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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)**

## **2012 THIRD QUARTERLY RESULTS ANNOUNCEMENT**

This quarterly results announcement of Zhejiang Expressway Co., Ltd. (the “Company”) for the nine months ended September 30, 2012 (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 2011:

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

		<b>For the nine months ended September 30,</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<u><i>Rmb'000</i></u>	<u><i>Rmb'000</i></u>
Revenue	1	<b>5,022,210</b>	5,088,656
Operating costs		<b>(3,191,201)</b>	(3,008,659)
Gross profit		<b>1,831,009</b>	2,079,997
Securities investment gains		<b>71,899</b>	3,148
Other income	2	<b>203,389</b>	187,899
Administrative expenses		<b>(50,042)</b>	(51,093)
Other expenses		<b>(23,428)</b>	(25,730)
Share of loss of associates		<b>(21,152)</b>	(10,017)
Finance costs		<b>(42,787)</b>	(62,918)
Profit before tax		<b>1,968,888</b>	2,121,286
Income tax expense		<b>(489,377)</b>	(533,077)
Profit for the Period		<b>1,479,511</b>	1,588,209
Other comprehensive loss			
Available-for-sale financial assets and securities lending:			
– Fair value loss during the Period		<b>(2,229)</b>	(4,632)
– Reclassification adjustments for cumulative loss (gain) included in profit or loss upon disposal		<b>24</b>	(4,072)
Income tax relating to components of other comprehensive loss		<b>551</b>	2,176
Other comprehensive loss for the Period (net of tax)		<b>(1,654)</b>	(6,528)
Total comprehensive income for the Period		<b><u>1,477,857</u></b>	<b><u>1,581,681</u></b>
Profit for the Period attributable to:			
Owners of the Company		<b>1,334,292</b>	1,380,042
Non-controlling interests		<b>145,219</b>	208,167
		<b><u>1,479,511</u></b>	<b><u>1,588,209</u></b>
Total comprehensive income for the Period attributable to:			
Owners of the Company		<b>1,333,429</b>	1,376,638
Non-controlling interests		<b>144,428</b>	205,043
		<b><u>1,477,857</u></b>	<b><u>1,581,681</u></b>
Earnings per share – basic	3	<b><u>30.72 cents</u></b>	<b><u>31.78 cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>September 30,</b> <b>2012</b> <i>Rmb'000</i> <i>Unaudited</i>	As at December 31, 2011 <i>Rmb'000</i> <i>Audited</i>
Non-current assets	<b>13,344,010</b>	14,126,326
Current assets	<b>15,423,073</b>	15,006,633
Current liabilities	<b>9,654,858</b>	9,301,793
Net current assets	<b>5,768,215</b>	5,704,840
Total assets less current liabilities	<b>19,112,225</b>	19,831,166
Non-current liabilities	<b>227,055</b>	1,232,066
	<b>18,885,170</b>	18,599,100
Capital and reserves		
Share capital	<b>4,343,115</b>	4,343,115
Reserves	<b>11,083,074</b>	10,835,424
Equity attributable to owners of the Company	<b>15,426,189</b>	15,178,539
Non-controlling interests	<b>3,458,981</b>	3,420,561
	<b>18,885,170</b>	18,599,100

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the nine months ended September 30,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>                    </u>	<u>                    </u>
Net cash from operating activities	1,094,084	1,410,895
Net cash used in investing activities	(124,909)	(1,157,463)
Net cash used in financing activities	(1,520,534)	(1,528,530)
	<u>                    </u>	<u>                    </u>
Net decrease in cash and cash equivalents	(551,359)	(1,275,098)
Cash and cash equivalents at beginning of the Period	3,120,430	5,682,053
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents at end of the Period	<u><u>2,569,071</u></u>	<u><u>4,406,955</u></u>

*Notes:*

### 1. Revenue

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

	For the nine months ended September 30,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<u>                    </u>	<u>                    </u>
Toll operation revenue	2,657,101	2,646,680
Service area business revenue	1,442,608	1,372,091
Advertising business revenue	68,772	57,860
Commission income from securities operation	627,736	774,358
Interest income from securities operation	225,937	237,667
Others	56	-
	<u>                    </u>	<u>                    </u>
Total	<u><u>5,022,210</u></u>	<u><u>5,088,656</u></u>

