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)

2010 Interim Results Announcement

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") announced the unaudited consolidated operating results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2010 (the "Period"), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

During the Period, revenue for the Group was Rmb3,130.90 million, representing an increase of 13.1% over the same period in 2009. Profit for the Period attributable to owners of the Company was Rmb855.61 million, representing an increase of 10.8% year-on-year. Earnings per share for the Period was Rmb19.70 cents, representing an increase of 10.8% over the same period in 2009.

The Directors have recommended to pay an interim dividend of Rmb6 cents per share, subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on October 18, 2010.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position for the Period, with comparative figures for 2009 and relevant notes to the condensed consolidated financial statements:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	For the six months ended June 30, 2010 Rmb'000	2009 Rmb'000
Revenue	3	3,130,902	2,768,855
Operating costs		(1,756,462)	(1,392,646)
Gross profit		1,374,440	1,376,209
Securities investment gains		51,605	27,204
Other income	4	77,453	62,392
Administrative expenses		(30,843)	(30,230)
Other expenses		(7,010)	(101,927)
Share of losses of associates		(6,394)	(11,281)
Share of profit of a jointly controlled entity		—	13,073
Finance costs		(47,007)	(35,755)
Profit before tax		1,412,244	1,299,685
Income tax expenses	5	(362,597)	(326,104)
Profit for the Period		1,049,647	973,581
Other comprehensive income			
Available-for-sale financial assets:			
— Fair values loss during the Period		(841)	—
— Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(23,453)	—
Income tax relating to components of other comprehensive income		6,074	—
Other comprehensive loss for the Period (net of tax)		(18,220)	—
Total comprehensive income for the Period		1,031,427	973,581
Profit for the Period attributable to:			
Owners of the Company		855,609	772,452
Non-controlling interests		194,038	201,129
		1,049,647	973,581
Total comprehensive income for the Period attributable to:			
Owners of the Company		846,157	772,452
Non-controlling interests		185,270	201,129
		1,031,427	973,581
Earnings per Share-basic	7	19.70 cents	17.79 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at June 30, 2010 *Rmb'000* *Unaudited*	As at December 31, 2009 *Rmb'000* *Audited*
Non-current Assets			
Property, plant and equipment		1,037,325	1,035,628
Prepaid lease payments		72,534	30,342
Expressway operating rights		12,410,438	12,755,338
Goodwill		86,867	86,867
Other intangible assets		150,757	154,819
Interests in associates		439,063	435,007
Available-for-sale investments		1,000	1,000
		14,197,984	14,499,001
Current Assets			
Inventories		21,206	17,342
Trade receivables	8	48,018	50,570
Other receivables		481,530	451,167
Prepaid lease payments		2,014	1,421
Available-for-sale investments		79,286	54,704
Held for trading investments		618,700	517,895
Financial assets held under resale agreement		100,000	—
Bank balances held on behalf of customers		10,534,757	11,532,284
Bank balances and cash			
— Restricted bank balances		—	942
— Time deposits with original maturity over three months		326,901	228,452
— Cash and cash equivalents		4,649,622	5,049,003
		16,862,034	17,903,780

	Notes	As at June 30, 2010 *Rmb'000* *Unaudited*	As at December 31, 2009 *Rmb'000* *Audited*
Current Liabilities			
Accounts payable to customers arising from securities dealing business		10,503,837	11,502,930
Trade payables	9	657,308	647,373
Tax liabilities		191,498	512,551
Other taxes payable		27,273	30,492
Other payables and accruals		598,325	637,665
Dividends payable		328,128	18
Interest-bearing bank and other loans		490,487	478,055
Provisions	10	119,777	122,477
		12,916,633	13,931,561
Net Current Assets		3,945,401	3,972,219
Total Assets Less Current Liabilities		18,143,385	18,471,220
Non-current Liabilities			
Interest-bearing bank and other loans		101,023	144,329
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		251,808	262,037
		1,352,831	1,406,366
		16,790,554	17,064,854
Capital and Reserves			
Share capital		4,343,115	4,343,115
Reserves		9,600,883	9,840,505
Equity attributable to owners of the Company		13,943,998	14,183,620
Non-controlling interests		2,846,556	2,881,234
		16,790,554	17,064,854

Notes:

1. **Basis of Preparation**

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

2. **Principal Accounting Policies**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2009 except as described below.

