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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)**

**2011 FIRST QUARTERLY RESULTS ANNOUNCEMENT**

This quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) for the three months ended March 31, 2011 (the “Period”) 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 quarterly results of the Company and its subsidiaries (collectively the “Group”) for 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 the corresponding period of 2010:

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

	Notes	<b>For the three months ended March 31,</b>	
		<b>2011</b>	<b>2010</b>
		<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	1	1,627,592	1,500,679
Operating costs		<u>(960,559)</u>	<u>(835,362)</u>
Gross profit		667,033	665,317
Securities investment (losses) gains		(3,949)	37,352
Other income	2	51,271	33,071
Administrative expenses		(19,680)	(14,354)
Other expenses		(10,159)	3,029
Share of profit (loss) of associates		1,020	(4,903)
Finance costs		<u>(19,489)</u>	<u>(15,007)</u>

		<b>For the three months ended March 31,</b>	
		<b>2011</b>	<b>2010</b>
	Notes	<u>Rmb'000</u>	<u>Rmb'000</u>
Profit before tax		666,047	704,505
Income tax expense		<u>(167,366)</u>	<u>(177,814)</u>
Profit for the Period		<u>498,681</u>	<u>526,691</u>
Other comprehensive expense			
Available-for-sale financial assets :			
- Fair value (loss) gain during the Period		(4,130)	3,821
-Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(4,200)	(17,365)
Income tax relating to components of other comprehensive income		<u>2,083</u>	<u>3,386</u>
Other comprehensive expense for the Period (net of tax)		<u>(6,247)</u>	<u>(10,158)</u>
Total comprehensive income for the Period		<u>492,434</u>	<u>516,533</u>
Profit for the Period attributable to:			
Owners of the Company		425,004	418,495
Non-controlling interests		<u>73,677</u>	<u>108,196</u>
		<u>498,681</u>	<u>526,691</u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		421,746	413,225
Non-controlling interests		<u>70,688</u>	<u>103,308</u>
		<u>492,434</u>	<u>516,533</u>
Earnings per share - basic	3	<u>9.79 cents</u>	<u>9.64 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>As at</b> <b>March</b> <b>31, 2011</b> <b>Rmb'000</b> <i>Unaudited</i>	<b>As at</b> <b>December</b> <b>31, 2010</b> <b>Rmb'000</b> <i>Audited</i>
Non-current assets	13,804,195	13,978,955
Current assets	18,061,616	19,673,100
Current liabilities	<u>12,086,932</u>	<u>14,694,293</u>
Net current assets	<u>5,974,684</u>	<u>4,978,807</u>
Total assets less current liabilities	<u>19,778,879</u>	<u>18,957,762</u>
Non-current liabilities	<u>1,252,976</u>	<u>1,262,647</u>
	<u>18,525,903</u>	<u>17,695,115</u>
Capital and Reserves		
Capital	4,343,115	4,343,115
Reserves	<u>10,803,938</u>	<u>10,380,137</u>
Equity attributable to owners of the Company	15,147,053	14,723,252
Non-controlling interests	<u>3,378,850</u>	<u>2,971,863</u>
	<u>18,525,903</u>	<u>17,695,115</u>

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

	<b>For the three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash from operating activities	378,600	363,449
Net cash used in investing activities	(812,459)	(173,921)
Net cash used in financing activities	<u>(180,000)</u>	<u>—</u>
Net (decrease) /increase in cash and cash equivalents	(613,859)	189,528
Cash and cash equivalents at beginning of the Period	<u>5,682,053</u>	<u>5,049,003</u>
Cash and cash equivalents at end of the Period	<u><u>5,068,194</u></u>	<u><u>5,238,531</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 three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Toll operation revenue	831,723	787,123
Service area business revenue	438,989	356,023
Advertising business revenue	19,364	18,298
Commission income from securities operation	262,680	293,188
Interest income from securities operation	<u>74,836</u>	<u>46,047</u>
Total revenue	<u><u>1,627,592</u></u>	<u><u>1,500,679</u></u>

## 2. Other Income

	For the three months ended March 31,	
	2011	2010
	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited
Interest income on bank balances and entrusted loan receivables	27,655	9,930
Rental income	15,165	13,779
Net exchange gain	2	115
Handling fee income	3,126	2,093
Towing income	2,154	2,583
Others	3,169	4,571
Total	<u>51,271</u>	<u>33,071</u>

## 3. Earnings per Share

The calculation of the basic earnings per share is based on profit for the year attributable to owners of the Company of Rmb425,004,000 (2010: Rmb418,495,000) and the 4,343,114,500 (2010: 4,343,114,500) ordinary shares in issue during the year.

