



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

2008 Interim Results Announcement

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") hereby announce the unaudited consolidated operating results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2008 (the "Period"), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb3,410.1 million, representing an increase of 0.8% over the same period in 2007. Profit attributable to equity holders of the Company was Rmb1,049.4 million, representing a decrease of 12.3% year-on-year. Earnings per share for the Period was Rmb24.16 cents, representing a decrease of 12.3% over the same period in 2007.

The Directors have recommended to pay an interim dividend of Rmb7 cents per share, subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on September 22, 2008.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated income statement and unaudited condensed consolidated balance sheet for the Period, together with comparative figures for 2007 and relevant notes to the financial statements:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six months ended June 30,	
		2008	2007
	<i>Notes</i>	<u>Rmb'000</u>	<u>Rmb'000</u>
Revenue	3	3,410,095	3,381,505
Operating costs		<u>(1,628,366)</u>	<u>(1,504,904)</u>
Gross profit		1,781,729	1,876,601
Other (loss) income	4	(64,511)	236,941
Administrative expenses		(35,720)	(34,588)
Other expenses		(18,520)	(54,459)
Finance costs		(42,521)	(26,160)
Share of profit of associates		15,459	1,316
Share of profit of a jointly-controlled entity		<u>10,627</u>	<u>10,222</u>
Profit before tax		1,646,543	2,009,873
Income tax expense	5	<u>(366,604)</u>	<u>(392,786)</u>
Profit for the Period		<u>1,279,939</u>	<u>1,617,087</u>
Attributable to:			
Equity holders of the Company		1,049,372	1,197,119
Minority interest		<u>230,567</u>	<u>419,968</u>
		<u>1,279,939</u>	<u>1,617,087</u>
Dividends			
Proposed interim	6	<u>(304,018)</u>	<u>(304,018)</u>
Basic earnings per share	7	<u>24.16 cents</u>	<u>27.56 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at June 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			
Property, plant and equipment		945,846	906,877
Prepaid lease payment		57,963	58,712
Goodwill		86,867	86,867
Other intangible assets		159,901	162,226
Interests in associates		494,697	479,238
Interest in a jointly-controlled entity		111,132	100,505
Available-for-sale investments		1,000	1,000
Expressway operating rights		<u>13,193,025</u>	<u>13,523,269</u>
		<u>15,050,431</u>	<u>15,318,694</u>
Current assets			
Inventories		18,945	14,558
Trade receivables	8	78,450	82,677
Other receivables		597,565	587,362
Prepaid lease payments		1,498	1,498
Held-for-trading investments		227,894	621,220
Available-for-sale investments		436,532	595,758
Held-to-maturity investments		200,000	—
Bank balances held on behalf of customers		6,938,363	7,239,389
Bank balances and cash			
- Restricted bank balances		35,000	35,000
- Time deposits with original maturity over three months		188,817	226,972
- Cash and cash equivalents		<u>2,782,297</u>	<u>2,773,811</u>
		11,505,361	12,178,245
Assets classified as held for sale		<u>15,865</u>	<u>15,865</u>
		<u>11,521,226</u>	<u>12,194,110</u>

	<i>Notes</i>	As at June 30, 2008 Rmb'000 Unaudited	As at December 31, 2007 Rmb'000 Audited (Restated)
Current liabilities			
Trade payables	9	522,423	736,890
Accounts payable to customers arising from securities dealing business		6,925,192	7,211,261
Tax liabilities		388,078	994,727
Other taxes payable		20,950	37,888
Other payables and accruals		490,484	556,320
Dividends payable		65,144	33,385
Interest-bearing bank and other loans		796,741	288,045
Provisions	10	<u>164,013</u>	<u>164,024</u>
		<u>9,373,025</u>	<u>10,022,540</u>
Net current assets		<u>2,148,201</u>	<u>2,171,570</u>
Total assets less current liabilities		<u>17,198,632</u>	<u>17,490,264</u>
Non-current liabilities			
Interest-bearing bank and other loans		272,365	333,945
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		<u>265,468</u>	<u>392,005</u>
		<u>1,537,833</u>	<u>1,725,950</u>
		<u>15,660,799</u>	<u>15,764,314</u>
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		<u>8,804,061</u>	<u>8,883,238</u>
Equity attributable to equity holders of the Company		<u>13,147,176</u>	<u>13,226,353</u>
Minority interests		<u>2,513,623</u>	<u>2,537,961</u>
		<u>15,660,799</u>	<u>15,764,314</u>

Notes:

1 Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting”.

