浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

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

2011 Annual Results Announcement

- Revenue amounted to Rmb6,781.35 million, representing an increase of 0.2% year-on-year.
- Profit attributable to owners of the Company amounted to Rmb1,805.35 million, representing a decrease of 3.5% year-on-year.
- Earnings per share was Rmb41.57 cents.
- A final dividend of Rmb25 cents per share is recommended.

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") announced the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2011 (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 Rmb6,781.35 million, representing an increase of 0.2% over 2010. Profit attributable to owners of the Company was Rmb1,805.35 million, representing a decrease of 3.5% year-on-year. Earnings per share for the Period was Rmb41.57 cents (2010: Rmb43.09 cents).

The Directors have recommended to pay a final dividend of Rmb25 cents per share (2010: Rmb25 cents), subject to shareholders' approval at the annual general meeting of the Company to be held on May 28, 2012. Together with an interim dividend of Rmb6 cents per share already paid, the annual dividend payout during the Period is Rmb31 cents per share (2010: Rmb31 cents).

The audit committee of the Company has reviewed the Group's annual results of the Period. Set out below are the audited consolidated statement of comprehensive income for the Period and consolidated statement of financial position as at December 31, 2011, together with the comparative figures for 2010:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
		2011	**2010**
	Notes	*Rmb'000*	*Rmb'000*
Revenue	3	6,781,352	6,769,064
Operating costs		(4,077,403)	(3,760,494)
Gross profit		2,703,949	3,008,570
Securities investment gains		7,925	126,532
Other income	4	281,929	199,791
Administrative expenses		(84,380)	(83,189)
Other expenses		(38,565)	(21,904)
Share of (loss) profit of associates		(7,035)	2,453
Finance costs		(80,043)	(120,979)
Profit before tax		2,783,780	3,111,274
Income tax expense	5	(717,838)	(798,785)
Profit for the year		2,065,942	2,312,489

		For the year ended December 31,	
		2011	**2010**
	Note	*Rmb'000*	*Rmb'000*
Other comprehensive loss			
Available-for-sale financial assets:			
– Fair value (loss) gain during the year		(9,746)	14,342
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(4,072)	(25,052)
Income tax relating to components of other comprehensive income		3,455	2,678
Other comprehensive loss for the year (net of tax)		(10,363)	(8,032)
Total comprehensive income for the year		2,055,579	2,304,457
Profit for the year attributable to:			
Owners of the Company		1,805,345	1,871,499
Non-controlling interests		260,597	440,990
		2,065,942	2,312,489
Total comprehensive income for the year attributable to:			
Owners of the Company		1,799,941	1,867,332
Non-controlling interests		255,638	437,125
		2,055,579	2,304,457
EARNINGS PER SHARE – BASIC	7	Rmb41.57 cents	Rmb43.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2011 *Rmb'000*	2010 *Rmb'000*
NON-CURRENT ASSETS			
Property, plant and equipment		1,294,465	1,120,626
Prepaid lease payments		68,983	71,035
Expressway operating rights		11,364,938	12,071,497
Goodwill		86,867	86,867
Other intangible assets		157,594	155,020
Deposit paid for acquisition of a property		323,800	–
Interests in associates		446,679	472,910
Other receivables		382,000	–
Available-for-sale investments		1,000	1,000
		14,126,326	13,978,955
CURRENT ASSETS			
Inventories		26,400	17,715
Trade receivables	8	48,013	50,768
Other receivables		844,142	953,153
Prepaid lease payments		2,052	2,052
Available-for-sale investments		60,274	71,928
Held for trading investments		1,260,021	803,772
Financial assets held under resale agreement		–	80,163
Bank balances held on behalf of customers		7,177,508	11,685,951
Bank balances and cash			
– Time deposits with original maturity over three months		2,467,793	325,545
– Cash and cash equivalents		3,120,430	5,682,053
		15,006,633	19,673,100

