



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 Nine Months ended September 30

This set of 2008 third quarterly results has been prepared in accordance with the relevant requirements of 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 nine months ended September 30, 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)

| | Notes | For the nine months ended September 30, | |
|--|-------|--|-----------------------|
| | | 2008 Rmb'000 | 2007 Rmb'000 |
| Revenue | 1 | 4,998,917 | 5,218,435 |
| Operating costs | | (2,523,595) | (2,234,410) |
| Gross profit | | 2,475,322 | 2,984,025 |
| Other (loss) income | 2 | (176,596) | 569,137 |
| Administrative expenses | | (53,581) | (56,084) |
| Other expenses | | (27,773) | (62,579) |
| Finance costs | | (65,100) | (55,834) |
| Share of profit of associates | | 7,419 | 2,129 |
| Share of profit of a jointly controlled entity | | 17,203 | 14,628 |
| Profit before tax | | 2,176,894 | 3,395,422 |
| Income tax expense | | (497,214) | (914,196) |
| Profit for the Period | | <u>1,679,680</u> | <u>2,481,226</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 1,431,827 | 1,855,829 |
| Minority interests | | 247,853 | 625,397 |
| | | <u>1,679,680</u> | <u>2,481,226</u> |
| Earnings per share - Basic | 3 | <u>Rmb32.97 cents</u> | <u>Rmb42.73 cents</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | As at September 30, 2008 <i>Rmb'000</i> <i>Unaudited</i> | As at December 31, 2007 <i>Rmb'000</i> <i>Audited</i> <i>(Restated)</i> |
|--|---|---|
| Non-current assets | <u>14,943,094</u> | <u>15,318,694</u> |
| Current assets | 10,323,966 | 12,194,110 |
| Current liabilities | <u>7,713,312</u> | <u>10,022,540</u> |
| Net current assets | <u>2,610,654</u> | <u>2,171,570</u> |
| Total assets less current liabilities | <u>17,553,748</u> | <u>17,490,264</u> |
| Non-current liabilities | <u>1,529,401</u> | <u>1,725,950</u> |
| | <u>16,024,347</u> | <u>15,764,314</u> |
| Capital and reserves | | |
| Share capital | 4,343,115 | 4,343,115 |
| Reserves | <u>9,182,993</u> | <u>8,883,238</u> |
| Equity attributable to equity holders of the | | |
| Company | 13,526,108 | 13,226,353 |
| Minority interests | <u>2,498,239</u> | <u>2,537,961</u> |
| | <u>16,024,347</u> | <u>15,764,314</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

| | For the nine months ended September 30, | |
|---|--|-------------------------|
| | 2008 | 2007 |
| | <i>Rmb'000</i> | <i>Rmb'000</i> |
| Net cash from operating activities | 1,946,618 | 2,686,842 |
| Net cash used in investing activities | (1,138,876) | (855,241) |
| Net cash used in financing activities | <u>(801,525)</u> | <u>(184,663)</u> |
| Net increase in cash and cash equivalents | 6,217 | 1,646,938 |
| Cash and cash equivalents at the beginning of the Period | 2,773,811 | 1,504,073 |
| Effect of exchange rate changes | <u>2,131</u> | <u>895</u> |
| Cash and cash equivalents at the end of the Period | <u><u>2,782,159</u></u> | <u><u>3,151,906</u></u> |
| Represented by: | | |
| Unrestricted bank balances and cash | 2,492,151 | 2,986,906 |
| Time deposits with original maturity of less than three months when acquired | <u>290,008</u> | <u>165,000</u> |
| | <u><u>2,782,159</u></u> | <u><u>3,151,906</u></u> |

Notes:

1. Segment Information

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

| | For the nine months ended September 30, | | | |
|--------------------------------|--|--------------------------------|-------------------------|--------------------------------|
| | 2008 | | 2007 | |
| | Revenue | Profit contribution | Revenue | Profit contribution |
| | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> | <i>Rmb'000</i> |
| | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> |
| Segment by business activities | | | | |
| - Toll | 2,687,027 | 1,851,935 | 2,884,499 | 2,022,990 |
| - Service areas | 1,330,083 | 38,795 | 842,175 | 40,515 |
| - Advertising | 59,356 | 26,216 | 49,972 | 18,608 |
| - Securities business | <u>922,451</u> | <u>558,376</u> | <u>1,441,789</u> | <u>901,912</u> |
| | <u><u>4,998,917</u></u> | <u><u>2,475,322</u></u> | <u><u>5,218,435</u></u> | <u><u>2,984,025</u></u> |
| Other (loss) income | | (176,596) | | 569,137 |
| Administrative expenses | | (53,581) | | (56,084) |
| Other expenses | | <u>(27,773)</u> | | <u>(62,579)</u> |
| | | <u><u>2,217,372</u></u> | | <u><u>3,461,499</u></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 (Loss) Income**