2 Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2007 except as described below.

During the Period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are effective for accounting periods beginning on or after January 1, 2008.

HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC)-Int 12 gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out the general principles on recognizing and measuring the obligations and related rights in service concession arrangements. For arrangements falling within its scope, depending on the terms of the arrangement, the infrastructure assets will, instead of being recognized as property, plant and equipment, be recognized as either (i) a financial asset; (ii) an intangible asset; or (iii) both a financial asset and an intangible asset.

The Group was granted by the Zhejiang Provincial Government the concessions for operating its two expressways, Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway, which included during the operating period the rights to design and construction, redevelopment and expansion, investment, operation, management and maintenance on the expressways and their ancillary facilities; and the rights to propose and collect toll incomes from vehicles using the expressways and other fees relating to the expressways and their ancillary facilities. Prior to January 1, 2008, the expressways and bridges within the scope of operation were included in property, plant and equipment, while the land use rights relating to the expressways were included in prepaid lease payments. As at January 1, 2008, due to the retrospective application of HK(IFRIC) — Int 12 being impracticable, the Group reclassified the expressways and bridges

as well as the land use rights relating to the expressways as expressway operating rights, and amortized them over the remaining operating periods in accordance with the transitional provisions of HK(IFRIC) — Int 12. The restatement of the assets' book values for 2007 has no impact on the profit for 2007 and retained profits at the beginning of the year.

Other than as described above, the adoption of the new HKFRSs had no material effect on the results and financial position of the Group. Accordingly, no prior period adjustment is required.

The effects of changes in the accounting policies are as follows:

	December 31, 2007 <i>Rmb'000</i> <i>(originally stated)</i>	Change <i>Rmb'000</i>	December 31, 2007 <i>Rmb'000</i> <i>(restated)</i>
Items on Balance Sheet			
Non-current assets			
Property, plant and equipment	13,906,689	(12,999,812)	906,877
Prepaid lease payments	393,424	(334,712)	58,712
Expressway operating rights	171,145	13,352,124	13,523,269
Current assets			
Prepaid lease payments	<u>19,098</u>	<u>(17,600)</u>	<u>1,498</u>
Total effects on assets	<u><u>14,490,356</u></u>	<u><u>—</u></u>	<u><u>14,490,356</u></u>

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after January 1, 2009

² Effective for annual periods beginning on or after July 1, 2009

³ Effective for annual periods beginning on or after July 1, 2008

The Directors of the Company expect that the adoption of these standards, amendments and interpretations will have no material effect on the results and financial position of the Group. The adoption of HKFRS 8 is expected to affect the presentation of segment information of the Group only.

3. Segment Information

Comparing to the same period last year, there were no material changes in the principal activities of the Group during the Period. The operating results by principal activities are summarized as follows:

	For the six months ended June 30,			
	2008		2007	
	Gross Profit		Gross Profit	
	Revenue	Contribution	Revenue	Contribution
	<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	1,820,284	1,259,100	1,889,388	1,265,378
- Service areas	883,465	33,295	576,390	26,471
- Advertising	39,900	20,129	32,446	10,535
- Securities operation	<u>666,446</u>	<u>469,205</u>	<u>883,281</u>	<u>574,217</u>
	<u>3,410,095</u>	<u>1,781,729</u>	<u>3,381,505</u>	<u>1,876,601</u>
Other (loss) income		(64,511)		236,941
Administrative expenses		(35,720)		(34,588)
Other expenses		<u>(18,520)</u>		<u>(54,459)</u>
		<u>1,662,978</u>		<u>2,024,495</u>

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

4. **Other (Loss) Income**

	For the six months ended June 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	(172,468)	163,465
Interest income	24,704	10,618
Net exchange gain	41,398	16,563
Towing income	9,845	11,327
Rental income	15,238	13,478
Others	<u>16,772</u>	<u>21,490</u>
Total	<u><u>(64,511)</u></u>	<u><u>236,941</u></u>

5. **Income Tax Expenses**

As the Group had no taxable profits derived in Hong Kong during the Period, no Hong Kong profits tax has been provided.

