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*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 0576)**

## **2009 Third Quarterly Results Announcement For the Nine Months Ended September 30**

This set of 2009 third quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) has been prepared in satisfaction of section 4.3 of the Disclosure and Transparency Rules of the United Kingdom Listing Authority.

The audit committee of the Company has reviewed the quarterly results of the Company and its subsidiaries (the “Group”) for the nine months ended September 30, 2009 (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 2008:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		<b>For the nine months ended September 30,</b>	
		<b>2009</b>	<b>2008</b>
	Notes	<u>Rmb'000</u>	<u>Rmb'000</u>
<b>Revenue</b>	1	4,516,545	4,998,917
Operating costs		<u>(2,290,476)</u>	<u>(2,523,595)</u>
Gross profit		2,226,069	2,475,322
Security investment gains (losses)		23,132	(323,907)
Other income	2	97,990	147,311
Administrative expenses		(48,154)	(53,581)
Other expenses		(116,804)	(27,773)
Finance costs		(52,968)	(65,100)
Share of (losses) profits of associates		(22,892)	7,419
Share of profit of a jointly controlled entity		<u>21,254</u>	<u>17,203</u>
<b>Profit before tax</b>		2,127,627	2,176,894
Income tax expense		<u>(533,165)</u>	<u>(497,214)</u>
<b>Profit for the Period</b>		<u><u>1,594,462</u></u>	<u><u>1,679,680</u></u>
Other comprehensive income			
Fair value changes of available-for-sale investments		2,099	(230,610)
Deferred tax related to fair value changes of available-for-sale investments		<u>(525)</u>	<u>57,652</u>
Other comprehensive income for the Period, net of tax		<u>1,574</u>	<u>(172,958)</u>
<b>Total comprehensive income for the Period</b>		<u><u>1,596,036</u></u>	<u><u>1,506,722</u></u>
Profit for the Period attributable to:			
Equity holders of the Company		1,245,800	1,431,827
Minority interests		<u>348,662</u>	<u>247,853</u>
		<u><u>1,594,462</u></u>	<u><u>1,679,680</u></u>
Total comprehensive income for the Period attributable to:			
Equity holders of the Company		1,246,617	1,342,102
Minority interests		<u>349,419</u>	<u>164,620</u>
		<u><u>1,596,036</u></u>	<u><u>1,506,722</u></u>
<b>Earnings per share - Basic</b>	3	<u><u>Rmb28.68 cents</u></u>	<u><u>Rmb32.97 cents</u></u>



Notes:

## 1. Segment Information

The segment information by business activities are summarized as follows:

	<b>For the nine months ended September 30,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Revenue</b>	<b>Profit</b>	<b>Revenue</b>	<b>Profit</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Segment by business activities				
- Toll income	2,315,946	1,465,949	2,687,027	1,851,935
- Service areas	842,258	8,316	1,330,083	38,795
- Advertising	56,426	23,106	59,356	26,216
- Securities operation	<u>1,301,915</u>	<u>728,698</u>	<u>922,451</u>	<u>558,376</u>
	<u>4,516,545</u>	<u>2,226,069</u>	<u>4,998,917</u>	<u>2,475,322</u>
Securities investment income (loss)		23,132		(323,907)
Other income		97,990		147,311
Administrative expenses		(48,154)		(53,581)
Other expenses		(116,804)		(27,773)
Finance costs		(52,968)		(65,100)
Share of (loss) profit of associates		(22,892)		7,419
Share of profit of a jointly controlled entity		<u>21,254</u>		<u>17,203</u>
Profit before tax		<u>2,127,627</u>		<u>2,176,894</u>

Segment profit represents the profit earned by each segment without allocation of unallocated corporated income and expenses and finance costs. This is the measure reported to the Group's General Manager for the purposes of resources allocation and assessment of segment performance.

