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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)**

## **2010 THIRD QUARTERLY RESULTS ANNOUNCEMENT**

This 2010 third quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) is made pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and has been prepared in compliance with section 4.3 of the Disclosure and Transparency Rules of the United Kingdom Listing Authority.

The audit committee of the Company has reviewed the results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended September 30, 2010 (the “Period”). Set out below are the Group’s unaudited condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position and condensed consolidated statement of cash flow for the Period together with the comparative figures for 2009:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)**

		<b>For the nine months ended September 30,</b>	
		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
		<u>                    </u>	<u><i>(Restated)</i></u>
<b>Revenue</b>	1	4,794,815	4,396,626
Operating costs		<u>(2,695,599)</u>	<u>(2,170,557)</u>
Gross profit		2,099,216	2,226,069
Securities investment gains		99,519	23,132
Other income	2	125,364	97,990
Administrative expenses		(47,278)	(48,154)
Other expenses		(17,943)	(116,804)
Share of losses of associates		(9,064)	(22,892)
Share of profit of a jointly controlled entity		—	21,254
Finance costs		<u>(69,317)</u>	<u>(52,968)</u>
<b>Profit before tax</b>		2,180,497	2,127,627
Income tax expenses		<u>(555,841)</u>	<u>(533,165)</u>
<b>Profit for the Period</b>		<u>1,624,656</u>	<u>1,594,462</u>
Other comprehensive income			
Available-for-sale financial assets:			
- Fair values gain during the Period		9,927	2,099
- Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(24,856)	—
Gain from acquisition of non-controlling interest in subsidiaries		15,427	—
Income tax relating to components of other comprehensive income		<u>(125)</u>	<u>(525)</u>
Other comprehensive income for the Period (net of tax)		<u>373</u>	<u>1,574</u>
<b>Total comprehensive income for the Period</b>		<u>1,625,029</u>	<u>1,596,036</u>

	<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>                    </u>	<u>(Restated)</u>
<b>Profit for the Period attributable to:</b>		
Owners of the Company	1,337,469	1,245,800
Non-controlling interests	<u>287,187</u>	<u>348,662</u>
	<u>1,624,656</u>	<u>1,594,462</u>
<b>Total comprehensive income for the Period attributable to:</b>		
Owners of the Company	1,343,231	1,246,617
Non-controlling interests	<u>281,798</u>	<u>349,419</u>
	<u>1,625,029</u>	<u>1,596,036</u>
<b>Earnings per Share-basic</b>	<b>3</b>	
	<u>30.80 cents</u>	<u>28.68 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>September 30, 2010</b> <i>Rmb'000</i> <u>Unaudited</u>	As at <b>December 31, 2009</b> <i>Rmb'000</i> <u>Audited</u>
Non-current Assets	<u>14,036,893</u>	<u>14,499,001</u>
Current Assets	15,979,596	17,903,780
Current Liabilities	<u>11,367,260</u>	<u>13,931,561</u>
Net Current Assets	<u>4,612,336</u>	<u>3,972,219</u>
Total Assets Less Current Liabilities	<u>18,649,229</u>	<u>18,471,220</u>
Non-current Liabilities	<u>1,361,606</u>	<u>1,406,366</u>
	<u>17,287,623</u>	<u>17,064,854</u>
Capital and Reserves		
Share capital	4,343,115	4,343,115
Reserves	<u>10,097,957</u>	<u>9,840,505</u>
Equity attributable to owners of the Company	14,441,072	14,183,620
Non-controlling interests	<u>2,846,551</u>	<u>2,881,234</u>
	<u>17,287,623</u>	<u>17,064,854</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**(UNAUDITED)**

	<b>For the nine months ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<u><i>Rmb'000</i></u>	<u><i>Rmb'000</i></u>
Net cash from operating activities	1,706,432	2,045,019
Net cash used in investing activities	(584,530)	(159,941)
Net cash used in financing activities	<u>(1,091,773)</u>	<u>(1,253,955)</u>
Net increase in cash and cash equivalents	30,129	631,123
Cash and cash equivalents at beginning of the Period	<u>5,049,003</u>	<u>3,736,945</u>
Cash and cash equivalents at end of the Period	<u><u>5,079,132</u></u>	<u><u>4,368,068</u></u>

