a joint venture		(36,010)	(3,516)
Finance costs		(95,161)	(139,765)
Profit before tax		2,971,738	2,461,289
Income tax expense	6	(756,761)	(634,669)
Profit for the year		2,214,977	1,826,620
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
– Fair value gain during the year		4,865	4,800
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(1,381)	(175)
Income tax relating to components of other comprehensive income		(871)	(1,156)
Other comprehensive income for the year (net of tax)		2,613	3,469
Total comprehensive income for the year		2,217,590	1,830,089

		For the year ended December 31,	
		2013	**2012**
	Note	*Rmb'000*	*Rmb'000*
			(Restated)
Profit for the year attributable to:			
Owners of the Company		1,907,470	1,649,484
Non-controlling interests		307,507	177,136
		2,214,977	1,826,620
Total comprehensive income attributable to:			
Owners of the Company		1,909,017	1,651,293
Non-controlling interests		308,573	178,796
		2,217,590	1,830,089
Earnings per share – Basic and diluted	8	Rmb43.92 cents	Rmb37.98 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2013 Rmb'000	As at December 31, 2012 Rmb'000 (Restated)	As at January 1, 2012 Rmb'000 (Restated)
Non-current Assets				
Property, plant and equipment		1,762,042	1,634,299	1,582,832
Prepaid lease payments		68,156	70,321	72,476
Expressway operating rights		11,911,133	12,722,158	13,468,635
Goodwill		86,867	86,867	86,867
Other intangible assets		154,564	155,633	157,594
Deposit paid for acquisition of a property		–	–	323,800
Interests in associates		574,733	280,057	248,395
Interest in a joint venture		333,944	369,954	–
Available-for-sale investments		143,514	133,000	1,000
Other receivables		401,400	325,035	300,000
		15,436,353	15,777,324	16,241,599
Current Assets				
Inventories		73,576	27,418	26,400
Trade receivables	9	101,428	64,447	52,475
Loans to customers arising from margin financing business		2,946,911	724,123	–
Other receivables and prepayments		451,968	621,023	846,127
Prepaid lease payments		2,155	2,154	2,154
Available-for-sale investments		281,924	134,899	60,274
Held for trading investments		1,181,025	1,486,772	1,260,021
Financial assets held under resale agreements		874,254	280,066	–
Bank balances held on behalf of customers		8,228,160	7,491,625	7,177,508
Bank balances and cash				
– Time deposits with original maturity over three months		704,459	1,483,408	2,467,793
– Cash and cash equivalents		1,806,981	3,392,053	3,139,820
		16,652,841	15,707,988	15,032,572

	Note	As at December 31, 2013 Rmb'000	As at December 31, 2012 Rmb'000 (Restated)	As at January 1, 2012 Rmb'000 (Restated)
Current liabilities				
Placements from other financial institution		310,000	–	–
Accounts payable to customers arising from securities business		8,167,103	7,481,819	7,143,067
Trade payables	10	421,994	408,612	345,453
Tax liabilities		331,611	223,592	491,619
Other taxes payable		53,417	54,226	62,918
Other payables and accruals		995,496	991,260	741,031
Dividends payable		94,976	94,998	94,971
Bank and other borrowings		540,000	660,000	712,553
Long-term bonds due in one–year		–	1,000,000	–
Short-term loan note		1,000,000	–	–
Derivative financial instrument		–	–	6,426
		11,914,597	10,914,507	9,598,038
Net current assets		4,738,244	4,793,481	5,434,534
Total assets less current liabilities		20,174,597	20,570,805	21,676,133
Non-current liabilities				
Bank and other borrowings		300,000	680,000	1,140,000
Long-term bonds		–	–	1,000,000
Deferred tax liabilities		205,638	269,124	289,165
		505,638	949,124	2,429,165
		19,668,959	19,621,681	19,246,968
Capital and reserves				
Share capital		4,343,115	4,343,115	4,343,115
Reserves		11,629,423	11,701,345	11,396,418
Equity attributable to owners of the Company		15,972,538	16,044,460	15,739,533
Non-controlling interests		3,696,421	3,577,221	3,507,435
		19,668,959	19,621,681	19,246,968

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and with applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "HKEX") and by Hong Kong Companies Ordinance.

2. MERGER ACCOUNTING RESTATEMENT

On March 20, 2013, the Group entered into share transfer agreements with Zhejiang Communications Investment Group Co., Ltd. ("Communications Group") and Yiwu Communications Development Co., Ltd. ("Yiwu Development"), an independent third party, to acquire the 66.283% and 10.267% equity interests in Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co") from Communications Group and Yiwu Development, respectively, for cash consideration of Rmb655,356,000 and Rmb101,512,000, totaling Rmb756,868,000. Jinhua Co is principally engaged in the operation and management of the Jinhua Section of the Ningbo-Jinhua Expressway. Before the acquisition, Jinhua Co was a 23.45% owned associate of the Group. After the completion of the acquisition, Jinhua Co then became a 100% owned subsidiary of the Group. Since Communications Group is the parent company of the Company, the Group's acquisition of the 66.283% equity interest from Communications Group was regarded as a business combination involving entities under common control and was accounted for through 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") and the acquisition of 10.267% equity interest in Jinhua Co from Yiwu Development was accounted for as acquisition of additional interest in a subsidiary.