## 2. Other Income

	<b>For the nine months</b>	
	<b>ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Interest income on bank balances and entrusted loan	17,455	38,327
Rental income	42,168	25,168
Net exchange gain	474	45,433
Handling fee income	5,456	6,305
Towing income	11,812	18,296
Interest income from structured deposit	3,114	657
Others	<u>17,511</u>	<u>13,125</u>
Total	<u>97,990</u>	<u>147,311</u>

### 3. **Basic 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 Rmb1,245,800,000(2008: Rmb1,431,827,000) and the 4,343,114,500 ordinary shares (2008: 4,343,114,500 ordinary 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 2008 annual report (pages 103 - 104) relating to "Provisions", as at the date of this announcement, there is no material change for the Period except for the following lawsuit.

Prior to the restructuring of Zheshang Securities by the Company, the original person-in-charge of one of the Sales Departments under Zheshang Securities illegally absorbed public deposits and appropriated funds, which caused a loss of approximately Rmb90,000,000. As at the date of this announcement, some clients who incurred losses due to the case have filed civil lawsuit against Zheshang Securities. Taking into account the prudent principles applied to operations involving normal risks in the PRC financial industry, Zheshang Securities has made during the Period a provision amounting to Rmb89,070,000 for all the principal amount involved in the lawsuit.

## **BUSINESS REVIEW**

From China's economic data for the third quarter of the year, we have observed that although the Chinese economy has been severely hit by the global financial crisis since the second half of last year, the overall economy has stabilized, improved and bottomed out following the government's implementation of an array of stimulus policies, resulting in a growth of 7.7% year-on-year in national GDP for the first three quarters of 2009, with the third-quarter GDP growth reaching 8.9%. Zhejiang Province's economic growth during the Period picked up momentum gradually as well. The province's GDP for the first three quarters of the year increased by 7.7% over the same period last year. Benefiting from a gradual recovery of the macro-economy, traffic volumes on the Group's two expressways have re-climbed month after month during the Period.

The Group realized a total income of Rmb4,662.02 million during the Period, representing a decrease of 9.4% year-on-year. Among the total income, Rmb2,392.30 million was attributable to the two main expressways owned and operated by the Group, representing 51.3% of the total income; Rmb909.50 million was attributable to toll road-related businesses of the Group, representing 19.5% of the total income; and the securities business generated an income of Rmb1,360.22 million for the Group, representing 29.2% of the total income.

## **Toll Road Operations**

As the macro-economy began to stabilize and recover, the organic growth rates of traffic volumes on the Group's two expressways have rose month-by-month during the Period, which was particularly apparent for the Shangsán Expressway. The Shangsán Expressway, along which mostly small- and medium-sized enterprises are located, benefited from a gradual recovery of the Chinese economy and a significantly narrowed decline in foreign trade during the first three quarters. The expressway has witnessed a slower rate in the decline in traffic volumes to various degrees. The Shangsán Expressway recorded a 3.3% year-on-year growth in traffic volume in September this year.

Although the declines in both traffic volumes and toll incomes of the Group's two expressways have tended to narrow gradually during the first three quarters of the year, continuing traffic diversions to the Hangpu Expressway and the Hangzhou Bay Bridge, as well as the closure of the Shanghai Section of the Shanghai-Hangzhou Expressway due to the widening project since May this year, continued to have a negative impact on the traffic volumes and toll incomes of the two expressways during the Period.

The average daily traffic volume in full-trip equivalents for the Shanghai-Hangzhou-Ningbo Expressway was 34,047 during the Period, representing a decrease of 12.6% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the expressway was 32,729, representing a decrease of 16.5% year-on-year, while the average daily traffic volume in full-trip equivalents along the Hangzhou-Ningbo Section was 34,990, representing a decrease of 9.8% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsán Expressway was 19,085 during the Period, representing a decrease of 6.5% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb1,811.41 million, representing a decrease of 15.6% year-on-year, while toll income from the Shangsán Expressway amounted to Rmb580.89 million, representing a 7.5% 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 service areas, as well as roadside advertising and vehicle service businesses.