		As at December 31,	
		2011	**2010**
	Notes	*Rmb'000*	*Rmb'000*
CURRENT LIABILITIES			
Accounts payable to customers arising from securities dealing business		7,143,067	11,631,030
Trade payables	9	317,188	548,695
Tax liabilities		491,619	450,708
Other taxes payable		61,753	51,002
Other payables and accruals		724,216	1,049,301
Dividends payable		94,971	120,319
Bank loans		462,553	822,000
Provisions	10	–	21,238
Derivative financial instrument		6,426	–
		9,301,793	14,694,293
NET CURRENT ASSETS		5,704,840	4,978,807
TOTAL ASSETS LESS CURRENT LIABILITIES		19,831,166	18,957,762
NON-CURRENT LIABILITIES			
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		232,066	262,647
		1,232,066	1,262,647
		18,599,100	17,695,115
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		10,835,424	10,380,137
Equity attributable to owners of the Company		15,178,539	14,723,252
Non-controlling interests		3,420,561	2,971,863
		18,599,100	17,695,115

Notes:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, 2010 except as described below.

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after July 1, 2011.
2 Effective for annual periods beginning on or after January 1, 2013.
3 Effective for annual periods beginning on or after January 1, 2015.
4 Effective for annual periods beginning on or after January 1, 2012.
5 Effective for annual periods beginning on or after July 1, 2012.
6 Effective for annual periods beginning on or after January 1, 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale investments but not the Group's financial liabilities. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards that are applicable to the Group are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards is not expected to have material impact on amounts reported in the consolidated financial statements.

3. Revenue

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

	Year ended December 31, 2011 *Rmb'000*	2010 *Rmb'000*
Toll operation revenue	3,522,510	3,475,319
Service area businesses revenue	1,834,422	1,633,628
Advertising business revenue	81,765	77,997
Commission income from securities operation	985,754	1,352,051
Interest income from securities operation	356,524	226,630
Others	377	3,439
Total	6,781,352	6,769,064

4. Other Income

	Year ended December 31, 2011 *Rmb'000*	2010 *Rmb'000*
Interest income on bank balances and entrusted loan receivables	141,187	56,278
Interest income from structured deposit	–	136
Rental income	69,165	66,369
Net exchange gain	8,672	15,303
Handling fee income	24,526	23,689
Towing income	8,782	11,056
Others	29,597	26,960
Total	281,929	199,791

5. Income Tax Expense

	Year ended December 31, 2011 *Rmb'000*	2010 *Rmb'000*
Current tax:		
PRC Enterprise Income Tax	750,856	794,590
Deferred tax	(33,018)	4,195
	717,838	798,785

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 Profits Tax has been provided as the Group's income neither arises in, nor is derived from Hong Kong during the year.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2011	**2010**
	Rmb'000	*Rmb'000*
Profit before tax	2,783,780	3,111,274
Tax at the PRC enterprise income tax rate of 25%	695,945	777,819
Tax effect of share of loss (profit) of associates	1,759	(613)
Tax effect of income not taxable for tax purposes	(16)	(12)
Tax effect of expenses not deductable for tax purposes	20,150	21,591
Tax charge for the year	717,838	798,785

6. Dividends

	2011	**2010**
	Rmb'000	*Rmb'000*
Dividends recognised as distribution during the year:		
2011 Interim – Rmb6 cents (2010: 2010 interim Rmb6 cents) per share	260,587	260,587
2011 Final – Rmb25 cents (2010: 2009 Final Rmb25 cents) per share	1,085,779	1,085,779
	1,346,366	1,346,366

The final dividend of Rmb25 cents per share in respect of the year ended December 31, 2011 (2010: final dividend of Rmb25 cents per share in respect of the year ended December 31, 2010) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

7. Earnings Per Share

The calculation of the basic earnings per share is based on profit for the year attributable to owners of the Company of Rmb1,805,345,000 (2010: Rmb1,871,499,000) and the 4,343,114,500 (2010: 4,343,114,500 ordinary shares) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for the years ended December 31, 2011 and 2010.

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 the invoice date at the end of reporting period.

