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

Stock Code : 0576

Achieve Growth through Innovation and Prudence

2012 Annual Report

Brave to Reform and Innovate with Accelerated Transformation

In 2012, Zhejiang Expressway strived to tackle external challenges guided by the idea of "Brave to Reform and Innovate with Accelerated Transformation". Bearing in mind that we must seize every moment, we were vigorous and persistent in our development and were quick to grasp opportunities to achieve breakthroughs in our business. We not only endeavoured to accomplish our full year target but to also realize rapid-yet-stable development on our path of transformation so as to provide impetus for the further growth of the Group.

Content

Definition of Terms

ADR(s)	American Depositary Receipt(s)
ADS(s)	American Depositary Share(s)
Advertising Co	Zhejiang Expressway Advertising Co., Ltd.(浙江高速廣告有限責任公司), a 70% owned subsidiary of Development Co
Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Group	Zhejiang Communications Investment Group Co., Ltd.(浙江省交通投資集團有限公司), a wholly State-owned enterprise established on December 29, 2001
Development Co	Zhejiang Expressway Investment Development Co., Ltd.(浙江高速投資發展有限公司), a 100% owned subsidiary of the Company
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd.(浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd.(浙江金華甬金高速公路有限公司), a 23.45% owned associate of the Company

JoinHands Technology	JoinHands Technology Co., Ltd.（中恒世紀科技實業股份有限公司）, a 27.582% owned associate of the Company
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Period	the period from January 1, 2012 to December 31, 2012
Petroleum Co	Zhejiang Expressway Petroleum Development Co., Ltd.（浙江高速石油發展有限公司）, a 50% owned associate of the Company
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd.（浙江上三高速公路有限公司）, a 73.625% owned subsidiary of the Company
Shareholders	the shareholders of the Company
Shengxin Co	Shengxin Expressway Co., Ltd.（浙江紹興嵊新高速公路有限公司）, a 50% owned jointly controlled entity of the Company
Supervisory Committee	the supervisory committee of the Company
Towing Co	Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd.（浙江高速公路清障施救服務公司）, a 100% owned subsidiary of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd.（浙江余杭高速公路有限責任公司）, a 51% owned subsidiary of the Company
Zheshang Securities	Zheshang Securities Co., Ltd.（浙商證券股份有限公司）, a 70.83% owned subsidiary of the Shangsan Co

Company Profile

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating of high-grade roads. The Company and its subsidiaries also carry out certain ancillary businesses such as automobile servicing, operation of gas stations and billboard advertising along expressways, as well as securities business.

Major assets under management of the Group include the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsan Expressway, ancillary facilities along the two expressways, and Zheshang Securities. Both expressways are situated within Zhejiang Province in the PRC. As at December 31, 2012, total assets of the Company and its subsidiaries amounted to Rmb29,445.38 million.

The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province.

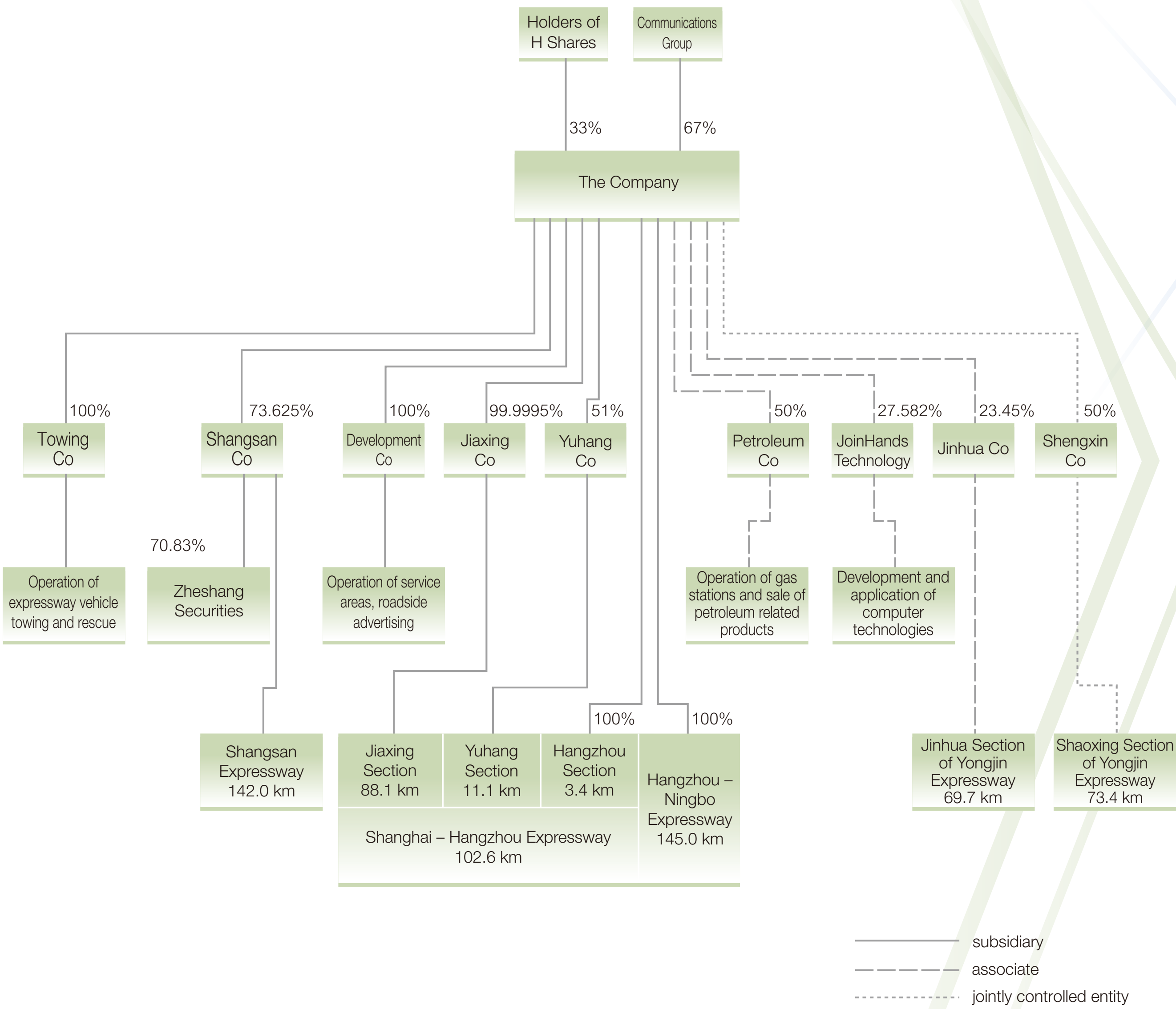
Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a provincial-level communications company which is wholly-owned by the State and established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates. As at December 31, 2012, consolidated assets of Communications Group totaled Rmb141,763.88 million.

The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

On February 14, 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as the depositary, was established in the United States and became effective.