Despite the recovery of the macro-economy during the Period, certain quality customers such as long distance passenger and goods vehicles traveling on the Group's two expressways were diverted to the Hangzhou Bay Bridge after the latter's opening to traffic. Meanwhile, the weakening consumption sentiment of tourists has brought about certain negative impacts on the operations of the service areas, while sales of petroleum products were also dragged down by a corresponding drop in traffic volumes. As a result, income from the aforementioned toll road-related businesses amounted to Rmb921.31 million during the Period, representing a year-on-year decrease of 35.0%.

## **Securities Business**

During the Period, the government's continued application of a relaxed monetary policy has prompted active trading in China's stock market and a steady rise in stock indices as a whole. Amid the positive trading atmosphere in the stock market, both the market trading volume and market share of Zheshang Securities increased markedly. During the Period, Zheshang Securities recorded an operating income of Rmb1,360.22 million, representing an increase of 40.1% year-on-year. Of this income, brokerage commission income amounted to Rmb1,241.23 million, representing a year-on-year increase of 45.4%; and bank interest income amounted to Rmb118.99 million, representing a year-on-year increase of 1.4%. In addition, despite the continued substantial rebound in stock indices during the Period, Zheshang Securities invested more than 90% of the proprietary securities trading business in relatively low-risk bonds in order to control risks. As a result, an income of Rmb24.08 million was accounted for in the condensed consolidated statement of comprehensive income.

## **Long-term Investments**

### **1. Jointly-controlled entity**

Hangzhou Shida Highway Co., Ltd. ("Shida Co"), a 50% owned jointly-controlled entity of the Company, operates the 9.45km Shida Road. As the widening project of Shida Road was completed and the road was fully opened to traffic during the Period, there has been a gradual return of traffic that had previously been diverted due to closure for the widening works. As a result, both traffic volume and toll income on Shida Road recorded commensurate growths during the Period.

## 2. Associate Companies

For Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate of the Company), no substantial growth was recorded in petroleum sales despite a gradual recovery of the macro-economy during the Period. The associate company realized sales income of Rmb1,876.33 million, representing a decrease of 20.9% year-on-year. After an adjustment of the pricing mechanism for petroleum products by the State, the associate company was able to maintain a stable profit margin and realized a net profit of Rmb13.91 million during the Period.

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 traffic diversions caused by new road networks nearby, the average daily traffic volume in full-trip equivalents along the expressway was 7,123; while toll income amounted to Rmb100.19 million, a decrease of 8.7% year-on-year. Together with a heavy financial burden, the associate company incurred a loss of Rmb83.46 million during the Period.

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 Rmb2.69 million during the Period.

### Asset Transfer

On August 20, 1999, the Company and Hangzhou Highway Development Co., Ltd. established a jointly-controlled entity, Shida Co, for a consideration of Rmb65 million to develop and operate the Shida Road section of the Shanghai-Hangzhou Expressway. Shida Road covers a total length of 9.45 km and is a connecting road of the Shanghai-Hangzhou Expressway leading onto Hangzhou City and serving as the city's second access.

Given the high cost incurred on the newly completed widening project for Shida Road and that its final internal rate of return failed to meet the Company's requirement, the Company entered into an agreement on September 10, 2009 with Hangzhou Communications Group Co., Ltd. ("HCG") for the transfer of the Company's entire 50% equity interest in Shida Co to HCG at a consideration of Rmb420 million. As at the end of the Period, the state-owned assets management department which has jurisdiction over the two parties had approved the equity transfer, and the various matters concerning the equity transfer are being finalized in accordance with the terms of the agreement.

## **FINANCIAL ANALYSIS**

### **Liquidity and Financial Resources**

As at September 30, 2009, current assets held by the Group amounted to Rmb16,038.99 million in aggregate (December 31, 2008: Rmb10,450.20 million), of which bank balance and cash accounted for 28.5% (December 31, 2008: 38.8%), bank balance held on behalf of customers accounted for 65.1% (December 31, 2008: 54.0%) and held-for-trading investments accounted for 3.3% (December 31, 2008: 2.4%). Current ratio (current assets over current liabilities) as at September 30, 2009 was 1.3 (December 31, 2008: 1.4). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less balance of cash held on behalf of customers over current liabilities less balance of customer deposits arising from securities dealings) was 2.6 (December 31, 2008: 2.6).