During the Period, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after January 1, 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after January 1, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 32 (Amendment)	Classification of Right Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [3]

[1] Effective for annual periods beginning on or after July 1, 2010 or January 1, 2011, as appropriate

[2] Effective for annual periods beginning on or after February 1, 2010

[3] Effective for annual periods beginning on or after July 1, 2010

[4] Effective for annual periods beginning on or after January 1, 2011

[5] Effective for annual periods beginning on or after January 1, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company 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

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

	For the six months ended June 30, 2010	2009
	Rmb'000	*Rmb'000*
	Unaudited	*Unaudited*
Toll operation revenue	1,684,074	1,509,470
Service area business revenue	754,265	540,920
Advertising business revenue	37,671	37,859
Commission income from securities operation	557,350	619,792
Interest income from securities operation	97,509	59,425
Others	33	1,389
Total revenue	3,130,902	2,768,855

4. Other Income

	For the six months ended June 30, 2010	2009
	Rmb'000	*Rmb'000*
	Unaudited	*Unaudited*
Interest income on bank balances and an entrusted loan receivable	21,734	11,028
Rental income	30,729	28,727
Net exchange gain	3,135	283
Towing income	7,090	7,409
Interest income from structured deposit	—	3,114
Others	14,765	11,831
Total	77,453	62,392

5. Income Tax Expenses

	For the six months ended June 30, 2010	2009
	Rmb'000	*Rmb'000*
	Unaudited	*Unaudited*
PRC Enterprise Income Tax;		
Current tax	372,826	347,697
Deferred tax:		
Current period	(10,229)	(21,593)
	362,597	326,104

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group is 25% from January 1, 2008 onwards.

No Hong Kong Profit Tax has been provided as the Group's income neither arises in, nor is derived from Hong Kong during the Period.

The tax charge for the Period can be reconciled to the profit per the condensed consolidated statements of comprehensive income as follows:

	For the six months ended June 30,	
	2010	**2009**
	Rmb'000	*Rmb'000*
	Unaudited	*Unaudited*
Profit before tax	1,412,244	1,299,685
Tax at the PRC enterprise income tax rate of 25%	353,061	324,921
Tax effect of share of losses of associates	1,599	2,820
Tax effect of share of profit of a jointly controlled entity	—	(3,268)
Tax effect of (income)/expense that is not (taxable) and deductible for tax purposes	7,937	1,631
Tax charge for the Period	362,597	326,104

6. Dividends

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (2009: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on October 18, 2010.

7. Earnings Per Share

The calculation of the basic earnings per share is based on profit attributable to owners of the Company for the Period of Rmb855,609,000 (2009: Rmb772,452,000) and the 4,343,114,500 shares (2009: 4,343,114,500 shares) in issue during the Period.

No diluted earnings per share have been calculated as there were no potential dilutive ordinary shares in issue in both periods.

8. Trade Receivables

The Group has no credit period granted to its trade customers of toll operation, service area businesses and securities operation. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period.

	As at June 30, 2010 *Rmb'000* *Unaudited*	**As at December 31, 2009** *Rmb'000* *Audited*
Within 3 months	47,187	49,739
3 months to 1 year	—	—
1 to 2 years	10	218
Over 2 years	821	613
Total	48,018	50,570

9. Trade payables

The following is an aged analysis of trade payables presented based on payment due date at the end of the reporting period.

	As at June 30, 2010 *Rmb'000* *Unaudited*	**As at December 31, 2009** *Rmb'000* *Audited*
Within 3 months	375,220	410,900
3 months to 1 year	126,476	77,793
1 to 2 years	62,481	136,065
2 to 3 years	78,312	22,011
Over 3 years	14,819	604
Total	657,308	647,373

10. Provisions

Subsequent to the relevant disclosure made in the Company's 2009 annual report (pages 105 - 106) relating to "Provisions", as at the date of this announcement, there was no material change for the Period save as disclosed below.

Prior to the restructuring of Zheshang Securities Co., Ltd.("Zheshang Securities") by the Company, the original person-in-charge of one of the sales departments under Zheshang Securities illegally misappropriated customers' deposits and funds, which caused a loss of approximately Rmb90,000,000 to the relevant customers. Zheshang Securities had made in 2009 a provision amounting to Rmb94,860,000 for the principal and related interests involved in the lawsuits, of which Rmb7,047,000 had been settled in 2009 and Rmb2,700,000 has been settled in the current period.

BUSINESS REVIEW

Affected by the relatively high comparison basis for the same period in 2009 and the State's macro-economic control measures, the growth pace of China's economy has slowed during the second quarter of the year. However, the economy as a whole kept a sound developing trend in the first half, with the national GDP increasing by 11.1% as compared to the same period last year. Although the growth pace of Zhejiang Province also slowed in the second quarter, the province did keep a positive recovery trend with continuous optimization of its whole economic structure. GDP of Zhejiang Province recorded a year-on-year growth of 13% in the first half of 2010.

