



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)

2008 Quarterly Results Announcement
For the Three Months ended March 31

This set of 2008 first quarterly results has been prepared in accordance with section 4.3 of the Disclosure and Transparency Rules of the United Kingdom Listing Authority.

The audit committee of Zhejiang Expressway Co., Ltd. (the "Company") has reviewed the quarterly results of the Company and its subsidiaries (the "Group") for the three months ended March 31, 2008 (the "Period"). Set out below are the unaudited condensed consolidated income statement, condensed consolidated balance sheet and condensed consolidated cash flow statement for the Period together with the comparative figures for 2007:

Condensed Consolidated Income Statement (Unaudited)

		For the three months ended March 31,	
	<i>Notes</i>	2008	2007
		<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	1	1,685,068	1,424,704
Operating costs		<u>(807,073)</u>	<u>(667,955)</u>
Gross profit		877,995	756,749
Other income	2	(80,916)	119,026
Administrative expenses		(14,374)	(15,274)
Other expenses		(7,445)	(6,306)
Finance costs		(19,537)	(21,401)
Share of (loss) profit of associates		(4,946)	370
Share of profit of a jointly controlled entity		<u>4,098</u>	<u>4,731</u>
Profit before tax		754,875	837,895
Income tax expense		<u>(188,960)</u>	<u>(176,317)</u>
Profit for the Period		<u><u>565,915</u></u>	<u><u>661,578</u></u>

Condensed Consolidated Cash Flow Statement (Unaudited)

	For the three months	
	ended March 31,	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash from operating activities	533,648	671,214
Net cash used in investing activities	(204,294)	(2,352)
Net cash from (used in) financing activities	<u>126,627</u>	<u>(158,373)</u>
Net increase in cash and cash equivalents	455,981	510,489
Cash and cash equivalents at the beginning of the Period	2,773,811	1,504,073
Effect of exchange rate changes	<u>42</u>	<u>12</u>
Cash and cash equivalents at the end of the Period	<u>3,229,834</u>	<u>2,014,574</u>
Analysis on cash and cash equivalents		
Unrestricted bank balances and cash	3,174,834	1,814,554
Time deposits with original maturity of less than three months	<u>55,000</u>	<u>200,020</u>
	<u>3,229,834</u>	<u>2,014,574</u>

Notes:

1. Segment Information

Comparing to the same period last year, there was no change in the principal activities of the Group. The operating results by principal activity are summarized as follows:

	For the three months ended March 31,			
	2008		2007	
	Revenue	Profit	Revenue	Profit
	<i>Rmb'000</i>	<i>contribution</i>	<i>Rmb'000</i>	<i>contribution</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Segment by business activities				
- Toll	901,356	594,150	890,512	592,072
- Service areas	410,204	16,522	273,651	14,028
- Advertising	19,227	10,388	15,950	6,479
- Securities business	<u>354,281</u>	<u>256,935</u>	<u>244,591</u>	<u>144,170</u>
	<u>1,685,068</u>	<u>877,995</u>	<u>1,424,704</u>	<u>756,749</u>
Other income		(80,916)		119,026
Administrative expenses		(14,374)		(15,274)
Other expenses		<u>(7,445)</u>		<u>(6,306)</u>
		<u>775,260</u>		<u>854,195</u>

No further analysis of the revenue and profit from operating activities by geographical segment was prepared as the revenue and profit from operating activities of the Group were all generated from the People's Republic of China (the "PRC") during the Period.

2. Other Income

	For the three months ended March 31,	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
(Loss) gain on fair value changes on held-for-trading investments	(137,156)	91,771
Interest income	11,491	4,089
Net exchange gain	22,076	6,328
Towing income	4,151	4,737
Rental income	9,887	5,917
Others	<u>8,635</u>	<u>6,184</u>
Total	<u>(80,916)</u>	<u>119,026</u>

3. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the Period of Rmb479,119,000 (2007: Rmb536,393,000) and the 4,343,114,500 shares (2007: 4,343,114,500 shares) in issue during the Period.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue in both periods.