With good performance on the Group's existing expressway operations, the Company will capitalize on all opportunities of investment and acquisition of new projects, aiming to develop itself into a first-class expressway operator in China. In addition, the Company will also endeavor to enhance its core competitiveness in the securities business, expanding its operation network and increasing its profit contribution to the Group.

Set out below is the corporate and business structure of the Group as at December 31, 2012:



Review of Major Corporate Events

1. In February 2012, financial magazine "The Asset" announced its "Asset Triple A Asian Awards 2011" in Hong Kong, and Zhejiang Expressway was named "China's Most Promising Company under Infrastructure Industry".

2. On March 20, 2012, the Company announced its 2011 annual results in Hong Kong, and thereafter conducted its annual results presentations in Hong Kong, Singapore, Australia and U.S.A..

3. On May 11, 2012, the Company announced its 2012 first quarterly results.

4. On June 11, 2012, the Company held its Annual General Meeting to approve the distribution of a final dividend of Rmb0.25 per share, the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the international auditors of the Company, and the re-appointment of Pan-China Certified Public Accountants Ltd. as the PRC auditors of the Company. Members of the Board and the Supervisory Committee for the sixth session were elected.

   On the same date, the Company held the first meeting of the Board for the sixth session at which chairman of the Board, chairmen of various committees, senior management and authorised representatives were elected.

5. On July 6, 2012, the Company announced the acquisition of a 50% equity interest in Shengxin Co pursuant to the transfer agreement entered into with Shaoxing Communications Investment Group Co., Ltd. ("SCIG").

6. On August 24, 2012, the Company announced its 2012 interim results in Hong Kong, and thereafter conducted its interim results presentations in Hong Kong and Singapore.

7. On September 29, 2012, all of the Company's 52 electronic toll collection (ETC) lanes under the second phase (Phase Two) commenced operation. As of today, there are a total of 90 ETC lanes in all of the toll stations in Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway.

8. From September 30, 2012 to October 7, 2012, the Company implemented, for the first time, the new policy of expressway toll waiver for 7-seater or less passenger vehicles on key festivals and holidays as launched by the PRC government. Key festivals and holidays include the Chinese Lunar New Year, Ching Ming Festival, Labour Day and National Day.

9. On October 12, 2012, the Company held an Extraordinary General Meeting at which the distribution of an interim dividend of Rmb0.06 per share was approved.

10. On November 16, 2012, the Company announced its 2012 third quarterly results.

    On the same date, the Company announced the proposed A shares spin-off and listing of Zheshang Securities on the Shanghai Stock Exchange.

11. On January 16, 2013, the Company announced the final distribution notice for its ten-year 2003 corporate bonds and the final interest together with principal were paid accordingly.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	8	7	2	1998	16
– Yuhang Section	51%	11.1	6	1	0	1995-1998	16
– Hangzhou Section	100%	3.4	4	2	0	1995	16
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	16.0	4	1	0	1992	15
– Hongken to Duantang section	100%	124.0	8	9	2	1995	15
– Duantang to Dazhujia section	100%	5.0	4	1	0	1996	15
Shangsan Expressway	73.625%	142.0	4	11	3	2000	18

Current Toll rates on the Shanghai-Hangzhou-Ningbo Expressway

1. Passenger vehicle classification and toll rates

Vehicle Class	Classification Standard	Entrance Fee (Rmb/vehicle)	Mileage Fee (Rmb/vehicle/km)
1	Passenger vehicle with up to 7 seats	5	0.45
	Truck with tonnage of 2 tons or below	5	0.45
2	Passenger vehicle with seats 8 to 19	5	0.45
	Truck with tonnage of above 2 tons and up to 5 tons	10	0.80
3	Passenger vehicle with seats 20 to 39	10	0.80
	Truck with tonnage of above 5 tons and up to 10 tons	15	1.20
4	Passenger vehicle with seats above 40	15	1.20
	Truck with tonnage above 10 tons and up to 15 tons	15	1.40
5	Truck with tonnage above 15 tons	20	1.60

2. Toll rates on goods vehicles

Load		Toll standards
Legally loaded	Up to 5 tons	Rmb0.09/ton per km
	Above 5 tons and up to 15 tons	Rmb0.09/ton per km x 1.5 is reduced in a linear manner to Rmb0.09/ton per km
	Above 15 tons and up to 30 tons	Rmb0.09/ton per km is reduced in a linear manner to Rmb0.06/ton per km
	Over 30 tons	Based on 30 tons calculation
Overloaded vehicle	Overloaded below 10%	Calculation based on the basic fee standard for legally loaded
	Overloaded up to 30%	The overloaded portion over 10% is calculated based on Rmb0.09/ton per km x 1.2; the remaining portion is calculated based on the fee standard of “Overloaded below 10%”
	Overloaded above 30% and up to 50%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of “Overloaded up to 30%”; the remaining portion is calculated based on Rmb0.09/ton per km x 2
	Overloaded above 50% and up to 100%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of “Overloaded up to 30%”; the remaining portion is calculated based on Rmb0.09/ton per km x 3
	Overloaded over 100%	The legally loaded portion and the overloaded portion up to 30% is calculated based on the fee standard of “Overloaded up to 30%”; the remaining portion is calculated based on Rmb0.09/ton per km x 4

* The mileage fee for Class 1 vehicle on the Shangsan Expressway is Rmb0.40/vehicle/km. The toll rates for other passenger vehicles and trucks are the same as those for the Shanghai-Hangzhou-Ningbo Expressway.

Financial and Operating Highlights

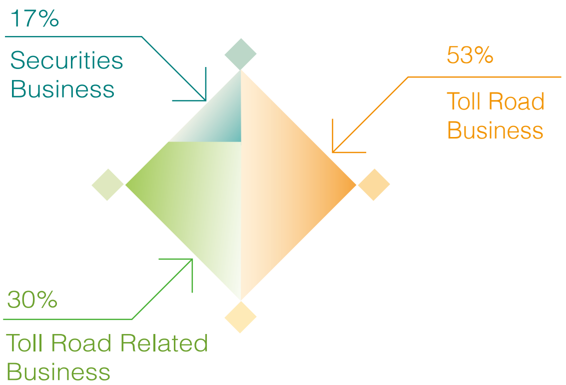
Results

	Year ended December 31,				
	2008	2009	2010	2011	2012
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue	6,323,470	6,036,294	6,769,064	6,781,352	6,700,258
Profit Before Tax	2,934,079	3,084,128	3,111,274	2,783,780	2,515,946
Income Tax Expense	(668,928)	(840,055)	(798,785)	(717,838)	(646,864)
Profit for the year	2,265,151	2,244,073	2,312,489	2,065,942	1,869,082
Attributable to:					
Owners of the Company	1,892,787	1,795,488	1,871,499	1,805,345	1,686,270
Non-controlling interests	372,364	448,585	440,990	260,597	182,812
Earnings Per Share (EPS)	43.58 cents	41.34 cents	43.09 cents	41.57 cents	38.83 cents