## 2. Other Income

	For the nine months ended September 30,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Interest income on bank balances and entrusted loan receivables	121,855	102,598
Interest income from structured deposit	1,357	–
Rental income	52,051	48,955
Net exchange (loss) gain	(2,460)	8,501
Handling fee income	4,781	12,999
Towing income	9,138	9,195
Others	16,667	5,651
Total	<b>203,389</b>	<b>187,899</b>

## 3. Earnings per Share

The calculation of the basic earnings per share is based on profit for the Period attributable to owners of the Company of Rmb1,334,292,000 (corresponding period of 2011: Rmb1,380,042,000) and the 4,343,114,500 (2011: 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.

## BUSINESS REVIEW

Due to the uncertainties amid global economic recovery and slowing domestic economic growth, the GDP growth rate in China recorded an increase of 7.7% year-on-year in the first three quarters of 2012. During the Period, the GDP growth in Zhejiang Province for the first three quarters, where there were indicators that economy growth rate was stable in the third quarter, was 7.7% higher than that for the corresponding period of last year, in line with the economic growth level nationwide.

Given that the current macro economy has not rebound yet, income of the Group during the Period slightly decreased by 1.4% year-on-year achieving a total of Rmb5,165.04 million generated from various income sources. Of such income, Rmb2,748.32 million was generated from the two major expressways owned and operated by the Group, representing an increase of 0.4% year-on-year and accounting for 53.2% of total income; and Rmb1,523.32 million was generated from toll road-related businesses, representing an increase of 5.7% year-on-year and accounting for 29.5% of total income. The securities business contributed an income of Rmb893.40 million to the Group, representing a decrease of 15.5% year-on-year and accounting for 17.3% of total income, which continued to be affected by the dampened stock market in China during the Period.

## TOLL ROAD OPERATIONS

In the third quarter, due to the increase in export size in foreign trading, investment in fixed assets and consumer spending in Zhejiang Province, the traffic volume of the Group's expressways recorded a higher organic growth than that of the first half of the year. In particular, with respect to Shangsang Expressway, along which many small- and medium-sized enterprises are located, the growth of traffic volume recovered rapidly. However, as the total number of small- and medium-sized trucks continued to slightly decrease under the impact of the rapid increase in the number of container trucks following the implementation of the toll-by-weight policy, the number of trucks to the total traffic volume decreased moderately. This was also the reason for the lower increase in toll income from expressways than the increase in traffic volume during the Period.

Meanwhile, since the implementation of the tolling policy based on actual travel routes in Zhejiang Province on May 15, 2012, the Company has organized a number of promotional campaigns in order to boost traffic volume of certain sections of Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway.

Moreover, in addition to the abolition of the "Unified Toll Card" policy since January 1, 2012, the adjustment to the rounding method of the last figures of tolls for passenger vehicles on May 15, 2012 and the introduction of the adjustment policy in relation to passenger vehicle classes on August 1, 2012 all led to a slight decrease in the Group's toll revenue. The new toll-free policy for passenger vehicles with seven seats and less to travel toll-free on expressways during major festivals and holidays was first launched on September 30 2012. After this new policy took effect, during the first long eight-day holiday period, the number of vehicles travelling through the Group's toll booths increased by approximately 34% year-on-year (the number of toll-free passenger vehicles with less than seven seats increased by approximately 52% year-on-year), though the toll revenue of the Group dropped by approximately Rmb56 million, or approximately 64% as compared to the corresponding period of last year due to a year-on-year decrease of approximately 26% in trucks and other toll-paying vehicles.

Average daily traffic volume in full-trip equivalents along Shanghai-Hangzhou-Ningbo Expressway was 43,022 during the Period, representing an increase of 3.7% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of Shanghai-Hangzhou-Ningbo Expressway was 43,540, increased by 4.6% year-on-year, and that along the Hangzhou-Ningbo Section was 42,652, increased by 3.1% year-on-year. Average daily traffic volume in full-trip equivalents along Shangsang Expressway was 16,956 during the Period, representing an increase of 3.0% year-on-year.

