浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

2008 Annual Results Announcement

- Revenue amounted to Rmb6,323.47 million, representing a decrease of 10.1%.
- Profit attributable to equity holders of the Company amounted to Rmb1,892.79 million, representing a decrease of 21.7%.
- Earnings per share was Rmb43.58 cents.
- A final dividend of Rmb24 cents per share is recommended.

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") announced the audited consolidated operating results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2008 (the "Period"), with the basis of preparation as stated in note 1 set out below.

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb6,323.47 million, representing a decrease of 10.1% over 2007. Profit attributable to equity holders of the Company was Rmb1,892.79 million, representing a decrease of 21.7% year-on-year. Earnings per share for the Period was Rmb43.58 cents (2007: Rmb55.63 cents).

The Directors have recommended to pay a final dividend of Rmb24 cents per share (2007: Rmb24 cents), subject to shareholders' approval at the annual general meeting of the Company to be held on May 4, 2009. Together with an interim dividend of Rmb7 cents per share already paid, the annual dividend payout during the Period is Rmb31 cents per share (2007: Rmb31 cents).

The audit committee of the Company has reviewed the annual results of the Group for the Period. Set out below are the audited consolidated income statement and consolidated balance sheet for the Period, together with the comparative figures for 2007:

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
		2008	**2007**
	Notes	*Rmb'000*	*Rmb'000*
			(Restated)
Revenue	3	6,323,470	7,030,380
Operating costs		(3,133,244)	(3,089,133)
Gross profit		3,190,226	3,941,247
Security investment (losses) gains		(316,213)	475,828
Other income	3	211,420	134,607
Administrative expenses		(70,003)	(81,089)
Other expenses		(38,947)	(93,259)
Finance costs		(76,809)	(60,552)
Share of profit (loss) of associates		10,659	(4,655)
Share of profit of a jointly controlled entity		23,746	20,406
Profit before tax		2,934,079	4,332,533
Income tax expense	4	(668,928)	(1,191,638)
Profit for the year		2,265,151	3,140,895
Attributable to:			
Equity holders of the Company		1,892,787	2,415,965
Minority interests		372,364	724,930
		2,265,151	3,140,895
Dividends recognized as distribution during the year:			
Interim dividend of Rmb7 cents (2007: Rmb7 cents) per share		304,018	304,018
Final dividend of Rmb24 cents (2007: Rmb20 cents) per share		1,042,347	868,623
		1,346,365	1,172,641
Proposed final dividend of Rmb24 cents (2007: Rmb24 cents) per share	5	1,042,347	1,042,347
Earnings per share - Basic	6	**Rmb43.58 cents**	**Rmb55.63 cents**

CONSOLIDATED BALANCE SHEET

	Notes	As at December 31, 2008 *Rmb'000*	2007 *Rmb'000* *(Restated)*
Non-current assets			
Property, plant and equipment		1,031,248	906,877
Prepaid lease payments		47,654	59,227
Expressway operating rights		12,923,977	13,522,752
Goodwill		86,867	86,867
Other intangible assets		158,065	162,226
Interests in associates		464,262	495,103
Interest in a jointly controlled entity		124,251	100,505
Available-for-sale investments		1,000	1,000
		14,837,324	15,334,557
Current assets			
Inventories		16,303	14,558
Trade receivables	7	75,999	82,677
Other receivables		177,170	587,362
Prepaid lease payments		1,265	1,500
Available-for-sale investments		28,001	595,758
Held-for-trading investments		247,587	621,220
Structured deposit		204,667	—
Bank balances held on behalf of customers		5,643,192	7,239,389
Bank balances and cash			
– Restricted bank balances		35,000	35,000
– Time deposits with original maturity over three months		284,068	226,972
– Cash and cash equivalents		3,736,945	2,773,811
		10,450,197	12,178,247