	As at December 31,	
	2011	**2010**
	Rmb'000	*Rmb'000*
Within 3 months	47,742	49,666
3 months to 1 year	–	–
1 to 2 years	–	271
Over 2 years	271	831
Total	48,013	50,768

9. **Trade payables**

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. The following is an aged analysis of trade payables presented based on invoice dae.

	As at December 31,	
	2011	**2010**
	Rmb'000	*Rmb'000*
Within 3 months	93,602	166,438
3 months to 1 year	32,295	232,122
1 to 2 years	116,005	60,701
2 to 3 years	58,618	83,256
Over 3 years	16,668	6,178
Total	317,188	548,695

10. **Provisions**

With respect to the relevant disclosure made under "Provisions" in the Company's Annual Report 2010 (p114-115), the provision amounting to Rmb21,238,000 made for additional interest compensation for the customers under the state bond investment agency agreements and the fund trust agreements was reversed in full as a result of plaintiff's withdrawal of the lawsuit during the Period.

BUSINESS REVIEW

In 2011, amid complex and volatile economic situations internationally and new problems affecting domestic economic operations, the Chinese government continued to implement initiatives to strengthen and improve its macroeconomic control, and thus keep the national economy on its path of continued, healthy growth. China's GDP grew 9.2% year-on-year in 2011, with an increase of 8.9% in the fourth quarter. Although Zhejiang Province also experienced stable economic growth in 2011, its GDP growth rate actually fell quarter by quarter. The province's GDP rose 9.0% year-on-year in 2011, 0.2 percentage points lower than that of the national level.

Revenue from the Group's overall operations fell slightly year-on-year, mainly as a result of Zhejiang Province's slackening macroeconomic growth. During the Period, the Group realized a total income of Rmb6,977.21 million, representing a decrease of 0.03% year-on-year; of which Rmb3,643.93 million was attributable to the two major expressways operated by the Group, representing 52.2% of the total income; Rmb1,932.34 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 27.7% of the total income; and Rmb1,400.94 million was attributable to the securities business, representing 20.1% of the total income.

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

	2011 *Rmb'000*	**2010** *Rmb'000*	*% Change*
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	2,954,949	2,848,805	3.7%
Shangsan Expressway	688,984	741,652	-7.1%
Other income			
Service areas	1,842,206	1,641,748	12.2%
Advertising	89,756	85,881	4.5%
Road maintenance	377	3,439	-89.0%
Securities business income			
Commission	1,044,415	1,431,416	-27.0%
Bank interest	356,524	226,630	57.3%
Subtotal	6,977,211	6,979,571	0.0%
Less: Revenue taxes	(195,859)	(210,507)	-7.0%
Revenue	6,781,352	6,769,064	0.2%

TOLL ROAD OPERATIONS

In 2011, automobile sales volume declined substantially due to the macroeconomic deceleration. The traffic volume recorded on the Group's two expressways was also hit to varying degrees during the Period as a result of several unfavorable factors, such as the traffic diversion to the Zhuyong Expressway and the abolition of toll tariffs for certain neighbouring Class II highways.

Trucks travelling on the Group's expressways have been gradually diverted to other expressways since the abolition of toll tariffs for certain neighbouring Class II highways and the implementation of the toll-by-weight policy for trucks travelling in Zhejiang Province since March 2010. In particular, there was a heavy diversion of trucks away from the Shanghai-Hangzhou Expressway to ordinary Class II highways as a result of the abolition of toll tariffs for the Yuhang section and a number of surrounding Class II highways. The removal of tariffs also led to a substantial decline in traffic volume along the Yuhang section during the Period.

In addition to the ongoing negative impact caused by the opening of the Zhuyong Expressway in July 2010, in terms of the respective traffic volumes along some sections of the Group's Hangzhou-Ningbo Expressway and Shangsan Expressway during the Period, the higher incidence of severe weather conditions in the first half of 2011 and the complete closure of two-way travel along the Xinchang section of the Shangsan Expressway in November 2011 for maintenance work on its side slopes also negatively impacted traffic volume and toll income to certain extents.