BUSINESS REVIEW

As a result of the ongoing and steady implementation of the country's macroeconomic control measures, the Chinese economy witnessed a slower rate of growth of national GDP for the first quarter of 2008, reporting a year-on-year growth of 10.6%. The economy of Zhejiang Province, an economic powerhouse, was affected by the macroeconomic control measures as well during the Period, with its GDP growth rate for the first quarter being 11.8%, representing a slowdown from the 14.6% growth rate for the same period last year. In particular, the snowstorms early this year caused inconvenience to the traffic on various roads in Zhejiang Province for a short period and created negative impact on the traffic volumes of the Group's two expressways.

The Group realized a total income of Rmb1,739.5 million during the Period, representing an increase of 18.1% year-on-year. Among the total income, Rmb930.9 million was attributable to the two main expressways owned and operated by the

Group, representing 53.5% of the total income; an amount of Rmb432.9 million was attributable to toll road-related business operations of the Group, representing 24.9% of the total income; while the securities business generated a income of Rmb375.7 million to the Group, representing 21.6% of the total income.

Toll Road Operations

The two expressways of the Group were affected by the severe snowstorms early this year, as well as witnessing apparent traffic diversions caused by the completion and opening of Hangpu Expressway. Accordingly, the two expressways failed to maintain the substantial growth in traffic volumes and toll revenues as in the past.

The average daily traffic volume in full-trip equivalents for the Shanghai-Hangzhou-Ningbo Expressway was 40,449 during the Period, representing an increase of 0.3% year-on-year. In particular, the growth of daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 41,525, representing a decrease of 7.2% year-on-year. The significant decrease in traffic volume on the section was largely attributable to the opening of the Shanghai-bound Hangpu Expressway at the end of January this year, which incurred some traffic diversions from the section. Upon completion of the whole third phase widening works on the Shanghai-Ningbo section of the Shanghai-Hangzhou-Ningbo Expressway, some vehicles have been attracted to the section due to the availability of its widened and more comfortable lanes, leading to a growth in traffic volume on the section to a certain extent. The daily traffic volume in full-trip equivalents on the section was 39,679 during the Period, representing an increase of 6.7% year-on-year. Moreover, as a result of traffic diversions on some sections of the Shangsans Expressway, another expressway operated by the Group, after these sections have been connected to neighboring expressways, the average daily traffic volume in full-trip equivalents for the expressway was 22,078 during the Period, representing an increase of 2.5% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb717.2 million, representing a 0.8% increase year-on-year, while toll income from the Shangsans Expressway amounted to Rmb213.7 million, representing a 2.5% increase year-on-year.

Toll Road-related Business Operations

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

During the Period, the official commencement of the Company's newly added pair of Chang'an service areas in the Shanghai-Hangzhou section on May 1, 2007 has brought new profit growth to the service area operations, while the increase in prices of petroleum products also brought about considerable growth in the revenue of the refueling business. During the Period, the Company also acquired the 10-year operating rights of the north-shore service area of the Hangzhou Bay Bridge and the 5-year operating rights of the Ningbo Cicheng service area of the Shenhai Expressway. These projects are expected to make satisfactory profit contributions to the Company in the future. During the Period, revenue from toll road-related business operations amounted to Rmb437.0 million, representing a year-on-year increase of 47.3%.

Securities Business

During the Period, although the Chinese domestic stock market failed to maintain the positive trading sentiment of last year, the securities business realized an operating income of Rmb375.7 million during the Period, an increase of 44.0% year-on-year, of which brokerage commission income amounted to Rmb335.4 million, an increase of 36.4% year-on-year; and bank interest income amounted to Rmb40.3 million, an increase of 168.0% year-on-year. In addition, as a result of substantial corrections to the Chinese domestic stock market during the Period, the proprietary securities trading business recorded a loss of Rmb137.2 million as accounted for in the income statement.

Long-term Investments

1. Jointly-controlled entity

Hangzhou Shida Highway Co., Ltd. (a 50% owned jointly-controlled entity of the Company) owns and operates the 9.45 km Shida Road. During the Period, the ongoing auxiliary works associated with the widening project on Shida Road continued to affect the carrying capacity of some sections of the road, and as a result the traffic volume on Shida Road decreased by 12.8% year-on-year, while toll income totaled Rmb18.9 million, a decrease of 15.7% year-on-year. Net profit amounted to Rmb8.2 million, down 13.4% as compared to the same period last year.