| | For the nine months ended September 30, | |
|---|--|-------------------------|
| | 2008 | 2007 |
| | <i>Rmb'000</i> | <i>Rmb'000</i> |
| | <u><i>Unaudited</i></u> | <u><i>Unaudited</i></u> |
| (Loss) gain on fair value changes on held-for-trading investments | (323,907) | 477,066 |
| Interest income | 38,327 | 14,753 |
| Net exchange gain | 45,433 | 25,025 |
| Towing income | 18,296 | 18,413 |
| Rental income | 25,168 | 20,929 |
| Others | <u>20,087</u> | <u>12,951</u> |
| Total | <u>(176,596)</u> | <u>569,137</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 Rmb1,431,827,000 (2007: Rmb1,855,829,000) 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

In the third quarter of 2008, amid the intensifying crisis in the global financial market, the world's economic growth registered an apparent slowdown. The PRC economy is also faced with serious challenges. The PRC's GDP for the first three quarters of 2008 saw a further decline in growth rate, recording an increase of 9.9% year-on-year which represented a drop of 2.3 percentage points compared to the same period last year. During the Period, Zhejiang Province also witnessed a slowdown in its economic growth, registering a GDP growth of 10.6% for the first three quarters which represented a drop of 4.1 percentage points compared to the same period last year. A marked slowdown in macro-economic growth, coupled with traffic diversion on the expressways of the Group caused by newly completed neighboring roads and bridges, have brought negative impact on the traffic volumes and toll incomes generated on the two expressways of the Group.

The Group realized a total income of Rmb5,146.3 million during the Period, representing a decrease of 5.0% year-on-year. Among the total income, Rmb2,775.7 million was attributable to the two main expressways owned and operated by the Group, representing 53.9% of the total income; an amount of Rmb1,399.5 million was attributable to toll road-related business operations of the Group, representing 27.2% of the total income; and the securities business generated an income of Rmb971.1 million to the Group, representing 18.9% of the total income.

Toll Road Operations

During the Period, the two expressways of the Group were affected by the slowing macro-economic growth, natural disasters and significant traffic diversions caused by the openings to traffic of the Hangpu Expressway and the Hangzhou Bay Bridge, which resulted in decreases in both traffic volumes and toll incomes.

The Hangpu Expressway, which opened to traffic in late January 2008, had markedly diverted part of the traffic volume along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway since February. Subsequent to that, the opening to traffic of the Hangzhou Bay Bridge in early May 2008 had further diverted traffic away from the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway, thereby resulting in decreases in traffic volumes on the two expressways of the Group.

The average daily traffic volume in full-trip equivalents for the Shanghai-Hangzhou-Ningbo Expressway was 39,046 during the Period, representing a decrease of 8.4% year-on-year. In particular, the daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway was 39,167, representing a decrease of

17.5% year-on-year. The daily traffic volume in full-trip equivalents along the Hangzhou-Ningbo Section was 38,960, representing a decrease of 0.6% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 20,660 during the Period, representing a decrease of 4.6% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,147.4 million, representing a decrease of 7.7% year-on-year, while toll income from the Shangsang Expressway amounted to Rmb628.3 million, representing a 3.9% drop year-on-year.

Toll Road-related Business Operations

The Company also operates certain toll road-related 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, despite decreases in traffic volumes along the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway resulting in falling growth rates of incomes from service areas on these expressways, the Company benefited from the increase in retail prices of petroleum products, which brought about considerable growth in revenue for the gas station operation. In addition, the successive openings of the Company's new service areas in the first half of 2008 which had brought about considerable growth in revenue for the entire service area operation. As a result, revenue from such toll road-related business operations amounted to Rmb1,399.5 million during the Period, representing an increase of 55.4%.

Securities Business

During the Period, the sentiment in the PRC stock market continued to be bearish, leading to substantial decreases in turnovers. As a result, the securities business realized an operating income of Rmb971.1 million during the Period, representing a decrease of 36.8% year-on-year, of which brokerage commission income amounted to Rmb853.8 million, representing a decrease of 41.1% year-on-year; and bank interest income amounted to Rmb117.3 million, representing an increase of 38.0% year-on-year. In addition, due to a sharp correction in the PRC stock market during the Period, the proprietary securities trading business recorded a loss of Rmb323.9 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 widening project on Shida Road was completed and the entire Shida Road opened to traffic on July 16, 2008. As a result, the traffic volume on Shida Road picked up in the third quarter and that for the Period saw a slight decrease of 2.9% year-on-year. Toll income totaled Rmb69.7 million, representing an increase of 2.6% year-on-year. During the Period, net profit for the jointly-controlled entity amounted to Rmb34.4 million, up 17.6% 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 16.1% in income year-on-year as a result of considerable growth in petroleum sales during the Period. However, its operating costs also increased commensurately, and it realized a net profit of Rmb9.3 million, representing a decrease of 53.2% 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 on the section was 7,482, while toll income amounted to Rmb109.8 million, representing an increase of 4.4% year-on-year. However, due to heavy financial burden, the associate company incurred a loss of Rmb81.6 million during the Period.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