Consequently, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 40,438 during the Period, representing an increase of 4.3% 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 40,675, an increase of 2.9% year-on-year, and that along the Hangzhou-Ningbo section was 40,268, an increase of 5.3% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 16,344 during the Period, representing a decrease of 7.1% year-on-year.

The Group remains committed to enhancing the quality of operational management despite various uncertainties lying ahead. Upon completion of the expansion project for the Hangzhou toll station during the Period, the traffic capacity at the exit of the toll station was raised from 2,000 vehicles per hour to 2,500 per hour. Moreover, the development of more than 80 various accessory software items for toll collection offered an assurance to the stable operation of the toll-by-weight policy and the electronic toll collection ("ETC") system. In particular, the toll collection efficiency was improved significantly following the completion of 38 ETC lanes on Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway, which accounted for 25% of the total number of ETC lanes in terms of usage rate across the province.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway and the 142km Shangsan Expressway amounted to Rmb3,643.93 million during the Period, representing an increase of 1.5% year-on-year. In respect of such income, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,954.95 million, an increase of 3.7% year-on-year, while toll income from the Shangsan Expressway amounted to Rmb688.98 million, a decrease of 7.1% year-on-year.

TOLL ROAD-RELATED BUSINESS OPERATIONS

The Company also operates certain toll road-related businesses along its expressways through its subsidiaries and associated companies, including gas stations, restaurants and shops in service areas, as well as roadside advertising and vehicle service businesses.

As a result of slackened growth in traffic volume along the Group's two expressways and the impact of traffic diversions to the Zhuyong Expressway during the Period, the traffic volume of certain large passenger vehicles was pulled down. However, owing to increases in the sale prices of petroleum products which has in turn led to a substantial increase in sales revenue of petroleum products, the overall income from the service areas was satisfactory. Income from toll road-related businesses amounted to Rmb1,932.34 million during the Period, representing a year-on-year increase of 11.6%.

SECURITIES BUSINESS

In 2011, China's domestic stock market as a whole remained volatile and declined in value year-on-year as a result of low market activity levels. During the Period, it was unable to offset falling commission rates despite efforts to continue to steadily increase the market share of Zheshang Securities' securities brokerage business, with the addition of 8 new sales outlets. Moreover, the increase in overheads caused by the greater number of operational networks and employees both raised the operational costs of Zheshang Securities and undermined its profitability during the Period.

Nevertheless, confronted by an adverse external environment, Zheshang Securities not only managed to cope with the adverse conditions but also endeavoured to expand its various businesses. Consequently, in 2011, its securities brokerage market share and customer base continued to rise, and its operational network increased to 58 branches. Moreover, its investment banking business topped Rmb100 million in revenue for the first time, the revenue and net profit from its futures business continued to grow, and its preparatory work on various new businesses continued to progress steadily.

During the Period, Zheshang Securities realized an operating income of Rmb1,400.94 million, a decrease of 15.5% year-on-year. Of such income, brokerage commission income amounted to Rmb1,044.42 million, a year-on-year decrease of 27.0%; and bank interest income amounted to Rmb356.52 million, a year-on-year increase of 57.3%. During the period, the securities investment gains from Zheshang Securities accounted for in the consolidated statement of comprehensive income amounting to Rmb1.13 million.

LONG-TERM INVESTMENTS

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) was blessed by a rise in the retail prices of petroleum products and a growth in the sales of petroleum products during the Period, the associate company realized an income of Rmb5,137.97 million during the Period, representing an increase of 44.7% year-on-year. During the Period, net profit of the associate company amounted to Rmb14.71 million.

The 69.7km Jinhua Section of the Ningbo-Jinhua Expressway, operated by Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company), the Company achieved a satisfactory growth in toll income benefitting from an increase in traffic volume driven by the opening of nearby road networks. The Jinhua Section of the Ningbo-Jinhua Expressway recorded an average daily traffic volume of 10,773 in full-trip equivalents, while toll income amounted to Rmb218.10 million, an increase of 14.8% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb68.10 million during the Period.