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

## BUSINESS REVIEW

During the first quarter of 2011, China's overall economy maintained a sound operation momentum, heading toward the desired development direction as anticipated under the prevailing macro-economic control policies. There was, however, a decline in the growth rates of automobile and housing consumption related commodities, with the national GDP growth for the first quarter slowing to 9.7% year-on-year. While also showing a sign of slowdown, Zhejiang Province's economic growth maintained a stable trend during the Period and up to the date of publication of this announcement, achieving a GDP growth of 10.4% year-on-year. Due to the complexity of the province's economic performance during the first quarter, the Group's two expressways also exhibited varied performances on their respective traffic volumes and toll revenues during the Period and up to the date of publication of this announcement.

During the Period, the Group realized a total income of Rmb1,674.76 million, representing an increase of 8.2% year-on-year; of which Rmb860.09 million was attributable to the two major expressways operated by the Group, representing 51.4% of the total income; Rmb462.06 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 27.6% of the total income; and Rmb352.61 million was attributable to the securities business, representing 21.0% of the total income.

## **TOLL ROAD OPERATIONS**

As the weather in Zhejiang Province in January was characterized by more rain and snow than usual and the operation of the high-speed railway was strengthened during the Chinese New Year period in February, this resulted in a reduction of the vehicles using the Group's expressways during the Period. Meanwhile, the slowing macro-economic growth has also caused a slowdown in organic growth of traffic volumes on the Group's expressways.

In addition, due to successive openings of new expressways in the vicinity of the Hangzhou-Wuzhou direction, the Shanghai-Hangzhou Expressway suffered a minor degree of traffic diversions.

The Shangsán Expressway, another expressway under the Group, continued to suffer the diversion impact from the Zhuyong Expressway, and consequently continued to face negative growth in traffic volume during the first quarter. However, benefiting from the implementation of the toll-by-weight policy, the expressway experienced a much lower magnitude of revenue decrease than traffic volume decrease during the Period and up to the date of publication of this announcement.

The average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 38,551 during the Period, representing an increase of 4.6% 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 was 38,493, an increase of 2.5% year-on-year, and that along the Hangzhou-Ningbo section was 38,593, an increase of 6.2% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsán Expressway was 17,768 during the Period, representing a decrease of 7.7% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb683.49 million, an increase of 7.5% year-on-year, while toll income from the Shangsán Expressway amounted to Rmb176.60 million, a decrease of 0.2% year-on-year.

## **TOLL ROAD-RELATED BUSINESS OPERATIONS**

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.

Income generated at the service areas dropped slightly during the Period and up to the date of publication of this announcement, primarily due to a slowdown in traffic volume growth on the Group's two expressways as well as a reduction in the number of large coach vehicles and small vehicles traveling on the road due to more frequent operations of Shanghai-Hangzhou high-speed trains and Hangzhou-Wenzhou CRH trains. However, owing to an increase in the sale prices of petroleum products which in turn led to a substantial increase in the sales revenue of petroleum products, total income of the service areas operation performed well. As a result, during the Period, the toll road-related business recorded an income of Rmb464.21 million, a year-on-year increase of 22.0%.

## **SECURITIES BUSINESS**

During the first quarter of 2011, although the stock markets in Shanghai and Shenzhen operated steadily, given the severe competition in the industry, commission rates continued to decrease. In addition, the growth of the operation network and staff also led to an increase in business costs at Zheshang Securities, affecting the earning performance of Zheshang Securities during the Period and up to the date of publication of this announcement.

During the Period, Zheshang Securities realized an operating income of Rmb352.61 million, a decrease of 1.1% year-on-year. Of such income, brokerage commission income amounted to Rmb277.77 million, a year-on-year decrease of 10.6%; and bank interest income amounted to Rmb74.84 million, a year-on-year increase of 62.5%. Meanwhile, the proprietary securities business of Zheshang Securities suffered a loss on the shares held due to the market decline. As such, the loss accounted for in the consolidated statement of comprehensive income amounted to Rmb4.46 million.

## **LONG-TERM INVESTMENTS**

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) was blessed by a further rise in the retail prices of petroleum and a significant growth in petroleum sales during the Period, and consequently realized an income of Rmb1,123.50 million during the Period, representing an increase of 49.5% year-on-year. During the Period, net profit amounted to Rmb9.08 million (corresponding period of 2010: net profit amounted to Rmb 1.07 million).