	Notes	As at December 31, 2008 Rmb'000	2007 Rmb'000 (Restated)
Current liabilities			
Accounts payable to customers arising from securities dealing business		5,607,473	7,211,261
Trade payables	8	415,096	736,890
Tax liabilities		447,884	994,727
Other taxes payable		32,760	37,888
Other payables and accruals		537,762	556,320
Dividends payable		33,388	33,385
Interest-bearing bank and other loans		380,897	288,045
Provisions	9	33,864	164,024
		7,489,124	10,022,540
Net current assets		2,961,073	2,155,707
Total assets less current liabilities		17,798,397	17,490,264
Non-current liabilities			
Interest-bearing bank and other loans		228,867	333,945
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		272,262	392,005
		1,501,129	1,725,950
		16,297,268	15,764,314
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		9,339,935	8,883,238
Equity attributable to equity holders of the Company		13,683,050	13,226,353
Minority interests		2,614,218	2,537,961
		16,297,268	15,764,314

Notes:

1. **Basis of Preparation**

   The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKEx") (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. **Principal Accounting Policies**

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

   The accounting policies used in the consolidated financial statements are consistent with those applied 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 Assets, Minimum Funding Requirements and their Interaction

   Except for the adoption of the HK(IFRIC) Int 12 *Service Concession Arrangements*, which has resulted in changes to the Group's accounting policies as detailed below, the adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

   In the current year, the Group has applied the HK(IFRIC)- Int 12 *Service Concession Arrangements*.

   The Group had entered into contractual service arrangements with local government authorities (the "grantors") of the PRC to acquire toll expressway infrastructures and expressway operating rights and to participate in the redevelopment, expansion, investment, operation, management and maintenance of toll expressways and their toll station facilities on behalf of the grantors in accordance with the terms specified in the service concession arrangement contracts. The Group received in exchange a right to propose and collect the toll fees from vehicles using the toll expressways and other fees relating to the expressways and their toll station facilities. After the acquisition of the underlying toll expressway infrastructures and the related expressway operating rights, under the arrangements, the Group incurred additional costs on the toll expressways, for expressway widening projects and upgrade services carried out by independent qualified contractors in the PRC based on approval from the grantors under open market bid prices.

HK(IFRIC) - Int 12 *Service Concession Arrangements* provides guidance on the accounting by the operator of a service concession arrangement which involves the provision of public sector services.

In prior years, the toll expressway infrastructures and expressway operating rights were measured at cost based on the fair value at the respective dates of acquisitions upon the initial recognition.

The acquisition of toll expressways infrastructures, and expressway operating rights and subsequent additional costs incurred on the toll expressways relating to widening projects and upgrade services, which the Group is entitled to the operating rights of the toll expressways for the specified concession period, were recorded as property, plant and equipment and expressway operating rights, respectively, and were stated at cost less accumulated depreciation and any accumulated impairment losses, while the land use rights relating to the expressways was recorded in prepaid lease payments. Depreciation of the toll expressways and amortisation of land use rights were calculated to write off their costs, over their expected useful lives in the remaining concession period on a straight-line basis.

In accordance with HK(IFRIC)- Int 12, infrastructure and land use rights relating to the expressways within the scope of this interpretation are not recognized as property, plant and equipment and prepaid lease payments of the operator as the service concession arrangement does not convey the right to control the use of the public service infrastructure and the land use rights relating to the expressways to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 *Construction Contracts* for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 *Intangible Assets* to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with HKAS 18 *Revenue*.

In the current year, the Group applied this interpretation retrospectively and the financial impact on the adoption of this interpretation is summarised below.

No construction revenue or profit on construction services has been recognised as the Group's toll expressway infrastructures were acquired from the grantors. Furthermore, the Group has not provided any construction services in relation to subsequent widening projects and upgrade services as the widening projects and upgrade services of toll expressways are carried out by independent qualified contractors in the PRC based on the approval from the grantors. The payment made by the Group for the expressways widening projects and upgrade services is considered as additional costs of the expressway operating rights and, accordingly, such additional costs are also reclassified as the intangible assets under the service concession arrangements retrospectively.