The Group was subject to the PRC enterprise income tax levied at a tax rate of 25% (2007: 33%) of taxable income based on income for financial reporting purposes prepared in accordance with the laws and accounting standards in the PRC.

	For the six months ended June 30,	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u><i>Unaudited</i></u>	<u><i>Unaudited</i></u>
Current PRC enterprise income tax	<u>493,141</u>	<u>500,657</u>
Deferred tax:		
Current period	(126,537)	(8,706)
Attributable to a change in tax rate	<u>—</u>	<u>(99,165)</u>
	<u>(126,537)</u>	<u>(107,871)</u>
	<u><u>366,604</u></u>	<u><u>392,786</u></u>

The tax expenses for the Period can be reconciled to the profit before tax per the condensed consolidated income statement as follows:

	For the six months ended June 30,	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Profit before tax	<u>1,646,543</u>	<u>2,009,873</u>
Tax at the PRC statutory income tax rate of 25% (2007: 33%)	411,636	663,258
Tax effect of share of profits of associates	(3,865)	(434)
Tax effect of share of profit of a jointly controlled entity	(2,657)	(3,373)
Tax effect of (income)/expense that is not taxable and deductible in determining taxable profit	(38,510)	19,128
Utilization of tax losses previously not recognized as deferred tax assets (i)	—	(186,628)
Effect on deferred tax balances due to the change in income tax rate from 33% to 25% (ii)	<u>—</u>	<u>(99,165)</u>
Tax expenses for the Period	<u>366,604</u>	<u>392,786</u>

- (i) The tax loss arose mainly from a bad debt provision made by Zheshang Securities Co., Ltd. (a 70.46% owned subsidiary of Zhejiang Shangsang Expressway Co., Ltd.) (“Zheshang Securities”) in 2005 prior to its acquisition by the Group in relation to misappropriation of assets perpetrated by Kinghing Trust Investment Co., Ltd. (“Kinghing Investment”), the former majority equity owner of Zheshang Securities. The bad debt provision was treated as a non-deductible expense at the date of acquisition of Zheshang Securities by the Group in 2006. In 2007, the relevant tax authorities granted Zheshang Securities a dispensation to claim tax deduction on the bad debt provision and accordingly, the resulting tax loss was utilized in 2007.
- (ii) On March 16, 2007, the PRC promulgated Law of the People’s Republic of China on Enterprise Income Tax (the “New Law”) by Order No.63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the income tax rate from 33% to 25% for the Group from January 1, 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets are realized or the liability is settled.

6. Dividends

The Directors have recommended the payment of an interim dividend of Rmb7 cents per share (2007: Rmb7 cents per share), subject to shareholders’ approval at the extraordinary general meeting of the Company expected to be held on September 22, 2008. The recommendation has been set out in the condensed consolidated financial statements.

7. Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the Period of Rmb1,049,372,000 (2007: Rmb1,197,119,000) 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 calculated as there were no potential dilutive ordinary share in issue in both periods.

8. Trade Receivables

The aging analyses of trade receivables at the balance sheet dates are as follows:

	As at June 30, 2008 Rmb'000 Unaudited	As at December 31, 2007 Rmb'000 Audited
Within 1 year	73,406	76,930
1 to 2 years	4,181	4,181
Over 2 years	<u>863</u>	<u>1,566</u>
Total	<u><u>78,450</u></u>	<u><u>82,677</u></u>

The Group allows an average credit period of approximately 180 days.