As a result, the comparative consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended December 31, 2012 and the consolidated statements of financial position as at December 31, 2012 have been restated, in order to include the losses, assets and liabilities of the combing entities since the date on which they first come under common control.

The adopting of merger accounting method in respect of the Group's acquisition of 66.283% equity interest in Jinhua Co has resulted in a decrease in total comprehensive income attributable to owners of the Company and a decrease in profit attributable to owners of the Company for the year ended December 31, 2012 by Rmb36,786,000 and Rmb36,786,000, respectively.

The effect of the merger accounting restatement in respect of the Group's acquisition of 66.283% equity interest in Jinhua Co described above on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2012 by line items is as follows:

	For the year ended December 31, 2012 *Rmb'000* (Originally stated)	**Merger accounting restatement** *Rmb'000*	**For the year ended December 31, 2012** *Rmb'000* (Restated)
Revenue	6,700,258	227,157	6,927,415
Operating costs	(4,369,641)	(204,399)	(4,574,040)
Gross profit	2,330,617	22,758	2,353,375
Securities investment gains	99,783	–	99,783
Other income	288,644	3,346	291,990
Administrative expenses	(82,092)	(4,195)	(86,287)
Other expenses	(46,154)	(3,624)	(49,778)
Share of loss of associates	(17,341)	12,828	(4,513)
Share of loss of a joint venture	(3,516)	–	(3,516)
Finance costs	(53,995)	(85,770)	(139,765)
Profit before tax	2,515,946	(54,657)	2,461,289
Income tax expense	(646,864)	12,195	(634,669)
Profit for the year	1,869,082	(42,462)	1,826,620
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets:			
– Fair value gain during the year	4,800	–	4,800
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal	(175)	–	(175)
Income tax relating to components of other comprehensive income	(1,156)	–	(1,156)
Other comprehensive income for the year (net of tax)	3,469	–	3,469
Total comprehensive income for the year	1,872,551	(42,462)	1,830,089

	For the year ended December 31, 2012 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	For the year ended December 31, 2012 *Rmb'000* (Restated)
Profit for the year attributable to:			
Owners of the Company	1,686,270	(36,786)	1,649,484
Non-controlling interests	182,812	(5,676)	177,136
	1,869,082	(42,462)	1,826,620
Total comprehensive income attributable to:			
Owners of the Company	1,688,079	(36,786)	1,651,293
Non-controlling interests	184,472	(5,676)	178,796
	1,872,551	(42,462)	1,830,089
Earnings per share – Basic and diluted	Rmb38.83 cents	Rmb(0.85) cents	Rmb37.98 cents

The effects of the merger accounting restatement in respect of the Group's acquisition of 66.283% equity interest in Jinhua Co described above on the consolidated statement of financial position as at January 1, 2012 and December 31, 2012 by line items are as follows:

	As at January 1, 2012	**Merger accounting restatement**	**As at January 1, 2012**	**As at December 31, 2012**	**Merger accounting restatement**	**As at December 31, 2012**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Originally stated)		(Restated)	(Originally stated)		(Restated)
Non-current assets						
Property, plant and equipment	1,294,465	288,367	1,582,832	1,357,844	276,455	1,634,299
Prepaid lease payments	68,983	3,493	72,476	66,931	3,390	70,321
Expressway operating rights	11,364,938	2,103,697	13,468,635	10,732,058	1,990,100	12,722,158
Goodwill	86,867	–	86,867	86,867	–	86,867
Other intangible assets	157,594	–	157,594	155,633	–	155,633
Deposit paid for acquisition of a property	323,800	–	323,800	–	–	–
Interests in associates	446,679	(198,284)	248,395	465,513	(185,456)	280,057
Interest in a joint venture	–	–	–	369,954	–	369,954
Available-for-sale investments	1,000	–	1,000	133,000	–	133,000
Other receivables	382,000	(82,000)	300,000	325,035	–	325,035
	14,126,326	2,115,273	16,241,599	13,692,835	2,084,489	15,777,324
Current assets						
Inventories	26,400	–	26,400	27,418	–	27,418
Trade receivables	48,013	4,462	52,475	57,847	6,600	64,447
Loans to customers arising from margin financing business	–	–	–	724,123	–	724,123
Other receivables and prepayments	844,142	1,985	846,127	701,627	(80,604)	621,023
Prepaid lease payments	2,052	102	2,154	2,052	102	2,154
Available-for-sale investments	60,274	–	60,274	134,899	–	134,899
Held for trading investments	1,260,021	–	1,260,021	1,486,772	–	1,486,772
Financial assets held under resale agreements	–	–	–	280,066	–	280,066
Bank balances held on behalf of customers	7,177,508	–	7,177,508	7,491,625	–	7,491,625
Bank balances and cash						
– Time deposits with originally maturity over three months	2,467,793	–	2,467,793	1,483,408	–	1,483,408
– Cash and cash equivalents	3,120,430	19,390	3,139,820	3,362,709	29,344	3,392,053
	15,006,633	25,939	15,032,572	15,752,546	(44,558)	15,707,988