Prepaid lease payments and toll expressways infrastructures in conjunction with the service concession arrangements which the Group has no discretion or latitude to deploy for other services other than arising in the service concession arrangements are also reclassified as intangible assets acquired under the service concession arrangements retrospectively. They were previously separately presented and amortised on a straight-line basis over the respective service concession period.

The effect of changes in accounting policies resulted from the adoption of HK(IFRIC)-Int 12 for the current and prior year by line items are as follows:

	2008	**2007**
	Rmb'000	*Rmb'000*
Decrease in depreciation of property, plant and equipment	632,608	550,843
Decrease in amortisation of prepaid lease payments	17,719	17,516
Increase in amortisation of expressway operating rights	(650,327)	(568,359)
Profit for the year	—	—

The effect of the application of the new interpretation as at December 31, 2007 is summarised below:

	As at December 31, 2007 (Originally stated)	**Adjustments**	**As at December 31, 2007 (Restated)**
	Rmb'000	*Rmb'000*	*Rmb'000*
Balance sheet items			
Non-current assets			
Property, plant and equipment	13,906,689	(12,999,812)	906,877
Prepaid lease payments	393,424	(334,197)	59,227
Expressway operating rights	171,145	13,351,607	13,522,752
	14,471,258	17,598	14,488,856
Current assets			
Prepaid lease payment	19,098	(17,598)	1,500
Total effects on assets	14,490,356	—	14,490,356
Retained profits	2,312,616	—	2,312,616

	As at January 1, 2007 (Originally stated) *Rmb'000*	Adjustments *Rmb'000*	As at January 1, 2007 (Restated) *Rmb'000*
Balance sheet items			
Non-current assets			
Property, plant and equipment	13,775,621	(12,878,824)	896,797
Prepaid lease payments	390,658	(351,795)	38,863
Expressway operating rights	179,845	13,248,135	13,427,980
	14,346,124	17,516	14,363,640
Current assets			
Prepaid lease payment	18,626	(17,516)	1,110
Total effects on assets	14,364,750	—	14,364,750
Retained profits	1,379,398	—	1,379,398

The service concession arrangements operated by the Group's associates and a jointly controlled entity are of similar arrangements of those operated by the Group. Accordingly, the adoption of HK(IFRIC) - Int 12 *Service Concession Arrangements* has no material effect on its associates and a jointly controlled entity and accordingly, no adjustment on the Group's share of result of associates and a jointly controlled entity and Group's share of net assets of the associates and a jointly controlled entity has been required.

The reclassification of the toll expressways and land use rights of the Group, its associates and a jointly controlled entity has no impact on the profit for the current and prior year and the retained profits at January 1, 2007, accordingly, no adjustment on the Group basic earnings per share has been required.

The Group has not applied in advance the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]

HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7(Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[6]

[1] Effective for annual periods beginning on or after January 1, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009

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

[3] Effective for annual periods beginning on or after July 1, 2009

[4] Effective for annual periods beginning on or after July 1, 2008

[5] Effective for annual periods beginning on or after October 1, 2008

[6] Effective for transfers on or after July 1, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. **Revenue and Other Income**

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

	Year ended December 31, 2008	2007
	Rmb'000	*Rmb'000*
Toll operation revenue	3,455,627	3,897,819
Service area businesses revenue	1,670,435	1,261,526
Advertising business revenue	78,032	64,891
Commission income from securities operation	947,861	1,684,284
Interest income from securities operation	167,728	120,643
Others	3,787	1,217
Total revenue	6,323,470	7,030,380
Interest income on bank balances and entrusted loan	55,115	20,997
Rental income	40,858	32,079
Net exchange gain	40,143	40,302
Handling fee income	22,863	14,338
Towing income	15,095	19,446
Gain on disposal of an associate	8,375	—
Interest from structured deposit	4,667	—
Others	24,304	7,445
Total other income	211,420	134,607
	6,534,890	7,164,987

4. **Income Tax Expense**

The Group is subject to the PRC enterprise income tax ("EIT") levied at a tax rate of 25% (2007: 33%) of taxable income determined in accordance with the PRC laws and financial reporting system.