9. Trade Payables

The aging analyses of trade payables at the balance sheet dates are as follows:

	As at June 30, 2008 Rmb'000 Unaudited	As at December 31, 2007 Rmb'000 Audited
Within 1 year	491,375	701,106
1 to 2 years	20,198	25,244
2 to 3 years	8,874	9,867
Over 3 years	<u>1,976</u>	<u>673</u>
Total	<u><u>522,423</u></u>	<u><u>736,890</u></u>

10. Provisions

Subsequent to the disclosure in the Company's 2007 annual report (pages 100 — 101) relating to "Provisions", as at the date of this announcement, the Intermediate People's Court of Jinhua Municipal had accepted the application for bankruptcy and liquidation of Kinghing Investment on January 15, 2008, and assigned the liquidation team of Kinghing Investment as the administrator.

Fourteen customers of Zheshang Securities (involving an amount of Rmb111.41 million) have all claimed their creditors' rights with the liquidation team of Kinghing Investment. Among nine of the fourteen customers who have initiated lawsuits, one has been ruled by the court of second instance to have won the proceeding and the ruling has been executed (involving an amount of Rmb3.4 million). Four customers have withdrawn while one customer has terminated the proceeding. The litigation of one customer has been referred to the Intermediate People's Court of Jinhua Municipal for judgement and those of the other two customers have been remanded by the court of second instance.

Zheshang Securities has provided guarantees for the state bond investment agency agreements entered into between Kinghing Investment and its corporate customers and individual customers involving a total amount of Rmb52.6 million. Such corporate customers and individual customers have claimed their creditors' rights with the liquidation team of Kinghing Investment.

The liquidation team of Kinghing Investment has confirmed the above claims of creditors' rights.

BUSINESS REVIEW

The impact from the implementation of the macro-economic control measures in recent years on the economy of the PRC has gradually surfaced. The unusually damaging snowstorm and earthquake occurring in the first half of 2008 further affected the economy in most of the regions in the PRC. As a result, the national rate of economic growth in the first half of 2008 witnessed an obvious slowdown compared to last year and the GDP increased by 10.4% year-on-year, with the growth rate decreased by 1.1 percentage point. Affected by the overall atmosphere during the Period, the economy of Zhejiang Province — which had undergone continued substantial growth during the past decade — came across an apparent slowdown. Zhejiang Province's GDP grew by 11.4 % year-on-year in the first half of the year, with the growth rate decreased by 3.3 percentage points.

Due to the decelerating growth in the macro-economy and diversion impact arising from successive opening-to-traffic of surrounding new expressway and bridge in the first half of 2008, the Group's income for the Period was basically at par with that of last year. The Group realized a total income of Rmb3,517.2 million, of which Rmb1,880.5 million was attributable to the two major expressways owned and operated by the Group, representing 53.5% of the total income; Rmb930.2 million was attributable to the Group's toll road-related businesses, representing 26.4 % of the total income; and Rmb706.5 million was attributable to the securities business against the backdrop of a bearish stock market in the PRC, representing 20.1% of the total income.

During the Period, toll income from toll road operations decreased by 3.7% over the same period in 2007, while income from toll road-related businesses grew 51.4% over the same period in 2007. A breakdown of the Group's income for the Period is set out below:

	For the six months ended June 30,		
	2008	2007	
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>% Change</i>
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	1,453,567	1,521,028	-4.4%
Shangsan Expressway	426,970	430,778	-0.9%
Other incomes			
Service areas	888,000	579,844	53.1%
Advertising	42,196	34,400	22.7%
Securities business	<u>706,454</u>	<u>943,018</u>	-25.1%
Subtotal	3,517,187	3,509,068	0.2%
Less: Revenue taxes	<u>(107,092)</u>	<u>(127,563)</u>	-16.0%
Revenue	<u>3,410,095</u>	<u>3,381,505</u>	0.8%

Toll Road Operations

Toll income from the two expressways owned by the Group declined due to a slowdown in the rate of growth of the macro-economy as well as the successive completion and opening-to-traffic of the Hangpu Expressway and the Hangzhou Bay Bridge which had led to marked diversions in traffic on the two expressways. In addition, the major snowstorm at the beginning of the year impeded vehicle traffic, and the Zhejiang Provincial Government rolled out preferential policies for certain truck traffic in view of the snowstorm, both of which led to a decline in toll income from the two expressways.