	As at January 1, 2012 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	As at January 1, 2012 *Rmb'000* (Restated)	As at December 31, 2012 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	As at December 31, 2012 *Rmb'000* (Restated)
Current liabilities						
Accounts payable to customers arising from securities business	7,143,067	–	7,143,067	7,481,819	–	7,481,819
Trade payables	317,188	28,265	345,453	378,364	30,248	408,612
Tax liabilities	491,619	–	491,619	223,592	–	223,592
Other taxes payable	61,753	1,165	62,918	53,082	1,144	54,226
Other payables and accruals	724,216	16,815	741,031	973,031	18,229	991,260
Dividends payable	94,971	–	94,971	94,998	–	94,998
Bank and other borrowings	462,553	250,000	712,553	–	660,000	660,000
Long-term bonds due in one-year	–	–	–	1,000,000	–	1,000,000
Derivative financial instrument	6,426	–	6,426	–	–	–
	9,301,793	296,245	9,598,038	10,204,886	709,621	10,914,507
Net current assets	5,704,840	(270,306)	5,434,534	5,547,660	(754,179)	4,793,481
Total assets less current liabilities	19,831,166	1,844,967	21,676,133	19,240,495	1,330,310	20,570,805
Non-current liabilities						
Bank and other borrowings	–	1,140,000	1,140,000	–	680,000	680,000
Long-term bonds	1,000,000	–	1,000,000	–	–	–
Deferred tax liabilities	232,066	57,099	289,165	224,220	44,904	269,124
	1,232,066	1,197,099	2,429,165	224,220	724,904	949,124
	18,599,100	647,868	19,246,968	19,016,275	605,406	19,621,681
Capital and reserves						
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Reserves	10,835,424	560,994	11,396,418	11,177,137	524,208	11,701,345
Equity attributable to owners of the Company	15,178,539	560,994	15,739,553	15,520,252	524,208	16,044,460
Non-controlling interests	3,420,561	86,874	3,507,435	3,496,023	81,198	3,577,221
	18,599,100	647,868	19,246,968	19,016,275	605,406	19,621,681

The effect of merger accounting restatement in respect of the Group's acquisition of 66.283% equity interest in Jinhua Co described above on the Group's equity as at January 1, 2012 and December 31, 2012 is as follows:

	As at January 1, 2012	**Merger accounting restatement**	**As at January 1, 2012**	**As at December 31, 2012**	**Merger accounting restatement**	**As at December 31, 2012**
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
	(Originally stated)		(Restated)	(Originally stated)		(Restated)
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Share premium	3,645,726	–	3,645,726	3,645,726	–	3,645,726
Statutory reserves	2,968,634	–	2,968,634	3,227,511	–	3,227,511
Capital reserve	1,712	–	1,712	1,712	–	1,712
Investment revaluation reserve	(1,555)	–	(1,555)	254	–	254
Dividend reserve	1,085,779	–	1,085,779	1,042,347	–	1,042,347
Special reserves	18,666	797,471	816,137	18,666	797,471	816,137
Retained profits	3,116,462	(236,477)	2,879,985	3,240,921	(273,263)	2,967,658
Non-controlling interests	3,420,561	86,874	3,507,435	3,496,023	81,198	3,577,221
Total	18,599,100	647,868	19,246,968	19,016,275	605,406	19,621,681

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Except as described below, the accounting policies applied in the consolidated financial statements for the year are consistent with those in the preparation of the Group's annual financial statements for the year ended December 31, 2012.

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as disclosed below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011), HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements - jointly controlled entities, jointly controlled operations and joint controlled assets. The classification of joint arrangement under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co"), which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and accounted for using the equity method.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure and is applicable to entities that have interests in subsidiaries, joint ventures and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after January 1, 2014
[2] Effective for annual periods beginning on or after July 1, 2014
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
[4] Effective for annual periods beginning on or after July 1, 2014, with limited exceptions
[5] Effective for first annual HKFRS financial statements beginning on or after January 1, 2016

Annual Improvements to HKFRSs 2010-2012 Cycle

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability.

Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after July 1, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in unlisted equity securities currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's principle reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Service area and advertising businesses – the sales of food, restaurant operation, automobile servicing, operation of petrol stations and design and rental of advertising billboards along the expressways.

(iii) Other toll road related service – the toll road maintenance service and others.

(iv) Securities operation – the securities broking, margin financing and securities lending services and proprietary trading.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended December 31, 2013

	Toll related operation						
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Total segment	Elimination	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Revenue							
External sales	4,019,867	2,158,469	21,447	1,651,332	7,851,115	–	7,851,115
Inter-segment sales	–	4,755	–	–	4,755	(4,755)	–
Total	4,019,867	2,163,224	21,447	1,651,332	7,855,870	(4,755)	7,851,115
Segment profit	1,721,848	59,789	30,787	402,553	2,214,977		2,214,977

For the year ended December 31, 2012

	Toll related operation						
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Total segment	Elimination	Total
	Rmb'000 (Restated)	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000* (Restated)	*Rmb'000*	*Rmb'000* (Restated)
Revenue							
External sales	3,772,395	2,028,883	–	1,126,137	6,927,415	–	6,927,415
Inter-segment sales	–	7,919	–	–	7,919	(7,919)	–
Total	3,772,395	2,036,802	–	1,126,137	6,935,334	(7,919)	6,927,415
Segment profit	1,598,710	62,241	–	165,669	1,826,620		1,826,620

Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker – the Group's Chief Executive Officer, for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets			Segment liabilities		
	As at December 31, 2013	**As at December 31, 2012**	**As at January 1, 2012**	**As at December 31, 2013**	**As at December 31, 2012**	**As at January 1, 2012**
	Rmb'000	*Rmb'000* (Restated)	*Rmb'000* (Restated)	*Rmb'000*	*Rmb'000* (Restated)	*Rmb'000* (Restated)
Toll operation	14,784,868	17,404,526	17,679,206	(2,082,988)	(3,836,988)	(4,299,866)
Toll related operation						
Service area and advertising businesses	926,171	647,043	695,675	(234,708)	(157,674)	(231,303)
Other toll road related service	310,818	–	–	–	–	–
Securities operation	15,980,470	13,346,876	12,812,423	(10,102,539)	(7,868,969)	(7,496,034)
Total segment assets (liabilities)	32,002,327	31,398,445	31,187,304	(12,420,235)	(11,863,631)	(12,027,203)
Goodwill	86,867	86,867	86,867	–	–	–
Consolidated assets (liabilities)	32,089,194	31,485,312	31,274,171	(12,420,235)	(11,863,631)	(12,027,203)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

Other segment information

Amounts included in the measure of segment profit or segment assets:

For the year ended December 31, 2013

		Toll related operation			
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Income tax expense	585,570	18,252	(10)	152,949	756,761
Interest income	82,114	7,457	–	6,351	95,922
Interest expense	84,764	–	–	10,397	95,161
Interests in associates	–	224,035	310,818	39,880	574,733
Interest in a joint venture	333,944	–	–	–	333,944
Share of profit (loss) of associates	–	40	27,669	(6,172)	21,537
Share of loss of a joint venture	(36,010)	–	–	–	(36,010)
Gain on fair value changes on held for trading investments	14,242	–	–	84,040	98,282
Additions to non-current assets *(Note)*	236,487	62,072	280,000	43,697	622,256
Depreciation and amortisation	900,966	31,500	–	90,057	1,022,523
Loss (gain) on disposal of property, plant and equipment	2,798	(783)	–	134	2,149

For the year ended December 31, 2012 (Restated)

		Toll related operation			
	Toll operation	Service area and advertising businesses	Other toll road related service	Securities operation	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Income tax expense	556,468	18,078	–	60,123	634,669
Interest income	141,684	10,693	–	29,282	181,659
Interest expense	139,519	246	–	–	139,765
Interests in associates	–	234,005	–	46,052	280,057
Interest in a joint venture	369,954	–	–	–	369,954
Share of profit (loss) of associates	–	7,367	–	(11,880)	(4,513)
Share of loss of a joint venture	(3,516)	–	–	–	(3,516)
Gain on fair value changes on held for trading investments	10,290	–	–	89,318	99,608
Additions to non-current assets *(Note)*	617,984	14,333	–	105,406	737,723
Depreciation and amortisation	880,323	28,624	–	96,298	1,005,245
Loss on disposal of property, plant and equipment	5,409	1,223	–	250	6,882

Note: non-current assets excluded financial instruments.

Revenue from major services

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

	For the year ended December 31,	
	2013	**2012**
	Rmb'000	*Rmb'000*
		(Restated)
Toll operation revenue	4,019,867	3,772,395
Service area businesses revenue (mainly sales of goods)	2,054,543	1,937,955
Advertising business revenue	103,926	90,473
Commission income from securities operation	1,197,315	832,213
Interest income from securities operation	454,017	293,924
Others	21,447	455
Total revenue	7,851,115	6,927,415

Geographical information

The Group's operations are located in the PRC (country of domicile). All non-current assets of the Group are located in the PRC.

All of the Group's revenue from external customers is attributable to the group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2013 and 2012, there were no individual customers with sales over 10% of the total sales of the Group.

5. OTHER INCOME

	For the year ended December 31, 2013 *Rmb'000*	2012 *Rmb'000* (Restated)
Interest income on bank balances, entrusted loan receivables and financial products investment	95,922	162,292
Other interest income	–	19,367
Rental income	88,739	72,796
Handling fee income	2,781	5,685
Towing income	10,155	9,303
Gain on deregistration of an associate	16	–
Gain on disposal of an associate	–	12
Exchange loss, net	(957)	(2,155)
Fair value gain on derivative financial instrument	–	2,841
Loss on commodity trading, net	(1,351)	–
Others	45,751	21,849
Total	241,056	291,990

6. INCOME TAX EXPENSE

	For the year ended December 31, 2013 *Rmb'000*	2012 *Rmb'000* (Restated)
Current tax:		
PRC Enterprise Income Tax	821,118	655,910
Deferred tax	(64,357)	(21,241)
	756,761	634,669

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group is 25%.