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

	Year ended December 31, 2008	2007
	Rmb'000	*Rmb'000*
PRC income tax	731,019	1,314,241
Deferred tax:		
Current year	(62,091)	(16,996)
Attributable to a change in tax rate	—	(105,607)
	(62,091)	(122,603)
	668,928	1,191,638

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

	Year ended December 31, 2008	2007
	Rmb'000	*Rmb'000*
Profit before tax	2,934,079	4,332,533
Tax at the PRC statutory income tax rate of 25% (2007: 33%)	733,520	1,429,736
Tax effect of share of (profits) losses of associates	(2,665)	1,536
Tax effect of share of profit of a jointly controlled entity	(5,937)	(6,734)
Tax effect of (income)/expense that is not (taxable)/deductible for tax purposes	(17,899)	59,430
PRC income tax adjustment in prior year (i)	(38,091)	
Utilization of tax losses previously not recognized as deferred tax assets (ii)	—	(186,723)
Decrease in opening deferred tax liabilities resulting from the decrease in income tax rate (iii)	—	(105,607)
Tax charge for the year	668,928	1,191,638

(i) Certain staff costs incurred by a subsidiary, Zheshang Securities Co., Ltd. (a 70.46% owned subsidiary of Zhejiang Shangsan Expressway Co., Ltd.) ("Zheshang Securities") in 2007 in excess of maximum amount deductible was considered as a non-deductible expense and accordingly, income tax provision was made in prior year. During the year, Zheshang Securities has obtained an approval from the government authority for the deduction of these staff costs, so the relevant income tax provision is released to the consolidated income statement.

(ii) The tax loss utilised in 2007, arose mainly from a bad debt provision made by Zheshang Securities prior to its acquisition by the Group in relation to misappropriation of assets perpetrated by Kinghing Trust Investment Co., Ltd. ("Kinghing Investment"), 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.

(iii) 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 Regulation has changed the tax rate from 33% to 25% for the Group from January 1, 2008.

5. **Dividend**

The Directors have proposed to pay a final dividend of Rmb24 cents per share (2007: Rmb24 cents), subject to shareholders' approval at the annual general meeting.

6. **Basic Earnings per Share**

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the Period of Rmb1,892,787,000 (2007: Rmb2,415,965,000) and the 4,343,114,500 ordinary shares (2007: 4,343,114,500 ordinary shares) in issue during the Period.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue for the years ended December 31, 2007 and 2008.

7. **Trade Receivables**

The Group has no credit period granted to its trade customers of toll operation, service area operation and securities operation. An aging analysis of trade receivables at the balance sheet date, based on invoice date, is as follows:

	As at December 31,	
	2008	**2007**
	Rmb'000	*Rmb'000*
Within 3 months	71,640	69,453
3 months to 1 year	3,408	7,477
1 to 2 years	288	4,181
Over 2 years	663	1,566
Total	75,999	82,677

8. Trade Payables

An aging analysis of trade payables at the balance sheet date, based on invoice date, is as follows:

	As at December 31, 2008 *Rmb'000*	2007 *Rmb'000*
Within 3 months	216,913	500,371
3 months to 1 year	169,772	200,735
1 to 2 years	24,778	25,244
2 to 3 years	2,336	9,867
Over 3 years	1,297	673
Total	415,096	736,890

9. Provisions

Subsequent to the relevant disclosure made in the Company's 2007 annual report (pages 100 — 101) relating to "Provisions", as at the date of this announcement, Kinghing Trust Investment Co., Ltd. ("Kinghing Investment") has settled all the principals under the state bond investment agency agreements and fund trust agreements entered into between Kinghing Investment and its corporate customers, the fund trust agreements entered into between Kinghing Investment and its individual customers and the state bond investment agency agreements entered into between Kinghing Investment and its 14 customers; as well as the interests fixed at a rate of 2.7% determined at the bond holders meeting of Kinghing Investment. Accordingly, apart from the remaining unpaid interests in the amount of Rmb21.68 million, which bear an interest rate of over 2.7% stipulated under the state bond investment agency agreements and fund trust agreements, a full provision in the sum of Rmb164.02 million made by Zheshang Securities had been reversed to Rmb142.34 million by Zheshang Securities during the Period.