The main reasons for a marked slowdown of the daily average traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway during the Period were: 1) traffic on the Shanghai-Hangzhou section was initially diverted after the official opening-to-traffic of the Hangpu Expressway on January 29, 2008; and 2) traffic on the Shanghai-Hangzhou section was further diverted upon the trial opening-to-traffic of the Hangzhou Bay Bridge on May 1, 2008.

The Hangzhou-Ningbo section of the Shanghai-Hangzhou-Ningbo Expressway was also affected by traffic diversions caused by the Hangzhou Bay Bridge. However, the completion of the phase III widening works at the end of 2007 had positive impacts upon this section, which resulted in a lower rate of decrease in traffic volume on this section than the Shanghai-Hangzhou section.

During the Period, the Shangsang Expressway lost some through-traffic because of the opening-to-traffic of the Hangzhou Bay Bridge in May, resulting in a relatively substantial decline in traffic volume since May.

In addition, given the impact brought by the snowstorm at the beginning of the year, to ease the pressure of inflation, as well as to ensure the timely supply of agriculture good and products to the market, the Zhejiang Provincial Government implemented a measure on the opening of “Green Lanes” for transporting fresh agricultural good and products on all toll roads in the entire province effective from February 7, 2008. This refers to the waiving of toll fees for trucks travelling on toll roads originating from both within and outside the province that delivered fresh agricultural products. The implementation of such measures had reduced the toll income of the two expressways operated by the Group.

Accordingly, traffic volumes and toll incomes generated on all expressway sections operated by the Group recorded year-on-year decreases during the Period. The average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 40,193 during the Period, representing

a decrease of 5.1% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway experienced a decrease of 13.4% year-on-year, and that along the Shanghai-Ningbo section experienced a decrease of 2.9% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsang Expressway was 21,265 during the Period, representing a decrease of 1.9% year-on-year.

The toll income from the Shanghai-Hangzhou-Ningbo Expressway during the Period was Rmb1,453.5 million, representing a decrease of 4.4% year-on-year. The toll income from the Shangsang Expressway during the Period was Rmb427.0 million, representing a decrease of 0.9% year-on-year.

Toll Road-Related Business Operations

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

During the Period, the rate of increase in income from the service areas along the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway slowed down due to the decline in traffic volume along the two expressways. However, there were other service areas opened for business in the first half of 2008, including the Pinghu Service Area on the Hangpu Expressway, and the Wangqing Tuo Service Area and the Sicun Dian Service Area on the Beijing-Shanghai Expressway, all of which the Company won biddings in 2007. The addition of these service areas led to further growth to the income from the service area business. Meanwhile, the increase in unit retail prices of petroleum products also brought about considerable growth in income from the gas station operation. As a result, during the Period, income from toll road-related business operations amounted to Rmb930.2 million, representing a year-on-year increase of 51.4%. During the Period, leveraging its impressive operating results and extensive management experience in the service area business, the Company further obtained 10-year operating rights of the North-shore Service Area on the Hangzhou Bay Bridge, 5-year operating rights of the Ningbo Cicheng Service Area on the Shenhai Expressway, and 8-year operating rights of the Zhangching Service Area on the Shandong Jihe Expressway.

Securities Business

During the Period, trading volume on the stock markets shrank substantially in May and June in the PRC against the backdrop of a continued ailing stock market in the first half of 2008, having substantial impact on the performance of the securities

business of the Group. During the Period, the Group's securities business realized an operating income of Rmb706.5 million during the Period, representing a year-on-year decrease of 25.1%. Of such income, Rmb626.8 million was brokerage commission income, representing a year-on-year decrease of 30.3%; bank interest income amounted to Rmb79.7million, representing a year-on-year increase of 82.7%; and the proprietary securities trading business recorded a loss of Rmb172.5 million as accounted for in the income statement.