To solve Zhejiang Jinhua Yongjin Expressway Co., Ltd.'s funding problem, its shareholders, which include the Company, agreed to provide a loan of Rmb82 million. The loan was divided among the shareholders according to their respective shareholding proportions as of November 18, 2011.

JoinHands Technology Co., Ltd. (a 27.582%-owned associate company of the Company) generated its income primarily from its property leasing activities during the Period. As the associate company did not make any significant improvements to its operations in 2011, it incurred a net loss of Rmb1.81 million during the Period.

Under the 27.582% Equity Interest Transfer Agreement for JoinHands Technology Co., Ltd. entered into in July 2011 between the Company and Guangzhou Kaixin Consulting Co., Ltd., the Company will transfer all of its 27.582% equity interest in JoinHands Technology Co., Ltd. to Guangzhou Kaixin Consulting Co., Ltd. at a consideration of Rmb31.43 million. However, as Guangzhou Kaixin Consulting Co., Ltd. has failed to pay the consideration for the equity transfer according to the terms of the contract, the Company lodged a lawsuit against it in August 2011 at the People's Court of Xihu District, Hangzhou City. The case was heard in February 2012 and is pending a final court ruling.

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 owners of the Company for the year was approximately Rmb1,805.35 million, representing a decline of 3.5% year-on-year, while earnings per share for the Company was Rmb41.57 cents.

Liquidity and Financial Resources

As at December 31, 2011, current assets of the Group amounted to Rmb15,006.63 million in aggregate (2010: Rmb19,673.10 million), of which bank balances and cash accounted for 37.2% (2010: 30.5%), bank balances held on behalf of customers accounted for 47.8% (2010: 59.4%), and held-for-trading investments accounted for 8.4% (2010: 4.1%). Current ratio (current assets over current liabilities) of the Group as at December 31, 2011 was 1.6 (2010: 1.3). 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 accounts payable to customer arising from securities dealings) was 3.6 (2010: 2.6).

The amount for held-for-trading investments of the Group as at December 31, 2011 amounted to Rmb1,260.02 million (2010: Rmb803.77 million), of which 84.1% was invested in corporate bonds, 15.5% was invested in the stock market, and the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb2,285.93 million, representing a decline of 10.4%.

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, 2011, total liabilities of the Group amounted to Rmb10,533.86 million, of which 13.9% was borrowings and 67.8% was payables to customers arising from securities dealing business.

Total interest-bearing borrowings of the Group as at December 31, 2011 amounted to Rmb1,462.55 million, representing a decrease of 19.7% over the beginning of the year. The borrowings comprised outstanding balances of loan from domestic foreign bank, denominated in HK dollar, totaling approximately Rmb312.55 million equivalent; outstanding balances of loans from domestic commercial banks totaling Rmb150.00 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, 68.4% were not repayable within one year.

As at December 31, 2011, the Group's loans from domestic commercial banks comprised one-year short-term loans, of which Rmb50.00 million was fixed-rate loans with interest rates ranging from 5.81% to 6.06% per annum, Rmb100.00 million was floating-rate loans with interest rates ranging from 6.31% to 6.56% 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 customer arising from the securities dealing business was fixed at 0.5%. The annual interest rate for the Group's loan from domestic foreign bank, denominated in HK dollar, totaling approximately Rmb312.55 million equivalent was 4.95%.

Total interest expenses for the Period amounted to Rmb80.04 million, while profit before interest and tax amounted to Rmb2,863.82 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 35.8 (2010: 26.7).

The asset-liability ratio (total liabilities over total assets) was 36.2% as at December 31, 2011 (December 31, 2010: 47.4%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customer arising from securities dealings over total assets less balance of cash held on behalf of customers) of the Group was 15.4% (December 31, 2010: 19.7%).

Capital Structure

As at December 31, 2011, the Group had Rmb18,599.10 million total equity, Rmb8,505.62 million fixed-rate liabilities, Rmb100.00 million floating-rate liabilities and Rmb1,928.24 million interest-free liabilities, representing 63.9%, 29.2%, 0.3% and 6.6% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customer arising from securities dealing by total equity, was 18.2% as at December 31, 2011 (December 31, 2010: 24.4%).

