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

### **2011 Third Quarterly Results Announcement**

This quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) for the nine months ended September 30, 2011 (the “Period”) is made pursuant to Rule 13.09 of 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)**

		<b>For the nine months ended September 30,</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
<b>Revenue</b>	1	5,088,656	4,794,815
Operating costs		<u>(3,008,659)</u>	<u>(2,695,599)</u>
Gross profit		2,079,997	2,099,216
Securities investment gains		3,148	99,519
Other income	2	187,899	125,364
Administrative expenses		(51,093)	(47,278)
Other expenses		(25,730)	(17,943)
Share of loss of associates		(10,017)	(9,064)
Finance costs		<u>(62,918)</u>	<u>(69,317)</u>
<b>Profit before tax</b>		2,121,286	2,180,497
Income tax expense		<u>(533,077)</u>	<u>(555,841)</u>
<b>Profit for the Period</b>		<u>1,588,209</u>	<u>1,624,656</u>
Other comprehensive (loss) income			
Available-for-sale financial assets:			
– Fair values (loss) during the Period		(4,632)	9,927
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(4,072)	(24,856)
Gain from acquisition of non-controlling interest in subsidiaries		–	15,427
Income tax relating to components of other comprehensive income		<u>2,176</u>	<u>(125)</u>
<b>Other comprehensive (loss) income for the Period</b>		<u>(6,528)</u>	<u>373</u>
Total comprehensive income for the Period		<u><u>1,581,681</u></u>	<u><u>1,625,029</u></u>
Profit for the Period attributable to:			
Owners of the Company		1,380,042	1,337,469
Non-controlling interests		<u>208,167</u>	<u>287,187</u>
		<u><u>1,588,209</u></u>	<u><u>1,624,656</u></u>
Total comprehensive income for the Period attributable to:			
Owners of the Company		1,376,638	1,343,231
Non-controlling interests		<u>205,043</u>	<u>281,798</u>
		<u><u>1,581,681</u></u>	<u><u>1,625,029</u></u>
<b>Earnings per share – basic</b>	3	<u><u>31.78 cents</u></u>	<u><u>30.80 cents</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>September 30, 2011</b> <i>Rmb'000</i> <i>Unaudited</i>	As at <b>December 31, 2010</b> <i>Rmb'000</i> <i>Audited</i>
Non-current assets	13,510,180	13,978,955
Current assets	15,396,412	19,673,100
Current liabilities	9,281,819	14,694,293
Net current assets	6,114,593	4,978,807
Total assets less current liabilities	19,624,773	18,957,762
Non-current liabilities	1,238,983	1,262,647
	18,385,790	17,695,115
Capital and Reserves		
Capital	4,343,115	4,343,115
Reserves	10,672,707	10,380,137
Equity attributable to owners of the Company	15,015,822	14,723,252
Non-controlling interests	3,369,968	2,971,863
	18,385,790	17,695,115

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	<b>For the nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>                    </u>	<u>                    </u>
Net cash from operating activities	1,410,895	1,706,432
Net cash used in investing activities	(1,157,463)	(584,530)
Net cash used in financing activities	(1,528,530)	(1,091,773)
	<u>                    </u>	<u>                    </u>
Net (decrease)/increase in cash and cash equivalents	(1,275,098)	30,129
Cash and cash equivalents at beginning of the Period	5,682,053	5,049,003
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents at end of the Period	<u><u>4,406,955</u></u>	<u><u>5,079,132</u></u>

*Notes:*

### 1. Revenue

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

	<b>For the nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>                    </u>	<u>                    </u>
Toll operation revenue	2,646,680	2,586,138
Service area business revenue	1,372,091	1,136,643
Advertising business revenue	57,860	56,613
Commission income from securities operation	774,358	862,791
Interest income from securities operation	237,667	152,596
Others	-	34
	<u>                    </u>	<u>                    </u>
Total revenue	<u><u>5,088,656</u></u>	<u><u>4,794,815</u></u>

## 2. Other Income

	For the nine months ended September 30,	
	2011 <i>Rmb'000</i> <i>Unaudited</i>	2010 <i>Rmb'000</i> <i>Unaudited</i>
Interest income on bank balances and entrusted loan	102,598	35,276
Rental income	48,955	46,185
Net exchange gain	8,501	8,312
Handling fee income	12,999	11,686
Towing income	9,195	11,676
Interest from structured deposit	–	136
Others	5,651	12,093
Total	<u>187,899</u>	<u>125,364</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 Rmb1,380,042,000 (2010: Rmb1,337,469,000) and the 4,343,114,500 (2010: 4,343,114,500) ordinary shares in issue during the Period.

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

## 4. Provisions

Subsequent to the relevant disclosure made in the Company's 2010 annual report (pages 114 – 115) relating to "Provisions", as at the date of this announcement, there was no material change for the Period.