As at September 30, 2008, current assets of the Group amounted to Rmb10,324.0 million (December 31, 2007: Rmb12,194.1 million), of which bank balance and cash accounted for 34.6% (December 31, 2007: 24.9%), bank balance held on behalf of customers accounted for 53.0% (December 31, 2007: 59.4%) and held-for-trading investments accounted for 2.2% (December 31, 2007: 5.1%). Current ratio (current assets over current liabilities) as at September 30, 2008 was 1.3 (December 31, 2007: 1.2).

As at September 30, 2008, held-for-trading investments of the Group amounted to Rmb231.2 million (December 31, 2007: Rmb621.2 million). 95.6% of which was invested in corporate bonds, 1.9% of which was invested in open-end equity funds while the rest was invested in the stock market.

During the Period, the Group has adequate net cash inflow generated from operating activities, amounting to Rmb1,946.6 million.

Borrowings and Solvency

As at September 30, 2008, the total liabilities of the Group amounted to Rmb9,242.7 million (December 31, 2007: Rmb11,748.5 million), of which 22.2% were borrowings and 59.0% were customer deposits arising from securities dealings.

Total interest expenses for the Period amounted to Rmb65.1 million, while profit before interest and tax amounted to Rmb2,242.0 million. Therefore, the interest cover ratio (profit before interest and tax over interest expenses) stood at 34.4 (September 30, 2007: 46.2).

The asset-liability ratio (total liabilities over total assets) was 36.6% as at September 30, 2008 (December 31, 2007: 42.7%). 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 bank balances held on behalf of customers) of the Group was 19.1% (December 31, 2007: 22.4%).

Capital Structure

As at September 30, 2008, the Group had Rmb16,024.3 million total equity, Rmb7,004.8 million fixed-rate liabilities, Rmb502.1 million floating-rate liabilities and Rmb1,735.8 million interest-free liabilities, representing approximately 63.4%, 27.7%, 2.0% and 6.9% 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 23.7% as at September 30, 2008 (December 31, 2007: 28.8%).

Contingent Liabilities and Pledge of Assets

The Company's commodity-linked 1-year structured deposits of Rmb200.0 million with a minimum yield rate of 4% was a pledge provided to a domestic foreign-owned bank for a Hong Kong dollar-denominated loan of Rmb335.6 million in Renminbi equivalent. The term of the pledge is the same as that of the Hong Kong dollar-denominated loan. As the Company repaid such Hong Kong dollar-denominated loan on October 28, 2008, the relevant pledge was released at the same time.

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at September 30, 2008.

OUTLOOK

The ongoing global financial crisis triggered by the US subprime mortgage crisis has inevitably had a certain impact on the PRC economy, with its rate of growth slowed markedly under the combined effects of unfavorable developments in the domestic and international scenes. Zhejiang provincial GDP for the first three quarters of 2008 maintained a double-digit growth, slightly higher than that of the national average, but in itself a record low for recent years.

The Group was faced with unprecedented challenges during the Period. The operating income of the Group was significantly affected by the slower organic growth in traffic volume due to a slowdown in growth of the macro-economy, coupled by significant traffic diversions due to neighboring roads and bridges. Furthermore, the two expressways of the Group are expected to experience further traffic diversions in the near future as the Hangzhou Bay Bridge was opened to truck traffic starting from October 11, 2008. At the same time, although the continued sluggish PRC stock market created a number of uncertainties for the securities business of the Group, the Company has adopted measures to minimize the risks associated with its proprietary tradings.

Despite the numerous challenges, the management of the Company will conduct further analyses and studies, with a view to reducing operational costs (such as maintenance expenses) and further expanding its service areas operations. It also looks forward to the implementation of the toll-by-weight policy for trucks in mid-2009 and the further adoption of the unified non-stop electronic toll collection system in the future, whilst proactively seeking timely injection of assets from the parent company to bring about new profit growth for the Company.

By Order of the Board
GENG Xiaoping
Chairman

Hangzhou, the PRC, November 11, 2008

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