Capital Expenditure Commitments and Utilization

During the Period, capital expenditures of the Group totaled Rmb676.00 million, while capital expenditure of the Company totaled Rmb32.45 million. Amongst the total capital expenditures of the Group, Rmb523.84 million was incurred for acquisition and construction of properties, Rmb115.53 million was incurred for purchase of equipment, Rmb30.36 million was incurred for the road widening project between the Shaoxing-Zhuji hub of the Shangsan Expressway, and Rmb6.27 million was incurred for service area renovation and expansion.

As at December 31, 2011, capital expenditures committed by the Group and the Company totaled Rmb1,265.29 million and Rmb222.28 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb485.70 million will be used for acquisition of office building, Rmb407.20 million will be used for acquisition and construction of properties, Rmb345.34 million for acquisition of equipment, Rmb6.07 million for the widening project between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub of the Shangsan Expressway, and Rmb20.97 million for service area renovation and expansion.

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, 2011, the Group did not have any contingent liabilities nor any pledge of assets or guarantees.

Foreign Exchange Exposure

Save for the repayment of a domestic foreign bank loan in HK dollar amounting to an equivalent of approximately Rmb312.55 million and dividend payments to the holders of H shares in HK dollars, the Group's principal operations are transacted and booked in Renminbi. With an aim to hedge against foreign exchange risks arising from borrowings denominated in HK dollar, the Group has purchased Hong Kong dollar equivalent forward contracts with one-year term at a rate lower than the spot exchange rate on the borrowing date during the Period. Therefore, the Group's exposure to foreign exchange fluctuations is limited. Save for the above-mentioned, the Group has not used other 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

Although the economy currently continues to develop steadily and relatively quickly at the macroeconomic level, the recent slowdown in economic growth, the significant decline in automobile sales volume and the clean-up and rectification programme for toll roads will continue to negatively impact the operating results of expressways. As a result, the Group does not expect its two expressways to witness significant growth in terms of either traffic volume or toll revenue in 2012.

Meanwhile, although traffic diversion from the Group's expressways to the Zhuyong Expressway since it opened to traffic in July 2010 has presently stabilized, the opening of the Shaozhu Expressway on December 29, 2011 has since caused slight traffic diversions from some sections of the Hangzhou-Ningbo Expressway.

To raise the travelling speeds of vehicles arriving at the Group's tolling stations, more fast and convenient electronic toll collection (ETC) services are being introduced along the Group's expressways. Upon completion of 38 ETC lanes on the Group's two expressways in 2011, the remaining 50 ETC lanes are also expected to be constructed in 2012, which will further strengthen the expressway's traffic capacity, as well as improve their tolling efficiency and levels of service and management.

As China's stock market is expected to be a larger degree of uncertainty in 2012, Zheshang Securities will adopt various initiatives to help both withstand any potentially-adverse market conditions and successfully combat intense competition. These initiatives include carrying out an aggressive transformation of the securities brokerage business, promoting the growth of the investment banking business, introducing an asset management business with innovative, breakthrough solutions and enhancing the developmental capabilities of the futures business. Zheshang Securities will also aggressively strengthen its cost and risk control, and continue to carry out its operations prudently and efficiently in order to facilitate the sound development of all aspects of the securities business.

In light of the macroeconomic situation likely remaining very complex and challenging in 2012, the Company's management will continue to closely monitor any policy changes for the expressway sector and their potential impacts on the road network in Zhejiang Province, while promptly adjusting the Group's business strategies as and when required. Besides continuing to become a market leader in its principal business of expressway operations, the Company will continue to cultivate its management capabilities for its diversified operations, make use of its excellent cash flow, continue to seek suitable investment in and acquisition of expressway projects and work in a diligent and focused manner, all for the steady development of the Company and fruitful shareholder returns.

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

During the Period, the Company met all provisions in the Code on Corporate Governance Practices (the "Code") in Appendix 14, and adopted the recommended best practices contained in the Code wherever applicable.

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

Hangzhou, PRC, March 20, 2012

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