## BUSINESS REVIEW

Despite a slight decline in growth in the third quarter, China's national economy remained relatively steady in its operation and continued to move toward the expected direction as set in the macro control initiatives. A GDP growth of 9.4% year-on-year was achieved during the first three quarters. Economic growth in Zhejiang Province also showed a slowdown trend during the Period, registering a GDP growth of 9.5% year-on-year during the first three quarters. As a result of slackened economic growth both inside and outside the province, organic growth in traffic volume and increase in toll income along the Group's two expressways also decelerated during the Period as compared to the same period of the previous year.

During the Period, the Group realized a total income of Rmb5,236.18 million, representing an increase of 5.9% year-on-year; of which Rmb2,737.52 million was attributable to the two major expressways owned and operated by the Group, representing 52.3% of total income; Rmb1,441.32 million was attributable to the Group's toll road-related businesses, representing 27.5% of total income; and Rmb1,057.34 million was attributable to the securities business, representing 20.2% of total income.

## **TOLL ROAD OPERATIONS**

Because of continuous slowdown in economic growth, organic growth in traffic volume along the Group's expressways also tended to slow accordingly in the third quarter as compared to the previous quarter, hitting the lowest in July particularly but then gradually picking up in August and September.

The abolition of toll charging for local Class II highways last year has gradually made its impact in creating diversions of trucks from the Group's expressways, thus weakening the positive effect of the toll-by-weight policy on overall toll income.

Moreover, the impact of the opening of the Zhuyong Expressway in July 2010 in creating traffic diversions from the Shangsang Expressway began to stabilize gradually in the third quarter, and traffic volume on the Shangsang Expressway picked up again in August this year.

Average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway amounted to 41,470 during the Period, representing an increase of 4.6% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway amounted to 41,615, an increase of 2.3% year-on-year, and that along the Hangzhou-Ningbo section amounted to 41,366, an increase of 6.3% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsang Expressway amounted to 16,456 during the Period, a decrease of 1.6% year-on-year.

During the Period, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,203.61 million, an increase of 4.6% year-on-year, while toll income from the Shangsang Expressway amounted of Rmb533.91 million, a decrease of 5.5% 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.

As a result of slackened growth in traffic volume along the Group's two expressways and the impact of traffic diversions to the Zhuyong Expressway during the Period which has pulled down the traffic volume of certain large passenger vehicles, there was a slight decline in revenue from the service areas. However, owing to increases in the sale prices of petroleum products which has in turn led to a substantial increase in sales revenue of petroleum products, thereby offsetting the decrease in revenue from the service areas, the overall income from the service areas was satisfactory. As a result, toll road-related businesses recorded an income of Rmb 1,441.32 million during the Period, a year-on-year increase of 19.6%.

## **SECURITIES BUSINESS**

During the third quarter of 2011, trading volumes on the stock exchanges in Shanghai and Shenzhen decreased significantly as compared to the same period of the previous year as a result of downturn volatilities in the entire Chinese stock market. Due to falling commission rates, the positive impact of an expanded market share has basically been offset by the lower commission rates. Moreover, the increase in the number of operation networks and staff has also increased business costs at Zheshang Securities, thus affecting the profitability of Zheshang Securities during the Period.

Despite facing extremely intense competition in the industry, Zheshang Securities continued to maintain satisfactory development of its investment banking and asset management businesses during the Period, while the market share of its securities brokerage business continued to increase as compared to the same period of the previous year, with the total number of customers continuing to rise.

During the Period, Zheshang Securities realized an operating income of Rmb1,057.34 million, a decrease of 0.9% year-on-year. Of such income, brokerage commission income amounted to Rmb819.67 million, a year-on-year decrease of 10.4%; and bank interest income amounted to Rmb237.67 million, a year-on-year increase of 55.7%. Meanwhile, the securities investment gains accounted for in the condensed consolidated statement of comprehensive income amounting to Rmb3.15 million during the Period.

## **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 products and a significant growth in the sales of petroleum products during the Period, and consequently realized an income of Rmb3,807.86 million during the Period, representing an increase of 50.3% year-on-year. During the Period, net profit amounted to Rmb20.61 million (corresponding period of 2010: net profit of Rmb 15.55 million).

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company) operates the 69.7km Jinhua Section of the Ningbo-Jinhua Expressway. During the Period, the Company achieved a satisfactory growth in toll income benefitting from an increase in traffic volume driven by the opening of nearby road networks. The Jinhua Section of the Ningbo-Jinhua Expressway recorded an average daily traffic volume of 10,651 in full-trip equivalents, an increase of 16.6% year-on-year, while toll income amounted to Rmb161.05 million, an increase of 17.0% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb45.98 million during the Period (corresponding period of 2010: net loss of Rmb53.91 million) but the loss is gradually decreasing.