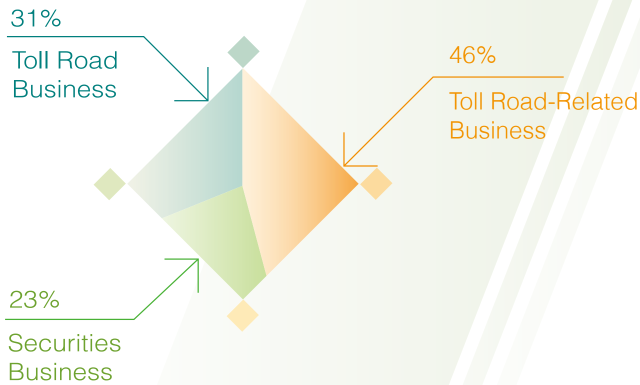
Return on Equity (ROE)

	2008	2009	2010	2011	2012
ROE	13.83%	12.66%	12.71%	11.89%	10.86%

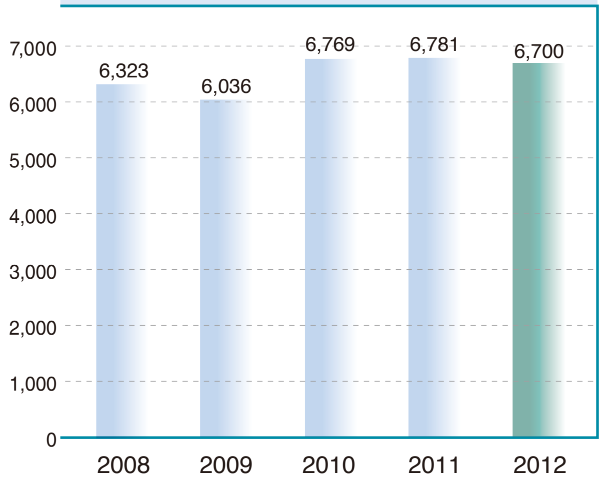
Segmental Revenue (year 2012)



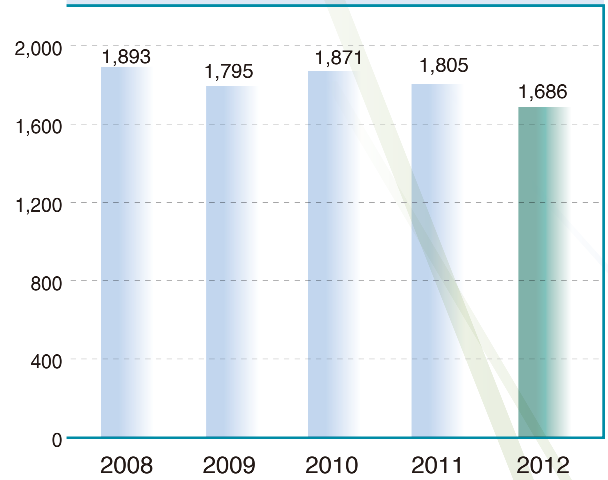
Segmental Operating Cost (year 2012)



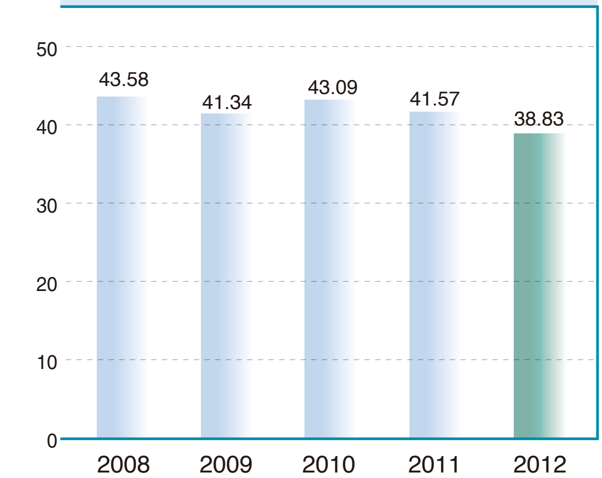
Revenue (Rmb Million)



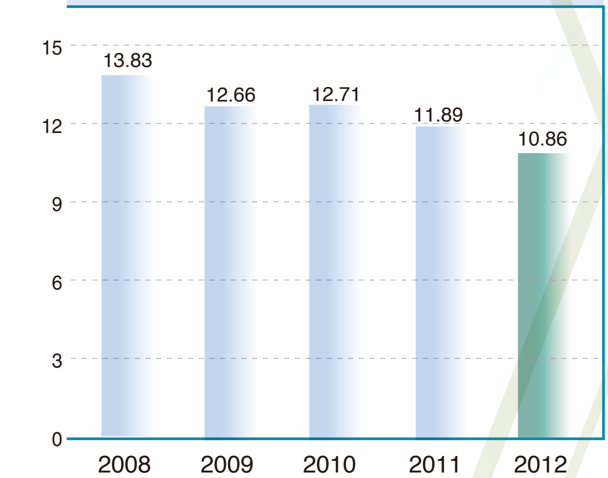
Net profit (Rmb Million)



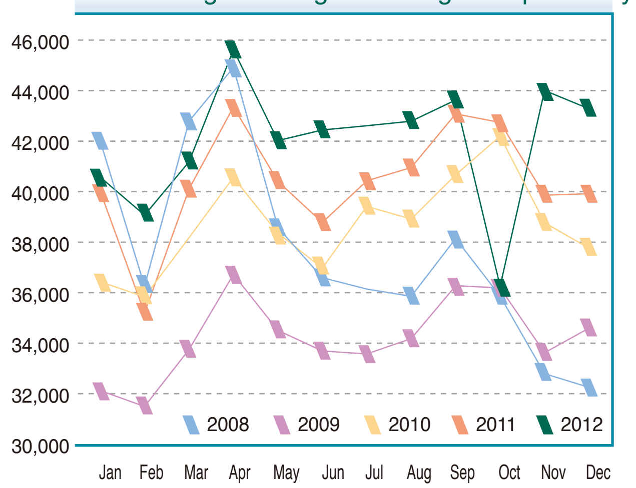
EPS (Rmb Cents)



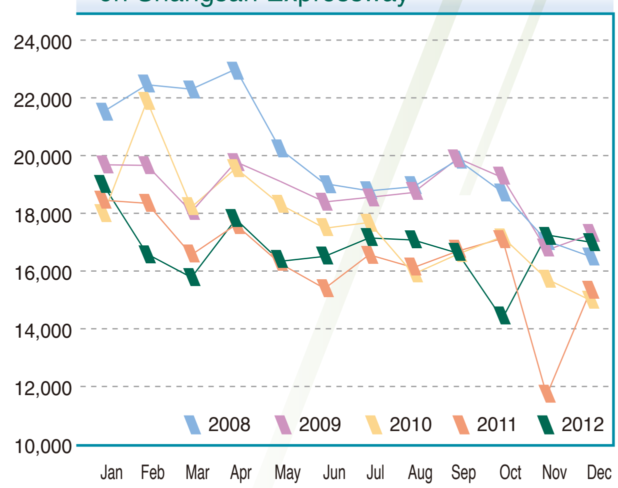
ROE (%)



Monthly average daily full-trip traffic volume on Shanghai-Hangzhou-Ningbo Expressway



Monthly average daily full-trip traffic volume on Shangsan Expressway



Chairman's Statement

Chairman
ZHAN Xiaozhang

Dear Shareholders,

Brave to Reform and Innovate with Accelerated Transformation

I am honoured to present to you the 2012 annual results of Zhejiang Expressway on behalf of the Board of the Company for the first time. Here I would like to thank Chairman Mr. Chen Jisong particularly for his crucial contribution to Zhejiang Expressway.