No Hong Kong Profits Tax has been provided as the Group´s income neither arises in, nor is derived from Hong Kong during the year.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended December 31, 2013	2012
	Rmb'000	*Rmb'000* (Restated)
Profit before tax	2,971,738	2,461,289
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	742,935	615,322
Tax effect of share of (profit) loss of associates	(5,384)	1,128
Tax effect of share of loss of a joint venture	9,003	879
Tax effect of income not taxable for tax purposes	–	(17)
Tax effect of expenses not deductible for tax purposes	10,207	17,357
Tax charge for the year	756,761	634,669

7. DIVIDENDS

	2013	2012
	Rmb'000	*Rmb'000*
Dividends recognised as distribution during the year		
2013 Interim – Rmb6 cents (2012: 2012 Interim – Rmb6 cents) per share	260,587	260,587
2012 Final – Rmb24 cents (2012: 2011 Final – Rmb25 cents) per share	1,042,347	1,085,779
	1,302,934	1,346,366

The Directors have recommended the payment of a final dividend of Rmb25 cents (2012: Rmb24 cents) per share in respect of the year ended December 31, 2013, which is subject to approval by the shareholders in the annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the year attributable to owners of the Company of Rmb1,907,470,000 (2012 (restated): Rmb1,649,484,000) and the 4,343,114,500 (2012: 4,343,114,500) ordinary shares in issue during the year.

Diluted earnings per share presented is the same as basic earnings per share since there were no potential ordinary shares outstanding for the year ended December 31, 2013 and 2012.

9. TRADE RECEIVABLES

	As at December 31, 2013 *Rmb'000*	**As at December 31, 2012** *Rmb'000* (Restated)	**As at January 1, 2012** *Rmb'000* (Restated)
Trade receivables comprise:			
A fellow subsidiary	3,077	3,010	2,431
Third parties	99,023	62,393	50,875
Total trade receivables	102,100	65,403	53,306
Less: Allowance for doubtful debts	(672)	(956)	(831)
	101,428	64,447	52,475

The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at December 31, 2013 *Rmb'000*	**As at December 31, 2012** *Rmb'000* (Restated)	**As at January 1, 2012** *Rmb'000* (Restated)
Within 3 months	90,812	64,138	49,773
3 months to 1 year	10,453	–	2,431
1 to 2 years	–	146	–
Over 2 years	163	163	271
Total	101,428	64,447	52,475

Movement of allowance for doubtful debts

	As at December 31, 2013 *Rmb'000*	As at December 31, 2012 *Rmb'000* (Restated)	As at January 1, 2012 *Rmb'000* (Restated)
At the beginning of the year	956	831	–
Impairment recognised for the year	7	125	831
Amount reversed during the year	(291)	–	–
At the end of the year	672	956	831

10. TRADE PAYABLES

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at December 31, 2013 *Rmb'000*	As at December 31, 2012 *Rmb'000* (Restated)	As at January 1, 2012 *Rmb'000* (Restated)
Within 3 months	214,669	236,246	103,264
3 months to 1 year	82,048	37,328	32,552
1 to 2 years	29,518	29,117	116,641
2 to 3 years	8,496	49,122	58,618
Over 3 years	87,263	56,799	34,378
Total	421,994	408,612	345,453

BUSINESS REVIEW

In 2013, China's economy maintained a relatively fast pace of GDP growth of 7.7% compared with last year. Though Zhejiang's economy saw a slight decrease in its growth rate during the fourth quarter, the Province's economy and overall investment levels generally maintained solid momentum. During the Period, Zhejiang Province's GDP increased 8.2% year-on-year.

As Zhejiang Province's economy steadily improved and its foreign trade showed signs of recovery, traffic volume on the Group's expressways continued to see steady organic growth. In addition, stock market trading volumes also resumed. As a result, income from the Group's overall operations increased 13.4% year-on-year. Total income reached Rmb8,092.98 million, of which Rmb4,158.34 million was attributable to the three major expressways operated by the Group, representing an increase of 6.6% year-on-year and 51.4% of the total income; Rmb2,192.48 million was attributable to the Group's toll road-related businesses, representing an increase of 6.9% year-on-year and 27.1% of the total income; and Rmb1,742.17 million was attributable to the securities business, representing an increase of 47.5% year-on-year and 21.5% of the total income.

A breakdown of the Group's income for the Period is set out below:

	2013	**2012**	
	Rmb'000	*Rmb'000* (Restated)	*% Change*
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	3,122,022	2,968,396	5.2%
Shangsan Expressway	769,723	702,489	9.6%
Jinhua section, Ningbo-Jinhua Expressway	266,594	231,481	15.2%
Other income			
Service areas (mainly sales of goods)	2,062,558	1,945,614	6.0%
Advertising	107,692	104,276	3.3%
Road maintenance	22,227	471	4619.1%
Securities business income			
Commission	1,288,151	886,946	45.2%
Bank interest	454,017	293,924	54.5%
Subtotal	8,092,984	7,133,597	13.4%
Less: Revenue taxes	(241,869)	(206,182)	17.3%
Revenue	7,851,115	6,927,415	13.3%

Toll Road Operations

As the economy in Zhejiang Province stabilized with positive signs of progress and improvements were seen in foreign trade, the Group's expressways achieved a high level of organic growth in traffic volume. Traffic volume on the Shangsan Expressway grew at an even higher rate, benefiting from a higher concentration of small and medium sized enterprises along its route, while the Jinhua Section of the Ningbo-Jinhua Expressway benefited from a strong growth in trade at the nearby Yiwu small commodities market with the container truck traffic growing at a fast pace.

In the meantime, the toll free policy on small passenger vehicles during major holidays led to a loss of approximately Rmb140 million in toll income in 2013. In addition, the Group's toll income suffered a combined loss of approximately Rmb100 million during the Period as a result of a gradual phasing out of the "Unified Toll Card" policy, adjustments made to the rounding off of the last figures for passenger vehicle tolls, as well as the policy adjusting passenger vehicle classifications.