**Notes:**

**1. Revenue**

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

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Toll operation revenue	2,586,138	2,314,557
Service area business revenue	1,136,643	842,258
Advertising business revenue	56,613	56,426
Commission income from securities operation	862,791	1,063,005
Interest income from securities operation	152,596	118,991
Others	34	1,389
Total revenue	<u>4,794,815</u>	<u>4,396,626</u>

**2. Other Income**

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Interest income on bank balances and entrusted loan receivables	35,276	17,455
Rental income	46,185	42,168
Net exchange gain	8,312	474
Towing income	11,676	11,812
Interest income from structured deposit	136	3,114
Others	23,779	22,967
Total	<u>125,364</u>	<u>97,990</u>

**3. Earnings Per Share**

The calculation of the basic earnings per share is based on profit attributable to owners of the Company for the Period of Rmb1,337,469,000 (September 30, 2009: Rmb1,245,800,000) and the 4,343,114,500 shares (2009: 4,343,114,500 shares) in issue during the Period.

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

#### 4. Provisions

Subsequent to the relevant disclosure made in the Company's 2009 annual report (pages 105 - 106) relating to "Provisions", as at the date of this announcement, there was no material change for the Period save as disclosed below.

Prior to the restructuring of Zheshang Securities Co., Ltd. ("Zheshang Securities") by the Company, the original person-in-charge of one of the Sales Department under Zheshang Securities illegally misappropriated customers' deposits and funds, thereby causing losses to the relevant customers. Such losses have been fully settled in the current period.

### **BUSINESS REVIEW**

Judging from the rapid growth in major demands in respect of investment, consumption and import and export, we have witnessed signs of stabilization on the economic slowdown in the third quarter of this year. Although the growth of the Chinese economy was still declining moderately in the third quarter, the decline was narrowing gradually and the national GDP for the third quarter saw an increase of 9.6% year-on-year. Zhejiang Province's economic growth during the Period picked up dramatically after a slower growth in the second quarter, with key economic indicators soaring above expected growth levels and the slowdown rate decreasing significantly. The province's GDP for the first three quarters of the year increased by 12.5% over the same period last year.

Benefiting from the upward momentum of the current macro-economy, the Group's two expressways saw relatively favorable trend of organic growth on their traffic volumes during the Period. The Group realized a total income of Rmb4,943.27 million during the Period, representing an increase of 8.8% year-on-year. Of the total income, Rmb2,671.34 million was attributable to the two main expressways operated by the Group, representing 54.0% of the total income; Rmb1,204.98 million was attributable to toll road-related businesses of the Group, representing 24.4% of the total income; and the securities business generated an income of Rmb1,066.95 million for the Group, representing 21.6% of the total income.

#### **Toll Road Operations**

As the slowdown in economic growth of the province began to stabilize, automobile sales surged rapidly and the ownership of small vehicles increased, the organic growth rates of traffic volumes on the Group's two expressways remained at high levels during the Period.

The completion of the closure construction on the Shanghai Section of the Shanghai-Hangzhou Expressway at the beginning of this year as well as the implementation of the toll-by-weight policy since April 2010 have brought positive effects to the toll revenue of the Group. Meanwhile, the Shanghai Expo which was held for six months from May to October had also slightly boosted traffic volumes on the two expressways of the Group. Nonetheless, the opening of the Zhuyong Expressway on 22 July 2010 has brought negative impacts of various degrees to the two expressways of the Group, in particular causing traffic diversions from the Shangsans Expressway.

Despite having a mild negative impact on the Hangzhou-Ningbo Section of the Shanghai-Hangzhou-Ningbo Expressway, the opening of the Zhuyong Expressway has brought certain positive impact on the Shanghai-Hangzhou Expressway. Meanwhile, the diversions caused to Shangsans Expressway, being the most affected amongst the expressways, have also stabilized.

The average daily traffic volume in full-trip equivalents for the Shanghai-Hangzhou-Ningbo Expressway was 39,656 during the Period, an increase of 14.4% year-on-year. In particular, the average daily traffic volume in full-trip equivalents on the Shanghai-Hangzhou Section of the expressway was 40,701, an increase of 25.4% year-on-year, while the average daily traffic volume in full-trip equivalents on the Hangzhou-Ningbo Section was 38,909, an increase of 7.4% year-on-year. The average daily traffic volume in full-trip equivalents on the Shangsans Expressway was 16,723 during the Period, a decrease of 12.2% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,106.51 million, representing an increase of 16.3% year-on-year, while toll income from the Shangsans Expressway amounted to Rmb564.83 million, a 2.8% drop year-on-year.