2012 was full of challenges and obstacles. The fluctuating macro economy, ongoing launch of unfavourable policies together with a downturn in the securities market have exerted pressure on the growth of the Group's business.

From the perspective of the macroeconomic environment, the European sovereign debt crisis remained unstable, the U.S. economy recovered at a slow pace and the Chinese domestic economic growth appeared to be decelerating, with a GDP growth of 7.8%, a record low in recent years. The economy of Zhejiang Province, which was heavily reliant on foreign trade, was yet hit by the weakening overseas import and export markets. The province recorded a total import and export value of US$312,230 million in foreign trade in 2012, a year-on-year increase of only 0.9%. Meanwhile, the volume of cargo and passenger traffic on roads across the province increased year-on-year by 4.4% and 1% respectively, which were lower than the increase of 5.1% and 1.3% in 2011. From a policy perspective, the State's implementation of exemption from toll charges of passenger vehicles with seven seats and less travelling on expressways during major festivals and holidays hit the industry's income performance to varying degrees.

Multiple challenges posed by the macro economy and policies have slowed down the trend of growth in the traffic volume and toll income of the Group's toll roads. To this end, the Group further increased the depth and breadth of measures to cut costs and increase income during the year to ensure stable toll income and traffic volume. On the other hand, the Group was actively looking for investment opportunities and announced a plan in July 2012 for the acquisition of a 50% equity interest in the Shaoxing Section of Yongjin Expressway. The acquisition was completed on 28 November 2012, marking the commencement of the new company, which will strive to bring a good return for the Group as early as possible.

On the securities market side, the domestic stock market in China remained in the doldrums, as marked by a rise of only 3.17% in the Shanghai Composite Index during the whole year of 2012. Investors were lack of confidence in stepping in the market and buying shares. The annual stock turnover of the Shanghai Stock Exchange and Shenzhen Stock Exchange decreased by 30.7% and 18.5% respectively, leading to a fall in both overall revenue and profitability of the industry. The sluggish external environment impacted the Group's securities and futures business performance, resulting in a substantial drop in both revenue and profits. Nevertheless, the Group remains fully confident in the long-term development of China's securities industry. This is why the Group announced a plan during the year to spin off Zheshang Securities and float its shares on the A-share market, and continued to expand Zheshang Securities' business to boost its rapid development, as major initiatives of the Group to implement the transformation strategy. By making aggressive efforts on developing and optimizing business on an ongoing basis, Zhejiang Securities has built a financial business structure featuring securities, futures, funds and venture capital. This structure will become an important source of growth momentum for the Company.

Despite numerous challenges, the performance of the Company in the capital market showed that the share price of the Company increased by 19.61% in 2012, making the Company a top performer among its peers, with the increase outperforming that of Hang Seng China Enterprises Index and on par with that of Hang Seng Index. This suggests that the capital markets have expressed full recognition and confidence in the Company's business performance and prospects. Such recognition and confidence have also given us an impetus to seek ongoing progress and innovation.

In order to repay for the support of investors at large, the Board continued to maintain a high dividend payout level even under the unfavourable business environment, hoping to share the fruits of development with shareholders. The Board has recommended the payment of a final dividend of Rmb24 cents per share for 2012, together with an interim dividend of Rmb6 cents per share already paid, the annual dividend payout is Rmb30 cents per share, accounting for 77.3% of the Company's profit available for distribution to shareholders for the year. This proposed dividend payment is yet subject to approval by the shareholders at the Company's forthcoming 2012 Annual General Meeting.

Looking ahead to 2013, despite uncertainties prevail, the overall domestic and international economic environment is expected to be better than last year. In terms of global economic trends, favorable factors are gradually increasing and are expected to improve over 2012 despite the lack of growth momentum. On the domestic front, the central government has proposed enhancing the speed of industrial structure adjustment, while the economic growth in Zhejiang Province has shown signs of stability since the second half of 2012 and even signs of acceleration at the end of the year. In the province, various infrastructure as well as economic and financial development projects continue to kick off, while the toll road industry will benefit from certain increase in traffic volume. As financial innovation in China's securities industry meets with the best period in history, the Group will grasp the trend towards business innovation to continue its reformation and innovation on products, businesses and mechanisms, and accelerate the development of the securities and futures business based on the needs of the real economy. However, generally speaking the traditional principal businesses will continue to face various challenges from economic fluctuation and adverse policies, suggesting that it is an imperative for the Group to carry out transformation development, open up new space for development and secure a new growth momentum.

As the leader of the new session of the Board, I will work together with all of the Group's staff. Bearing in mind that time and tide wait for no man and that every minute must be seized, we will aim precisely at the direction for transformation and development, while further accelerating elimination of factors hindering transformation and development, and will strive to make innovative breakthroughs. We will also listen to all views with enthusiasm, evaluate the situation and timing in order to continue to grasp every investment opportunity and explore new sources of profit on the foundation of the sustainable development of the principal business, and focus on building corporate governance standards. We hope to win the understanding and support of all of our shareholders who will unite and cooperate with us during the process of exploration and innovation to speed up transformation and development, so as to create new growth impetus for the Group, leading the Group to a new chapter.

Finally, on behalf of the Board, I would like to express my wholehearted thanks to all the shareholders for their support and all the staff for their diligence and contributions over the past year. We will continue to work hard and contribute back to shareholders and to society.

ZHAN Xiaozhang
Chairman
March 19, 2013

Endeavour to Reduce Costs and Enhance Efficiency

Despite 2012 being a challenging year, we were united in our efforts to maintain stable results by reducing costs, enhancing operational efficiency and exploring the profit potential from different angles and aspects of existing resources, as well as by striving for business innovation.

Management Discussion and Analysis

Director and General Manager
LUO Jianhu

BUSINESS REVIEW

Despite that China's economy remained generally stable in 2012, its macroeconomic growth was under greater downward pressure as a result of persistent deterioration of the European sovereign debt crisis and significant slowdown in the global economic growth. As a result, China's GDP grew by 7.8% over 2012. Moreover, although Zhejiang's economy, which relied heavily on foreign trade, was hit by weakened overseas import and export markets, the province's economic growth rate showed signs of stabilization in the second half of the year. Its GDP increased by 8.0% year-on-year during the Period, 2 percentage points higher than that of the national level.