Long-term Investments

During the Period, the ancillary works following the widening works on the 9.45km Shida Road owned and operated by Hangzhou Shida Highway Co., Ltd. ("Shida Co", a 50% owned jointly-controlled entity of the Company) hindered traffic capacity on certain sections of the road, resulting in an 8.0% decrease in traffic volume year-on-year. Toll income from Shida Road during the Period decreased by 7.1% year-on-year, amounting to Rmb43.4 million; while net profit realized during the Period was Rmb21.3 million, representing a year-on-year increase of 4.0%.

Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co", a 50% owned associate of the Company) benefited from the surge in gasoline prices, leading to a 10.1% growth in income year-on-year for the associate company, while net profit realized during the Period was Rmb12.0 million, representing a year-on-year increase of 43.2%.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co", a 23.45% owned associate of the Company) owns 100% interest in the Jinhua section of Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents along the section was 7,614, representing an increase of 6.6% year-on-year; while toll income amounted to Rmb73.7 million, an increase of 6.5% year-on-year. However, due to heavy financial burdens, the associate company incurred a loss of Rmb53.1 million during the Period.

Zhejiang Concord Property Investment Co., Ltd. ("Concord Property", an associate 45% owned by Zhejiang Expressway Investment Development Co., Ltd., a subsidiary of the Company) realized a properties sales income of Rmb583.0 million and recorded a net profit of Rmb48.7 million during the Period.

Human Resources

There were no significant changes to the Company's overall number of employees, remuneration policies, bonus schemes and training schemes from what have been disclosed in the Company's latest annual report.

FINANCIAL ANALYSIS

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

During the Period, the Group's return on equity was 8.0%, representing a decrease of 18.5% over the same period in 2007.

Liquidity and Financial Resources

As at June 30, 2008, current assets of the Group amounted to Rmb11,521.2 million in aggregate (December 31, 2007: Rmb12,194.1 million), of which bank balance and cash accounted for 26.1% (December 31, 2007: 24.9%), bank balance held on behalf of customers accounted for 60.2% (December 31, 2007: 59.4%) and held-for-trading investments accounted for 2.0% (December 31, 2007: 5.1%). Current ratio (current assets over current liabilities) as at June 30, 2008 was 1.2 (December 31, 2007: 1.2).

Held-for-trading investments of the Group as at June 30, 2008 amounted to Rmb227.9 million (December 31, 2007: Rmb621.2 million), of which 77.8% was invested in the stock market, of which 13.4% was invested in corporate bonds while the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities was sufficient, amounting to Rmb1,160.2 million.

The Directors do not expect the Company to experience any problem with liquidity and financial resources in foreseeable future.

Borrowings and Solvency

As at June 30, 2008, total liabilities of the Group amounted to Rmb10,910.9 million (December 31, 2007: Rmb11,748.5 million), of which 19.0% was borrowings and 63.5% was customer deposits arising from securities dealings.

Total interest-bearing borrowings of the Group as at June 30, 2008 amounted to Rmb2,069.1 million, representing an increase of 27.6% over the beginning of the year. The borrowings comprised outstanding balances of the World Bank loans, denominated in US dollar, of approximately Rmb505.1 million in Renminbi equivalent; loans from foreign-owned banks in the country, denominated in HK dollar, of Rmb336.6 million in Renminbi equivalent; government loans of Rmb37.4 million; loans from domestic commercial banks totaling Rmb190.0 million; and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. Of the interest-bearing borrowings, 61.5% were not repayable within one year.

As at June 30, 2008, the Group's loans from domestic commercial banks comprised half-year and one-year short-term loans, with interest rates fixed between 5.913% and 7.47% p.a.; the interest rate for government loans was fixed at 3.00% per annum; and the annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. The annual interest rate for customer deposits arising from securities dealing was fixed at 0.72%; the annual floating rate of the Group's World Bank loans, denominated in US dollar, was 5.36%; and the annual interest rate of the Group's loans, denominated in HK dollar, was fixed at 5.371%.

Total interest expense for the Period amounted to Rmb42.5 million, while profit before interest and tax amounted to Rmb1,689.1 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 39.7 (June 30, 2007: 45.2).

The asset-liability ratio (total liabilities over total assets) was 41.1% as at June 30, 2008 (December 31, 2007: 42.7%).