Benefiting from a sound development momentum of the domestic economy and an increase in automobile sales, traffic volume and toll income on the Group's expressways maintained a satisfactory growth during the first half of the year. Therefore, during the Period, income for the Group recorded a rise of 13.0% to Rmb3,227.49 million, of which Rmb1,739.65 million, or 53.9% of total income, was generated from the two major expressways owned and operated by the Group. Rmb799.39 million was generated from toll road-related businesses, which accounted for 24.8% of total income. Affected by a sharp decline of China's stock market during the period, income from the securities business dropped slightly to Rmb688.45 million, accounting for 21.3% of the total income.

During the Period, toll income from toll road operations increased by 11.6% over the same period in 2009, while income from toll road-related businesses increased by 36.1%. A breakdown of the Group's income for the Period is set out below:

	For the six months ended June 30,		
	2010	**2009**	
	Rmb'000	*Rmb'000*	*% Change*
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	1,361,787	1,178,291	15.6%
Shangsan Expressway	377,864	380,650	-0.7%
Other income			
Service areas	758,195	545,883	38.9%
Advertising	41,166	40,094	2.7%
Securities business	688,445	710,811	-3.1%
Others	33	1,389	-97.6%
Subtotal	3,227,490	2,857,118	13.0%
Less: Revenue taxes	(96,588)	(88,263)	9.4%
Revenue	3,130,902	2,768,855	13.1%

Toll Road Operations

During the Period, benefiting from the effective macro-economic control measures, China's economy developed positively toward the expected goal. Domestic demand stimulated domestic automobile sales. At the same time, the widening project of the Shanghai Section of the Shanghai-Hangzhou Expressway was completed in early 2010, and together with the implementation of the toll-by-weight policy, the natural growth of traffic volume on the Group's expressways was quite significant, with the growth rate of toll income being much steeper than that of traffic volume.

On January 1, 2010, construction on the Shanghai Section of the Shanghai-Hangzhou Expressway was completed. Through a series of promotion, traffic volume on the Shanghai-Hangzhou Expressway resumed in no time to the same level as that before the construction. At the same time, the toll-by-weight policy implemented in mid-April 2010 brought about a notable increase in toll income for the road section. From the first half's operation figures, we are happy to witness that both traffic volume and toll income recorded double-digit increases for the Shanghai-Hangzhou-Ningbo Expressway.

Despite the advantages brought to the Shangsan Expressway by both sound macro-economic growth and the implementation of the toll-by-weight policy in the first half of the year, the launch of the dual path identification system in mid-October 2009 has offset the traffic volume increase on the Shangsan Expressway, resulting in a slight drop in traffic volume and toll income for the road section during the Period.

The average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 37,933 during the Period, representing an increase of 12.4% year-on-year. The average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway increased by 17.2% year-on-year, and that along the Hangzhou-Ningbo Section increased by 9.2% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 18,844 during the Period, representing a decrease of 1.4% year-on-year.

Toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb1,361.79 million during the Period, representing an increase of 15.6% year-on-year; while toll income from the Shangsan Expressway amounted to Rmb377.86 million during the Period, representing a decrease of 0.7% year-on-year.

Toll Road-related Businesses

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.

During the Period, with a steady recovery of the domestic economy, traffic volume along the Group's expressways increased significantly. The opening of Shanghai Expo also lifted traffic volume and thus enhanced income for the service areas. Meanwhile, both sales and prices of petroleum products increased substantially, which has in turn boosted the income of the gas station operation. Consequently, income of toll road-related businesses of the Group amounted to Rmb806.48 million during the Period, an increase of 35.6% year-on-year.

Securities Business

During the Period, the macro-economy was under structural adjustments, leading to a sharp drop of Shanghai and Shenzhen stock market indices and a decrease in transaction volume. Competition in the brokerage market became intensified, resulting in a reduction on average commission rates. Despite the severe external environment, Zheshang Securities continued to maintain a smooth operation through active business developments. The market share of its brokerage business continued to be enhanced, as well as its number of clients. In the meantime, Zheshang Securities achieved growth on investment banking, asset management and futures businesses, which to some extent offset the impact on Zheshang Securities caused by intense market competition and share index drop.

During the Period, the offering scale of the Zheshang Securities' first accumulated asset management plan "Zheshang Huijin No.1" reached Rmb2.3 billion, boosting the total scale of the asset management business to exceed Rmb3.0 billion. Zheshang Securities set up five new branches in coastal provinces and cities like Fujian and Guangdong, and the number of operating offices was extended to 46, thereby further enhancing its network deployment.