As a result of some ongoing uncertainties in the macro environment, including weakened foreign trade and sluggish domestic consumption, organic growth in the traffic volume on the Group's expressways tended to decelerate, and revenue from the toll road operations was also undermined by the implementation of certain new policies during the year. Impacted by the gloomy Chinese domestic stock market, revenue from the securities business fell significantly year-on-year during the Period. Therefore, revenue from the Group's overall operations fell slightly year-on-year as well, with a total income of Rmb6,898.43 million, representing a decrease of 1.1% year-on-year; of which Rmb3,670.89 million was attributable to the two major expressways operated by the Group, representing 53.2% of the total income; Rmb2,046.67 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 29.7% of the total income; and Rmb1,180.87 million was attributable to the securities business, representing 17.1% of the total income.

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

	2012 Rmb'000	2011 Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	2,968,396	2,954,949	0.5%
Shangsan Expressway	702,489	688,984	2.0%
Other income			
Service areas	1,941,924	1,842,206	5.4%
Advertising	104,276	89,756	16.2%
Road maintenance	471	377	24.9%
Securities business income			
Commission	886,946	1,044,415	-15.1%
Bank interest	293,924	356,524	-17.6%
Subtotal	6,898,426	6,977,211	-1.1%
Less: Revenue taxes	(198,168)	(195,859)	1.2%
Revenue	6,700,258	6,781,352	-1.2%

Toll Road Operations

As Zhejiang's economy showed signs of stabilization and recovery in the third and fourth quarters, organic growth in the traffic volume on the Group's expressways during the Period was also slightly better than that in 2011. In particular, growth in the traffic volume on Shangsan Expressway, along which most of the enterprises are small and medium sized, picked up faster. However, upon the implementation of the toll-by-weight policy, the rapid growth in the number of large vehicles such as container trucks resulted in an overall declining number of small and medium sized trucks. This in turn led to a continued decline in the proportion of trucks to total traffic volume, and an increase in toll income from expressways being less than the increase in traffic volume during the Period.

Meanwhile, since the implementation of the tolling policy based on actual travel routes in Zhejiang Province on May 15, 2012, the Company adopted a number of measures of promotion and guidance in order to achieve greater growth in traffic volume on some sections of the Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway.

However, the abolition of the "Unified Toll Card" policy on January 1, 2012, the adjustment to the rounding of the last figures of tolls for passenger vehicles on May 15, 2012 and the launch of the policy for adjusting passenger vehicle classification on August 1, 2012 resulted in a slight decrease in the Group's toll income, causing a total loss of approximately 3.2% in toll income for the whole year. The implementation of the new policy on September 30, 2012 for exemption from toll charges of passenger vehicles with seven seats and less travelling on expressways during major festivals and holidays led to a total decrease of approximately Rmb58.00 million in the Group's toll revenue during the Period, equivalent to a decrease of approximately 1.6% in toll income for the whole year.

Tackling the challenging toll road operations in 2012, the Group continued to commit more resources to operational and management facilities for enhancing service quality and raising tolling efficiency, while further strengthening the initiatives for reducing costs, increasing benefits and income as well as plugging loopholes. During the Period, the construction of the second phase project for ETC (Electronic Toll Collection) lanes was completed ahead of the National Day long holiday to ensure that all ETC lanes at the toll stations along the Group's expressways were opened to traffic smoothly prior to the National Day long holiday, as part of our efforts to deliver safe and smooth driving during the holiday season.

Average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 41,963 during the Period, representing an increase of 3.8% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway was 42,659, representing an increase of 4.9% year-on-year, and that along the Hangzhou-Ningbo Section was 41,466, representing an increase of 3.0% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 16,787 during the Period, representing an increase of 2.7% year-on-year.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway and the 142km Shangsan Expressway amounted to Rmb3,670.89 million during the Period, representing an increase of 0.7% year-on-year. In respect of such income, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,968.40 million, representing an increase of 0.5% year-on-year while toll income from the Shangsan Expressway amounted to Rmb702.49 million, representing an increase of 2.0% 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.

During the Period, the number of customers at service areas along the expressways decreased as a result of slackened growth in traffic volume along the Group's two expressways, the impact of traffic diversions from the Shaoxing Section of Shanghai-Hangzhou-Ningbo Expressway following the opening of the Shaozhu Expressway, and the closure of Yuyao Service Area for expansion construction work since June.

Meanwhile, sales of refined oil products continued to increase year-on-year on the rising prices of these products. Accordingly, income from overall toll road-related businesses amounted to Rmb2,046.67 million during the Period, representing a year-on-year increase of 5.9%.

Securities Business

Although China's stock market rebounded in the last month of 2012 and shown a hint of stabilizing, the aggregate trading volume nevertheless fell by approximately 25% year-on-year as the market fluctuated downward throughout 2012, which continued to dampen investor sentiment. Meanwhile, benefiting from the new commission policy – the "Notice on Further Strengthening Customer Services and the Management of Securities Trading Commissions of Securities Firms" implemented in early 2011, the decline in the commission rate has begun to stabilize and has remained basically unchanged year-on-year.

Hit by the repeated volatility at low levels in the stock market, revenue from Zheshang Securities' securities brokerage business, investment banking and asset management businesses showed declines in varying degrees year-on-year during the Period.

Nevertheless, Zheshang Securities continued to increase the number of its branches and the total number of customers, and accelerated the launch of the margin financing and securities lending business for further expanding new business capabilities. Zheshang Securities had 64 securities sales outlets during the Period, an increase of six outlets year-on-year.

During the Period, Zheshang Securities realized an operating income of Rmb1,180.87 million, a decrease of 15.7% year-on-year. Of such income, brokerage commission income amounted to Rmb886.95 million, a year-on-year decrease of 15.1%; and interest income from the securities business amounted to Rmb293.92 million, a year-on-year decrease of 17.6%. Moreover, securities investment gains from Zheshang Securities accounted for in the consolidated statement of comprehensive income amounted to Rmb89.49 million during the Period.

Further Expansion of
Securities Business

We will continue to expand the scope of business of Zheshang Securities, to improve the operations and management of the unit, explore innovative business solutions and capture a greater market share so as to forge Zheshang Securities into a new growth driver of Zhejiang Expressway.

Long-term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) benefited from a rise in the retail prices of petroleum products and a growth in the sales of petroleum products during the Period. As a result, the associate company realized an income of Rmb6,090.71 million during the Period, representing an increase of 18.5% year-on-year. During the Period, net profit of the associate company amounted to Rmb15.02 million (2011: net profit of 14.71 million).