2. Associates

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate of the Company) recorded an increase of 11.8% in income year-on-year as a result of the growth in petroleum sales during the Period, realizing a net profit of Rmb1.3 million, an increase of 9.2% year-on-year. Zhejiang Jinhua Yongjin

Expressway Co., Ltd. (a 23.45% owned associate of the Company) owns 100% interest in the Jinhua section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents generated on the expressway was 7,614, while toll income amounted to Rmb35.8 million, an increase of 7.1% year-on-year. However, due to heavy financial costs, the associate company incurred a loss of Rmb24.0 million during the Period.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

As at March 31, 2008, current assets of the Group amounted to Rmb11,798.8 million (December 31, 2007: Rmb12,211.7 million), of which bank balance and cash accounted for 30.2% (December 31, 2007: 24.9%), while bank balance held on behalf of customers accounted for 55.4% (December 31, 2007: 59.3%) and held-for-trading investments accounted for 3.7% (December 31, 2007: 5.1%). Current ratio (current assets over current liabilities) as at March 31, 2008 was 1.3 (December 31, 2007: 1.2).

During the Period, the Group has adequate net cash inflow generated from operating activities, amounting to Rmb533.7 million.

Borrowings and Solvency

As at March 31, 2008, the total liabilities of the Group amounted to Rmb10,718.5 million (December 31, 2007: Rmb11,748.5 million), of which 16.4% were borrowings and 60.9% were customer deposits arising from securities dealings.

Total interest expenses for the Period amounted to Rmb19.5 million, while profit before interest and tax amounted to Rmb774.4 million. Therefore, the interest cover ratio (profit before interest and tax over interest expenses) stood at 39.6 (March 31, 2007: 40.2).

The asset-liability ratio (total liabilities over total assets) was 39.8% as at March 31, 2008 (December 31, 2007: 42.7%).

Capital Structure

As at March 31, 2008, the Group had Rmb16,224.1 million total equity, Rmb7,747.5 million fixed-rate liabilities, Rmb542.5 million floating-rate liabilities and Rmb2,428.5 million interest-free liabilities, representing approximately 60.2%,

28.8%, 2.0% and 9.0% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less balance of customer deposits arising from securities dealing by total equity, was 25.8% as at March 31, 2008 (December 31, 2007: 28.8%).

OUTLOOK

The PRC government reinforced macroeconomic control measures to rein in overly rapid economic development during the Period, with the rate of economic growth of Zhejiang Province slowing down slightly. However, the GDP growth rate of the province remained ahead of the national average. It is estimated that Zhejiang Province will maintain a double-digit GDP growth in 2008. Accordingly, the Group's two expressways, which benefit from the economy of Zhejiang Province, is expected to experience certain organic growth in their traffic volumes.

In 2008, besides the traffic diversions faced by the Group as a result of the opening of the neighboring Hangpu Expressway, the Hangzhou Bay Bridge, which has been completed and opened to traffic in early May, will also incur further traffic diversions from the Company's expressways. In addition, much affected by the volatilities of China's securities market, the Group's securities business will also be exposed to various uncertainties in 2008. However, the Company management believes that the Company can attract more traffic and bring greater satisfaction to road users with its sound expressway management standards and ever-improving service quality. Meanwhile, the management will continue to actively expand the service area business and increase efforts on project acquisitions, with a view to minimizing the negative impact of traffic volume declines caused by diversions and bringing satisfactory results to our investors.

By Order of the Board
GENG Xiaoping
Chairman

Hangzhou, PRC, May 15, 2008

As at the date of this announcement, the executive directors of the Company are: Messrs. Geng Xiaoping, Fang Yunti, Zhang Jingzhong and Jiang Wen Yao; the non-executive directors are: Messrs. Zhang Luyun and Zhang Yang; and the independent non-executive directors are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.