During the Period, the securities business realized an operating income of Rmb688.45 million, representing a decrease of 3.2% year-on-year. Of such income, brokerage commission income amounted to Rmb590.94 million, representing a year-on-year decrease of 9.3%; and bank interest income amounted to Rmb97.51 million, representing a year-on-year increase of 64.1%. Apart from these, the proprietary securities trading business recorded a profit of Rmb51.61 million as accounted for in the income statement (2009 Interim: Rmb27.20 million).

Long-term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate of the Company) ("Petroleum Co") benefited from a recovery of the macro-economy and an increase in petroleum products prices during the Period. It recorded a substantial increase in sales of petroleum products and a revenue of Rmb1,599.90 million, a 37.4% increase year-on-year. In the Period, Petroleum Co. achieved a net profit of Rmb11.52 million.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate of the Company) ("Jinhua Co") operates the 69.7km Jinhua Section of Ningbo-Jinhua Expressway. During the Period, benefiting from a recovery of the domestic economy and the toll income increase brought about by the toll-by-weight policy, the average daily full-trip traffic volume along the road section was 9,066 vehicles, a 26.1% increase as compared to the same period last year. Toll income was Rmb88.37 million, an increase of 34.9% year-on-year. A loss of Rmb39.93 million was recorded due to Jinhua Co's heavy financial burden, though the loss was gradually decreasing year after year.

JoinHands Technology Co., Ltd. (a 27.582% owned associate of the Company) generated its income mainly from its printing operation and property leasing during the Period. Due to a lack of improvement in its operations, the associate company incurred a loss of Rmb1.79 million during the Period.

Others

On May 20, 2010, the Company entered into the agreement with Zhejiang Communications Investment Group Co., Ltd. ("Communications Investment Group") and Yiwu Communications Development Co., Ltd., pursuant to which the Company agree to inject a further capital to the amount of Rmb23.45 million, in proportion to its share of capital contributions, into Jinhua Co by cash to alleviate a shortage in project and working capital at Jinhua Co. After the further capital injection by the Company and Communications Investment Group, the registered capital of Jinhua Co. increased from Rmb800 million to Rmb900 million and the Company continued to own as to 23.45% in the capital of Jinhua Co.

On July 2, 2010, to further leverage the investment and financing platform of the Company as a listed company in the future, one of the Company's major shareholders, Huajian Transportation Economic Development Centre ("Huajian"), transferred approximately 11% (476,760,000 shares) of its holding shares to the Company's majority shareholder, Communications Investment Group, at no consideration. After the transfer, the equity interest in the Company held by Communications Investment Group will be lifted to around 67% (2,909,260,000 shares).

HUMAN RESOURCES

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

FINANCIAL ANALYSIS

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

During the Period, return on equity was 6.1%, representing an increase of 12.7% over the same period in 2009.

Liquidity and Financial Resources

As at June 30, 2010, current assets held by the Group amounted to Rmb16,862.03 million in aggregate (December 31, 2009: Rmb17,903.78 million), of which bank balances and cash accounted for 29.5% (December 31, 2009: 29.5%), bank balances held on behalf of customers accounted for 62.5% (December 31, 2009: 64.4%) and held-for-trading investments accounted for 3.7% (December 31, 2009: 2.9%). Current ratio (current assets over current liabilities) as at June 30, 2010 was 1.3 (December 31, 2009: 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 accounts payable to customers arising from securities dealing business) was 2.6 (December 31, 2009: 2.6).

The amount for held-for-trading investments of the Group as at June 30, 2010 amounted to Rmb618.70 million (December 31, 2009: Rmb517.90 million), of which 93.0% was invested in corporate bonds, 5.5% 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 Rmb962.12 million.

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 June 30, 2010, total liabilities of the Group amounted to Rmb14,269.46 million (December 31, 2009: Rmb15,337.93 million), of which 11.2% was borrowings and 73.6% was accounts payable to customers arising from securities dealing business.

Total interest-bearing borrowings of the Group as at June 30, 2010 amounted to Rmb1,591.51 million, representing a decrease of 1.9% over December 31, 2009. The borrowings comprised outstanding balances of the World Bank loans, denominated in US dollar, of approximately Rmb391.51 million in Renminbi equivalent; loans from domestic commercial banks totaling Rmb200 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, 69.2% were not repayable within one year.