Capital Structure

As at June 30, 2008, the Group had Rmb15,660.8 million total equity, Rmb8,489.2 million fixed-rate liabilities, Rmb505.1 million floating-rate liabilities and Rmb1,916.6 million interest-free liabilities, representing 58.9%, 32.0%, 1.9% and 7.2% 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 25.4% as at June 30, 2008 (December 31, 2007: 28.8%).

Capital Expenditure Commitments and Utilization

Capital expenditures of the Group and of the Company for the Period totaled Rmb83.0 million and Rmb31.8 million, respectively, with Rmb38.2 million attributable to the acquisition of equipment and Rmb39.7 million attributable to the widening project.

Capital expenditures committed by the Group and by the Company as at June 30, 2008 totaled Rmb1,659.4 million and Rmb836.0 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb1,041.4 million will be used on the remaining construction work of the widening project, while Rmb49.2 million will be used on service area renovation and/or expansion.

The Group will finance its above mentioned capital expenditure commitments with internally generated cash flow, with a preference for debt financing to meet any shortfalls thereof.

Contingent Liabilities and Pledge of Assets

The Company's commodity-linked 1-year structured deposits of Rmb200.0 million with minimum yield rate of 4% was a pledge provided to a domestic foreign-owned bank for a Hong Kong dollar-denominated loan of Rmb336.6 in Renminbi equivalent which had the same term as a Hong Kong dollar loan.

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

Foreign Exchange Exposure

Except for the repayment of a World Bank loan of Rmb505.1 million equivalent in US dollars, as well as repayment of the loan from foreign-owned bank in the country of Rmb336.6 million equivalent in HK dollars and dividend payments to holders of H shares in Hong Kong dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited and the Group has not used any financial instrument for hedging purposes during the Period.

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

The detrimental natural disasters in the first half of 2008 had a negative impact on the PRC economy which had used to enjoy a fast-growing GDP. Zhejiang's provincial economy showed an obvious slowdown amid macro-economic control measures, leading to a certain decline in the rate of growth on the volume of transport in goods and passengers within the province in the first half of 2008. As a result, the growth of traffic volume on various expressways within the province, which was closely related to the above factors, had shown various degrees of decline.

As the Hangzhou Bay Bridge will be open to trucks in the future, further diversions of truck traffic along the Group's expressways is expected. Except for the above-mentioned truck diversions, traffic diversions caused by the HangPu Expressway's opening to traffic have been gradually stabilizing. The diversion impact has been largely in line with the expectations of the Company. Meanwhile, it is expected that upon a further stabilization of diversions in the future, networking effects among different expressways will generate new growth for the two expressways operated by the Group.

During the Period, the Group's toll road-related business operations continued its robust growth. The service area operation, having extended beyond Zhejiang Province, experienced new growth of income in the first half of the year. Meanwhile, for the securities business that had brought certain uncertainties to the Group, the introduction of new securities products in the future is expected to create new income platforms for the securities business, thereby generating higher profitability.

The Company's self-developed non-stop electronic toll collection system fully opened to the general public in early April upon the completion of various trials. Meanwhile, the Company actively pursued efforts to facilitate the works on the inter-connected non-stop toll system for expressways within the Yangtze River Delta Region. It is believed that such system would bring further convenience to users who shuttle across expressways within the region in the future.

Meanwhile, a toll-by-weight policy for trucks is scheduled to be implemented by end of the year or in early 2009. We believe that the implementation of such policy will help reduce the amount of overloaded trucks along expressways, which will in turn reduce road maintenance costs of the Group in the long run.

Even though Zhejiang Province's economic growth rate had slowed down, it has maintained a healthy and rapid momentum, with its growth rate continuing to take a lead above the national average. Through concerted efforts of all staff of the Group, we will study measures to draw greater traffic volumes, actively seek suitable acquisitions, identify new sources of income, and achieve greater profitability so as to bring satisfactory operating results to our investors.

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 THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the Period.

By Order of the Board
Geng Xiaoping
Chairman

Hangzhou, the PRC, August 4, 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 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.