The growth of traffic volume of the 69.7km Jinhua Section of the Yongjin Expressway, operated by Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company), declined during the Period as domestic economic growth slowed down. This section recorded an average daily traffic volume of 12,084 in full-trip equivalents, an increase of 12.2% year-on-year, while toll income amounted to Rmb231.48 million, an increase of 6.1% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb54.70 million during the Period (2011: a loss of Rmb68.10 million).

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) generated its income primarily from its property leasing activities. As the associate company did not make any significant improvements to its operations, it incurred a net profit of Rmb0.15 million during the Period (2011: a loss of Rmb1.81 million).

The Company entered into a transfer agreement with Guangzhou Kaixin Consulting Co., Ltd. ("Kaixin Company") in July 2011. As Kaixin Company has failed to pay the consideration for the equity interest transfer according to the terms of the contract, the Company lodged a lawsuit against Kaixin Company. On March 23, 2012, the court ruled that Kaixin Company pay the remaining consideration of Rmb28.587 million for the equity interest transfer and liquidated damages. The Company continued to appeal against the said percentage of the liquidated damages and the dismissed priority right for claim against the mortgaged real estate of JoinHands Technology. The case is pending a final judgment to be made by the Intermediate People's Court in Hangzhou City.

Shengxin Expressway Co., Ltd. (“Shengxin Company”, a jointly controlled entity in which the Company owns a 50% equity interest) operates the Shaoxing Section of the 73.4km Ningbo-Jinhua Expressway. On July 6, 2012, the Company entered into a transfer agreement with Shaoxing Communications Investment Group Co., Ltd. (“SXCI”) for the acquisition of a 50% equity interest in Shengxin Company, a wholly-owned subsidiary of SXCI, for a cash consideration of Rmb355.03 million plus interest accrued on the consideration. As at November 30, 2012, the Company had completed the industrial and commercial changes of registration to Shengxin Company. In December 2012, Shengxin Company’s profit was accounted for in the Group’s consolidated income statement. As at December 2012, toll revenue from the jointly controlled entity amounted to Rmb23.91 million, and loss amounted to Rmb7.03 million.

Financial Analysis

The Group adopts a prudent financial policy with an aim to provide Shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company for the year was approximately Rmb1,686.27 million, representing a decline of 6.6% year-on-year, return on owners’ equity was 10.9%, representing a decline of 8.7% year-on-year, while earnings per share for the Company was Rmb38.83 cents.

Liquidity and Financial Resources

As at December 31, 2012, current assets of the Group amounted to Rmb15,752.55 million in aggregate (2011: Rmb15,006.63 million), of which bank balances and cash accounted for 30.8% (2011: 37.2%), bank balances held on behalf of customers accounted for 47.6% (2011: 47.8%), and held-for-trading investments accounted for 9.4% (2011: 8.4%). Current ratio (current assets over current liabilities) of the Group as at December 31, 2012 was 1.5 (2011: 1.6). 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 business) was 3.0 (2011: 3.6).

The amount for held-for-trading investments of the Group as at December 31, 2012 amounted to Rmb1,486.77 million (2011: Rmb1,260.02 million), of which 97.6% was invested in bonds, 0.6% was invested in stocks, 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 Rmb1,537.71 million.

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

	As at December 31,	
	2012	2011
	Rmb'000	Rmb'000
Cash and cash equivalent		
Rmb	3,353,453	3,111,774
US$ in Rmb equivalent	4,024	3,385
HK$ in Rmb equivalent	5,232	5,271
Time deposits		
Rmb	1,459,433	2,444,247
US$ in Rmb equivalent	23,975	23,546
Held-for-trading investments - Rmb	1,486,772	1,260,021
Available-for-sale investments - Rmb	134,899	60,274
Total	6,467,788	6,908,518
Rmb	6,434,557	6,876,316
US$ in Rmb equivalent	27,999	26,931
HK$ in Rmb equivalent	5,232	5,271

Borrowings and Solvency

As at December 31, 2012, total liabilities of the Group amounted to Rmb10,429.11 million, of which 9.6% was corporate bonds and 71.7% was payables to customers arising from securities business.

Total interest-bearing borrowings of the Group as at December 31, 2012 amounted to Rmb1 billion, representing a decrease of 31.6% comparing to that as at December 31, 2011. The borrowings was totally corporate bonds amounting to Rmb1 billion which was issued by the Company in 2003 with a term of 10 years. The annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. On January 24, 2013, the principal and relevant interests of the corporate bonds have been fully repaid. Besides, the annual interest rate for accounts payable to customer arising from the securities business was fixed at 0.35%.

		Maturity Profiles		
	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Domestic commercial bank loans	–	–	–	–
Fixed rates				
Domestic commercial bank loans	–	–	–	–
Domestic foreign bank loans	–	–	–	–
Corporate bonds	1,000,000	1,000,000	–	–
Total as at December 31, 2012	1,000,000	1,000,000	–	–
Total as at December 31, 2011	1,462,553	462,553	1,000,000	–

Total interest expenses for the Period amounted to Rmb54.00 million, while profit before interest and tax amounted to Rmb2,569.94 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 47.6 times (2011: 35.8).

	2012 Rmb'000	2011 Rmb'000
Profit before tax and interest	2,569,941	2,863,823
Interest expenses	53,995	80,043
Interest cover ratio	47.6	35.8

The asset-liability ratio (total liabilities over total assets) was 35.4% as at December 31, 2012 (December 31, 2011: 36.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customer arising from securities business over total assets less balance of cash held on behalf of customers) of the Group was 13.4% (December 31, 2011: 15.4%).

Capital Structure

As at December 31, 2012, the Group had Rmb19,016.28 million in total equity, Rmb8,481.82 million in fixed-rate liabilities and Rmb1,947.29 million in interest-free liabilities, representing 64.6%, 28.8% 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 business by total equity, was 15.5% as at December 31, 2012 (December 31, 2011: 18.2%).

	As at December 31, 2012		As at December 31, 2011	
	Rmb'000	**%**	Rmb'000	%
Total equity	19,016,275	64.6%	18,599,100	63.9%
Fixed rate liabilities	8,481,819	28.8%	8,505,620	29.2%
floating rate liabilities	–	0.0%	100,000	0.3%
interest-free liabilities	1,947,287	6.6%	1,928,239	6.6%
Total	29,445,381	100.0%	29,132,959	100.0%
Long-term interest-bearing liabilities	–	0.0%	1,000,000	3.4%
Gearing ratio 1 (note)		15.5%		18.2%
Gearing ratio 2 (note)		0.0%		5.4%
Asset-liabilities 1 (note)		35.4%		36.2%
Asset-liabilities 2 (note)		13.4%		15.4%

Note: Gearing ratio 1 represents the total liabilities less balance of accounts payable to customers arising from securities business to the total equity; gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities to the total equity; Asset-liability ratio 1 represents total liabilities to total assets; Asset-liability ratio 2 represents the total liabilities less balance of accounts payable to customers arising from securities business to the total assets less bank balances held on behalf of customers.