Although the Jiaxing-Shaoxing Expressway (not operated by the Group), which first opened to passenger vehicles in July, 2013, diverted some traffic away from the Group's Shanghai-Hangzhou-Ningbo Expressway, the loss in traffic was partly offset by a rise in traffic on the Group's Shangsan Expressway. However, the positive impact on Shangsan Expressway was not fully realized until the Jiaxing-Shaoxing Expressway opened to trucks at the end of November, 2013. Overall the Company's toll income was adversely affected by approximately Rmb8 million in 2013. Additionally, bad weather caused by Typhoon "Fitow" and other short-term unfavorable factors had also affected the Group's toll income, which led to a loss of approximately Rmb15 million.

Although the Group's toll road operations were challenged by various negative factors in 2013, the management was still able to deliver solid results and increase toll income by taking more initiatives to plug loopholes, conducting marketing campaigns to attract traffic, and modifying weighing equipment for accurate measurements.

By the end of June 2013, the Group completed the acquisition of a 76.55% equity interest in Jinhua Co (which operates the 69.7km Jinhua Section of the Ningbo-Jinhua Expressway). During the Period, as local roads that run parallel to the Jinhua Section of the Ningbo-Jinhua Expressway were under construction, a large number of vehicles on short-distance trips were redirected to the Ningbo-Jinhua Expressway as a result to effective promotions and road signage. This led to a further increase in traffic volume and helped to drive an increase in toll income of Rmb10 million.

The average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 44,013 during the Period, representing an increase of 4.9% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway was 44,182, representing an increase of 3.4% year-on-year, and that along the Hangzhou-Ningbo Section was 43,891, representing an increase of 5.9% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 18,317 during the Period, representing an increase of 9.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 13,533 during the Period, representing an increase of 12.0% year-on-year.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142km Shangsan Expressway and the 70km Jinhua Section of the Ningbo-Jinhua Expressway amounted to Rmb4,158.34 million during the Period, representing an increase of 6.6% year-on-year. Toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb3,122.02 million, representing an increase of 5.2% year-on-year; toll income from the Shangsan Expressway amounted to Rmb769.72 million, representing an increase of 9.6% year-on-year; while toll income from the Jinhua Section of the Ningbo-Jinhua Expressway amounted to Rmb266.59 million, representing an increase of 15.2% 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 a roadside advertising business.

During the Period, due to the renovation of the Jiaxing Service Area starting in July 2013, income from service areas was adversely affected. However, increasing sales of refined oil products and additional income from the external road maintenance projects ensured solid growth in the Group's toll road-related businesses. As a result, income from toll road-related operations during the Period was Rmb2,192.48 million, representing an increase of 6.9% year-on-year.

Securities Business

During the Period, the total trading volume of the Shanghai and Shenzhen stock markets increased 49.60% compared with last year due to a revival of activity in the domestic securities market. Though the securities brokerage business of Zheshang Securities Co., Ltd. ("Zheshang Securities") saw a slight decline in market share, there was a solid rise in income as a result of higher trading volumes.

Zheshang Securities continued to increase the number of its branches to facilitate the further development of its securities brokerage business and to stabilize and increase its market share. Zheshang Securities had 108 business outlets during the Period.

While accelerating the all-round development of each business segment, Zheshang Securities has been actively working to improve its income and profit structure, and accelerate the development of the margin financing and securities lending business to enhance its capabilities to expand new businesses. With continued business innovation, Zheshang Securities believes it can diversify its business and reduce the dominant role that its brokerage business had played in the past. Income from the securities brokerage, investment banking, asset management, margin financing and securities lending businesses of Zheshang Securities all grew steadily year-on-year.

In addition, in order to accelerate its listing process on the Shanghai Stock Exchange, Zheshang Securities submitted an IPO application, which was accepted by the China Securities Regulatory Commission in May, 2013. Zheshang Securities is now officially on the wait list for an IPO.

During the Period, Zheshang Securities' total operating income was Rmb1,742.17 million, an increase of 47.5% year-on-year. Of such income, brokerage commission income amounted to Rmb1,288.15 million, up by 45.2%, and interest income from the securities business amounted to Rmb454.02 million, up by 54.5%. Moreover, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb85.42 million during the Period.

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) recorded income of Rmb6,481.14 million, an increase of 6.4% year-on-year. The rise was due to an increase in both the retail price and sales volume of petroleum products. During the period, net profit of Zhejiang Expressway Petroleum Development Co., Ltd. was Rmb21.63 million (2012: net profit of Rmb15.02 million).

Shengxin Co (a 50% owned joint venture of the Company) operates the 73.4km long Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the traffic volume of the Shaoxing Section of the Ningbo-Jinhua Expressway rose due to the improving provincial economy. The average daily traffic volume in full-trip equivalents was 12,692, an increase of 6.28% year-on-year. Toll income during the Period was Rmb294.46 million. However, due to its relatively heavy financial burden, the joint venture reported a loss of Rmb72.02 million.