During the Period, net cash inflow generated from the operating activities of the Group amounted to Rmb2,045.02 million, representing an increase of 5.1% year-on-year.

### **Borrowings and Solvency**

As at September 30, 2009, total liabilities of the Group amounted to Rmb13,987.63 million (December 31, 2008: Rmb8,990.25 million), of which 11.6% was borrowings and 74.6% was customer deposits arising from securities dealings.

Total interest expenses for the Period amounted to Rmb52.97 million, whilst profit before interest and tax amounted to Rmb2,180.60 million. Therefore, the interest cover ratio (profit before interest and tax over interest expenses) stood at 41.2 (September 30, 2008: 34.4).

The asset-liability ratio (total liabilities over total assets) was 46.0% as at September 30, 2009 (December 31, 2008: 35.6%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of customer deposits arising from securities dealings over total assets less balance of cash held on behalf of customers) of the Group was 17.8% (December 31, 2008: 17.2%).

## Capital Structure

As at September 30, 2009, the Group had total equity of Rmb16,401.37 million, fixed-rate liabilities of Rmb11,601.43 million, floating-rate liabilities of Rmb450.18 million and interest-free liabilities of Rmb1,936.02 million, representing 53.9%, 38.2%, 1.5% and 6.4% 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 dealings by total equity, was 21.7% as at September 30, 2009 (December 31, 2008: 20.8%).

## OUTLOOK

China's economy has undergone a downturn period of nearly one year under the impact of the financial crisis and has begun to pick up significantly in the second half of the year. Zhejiang is a province with a strong focus on foreign trade, although the trade volumes for the first three quarters did not offer optimism, there has been marked improvement. The overall economic environment across the province is anticipated to improve further in the fourth quarter of the year.

As such, with a gradual improvement in the macro-economy during the second half of the year, traffic volumes on the Group's expressways will continue to pick up, while toll incomes will continue to improve as well. However, traffic on certain sections of the Shanghai-Hangzhou-Ningbo Expressway will continue to be diverted until the end of 2009 due to the closure of the Shanghai Section of the Shanghai-Hangzhou Expressway for its widening project. Although the Group's expressways will not be affected by traffic diversions to the Zhuyong Expressway this year as the opening of this expressway has been delayed until the end of 2009, it is anticipated that traffic volumes on some road sections of the Group will be diverted to this expressway after it is opened to traffic.

Meanwhile, various preparation work has been completed for the toll-by-weight system, and although there is no new timetable for the implementation yet, it is expected that the implementation of such toll system will have a positive impact on the Company. The long-discussed dual-path identification system was officially launched on October 15, 2009. The implementation of the system is not expected to bring negative impact on the overall toll income in the long run.

China's stock market rebounded earlier than the real economy, stock indices have risen steadily in general in the second half of the year. In spite of a number of uncertainties facing the Group's securities business, it is anticipated that the securities business will have a positive impact on the Group in the fourth quarter of the year given the government's continued measures in applying proactive fiscal policies and moderately relaxed monetary initiatives.

With an improvement in the Chinese economic environment, the Group's various businesses are bottoming out and improving gradually. The Company's management believes that the difficult time is over and through the joint efforts of all staff, we look forward to coping with potential difficulties in a proactive manner, further enhancing the Group's return on assets, and continuing to seek timely capital injections into the Company by the parent company, thereby channeling our efforts into re-gaining growth for the Company.

By Order of the Board

**Chen Jisong**

*Chairman*

Hangzhou, the PRC, November 18, 2009

*As at the date of this announcement, the executive directors of the Company are: Messrs. Chen Jisong, Zhan Xiaozhang, Zhang Jingzhong and Jiang Wenyao; 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.*