Capital Expenditure Commitments and Utilization

During the Period, capital expenditures of the Group totaled Rmb724.56 million, while capital expenditure of the Company totaled Rmb467.96 million. Amongst the total capital expenditures of the Group, Rmb373.47 million was incurred for acquiring 50% equity interest in Shengxin Company, Rmb50.00 million was incurred for capital increase of Zheshang Fund Management Co., Ltd. (an associate of Zheshang Securities that held 25% equity interest), Rmb120.30 million was incurred for acquisition and construction of properties, Rmb162.33 million was incurred for purchase and construction of equipment and facilities, and Rmb12.39 million was incurred for service area renovation and expansion, Rmb6.07 million was incurred for the road widening project between the Shaoxing-Zhuji hub of the Shangsan Expressway.

As at December 31, 2012, capital expenditures committed by the Group and the Company totaled Rmb1,086.40 million and Rmb450.08 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb497.05 million will be used for acquisition and construction of properties, Rmb238.50 million for acquisition and construction of equipment and facilities, Rmb70.85 million for service area renovation and expansion and Rmb280.00 million for investment in an associate.

The Group will finance the above mentioned capital expenditure commitments mainly with internally generated cash flow and will consider using debt financing to meet any shortfalls in priority to using other methods.

Contingent Liabilities and Pledge of Assets

As at December 31, 2012, 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 Hong Kong dollars amounting to an equivalent of Rmb312.51 million and dividend payments to the holders of H shares in Hong Kong dollars, the Group's principal operations were transacted and booked in Renminbi.

With an aim to hedge against foreign exchange risks arising from borrowings denominated in Hong Kong dollars, the Group purchased Hong Kong dollar equivalent forward contracts with one-year term at a rate lower than the spot exchange rate on the borrowing date in the year of 2011. The transaction completed on May 31, 2012. Other than the above, the Group has not used other financial instruments 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.

HUMAN RESOURCES

As at December 31, 2012, there were 6,127 employees within the Group, amongst whom 1,259 worked in the managerial, administrative and technical positions, while 4,868 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

To fully reflect the Company's values and corporate culture, and to proactively implement its development strategy, the Company further amended its remuneration policy and emphasised the concept of remuneration based on responsibilities, competence and performance to clearly establish the relationship between the salary raise, individual performance and corporate performance, and to help employees strive for salary review. The remuneration package comprises three parts: basic salary, incentive pay and benefits. The basic salary is determined primarily based on the seniority and ability of the staff. The incentive pay is pegged with productivity. Benefits for employees come in the form of contributions made by the Group to local social security agencies covering pension, medical and accommodation concerns that are calculated as a percentage of employees' income and in accordance with relevant PRC rules and regulations. The Company continued to implement the corporate annuity scheme during the Period, and total pension cost charged to the income statement during the Period amounted to Rmb62.86 million.

Accelerate Transformation and

Race Against Time

Bearing in mind that every moment must be seized, we will continue to step up business exploration and innovation in order to accelerate the transformation of Zhejiang Expressway, and to open a new chapter of development.

OUTLOOK

Due to influences by the macro and regional economic development on the overall performance of toll road operations, it is anticipated that the domestic economy will maintain steady development in 2013 under the government's macro-control initiatives. In addition, based on available data, it is suggested that Zhejiang's economy is stabilising and improving, which would be conducive to the continued organic growth in the traffic volume on the Group's expressways in 2013.

Meanwhile, Jiaxing-Shaoxing Expressway, which is scheduled to open in the second half of 2013, is anticipated to create a slight negative impact on the Group's Shanghai-Hangzhou-Ningbo Expressway, but a greater boost to the traffic volume on the Group's Shangsan Expressway. As the income and profit contribution from Shangsan Expressway is smaller than that from Shanghai-Hangzhou-Ningbo Expressway, the opening of the Jiaxing-Shaoxing Expressway is unlikely to significantly impact on the Group's toll income for the whole year overall.

Moreover, as a new round of quantitative easing policies is being launched globally, it is expected that China may make appropriate adjustments to its monetary policy in 2013, which may provide new impetus to the sluggish Chinese securities market. This will help Zheshang Securities to seize an opportunity in that while strengthening cost control and risk control, Zheshang Securities will further develop innovative business, broaden the sources of income and speed up the process of the proposed listing of its shares on the Shanghai Stock Exchange to address the challenges posed by market environment and intense competition for facilitating the sound development of the securities business.

Looking ahead in 2013, the world economy is expected to remain in a major adjustment period; the Chinese domestic economy is seeking a new balance in its development and the impact of national policies on the toll road industry will continue. All of these factors have added to uncertainty to the Group's business development.

However, the Company's management also observed that a number of positive factors are emerging as well: strengthened U.S. economic recovery; China's implementation of the four major national strategies and commencement of the four major construction projects in Zhejiang Province at full speed, which will present a rare opportunity for the Group's development. In addition to continuous consolidation of the Group's principal expressway business as well as advancing the securities and financial business, the Group will also be actively seeking suitable investment projects and nurturing management capabilities on diversified businesses. The Group will also utilize its financial resources advantage to generate strategic synergies with its parent company for expanding development space and improving profitability in future.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

As the global economy remained in a period of profound restructuring, the domestic economy, despite showing signs of picking up, was still taking shape towards a new balance as a whole. Meanwhile, the unfavourable export trading conditions also affected Zhejiang, a province with heavy reliance on export trading. Growth in the traffic volume and toll revenue of the Group's expressways is expected to remain uncertain, creating uncertainties for the operations, financial conditions and operating results of the Group.

Roads Competition

Despite the opening of two expressways nearby, namely Shenjia Huhang Expressway and Zhuyong Expressway, the impacts of traffic diversion on the Group's two expressways were stabilized.

However, as Jiaxing-Shaoxing Cross River Passage is scheduled to commence service in the second half of 2013, coupled with the opening of other new expressways nearby, it is expected that new traffic will be diverted to certain sections of Shanghai-Hangzhou-Ningbo Expressway. In face of the increasingly significant effects of traffic division due to the newly built expressways in Zhejiang province, we have implemented ETC (electronic toll collection) system in all toll stations and improved the quality of expressway service. We endeavoured to attract more traffic to the Group's expressways through improving the expressway bulletin and adopting various means of promotion and introduction to cope with the challenges arising from the unfavourable toll road business environment. Accordingly, we cannot be assured as to whether traffic volume to be generated on the Group's expressways will be maintained at the same levels as before or will increase in the future, or whether or not the operating results of the Group will be negatively affected.

Toll Policy

With the implementation of the toll waiver policy on small passenger vehicles on key festivals and holidays by the PRC government on September 30, 2012, the expressway operators who charge for toll are negatively affected. In addition, due to the introduction of a special project by five ministries and commissions for the rectification of the toll road policy in Zhejiang province, a number of new policies focusing on adjusting the toll policy of expressways within the province were successively issued in 2012. Despite that we expect the possibility of major changes in the policies of the expressway industry in the near term is minimal, we cannot be assured that there will be no change in the toll policy in Zhejiang province, nor further adjustment to the toll standards for vehicle classes and toll calculation methods adopted by expressway operators within the province. It is uncertain that changes in toll tariffs of expressways arising therefrom will not have any adverse effects on the toll revenue of the Group.