Toll income from Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,224.58 million during the Period, representing an increase of 1.0% year-on-year; while toll income from Shangsang Expressway amounted to Rmb523.74 million during the Period, representing a decrease of 1.9% 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 services.

During the Period, the customer flow in the service areas along the Group's two expressways decreased as a result of the slackened growth in the traffic volume of the two expressways, the traffic diversions from the Shaoxing Section of Shanghai-Hangzhou-Ningbo Expressway upon the opening of Shaozhu Expressway, and the closure of Yuyao Service Area for expansion works from June 2012 onwards. Accordingly, the total revenue generated from service areas during the Period decreased as compared to the corresponding period of last year.

Meanwhile, as the prices of petroleum products continued to rise, the sales amount of petroleum products continued to increase year-on-year. Consequently, revenue from the expressway-related businesses amounted to Rmb1,523.32 million during the Period, representing an increase of 5.7% year-on-year.

## **SECURITIES BUSINESS**

During the third quarter of 2012, the aggregate trading volume of China's securities market declined by 29.4% year-on-year as the market remained weak. Despite the lowering commission rate as a result of the slump in the stock market, the decline in the commission rate tended to be stable and was generally consistent with the corresponding period of last year, due to the implementation of a new commission policy – the “Notice on Further Strengthening Customer Services and the Management of Securities Trading Commissions of Securities Firms” in early 2011.

Meanwhile, due to the low volatility in the securities market, revenue from the brokerage, investment banking and assets management businesses of Zheshang Securities showed a decline in varying degrees year-on-year during the Period.

Notwithstanding the above, Zheshang Securities has continued to promote sustainable growth by expanding its sales network to increase the total number of clients. During the Period, Zheshang Securities had 62 sales outlets, representing an increase of 4 outlets as compared to that at the beginning of the Period.

During the Period, Zheshang Securities recorded an operating income of Rmb893.40 million, representing a decrease of 15.5% year-on-year. Of such income, commission income amounted to Rmb667.46 million, representing a decrease of 18.6% year-on-year; interest income from securities business amounted to Rmb225.94 million, representing a decrease of 4.9% year-on-year. In addition, during the Period, gain on securities investment of Zheshang Securities included in the condensed consolidated statement of income was Rmb64.86 million.

## LONG-TERM INVESTMENTS

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) realized a sales income of Rmb4,468.64 million, representing an increase of 17.4% year-on-year during the Period due to a rise in the prices of petroleum products and a growth in sales of petroleum products. During the Period, the associate company achieved a net profit of Rmb17.59 million (for the same period in 2011: net profit of Rmb20.61 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 slowing domestic macro economy affected the toll income of the Company. The Jinhua Section of the Ningbo-Jinhua Expressway recorded an average daily traffic volume in full-trip equivalents of 11,903, representing an increase of 11.8% year-on-year; while toll income amounted to Rmb171.68 million, representing an increase of 6.6% year-on-year. Since its financial burden remained heavy, the associate company incurred a loss of Rmb44.82 million during the Period (for the same period in 2011: loss of Rmb45.98 million).

During the Period, JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company), revenue of which was mainly derived from house leasing, did not show any improvement in its operation and therefore realized a loss of Rmb1.36 million (for the same period in 2011: loss of Rmb1.38 million).

The Company entered into a transfer agreement with Guangzhou Kaixin Consulting Co., Ltd. (“Kaixin Company”) in July 2011. However, as Kaixin Company has failed to pay the consideration for the equity interest transfer as specified in the agreement, the Company instituted a lawsuit against Kaixin Company in respect thereof in August 2011 at the People’s Court of Xihu District, Hangzhou. The Court ruled in favour of the Company in March 2012. However, both the Company and Kaixin Company filed appeals because of their respective objections against the Court’s decision. At present, the Company has made a phased achievement.

On July 6, 2012, the Company entered into a transfer agreement with Shaoxing Communications Investment Group Co., Ltd. (“SXCI”) for the acquisition of a 50% equity interest in Shengxin Expressway Co., Ltd. (“Shengxin Company”, a limited company that plans to own the toll collection rights to the Shaoxing Section of Yongjin Expressway), a wholly-owned subsidiary of SXCI, for a cash consideration of Rmb355.03 million plus interest accrued thereon. In August 2012, the acquisition has been approved by the relevant State-owned Assets Supervision and Administration Commission of the PRC, in relation to the transfer of the operating rights from SXCI to Shengxin Company.