### **Toll Road-related Businesses**

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 the service areas, as well as roadside advertising and vehicle service businesses.

Benefiting from the stabilizing macro-economy, the rapid growth in vehicle ownership in the province and the holding of the Shanghai Expo, traffic volumes on the Group's two expressways recorded growth during the Period and the consumption sentiment of travellers in the service areas was given a boost. Meanwhile, both sales

volume and prices of petroleum products soared, lifting the income of the gas stations, and in turn boosting the income of the service areas. As a result, income from the toll road-related businesses amounted to Rmb1,216.66 million during the Period, representing a year-on-year increase of 32.1%.

Owing to the fact that employees of a State-owned enterprise are not allowed to hold shares of any subsidiary of the enterprise, the Company acquired in aggregate the 49% interests in Zhejiang Expressway Investment Development Co., Ltd. (“Development Company”) from the middle-level and senior management of the Company during the period between August 13 and October 20, 2010, and Development Company has become a wholly-owned subsidiary of the Company since then.

### **Securities Business**

Despite a warming up of China’s securities market in the third quarter, trading volume did not show an optimistic sign due to a strong wait-and-see sentiment. Although the market share of Zheshang Securities Co., Ltd. (“Zheshang Securities”) has been rising quarter-by-quarter, due to more intense competition in the brokerage business, average commission rates still kept decreasing. Faced with an unfavorable external environment, Zheshang Securities has been actively expanding its businesses in futures dealing, investment banking and asset management, and has obtained satisfactory results, thereby moderating to a certain degree the decline in profits of the businesses as a whole.

During the Period, Zheshang Securities recorded an operating income of Rmb1,066.95 million, representing a decrease of 14.0% year-on-year. Of this income, brokerage commission income amounted to Rmb914.35 million, a year-on-year decrease of 18.5%; and bank interest income amounted to Rmb152.60 million, a year-on-year increase of 28.2%. In addition, Zheshang Securities invested more than 80% of its proprietary securities business in relatively low-risk bonds during the Period in order to control risks. As a result, an income of Rmb99.39 million was accounted for in the condensed consolidated statement of comprehensive income.

In order to further expand the net capital of Zheshang Securities so as to venture into securities margin trading business, Zhejiang Shangsang Expressway Co., Ltd. (“Shangsang Company”) (a 73.625% owned subsidiary of the Company) made further capital injection into Zheshang Securities on October 20, 2010. After the announcement of the capital injection project, as another minority shareholder of Zheshang Securities reduced its amount of contribution, Shangsang Company increased its capital contribution amount in Zheshang Securities by the corresponding amount. Accordingly, Shangsang Company further injected an amount

of Rmb862 million into Zheshang Securities. Together with the initial contribution to Zheshang Securities, Shangsang Company has already contributed a total of Rmb2,035 million into Zheshang Securities. After the said capital injection, Shangsang Company owns a 70.8% equity interest of Zheshang Securities.

### **Long-term Investments**

During the Period, benefiting from the increases in retail prices and sales of petroleum, Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate of the Company) realized sales income of Rmb2,533.53 million, representing an increase of 35.0% year-on-year, and net profit of Rmb15.55 million, representing an increase of 11.8% year-on-year.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate of the Company) operates the 69.7km Jinhua Section of the Ningbo-Jinhua Expressway. During the Period, due to the stabilization and recovery of the domestic economy and the implementation of the toll-by-weight policy, both traffic volume and toll revenue of that section of the expressway recorded satisfactory growth. During the Period, the average daily traffic volume in full-trip equivalents on the section was 9,133; while toll income amounted to Rmb137.66 million, an increase of 37.4% year-on-year. Due to a heavy financial burden, the associate company still incurred a loss of Rmb53.91 million during the Period, although the loss was gradually narrowing.