JoinHands Technology Co., Ltd. (a 27.58%-owned associate company of the Company) operates a property leasing business. There was no substantial improvement in its operations during the Period. The Company instituted legal proceedings with regards to the transfer of the equity interest in the associated company. The Company then lodged an appeal against the subsequent judgment of the Company's priority of compensation for the mortgaged properties. The appeal was ruled in favor of the Company by the Hangzhou Intermediate People's Court on April 28, 2013. These mortgaged properties in the associated company were auctioned off on December 24, 2013. In accordance with the judicial auction procedures, the court will transfer the full payment received from the auction to the Company after the buyer finishes all procedures for ownership transfer of the auctioned properties.

On March 30, 2013, the Company entered into a capital increase agreement with Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance") and its existing shareholders. The Company conditionally agreed to carry out a capital injection of Rmb280 million in cash, and upon completion of the capital contribution, the Company beneficially owned a 35% equity interest in Zhejiang Communications Finance. During the Period, income from the associated company were mainly derived from fees and commissions for providing financial services, including arranging loans and receiving deposits from subsidiaries of Communications Group, and were accounted for as a share of gain of associates of the Company from May 1, 2013. Zhejiang Communications Finance realized a net profit of Rmb79.05 million from May 1, 2013 to the end of the Period.

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was approximately Rmb1,907.47 million, representing an increase of 15.6% year-on-year, return on owners' equity was 11.9%, representing an increase of 16.1% year-on-year, while earnings per share for the Company was Rmb43.92 cents.

Liquidity and financial resources

As at December 31, 2013, current assets of the Group amounted to Rmb16,652.84 million in aggregate (December 31, 2012 (restated): Rmb15,707.99 million), of which bank balances and cash accounted for 15.1% (December 31, 2012 (restated): 31.0%), bank balances held on behalf of customers accounted for 49.4% (December 31, 2012 (restated): 47.7%), and held for trading investments accounted for 7.1% (December 31, 2012 (restated): 9.5%). Current ratio (current assets over current liabilities) of the Group as at December 31, 2013 was 1.4 (December 31, 2012 (restated): 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 2.2 (December 31, 2012 (restated): 2.4).

The amount of held for trading investments of the Group as at December 31, 2013 was Rmb1,181.03 million (December 31, 2012: Rmb1,486.77 million), of which 92.9% was invested in bonds, 6.7% 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 Rmb979.98 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 December 31, 2013, total liabilities of the Group amounted to Rmb12,420.24 million (December 31, 2012 (restated): Rmb11,863.63 million), of which 6.8% was bank and other borrowings, and 65.8% was accounts payable to customers arising from securities business.

Total interest-bearing borrowings of the Group as at December 31, 2013 amounted to Rmb1,840.00 million, representing a decrease of 21.4% compared to that as at December 31, 2012. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb500.00 million, loans from a domestic non-bank financial institution of Rmb340.00 million, and short-term loan note amounting to Rmb1 billion that was issued by Zheshang Securities in 2013 for a term of 3 months. Of the interest-bearing borrowings, 16.3% was not payable within one year.

As at December 31, 2013, the Group's loans from domestic commercial banks include short-term loans and long-term loans, with floating interest rate ranging from 6.22% to 6.77% per annum; loans from a domestic non-bank financial institution were short-term loans, with the interest rate fixed at 5.04% per annum. The annual coupon rate for short-term loan note was fixed at 5.50%, while the annual interest rate for accounts payable to customers arising from the securities business was fixed at 0.35%.

Total interest expenses for the year amounted to Rmb95.16 million, while profit before interest and tax amounted to Rmb3,066.90 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 32.2 (2012 (restated): 18.6) times.

As at December 31, 2013, the asset-liability ratio (total liabilities over total assets) was 38.7% (December 31, 2012 (restated): 37.7%). 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 17.8% (December 31, 2012 (restated): 18.3%).

Capital structure

As at December 31, 2013, the Group had Rmb19,668.96 million in total equity, Rmb9,817.10 million in fixed-rate liabilities, Rmb500.00 million in floating-rate liabilities, and Rmb2,103.13 million in interest-free liabilities, representing 61.3%, 30.6%, 1.6% and 6.5% of the Group's total capital, respectively. The gearing ratio, which computed is by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 21.6% as at December 31, 2013 (December 31, 2012 (restated): 22.3%).

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb2,379.31 million, while capital expenditure of the Company totaled Rmb2,087.69 million. Amongst the total capital expenditure of the Group, Rmb756.87 million was incurred for acquiring 76.55% equity interest in Jinhua Co, Rmb280.00 million was incurred for 35% equity investment in Zhejiang Communications Finance, Rmb1 billion was incurred for capital injection to Jinhua Co, Rmb184.33 million was incurred for acquisition and construction of properties, Rmb90.00 million was incurred for purchase and construction of equipments and facilities, and Rmb68.12 million was incurred for service area renovation and expansion.

As at December 31, 2013, the capital expenditure committed by the Group and the Company totaled Rmb1,717.02 million and Rmb311.06 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb1,324.08 million will be used for acquisition and construction of properties, Rmb344.94 million for acquisition and construction of equipments and facilities, Rmb18.00 million for service area renovation and expansion and Rmb30.00 million for setting up a 100% owned subsidiary of the Company, Zhejiang Expressway Maintenance Co., Ltd.