## **FINANCIAL ANALYSIS**

### **Liquidity and Financial Resources**

As at September 30, 2012, current assets of the Group amounted to Rmb15,423.07 million in aggregate (December 31, 2011: Rmb15,006.63 million), of which bank balances and cash accounted for 30.1% (December 31, 2011: 37.2%), bank balances held on behalf of customers accounted for 46.9% (December 31, 2011: 47.8%), and held-for-trading investments accounted for 6.8% (December 31, 2011: 8.4%). The current ratio (current assets over current liabilities) of the Group as at September 30, 2012 was 1.6 (December 31, 2011: 1.6). 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 3.3 (December 31, 2011: 3.6).

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb1,094.08 million. The Directors do not expect the Company to experience any problem with liquidity or financial resources in the foreseeable future.

### **Borrowings and Solvency**

As at September 30, 2012, total liabilities of the Group amounted to Rmb9,881.91 million (December 31, 2011: Rmb10,533.86 million), of which 0.5% was short-term bank loans, 10.1% was corporate bonds and 72.5% was accounts payable to customers arising from the securities dealing business.

Interest expense for the Period totaled Rmb42.79 million, while profit before interest and tax amounted to Rmb2,011.68 million. Consequently, the interest cover ratio (profit before interest and tax over interest expenses) stood at 47.0 times (corresponding period of 2011: 34.7 times).

The asset-liability ratio (total liabilities over total assets) was 34.4% as at September 30, 2012 (December 31, 2011: 36.2%). 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 the securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 12.6% (December 31, 2011: 15.4%).

### **Capital Structure**

As at September 30, 2012, the Group had Rmb18,885.17 million equity in total, Rmb8,166.12 million fixed-rate liabilities, Rmb50.00 million floating-rate liabilities and Rmb1,665.79 million interest-free liabilities, representing 65.6%, 28.4%, 0.2% and 5.8% 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 14.4% as at September 30, 2012 (December 31, 2011: 18.2%).

## OUTLOOK

The organic growth of the traffic volume of the Group's two expressways has recovered due to the economy of Zhejiang Province has stabilized in the third quarter, and with the logistics industry in Zhejiang Province picked up in the third quarter, it is expected to help the traffic volume of the Group's expressways to maintain stable in the second half of the year.

As the implementation of the policy on small passenger vehicles to travel toll-free during major festivals and holidays had a negative impact on toll road operators, it is expected that the Group's toll roads will lose approximately 3.5% toll revenue accordingly next year. At the same time, we anticipate chances of major adjustment on policies in relation to the expressway industry in the short term will be slim.

Moreover, during the first half of 2012, due to eased domestic inflation pressures, the expected moderate adjustment to tightening monetary policy is likely to be beneficial to China's stock market. By taking the opportunity arising therefrom, Zheshang Securities will further explore new businesses and broaden the sources of income while strengthening cost control and risk management, in order to cope with the challenges brought about by the market environment and keen competition.

The uncertainties in relation to the global economic recovery, in addition to many unfavorable factors affecting the stability of domestic economy in the second half of the year and the uncertain policy on the highway industry have brought unprecedented pressures on and challenges to the operation and management of the Group. The Company's management will conduct thorough research on industry policy trends to adjust operation strategies in a timely manner, so that we are able to continue to improve our core expressways business, and to seek for suitable investment opportunities; will enhance the capital utilization efficiency through strategic synergies with the parent company leveraging on the edges of financial resources subject to controllable risks; and expect to improve the management level and operation results.

By order of the Board  
**Zhan Xiaozhang**  
Chairman

Hangzhou, PRC, November 16, 2012

*As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Ms. LUO Jianhu and Mr. DING Huikang; the non-executive directors of the Company are: Messrs. LI Zongsheng, WANG Weili and WANG Dongjie; and the independent non-executive directors of the Company are: Messrs. ZHANG Junsheng, ZHOU Jun and PEI Ker-Wei.*