Sinobase International Ltd. initiated a lawsuit against Zheshang Securities on November 16, 2008 for the disputes over the asset management entrustment contract entered into with Zheshang Securities on September 15, 2005. The total amount of principal in the contract was Rmb10 million. During the Period, taking into account the present progress of the legal proceedings and the prudent principles applied to operations involving normal risks in the PRC financial industry, Zheshang Securities has made during the Period a provision amounting to Rmb12.18 million for the principal involved in the lawsuit and the default compensation that the plaintiff has sought.

Business Review

In 2008, the global financial crisis, which was triggered by the US subprime credit crisis, continued to spread, resulting in the increasing difficulties for China's economic operations. The growth rate of China's GDP exhibited a significant slowdown compared to the past, with a decrease of 4 percentage points year-on-year. Faced with tough challenges presented by the unprecedented global financial crisis as well as the severe impact caused by natural disasters such as the snowstorms and the mega earthquake in China, Zhejiang Province's economic development could not escape unaffected. During the Period, Zhejiang Province's GDP grew by 10.1%, with the growth rate decreased by 4.4 percentage points compared to the previous year.

Affected by the external factors including the macro-economy, natural disasters and government policies, together with traffic diversions caused by expressways' network construction, both traffic volumes and toll incomes generated on the Group's two expressways witnessed declines. During the Period, the Group realized a total income of Rmb6,510.21 million, representing a decrease of 10.7% year-on-year; of which Rmb3,569.75 million was attributable to the two major expressways operated by the Group, representing 54.8% of the total income; Rmb1,766.00 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 27.1% of the total income; and Rmb1,174.47 million was attributable to the securities business, representing 18.1% of the total income.

A breakdown of the Group's income for the Period is set out below:

	2008	**2007**	
	Rmb'000	*Rmb'000*	*% Change*
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	2,758,286	3,145,276	-12.3%
Shangsan Expressway	811,460	879,087	-7.7%
Service areas income	1,679,593	1,271,125	32.1%
Advertising income	82,622	70,870	16.6%
Securities business income	1,174,465	1,920,525	-38.9%
Other income	3,787	1,217	211.2%
Subtotal	6,510,213	7,288,100	-10.7%
Less: Revenue taxes	(186,743)	(257,720)	-27.5%
Revenue	6,323,470	7,030,380	-10.1%

Toll Road Operations

China's macro-economic growth witnessed a slowdown, thereby causing the organic growth rates of traffic volumes of the Group's two expressways to continue to fall; of which the organic growth rate of traffic volume of the Shanghai-Hangzhou-Ningbo Expressway reported a significant decrease while the Shangsan Expressway hardly recorded any organic growth in traffic volume.

During the Period, traffic volumes and toll incomes generated on the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway witnessed substantial decreases due to the direct impact of traffic diversions caused by the expressway network. The Hangpu Expressway, which opened to traffic in early 2008, has directly diverted part of the traffic from the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway since February, thereby having material effect on toll income. The Hangzhou Bay Bridge, opened to passenger vehicles in early May 2008 and subsequently opened to truck traffic in mid October, has diverted traffic in stages from the entire Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway.

In view of the snowstorms in China in early 2008, Zhejiang Provincial Government implemented a toll-free policy for carrier vehicles of fresh agricultural goods and products in order to ensure the supply of those goods and products. Accordingly, toll income of the Company decreased.