JoinHands Technology Co., Ltd. (“JoinHands Technology”, a 27.582% owned associate company of the Company) generated its income primarily from property leasing during the Period. As the associate company did not show any improvement to its operations, it realized a net loss of Rmb1.38 million during the Period (corresponding period of 2010: net loss of Rmb2.46 million).

On July 4, 2011, the Company entered into an equity transfer agreement with Guangzhou Kaixin Consulting Co., Ltd., to which the Company will transfer all its 27.582% equity interests in JoinHands Technology. As Guangzhou Kaixin Consulting Co., Ltd. has failed to pay the consideration for equity transfer in accordance with the terms of the contract, the Company lodged a lawsuit on August 31, 2011 at the People’s Court of Hangzhou City, Xihu District. At present, the case is pending for a court hearing.

## **FINANCIAL ANALYSIS**

### **Liquidity and Financial Resources**

As at September 30, 2011, current assets of the Group amounted to Rmb15,396.41 million in aggregate (December 31, 2010: Rmb19,673.10 million), of which bank balances and cash accounted for 33.9% (December 31, 2010: 30.5%), bank balances held on behalf of customers accounted for 46.9% (December 31, 2010: 59.4%), and held-for-trading investments accounted for 8.8% (December 31, 2010: 4.1%). The current ratio (current assets over current liabilities) as at September 30, 2011 was 1.7 (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 the securities dealing business) was 3.9 (December 31, 2010: 2.6).

During the Period, net cash inflow generated from the Group’s operating activities amounted to Rmb1,410.90 million.

### **Borrowings and Solvency**

As at September 30, 2011, total liabilities of the Group amounted to Rmb10,520.80 million (December 31, 2010: Rmb15,956.94 million), of which 13.9% was borrowings and 68.3% was accounts payable to customers arising from the securities dealing business.

Total interest expenses for the Period amounted to Rmb62.92 million, while profit before interest and tax amounted to Rmb2,184.20 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 34.7 (corresponding period of 2010: 32.5).

The asset-liability ratio (total liabilities over total assets) was 36.4% as at September 30, 2011 (December 31, 2010: 47.4%). Excluding the effect of customer deposits arising from the securities dealing business, the resultant asset-liability ratio (total liabilities less accounts payable to customers arising from the securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 15.4% (December 31, 2010: 19.7%).

### **Capital Structure**

As at September 30, 2011, the Group had Rmb18,385.79 million total equity, Rmb8,553.71 million fixed-rate liabilities, Rmb100 million floating-rate liabilities and Rmb1,867.09 million interest-free liabilities, representing 63.6%, 29.6%, 0.3% and 6.5% 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 the securities dealing business by total equity, was 18.1% as at September 30, 2011 (December 31, 2010: 24.4%).

### **PROSPECTS**

As a result of decelerated economic growth during the first three quarters, organic growth in traffic volume along the Group's two expressways also slowed accordingly. However, we expect that as the impact of traffic diversions due to the opening of the Zhuyong Expressway in July 2010 began to stabilize, the Shangsang Expressway and the relevant sections of the Shanghai-Hangzhou Expressway which had originally been affected by traffic diversions will no longer see negative growth in traffic volume. Instead, they will record new growth in overall traffic volume.

Meanwhile, the Company has commenced operation of 38 electronic toll collection (ETC) lanes at 15 toll stations. While receiving favorable feedback from drivers, we expect to complete the installation of the system for an addition of 18 ETC lanes at 17 toll stations next year. The Group will then be able to offer more convenient and effective services to traveling vehicles, further enhancing the traffic capacity of its expressways.

After entering the third quarter, the continuous spread of the European debt crisis and the increasing turmoil in the global financial markets had created a certain impact on the Chinese stock market as well. Zheshang Securities will actively strengthen its cost control and risk control, whilst actively expanding the development of investment banking, fixed income, futures IB (Note: IB system is an operating mode where securities company introduces clients to futures company, and futures company pays a considerable commission to securities company in return.) and other businesses in order to mitigate the negative impact due to the market environment and fierce competition.

Economic development is now faced with a domestic and international environment which is more complex, unstable and uncertain. Following the roll-out of the State's rectification project for expressways in 2011, an array of policies is anticipated to be introduced in Zhejiang Province at the end of the year or early next year. These policies are then likely to create an uncertain impact over expressways. The Company's management will closely monitor the changes in policies for the industry and the impact of road networks within the province, and will adjust its business strategies on a timely basis, with a view to strengthen the core expressway business, steadily expanding the securities business and actively seeking new opportunities so as to continue a healthy development of the Company.

### **NO MATERIAL CHANGES**

The board of directors of the Company (the "Board") has confirmed that there has been no material events, transactions or changes in the financial position of the Company, other than as set out in this announcement. Further, the Board is not aware of any material events, transactions or changes in the financial position of the Company which have occurred since 30 September 2011 up to and including 10 November 2011, being the latest practicable date before the publication of this announcement.

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

Hangzhou, PRC, November 10, 2011

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