The 69.7km Jinhua Section of the Ningbo-Jinhua Expressway, operated by Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company), benefited from the introduction of the toll-by-weight system and the networking effect of nearby highways during the Period. It recorded an average daily traffic volume of 10,850 in full-trip equivalents, while toll income amounted to Rmb52.24 million, representing an increase of 27.9% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb15.20 million during the Period but the loss is gradually decreasing (corresponding period of 2010: net loss amounted to Rmb19.66 million).

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) generated its income primarily from its property leasing during the Period and up to the date of publication of this announcement. It did not show any improvement to its operations and realized a net loss of Rmb1.04 million during the Period (corresponding period of 2010: net loss amounted to Rmb0.77 million).

## **FINANCIAL ANALYSIS**

### **Liquidity and Financial Resources**

As at March 31, 2011, current assets of the Group amounted to Rmb18,061.62 million in aggregate (December 31, 2010: Rmb19,673.10 million), of which bank balances and cash accounted for 32.0% (December 31, 2010: 30.5%), bank balances held on behalf of customers accounted for 54.6% (December 31, 2010: 59.4%), and held-for-trading investments accounted for 4.9% (December 31, 2010: 4.1%). The current ratio (current assets over current liabilities) as at March 31, 2011 was 1.5 (December 31, 2010: 1.3). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities dealing business) was 3.6 (December 31, 2010: 2.6).

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb378.60 million.

### **Borrowings and Solvency**

As at March 31, 2011, total liabilities of the Group amounted to Rmb13,339.91 million (December 31, 2010: Rmb15,956.94 million), of which 12.3% was borrowings and 73.6% was accounts payable to customers arising from the securities dealing business.

Total interest expenses for the Period amounted to Rmb19.49 million, while profit before interest and tax amounted to Rmb685.54 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 35.2 (corresponding period of 2010: 47.9).

The asset-liability ratio (total liabilities over total assets) was 41.9% as at March 31, 2011 (December 31, 2010: 47.4%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 16.0% (December 31, 2010: 19.7%).

### **Capital Structure**

As at March 31, 2011, the Group had Rmb18,525.90 million total equity, Rmb11,109.99 million fixed-rate liabilities, Rmb350.00 million floating-rate liabilities and Rmb1,879.92 million interest-free liabilities, representing 58.1%, 34.9%, 1.1% and 5.9% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customers arising from securities dealing business by total equity, was 19.0% (December 31, 2010: 24.4%).

### **PROSPECTS**

Although China's overall economy maintained a sound operation momentum during the first quarter, there are signs that the country's economic growth is facing an initial slowdown as a result of the effective implementation of the State's macro-economic control policies. Likewise, Zhejiang Province has witnessed declining growths of its major economic indices during the first quarter, and the province's overall economy for the year is expected to be taken as "prudently optimistic".

The expected slowdown of the province's economic growth means that the organic growth of traffic volumes generated on the Group's two expressways is also expected to slow. However, as the diversions from the Zhuyong Expressway which was opened in July 2010 became more stabilized, the affected Shangsang Expressway is expected to end its negative growth in traffic volume in the second half of this year. This will mean that the Company will register anew traffic volume growth for the Shangsang Expressway.

Meanwhile, the electronic tolling system, of which Stage One was already implemented, has received favorable feedback from drivers. We expect to complete the installation of the system for an additional 7 toll stations and 18 non-stop toll

collection lanes within the first half of this year, ahead of the original schedule. Accordingly, we aim to commence the operation of Stage Two of the electronic tolling system in the second half of the year. This will further upgrade the convenience and efficiency of our service provided to traveling vehicles, and will further raise the traffic capacity of the Group's expressways.

As to China's securities market, it is true that it has demonstrated an upward trend during the first quarter of this year. However, as the government is gradually undertaking currency adjustment measures to curb inflation, the securities market is expected to be faced with many more uncertain factors. In view of an operating environment with intense competition, Zheshang Securities will continue to grow its securities sales operations and to optimize the deployment of its sales network, effectively enhancing its market share so as to offset the impact of declining commission rates upon the profitability of its brokerage business. Meanwhile, the Company will strive to seek further developments of Zheshang Securities through enhancing the core competitiveness of the investment banking business and pursuing a brand building of the professional asset management business.

Year 2011 is the first year of the commencement of the Twelfth Five-year Plan. The economic environments that we are faced with, both domestic and international, are complex and characterized by a number of unstable and uncertain factors. All the same, the management of the Company is confident that with the parent company's support, Zhejiang Expressway will be able to fully leverage its investing and financing capabilities, continuously strengthening its core expressway business whilst steadily expanding its securities business, with a view to creating better operating results for the Company.

By order of the Board  
**Zhejiang Expressway Co., Ltd.**  
**Jisong Chen**  
*Chairman*

Hangzhou, PRC, May 9, 2011

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