Affected by the aforementioned unfavourable factors, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 37,688 during the Period, representing a decrease of 12.4% 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 37,984, representing a decrease of 20.8% year-on-year, and that along the Hangzhou-Ningbo section was 37,477, representing a decrease of 5.0% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 19,895 during the Period, representing a decrease of 8.1% year-on-year.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway and the 142km Shangsan Expressway amounted to Rmb3,569.75 million during the Period, representing a decrease of 11.3% year-on-year. In respect of such income, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,758.29 million, representing a decrease of 12.3% year-on-year, while toll income from the Shangsan Expressway amounted to Rmb811.46 million, representing a decrease of 7.7% 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 advertising and vehicle service businesses along its expressways.

During the Period, falling traffic volumes of the Group's two expressways and weakening consumption sentiments have brought slight income declines at the service areas. However, due to the rising retail prices of petroleum products during the Period, income generated from gas station operations at the service areas realized a significant growth. In addition, income from the advertising business also witnessed a growth as a result of further development of the advertising business.

Leveraging on its impressive operating results and extensive management experience in the service area business, over the past two years, the Group has successfully bid for the operating rights of a number of service areas with terms ranging between 5 to 10 years, including the Pinghu Service Area on the Hangpu Expressway, the Wangqing Tuo Service Area and the Sicun Dian Service Area on the Beijing-Shanghai Expressway, the Cicheng Service Area on the Shenhai Expressway, the North-shore Service Area on the Hangzhou Bay Bridge and the Changqing Service Area on the Shandong Jihe Expressway. These service areas were opened consecutively during the Period.

During the Period, income from the aforementioned toll road-related business operations amounted to Rmb1,781.10 million, representing a year-on-year increase of 30.7%.

Securities Business

The domestic stock market remained sluggish with various stock indices dropping significantly and trading volume continued to shrink. As a result, the Group's income from the securities business reported a significant decline. During the Period, the securities business realized an operating income of Rmb1,174.47 million, representing a decrease of 38.9% year-on-year. Among such income, the brokerage commission income was Rmb1,006.74 million, representing a year-on-year decrease of 43.8%; bank interest income amounted to Rmb167.73 million, representing a year-on-year increase of 30.7%. Apart from that, the proprietary securities trading business recorded a loss of Rmb316.21 million as accounted for in the income statement (profit for 2007: Rmb475.83 million).

Long-term Investments

During the Period, traffic volume on the 9.45km Shida Road (operated by Hangzhou Shida Highway Co., Ltd., a 50% owned jointly-controlled entity of the Company) increased by 1.6% year-on-year, while toll income amounted to Rmb91.66 million, up 3.6% year-on-year. Net profit realized was Rmb47.49 million, increased by 16.4% year-on-year.

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate of the Company) benefited from the surge in oil prices during the Period, realizing an income of Rmb3,077.86 million, representing an increase of 9.9% year-on-year while net profit realized was Rmb22.02 million.

JoinHands Technology Co., Ltd. (a 27.582% owned associate of the Company) obtained its income mainly from its printing operations and property leasing during the Period. Due to a lack of improvement in the operations, the associate company incurred a loss of Rmb5.05 million during the Period.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate of the Company) operates the 69.7Km Jinhua section of Ningbo-Jinhua Expressway. In 2008, the average daily traffic volume in full-trip equivalents along the section was 7,387, representing an increase of 2.3% year-on-year; while toll income amounted to Rmb144.16 million, an increase of 0.8% year-on-year. However, due to the associate company's heavy financial burdens, the associate company incurred a loss of Rmb118.09 million during the Period.

On 26 November 2004, the Company entered into an agreement with Jiaxing Jiashao and Shaoxing Communication to set up the Zhejiang Jiashao Expressway Co., Ltd, ("JV Co"), for the purpose of investment and participation in the development and operation of the Jiaxing-Shaoxing Expressway. The Company has on November 27, 2008 announced its withdrawal from such investment and participation. A sum of Rmb35 million representing the capital investment by the Company in the project to date, together with disposal gain thereon in the amount of Rmb8.37 million, calculated on the basis of the prevailing basic interest rate for one-year loans announced by the People's Bank of China, was reimbursed by the JV Co to the Company on November 28, 2008.