The Group will finance the above-mentioned capital expenditure commitments with internally generated cash flow first and then will consider using debt financing to meet any shortfalls in priority to using other methods. Pursuant to the resolution of shareholder's meeting dated June 21, 2013 of the Company, the shareholders of the Company have approved the proposed issue of domestic corporate bonds by the Company with an aggregate principal amount of up to Rmb1 billion.

Contingent liabilities and pledge of assets

Pursuant to the board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2,200.00 million, in accordance with their proportionate equity interest in Shengxin Co.

Pursuant to the resolution of shareholders' meeting dated June 26, 2012 of Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co", a 51% equity interest owned subsidiary of the Company), Yuhang Co provided a property under construction as a mortgaged asset for its domestic commercial bank loan of Rmb100.00 million. As at December 31, 2013, the carrying amount of the mortgaged asset was Rmb422.17 million.

Pursuant to the board resolution dated June 24, 2008 of Jinhua Co, Jinhua Co provided the operating right of the expressway operated by it as pledged asset for its domestic commercial bank loans of Rmb300.00 million. As at December 31, 2013, the carrying amount of the pledged asset was Rmb1,882.28 million.

Except for the above, as at December 31, 2013, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

Save for dividend payments to the holders of H shares in Hong Kong dollars, the Group's principal operations were transacted and booked in Renminbi. Therefore, the Group's exposure to exchange fluctuation is limited. During the Period, the Group has not used any financial instruments for hedging purpose.

Although the Directors do not foresee any material foreign exchange risks for the Group, there is no assurance that foreign exchange risks will not affect the operating results of the Group in the future.

OUTLOOK

With the steady and rapid development of China's economy and an upturn in Zhejiang Province's domestic and foreign trade, it is anticipated that in 2014, the Group's toll road business, which is closely tied to macro and regional economic development, will see traffic volume on its expressways grow steadily, although organic growth rate is expected to be slower compared with 2013.

In addition, the Jiaxing-Shaoxing Expressway, which opened to passenger vehicles in July last year and opened to trucks at the end of November 2013, is expected to have a sustainable positive impact on the Group's Shangsan Expressway. Meanwhile, the Group will reinforce its initiatives to plug loopholes and increase the efficiency of toll collection, and strengthen its promotion efforts in order to attract more vehicles to its expressways and ease the negative impact of traffic diversion.

The establishment of the Shanghai Pilot Free Trade Zone is anticipated to facilitate the growth in traffic volume of the surrounding areas of the Yangtze River Delta with the promotion of import and export trading. In the future, it is believed that with the growth of trade and increasing demand of transportation and logistics, the Group's expressways will see higher traffic volumes.

In response to the current uncertainties about the recovery of the securities market, Zheshang Securities is seeking new profit growth drivers by trying to actively develop innovative businesses, and enhance cost and risk controls. Meanwhile, Zheshang Securities will further accelerate the process of its proposed listing on the Shanghai Stock Exchange to facilitate its sustainable and sound development.

Looking ahead to 2014, with the policies of China's new leadership to deepen reforms achieving early success, the Group's management believes that the new round of economic reforms will bring new opportunities and challenges to the Group's reform and development. The Group will continue to focus on its core expressway business, raise service quality, further improve operational management ability, push forward with its development of innovative securities businesses and improve its securities businesses. The Company will also look for appropriate investment projects, cultivate diversified business management capabilities, leverage the strategic synergies with its parent company, and enhance the utilization of capital, in order to further increase its profitability and deliver satisfactory results.

Purchase, Sale and Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company's shares during the Period.

Compliance with Listing Rules Appendix 14

During the Period, the Company met all provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 14 to the listing Rules, and adopted the recommended best practices contained in the Code wherever applicable.

Change of Chief Financial Officer

Mr. Wu Junyi, the Chief Financial Officer of the Company, has been re-designated as the Manager of the Financial Management Department of Zhejiang Communications Investment Group Co., Ltd. (the controlling shareholder of the Company) due to a change to the Group's management arrangements. As approved by the Board, Mr. Wang Dehua has been appointed as the Chief Financial Officer of the Company, succeeding Mr. Wu Junyi, with effect from March 17th, 2014.

Mr. Wang Dehua, who was born in 1974, graduated with an undergraduate degree in Accounting from Hangzhou Institute of Electronics Engineering in 1996. He worked in the Foreign Funds Utilization Audit Department of Zhejiang Provincial Audit Office from 1996 to 2003. Mr. Wang worked at the Corporation Division of the Administrative and Finance Department of Liaison Office of the Central Government in the Hong Kong S.A.R. from 2003 to 2011, serving as its Deputy Director upon departure. Mr. Wang studied at School of Economics and Finance of the Faculty of Business and Economics of the University of Hong Kong from 2005 to 2007, and graduated in 2007 with a master's degree in Economics. He worked at Zhejiang Communications Investment Group Co., Ltd. from 2011 to 2014, serving as its Deputy General Manager upon departure.

Mr. Wu Junyi has confirmed that he has no disagreement with the Board and there is no matter relating to the change of Chief Financial Officer that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to express its appreciation for Mr. Wu Junyi's valuable contribution to the development of the Company.

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

Hangzhou, PRC, March 17, 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; non-executive directors of the company are Mr. LI Zongsheng, Mr. WANG Weili, and Mr. WANG Dongjie; independent non-executive directors are Mr. ZHANG Junsheng, Mr. ZHOU Jun, and Mr. PEI Ker-Wei.