As at June 30, 2010, the Group's loans from domestic commercial banks comprised 1-year short-term loans, with interest rates fixed at 5.31% and 5.25% per annum; the annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. The annual interest rate for accounts payable to customers arising from securities dealing business was fixed at 0.36%; the annual floating rate of the Group's World Bank loans, denominated in US dollar, was 7.54%.

Total interest expense for the Period amounted to Rmb47.01 million, while profit before interest and tax amounted to Rmb1,459.25 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 31.0 (June 30, 2009: 37.4).

The asset-liability ratio (total liabilities over total assets) was 45.9% as at June 30, 2010 (December 31, 2009: 47.3%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less accounts payable to customers arising from securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 18.3% (December 31, 2009: 18.4%).

Capital Structure

As at June 30, 2010, the Group had Rmb16,790.55 million total equity, Rmb11,703.84 million fixed-rate liabilities, Rmb391.51 million floating-rate liabilities and Rmb2,174.12 million interest-free liabilities, representing 54.1%, 37.7%, 1.2% and 7.0% 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 22.4% as at June 30, 2010 (December 31, 2009: 22.5%).

Capital Expenditure Commitments and Utilization

Capital expenditures of the Group and of the Company for the Period totaled Rmb134.49 million and Rmb32.09 million, respectively, with Rmb51.58 million incurred by acquisition and construction of properties, Rmb32.97 million incurred by purchase of equipment, Rmb23.45 million for capital injection into Jinhua Co and Rmb 24.30 million for a widening project in between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub on the Shangsan Expressway.

Capital expenditures committed by the Group and by the Company as at June 30, 2010 totaled Rmb314.75 million and Rmb104.15 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb164.42 million will be used on the acquisition and construction of properties, Rmb95.03 million will be used for purchase of equipment, Rmb25.70 million will be used for the widening project in between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub on the Shangsan Expressway, and Rmb29.60 million will be used in the renovations and expansions of the service areas.

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 June 30, 2010, the Group did not have any contingent liabilities nor any other pledge of assets or guarantees.

Foreign Exchange Exposure

Save for the repayment of a World Bank loan of Rmb391.51 million equivalent in US dollars, as well as dividend payments to the holders of H shares in Hong Kong dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited and the Group has not used financial instrument for hedging purposes during the Period.

Although the Directors do not foresee any material foreign exchange risks for the Group, there is no assurance that foreign exchange risks will not affect the operating results of the Group in the future.

OUTLOOK

In the first half of this year, China's economy continued to develop steadily according to the direction led by the macro-economic control measures. Under an improving external environment, fast growth on foreign export and a low comparison basis last year, Zhejiang Province's economy continued to develop positively in the first half of 2010. However, we expect a slowdown on the growth rate of the economy in the second half under vigorous structural adjustment policies carried out by the government. As a result of the slowdown of economic growth, the rapid growth on domestic car ownership will also slow, which in turn will affect the natural traffic growth along the Group's expressways.

Although the opening of the Shanghai-Jiaxing-Huzhou-Hangzhou Expressway in early February this year caused little impact on the Group's expressways, the opening of Zhuyong Expressway on July 22, 2010 will bring about negative effect, especially causing significant traffic diversions on the Shangsan Expressway.

Introduction of the toll-by-weight policy created a decrease in truck traffic volume for a short period of time, but from existing figures, it already brought a notable increase in toll income. In the second half of this year, through strengthened promotion and measures to attract more empty vans, we expect truck traffic volume to resume to the level before the policy was implemented.

During the Period, benefiting from a better economic environment in Zhejiang Province, the Group's toll road-related businesses achieved significant growth. In the second half of the year, the Company will apply various measures, including introducing and refining quality operational projects and intensifying our promotion, to enhance management standards and service quality at the service areas.

As China's economy is in the course of transformation, despite the rapid GDP growth in the first half of the year, the stock market will remain sluggish. Although the Group's securities business may be affected by the turbulent A share market in the short run, Zheshang Securities will carry out various measures including further expanding its investment banking business and grouping financing product marketing with the futures agency business, with a view to continuously gaining industry influence and market share. We expect good profit contribution from Zheshang Securities in the future.

2010 will be a complicated year for China's economy. Given a slowdown on economic growth in the second half, we expect that the Group will be affected in respect of its expressway traffic volume, service areas operation and capital market performance. Faced with the not-so-optimistic situation, the management of the Company will continue to build up its core expressway business while actively seeking and cultivating new business opportunities and new sources of profit growth. It will strive unremittingly to contribute to the Company's sustainable development and bring forth satisfactory results for shareholders.

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 LISTING RULES APPENDIX 14

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, August 29, 2010

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