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, profit attributable to equity holders of the Company was approximately Rmb1,892.79 million, representing a decrease of 21.7% year-on-year, while earnings per share for the Company was Rmb43.58 cents.

Profitability

The compound annual growth rates of earnings per share and return on equity in the last five years were 11.5% and 4.9%, respectively.

Liquidity and Financial Resources

As at December 31, 2008, current assets of the Group amounted to Rmb10,450.20 million in aggregate (2007: Rmb12,178.25 million), of which bank balance and cash accounted for 38.8% (2007: 24.9%), bank balance held on behalf of customers accounted for 54.0% (2007: 59.4%) and held-for-trading investments accounted for 2.4% (2007: 5.1%). Current ratio (current assets over current liabilities) as at December 31, 2008 was 1.4 (2007: 1.2). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less balance of cash held on behalf of customers over current liabilities less balance of customer deposits arising from securities dealings) of the Group was 2.6 (2007: 1.8).

The amount for held-for-trading investments of the Group as at December 31, 2008 amounted to Rmb247.59 million (2007: Rmb621.22 million), of which 96.5% was invested in corporate bonds, 1.9% was invested in the stock market, while the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb2,699.18 million, representing a decrease of 25.6% over 2007.

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

Borrowings and Solvency

As at December 31, 2008, total liabilities of the Group amounted to Rmb8,990.25 million, of which 17.9% was borrowings and 62.4% was customer deposits arising from securities dealings.

Total interest-bearing borrowings of the Group as at December 31, 2008 amounted to Rmb1,609.76 million, representing a decrease of 0.8% over the beginning of the year. The borrowings comprised outstanding balances of the World Bank loans, denominated in US dollar, of approximately Rmb477.36 million in Renminbi equivalent; government loans of Rmb37.40 million; loans from domestic commercial banks totaling Rmb95.00 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, 76.3% were not repayable within one year.

As at December 31, 2008, the Group's loans from domestic commercial banks comprised semi-annual and annual short-term loans, with interest rates fixed at 6.21% per annum for semi-annual loans and with interest rate floated from 6.21% to 7.20% per annum for annual loans; 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% and 0.36%; the annual floating rates of the Group's Rmb477.36 million World Bank loans, denominated in US dollar, were from 2.84% to 5.36%.

Total interest expense for the Period amounted to Rmb76.81 million, while profit before interest and tax amounted to Rmb3,010.89 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 39.2 (2007: 44.3).

The asset-liability ratio (total liabilities over total assets) was 35.6% as at December 31, 2008 (December 31, 2007: 42.7%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of customer deposits arising from securities dealings over total assets less balance of cash held on behalf of customers) of the Group was 17.2% (December 31, 2007: 22.4%).

Capital Structure

As at December 31, 2008, the Group had Rmb16,297.27 million total equity, Rmb6,674.87 million fixed-rate liabilities, Rmb542.36 million floating-rate liabilities and Rmb1,773.02 million interest-free liabilities, representing 64.5%, 26.4%, 2.1% and 7.0% 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 20.8% as at December 31, 2008 (December 31, 2007: 28.8%).

Capital Expenditure Commitments and Utilization

Capital expenditures of the Group and of the Company for the Period totaled Rmb311.80 million and Rmb47.72 million, respectively, with Rmb97.40 million incurred by the acquisition of equipment, Rmb60.25 million incurred by the remaining construction work of widening project, and Rmb60.67 million incurred by the service area renovation and expansion.

Capital expenditures committed by the Group and by the Company as at December 31, 2008 totaled Rmb1,712.56 million and Rmb849.93 million, respectively.