JoinHands Technology Co., Ltd. (a 27.582% owned associate of the Company) generated its income primarily from its printing operations and property leasing during the Period. Due to a lack of improvement in its operations, the associate company incurred a loss of Rmb2.46 million during the Period.

## **FINANCIAL ANALYSIS**

### **Liquidity and Financial Resources**

As at September 30, 2010, current assets held by the Group amounted to Rmb15,979.60 million in aggregate (December 31, 2009: Rmb17,903.78 million), of which bank balances and cash accounted for 33.9% (December 31, 2009: 29.5%), bank balances held on behalf of customers accounted for 56.1% (December 31, 2009: 64.4%) and held-for-trading investments accounted for 4.0% (December 31, 2009: 2.9%). Current ratio (current assets over current liabilities) as at September 30, 2010 was 1.4 (December 31, 2009: 1.3). Excluding the effect of customer deposits arising from the securities business, the current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less accounts payable to customers arising from securities dealing business) was 2.9 (December 31, 2009: 2.6).

During the Period, net cash inflow generated from the Group's operating activities, amounted to Rmb1,706.43 million.

### **Borrowings and Solvency**

As at September 30, 2010, total liabilities of the Group amounted to Rmb12,728.87 million (December 31, 2009: Rmb15,337.93 million), of which 70.2% was accounts payable to customers arising from securities dealing business and 13.3% was borrowings.

Total interest expense for the Period amounted to Rmb69.32 million, while profit before interest and tax amounted to Rmb2,249.81 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 32.5 (September 30, 2009: 41.2).

The asset-liability ratio (total liabilities over total assets) was 42.4% as at September 30, 2010 (December 31, 2009: 47.3%). Excluding the effect of customer deposits arising from the securities business, the asset-liability ratio (total liabilities less accounts payable to customers arising from securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 18.0% (December 31, 2009: 18.4%).

### **Capital Structure**

As at September 30, 2010, the Group had Rmb17,287.62 million total equity, Rmb10,240.83 million fixed-rate liabilities, Rmb386.33 million floating-rate liabilities and Rmb2,101.70 million interest-free liabilities, representing 57.6%, 34.1%, 1.3% and 7.0% of the Group's total capital, respectively. The gearing ratio (calculated by dividing the total liabilities less accounts payable to customers arising from securities dealing business by total equity), was 21.9% as at September 30, 2010 (December 31, 2009: 22.5%).

### **OUTLOOK**

Although China's economy has slowed down moderately for two consecutive quarters, the economy is still developing in the direction as anticipated by the macro-control policies and is currently in a state of further consolidation for better development. Meanwhile, the decline in growth of Zhejiang Province's economy has also slowed gradually, but as export growth and industrial growth are still expected to decelerate, economic growth for the fourth quarter will also slow steadily.

As the macro-economy is still maintaining a steady and healthy development momentum and sales of vehicles in the province look set to rise further, traffic volumes on the Group's expressways are expected to see favorable organic growth. The implementation of the toll-by-weight policy will keep bringing growth to the toll revenues of the Group's two expressways. It is, however, anticipated that traffic diversions brought about by the opening of the Zhuyong Expressway will continue to have a certain degree of negative impact on the Company.

Although China's stock market is still on the rebounding track after shake-ups, the rate hike policy implemented by the State in late October to curb inflation points to a re-tightening of the appropriately relaxed monetary policy. In respect of Zheshang Securities, despite a decline in its brokerage business due to lowered commission rates, better income is expected to be brought forth as Zheshang Securities further expands its capital base and develops its businesses in respect of investment banking, asset management and capital appreciation management in a favorable manner.

Faced with the current external economic environment which allows no room for complacency, the Group will work hard under the leadership of the management and the joint efforts of all staff of the Company. Through accelerating the pace of acquisition of new projects where suitable opportunities arise and continuing to seek timely asset injections into the Company by the parent company, the Group will strive to further enhance its asset return and to create satisfactory results for the shareholders.

By order of the Board  
**Chen Jisong**  
Chairman

Hangzhou, the PRC, November 19, 2010

*As at the date of this announcement, the executive directors of the Company are: Messrs. Chen Jisong, Zhan Xiaozhang, Jiang Wenyao, Zhang Jingzhong and Ding Huikang; the non-executive director is Ms. Zhang Luyun; and the independent non-executive directors are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.*