Amongst the total capital expenditures committed by the Group, Rmb1,003.26 million will be used on the remaining construction work of the widening project, while Rmb130.00 million will be used for the acquisition of equipment and Rmb84.30 million will be used for the acquisition and construction of properties.

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

Contingent Liabilities and Pledge of Assets

As at December 31, 2008, the Group did not have any contingent liabilities nor any pledge of assets.

Foreign Exchange Exposure

Save for the repayment of a World Bank loan of Rmb477.36 million equivalent in US dollars, as well as dividend payments to overseas shareholders 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.

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

In 2008, in order to proactively cope with the negative impact brought by the global financial crisis to the China's economy, the Chinese government adopted proactive fiscal policies and moderately loosened monetary policies, implementing a number of measures to boost domestic demand and to facilitate a steady but relatively rapid economic growth. Meanwhile, the Zhejiang Provincial Government improved the economic environment through various measures such as increasing investment, boosting consumption and stimulating exports. However, the trend of an economic slowdown has persisted since early 2009 and the benefits of the macro-economic policies have yet to be seen. The economy of Zhejiang Province is expected to see a growth momentum in 2009 in general, though with the possibility of a continued decrease in GDP growth rate. Therefore, the organic growth rates of traffic volumes generated on expressways are expected to fall.

The traffic diversions caused by the open—to-traffic of the Hangpu Expressway and the Hangzhou Bay Bridge in 2008 had gradually stabilized at the end of the Period, but the Company will continue to be negatively affected by such traffic diversions. Meanwhile, the entire Zhuyong Expressway will be opened to traffic in May 2009, which is expected to significantly divert traffic from certain sections on the Shangsan Expressway and the Hangzhou-Ningbo Expressway, thereby reducing the respective toll incomes of the Group.

The toll-by-weight policy for trucks is expected to be implemented on the expressways in Zhejiang Province in the second half of 2009 and will help reduce the amount of overloaded trucks, thereby lowering road maintenance costs for the Group in the long run.

A precise toll income allocation scheme for expressways in the Zhejiang Province is expected to be implemented around mid-2009. The implementation of the scheme will help reduce losses in toll incomes on certain road sections of the Group due to traffic diversions, thereby making positive contribution to toll income on the Shanghai-Hangzhou-Ningbo Expressway.

The non-stop electronic toll collection system within the expressway network in the Yangtze River Delta Region, which was first implemented in Shanghai and Jiangsu, is expected to be extended to other provinces including Zhejiang Province within 2009. A real expressway network connection in the Yangtze River Delta Region will then materialize. The implementation of such a system will further enhance the traffic capacities of expressways, thereby providing a more expedient and highly efficient service to vehicles traveling on expressways.

The fuel tax reform for vehicles implemented in early 2009 combines road maintenance fees and other fees previously levied into a single fuel tax, which is imposed on sale of petroleum products. This fairer levy scheme will have a long-term and positive impact on the highway transportation industry.

The economic conditions will continue to be grave in 2009. Dragged by factors including slowing economic growth and falling unit retail prices of petroleum products, income from toll road-related business operations is expected to witness a significant decline. The Group will proactively adopt various measures to unearth unutilized potentials and to enhance efficiency, as well as saving energy and reducing consumption, so as to contain the rate of revenue decrease as much as possible.

Despite the great uncertainties facing China's stock market, policies adopted by the government to maintain economic growth and expand domestic demands will bring forth considerable opportunities to the stock market for a turnover rebound. Meanwhile, the launch of different new operations of the Group's securities business will create room for new development.

Faced with the new circumstances, the new session of the Board of the Group will proactively identify new opportunities and formulate new development plans. Supported by its entire staff, the Group will strive to mitigate and eliminate different negative impact through various means such as attracting more traffic volumes, seeking new sources of profit growth and controlling costs, so as to continue to reward our shareholders with satisfactory operating results.

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
Chen Jisong
Chairman

Hangzhou, PRC, March 17, 2009

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