SECURITIES BUSINESS RISKS

Market Fluctuations

The securities business is highly susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity. It may be materially affected by economic and other factors such as the global market conditions; the availability and cost of capital; the liquidity of the global markets; the level and volatility of stock prices, commodity prices and interest rates; currency values and other market indices; inflation; natural disasters; acts of war or terrorism; as well as investor sentiment and confidence in the financial markets. There is no assurance as to whether our securities business will be adversely affected by fluctuations in the market, or whether our securities business will continue to contribute to our overall profit margin.

Regulation of the Securities Business

We are subject to extensive regulations in the PRC that govern how we conduct our securities business, and we are subject to risks of intervention by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory actions against us could have material adverse impacts on our financial position, cause us significant reputational harm, or harm our business prospects. New laws, regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 4, 5 and 6 to the Consolidated Financial Statements.

STATEMENT OF RESPONSIBILITY FROM THE DIRECTORS WITH RESPECT TO THE ANNUAL REPORT AND THE COMPANY'S ACCOUNTS

The Directors of the Company duly confirm that to the best of their knowledge:

— the consolidated financial statements prepared and subject to disclosure under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group, and cover the enterprises that have been consolidated into the Company; and

— the "Management Discussion and Analysis" section included in this annual report includes a fair review of the development and performance of the business and the position of the Group, covers the enterprises that have been consolidated into the Company and describes the principal risks and uncertainties faced by the Group.

From the beginning of year 2012 up to now, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board
Tony ZHENG
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 19, 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good governance in Appendix 14 of the Listing Rules (available at www.hkex.com.hk) ("CG Code").

During the Period, the Company has complied with all code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings ("Rules on Securities Dealings") for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the Directors, the Directors have confirmed their respective compliance with the required standards for securities transactions by Directors as set out in the Model Code and the Rules on Securities Dealings during the Period.

BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD")

The executive directors of the Company during the Period were:

Mr. ZHAN Xiaozhang *(Chairman)*

Mr. CHEN Jisong *(Chairman, retired)*

Ms. LUO Jianhu *(General Manager)*

Mr. JIANG Wenyao *(retired)*

Mr. ZHANG Jingzhong *(retired)*

Mr. DING Huikang

The non-executive directors of the Company during the Period were:

Ms. ZHANG Luyun *(retired)*

Mr. LI Zongsheng

Mr. WANG Weili

WANG Dongjie

The independent non-executive directors of the Company during the Period were:

Mr. TUNG Chee Chen *(retired)*

Mr. ZHANG Junsheng

Mr. ZHANG Liping *(retired)*

Mr. ZHOU Jun

Mr. PEI Ker-Wei

During the Period, the Board held a total of seven meetings. Individual attendances by the directors (as indicated by the numbers of meetings attended/numbers of relevant meetings held) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. ZHAN Xiaozhang *(Chairman)*	6/6		1/1
Mr. CHEN Jisong *(Chairman, retired)*	3/3		1/1
Ms. LUO Jianhu *(General Manager)*	3/3		
Mr. JIANG Wenyao *(retired)*	3/3		1/1
Mr. ZHANG Jingzhong *(retired)*	3/3		1/1
Mr. DING Huikang	5/6	1/6	1/1
Ms. ZHANG Luyun *(retired)*	2/3		1/1
Mr. LI Zongsheng	3/3		
Mr. WANG Weili	2/3	1/3	
Mr. WANG Dongjie	3/3		
Mr. TUNG Chee Chen *(retired)*	1/3	2/3	1/1
Mr. ZHANG Junsheng	4/6	1/6	1/1
Mr. ZHANG Liping	2/3	1/3	1/1
Mr. ZHOU Jun	3/3		
Mr. PEI Ker-Wei	3/3		

During the Period, the Company held two general meetings of the shareholders. The meetings were chaired by Chairman, and all executive directors were present at the meetings.

The Board is charged with duties as well as given powers that are expressly specified in the articles of association of the Company, the scope of which includes, amongst others: to determine the business plans and investment proposals of the Company; to prepare the financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board to effectively discharge its duties, the Board has set up the Audit Committee, the Nomination and Remuneration Committee, and the Strategic Committee; the Nomination and Remuneration Committee was later separated into the Nomination Committee and the Remuneration Committee.

While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of plans or proposals were usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of independent non-executive directors, with three independent non-executive directors appointed, at least one of whom possessing the appropriate professional qualification or accounting or related financial management expertise.

Pursuant to Rule 3.13 of the Listing Rules, the Company had specifically inquired with all three independent non-executive directors and received their respective confirmation of independence during the Period. The three independent non-executive directors have all confirmed their compliance with requirements regarding independence under Rule 3.13 of the Listing Rules. The Company still considers the independent non-executive directors to be independent.

There were no financial, business, family or other material or relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Under code provision A.6.5 of the CG Code, directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills. Each newly appointed director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meetings.

In addition, during the Period, the Company has arranged for all its executive and non-executive directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. However, as the management considers that the independent non-executive directors of the Company are very experienced, knowledgeable and resourceful, the Company did not arrange any professional briefings or training programmes for its independent non-executive directors and has decided to leave it to the independent non-executive directors to undergo appropriate training as they see fit.

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. ZHAN Xiaozhang succeeded Mr. CHEN Jisong as Chairman, and Ms. LUO Jianhu succeeded Mr. ZHAN Xiaozhang as General Manager of the Company, respectively. The roles of Chairman and General Manager are fully segregated as expressly set out in the articles of association of the Company.

NON-EXECUTIVE DIRECTORS

Terms for the non-executive directors of current session of the Board started on June 11, 2012, and will expire on June 30, 2015.

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination and Remuneration Committee, and the Strategic Committee; the Nomination and Remuneration Committee was later separated into the Nomination Committee and the Remuneration Committee. Roles and responsibilities for each committee are specified in its terms of reference, details of which can be found under the “Corporate Governance” section in the Company’s web site.

The Audit Committee comprised of the three independent non-executive directors and two non-executive directors, namely Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. WANG Weili and Mr. WANG Dongjie, of whom Mr. ZHOU Jun serves as the Chairman of the Audit Committee.

The Nomination Committee comprised of three independent non-executive directors, one executive director and one non-executive director, namely Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. ZHAN Xiaozhang and Mr. LI Zongsheng, of whom Mr. ZHAN Xiaozhang serves as Chairman of the Nomination Committee.

The Remuneration Committee comprised of three independent non-executive directors and two non-executive directors, namely, Mr. ZHANG Junsheng, Mr. ZHOU Jun, Mr. PEI Ker-Wei, Mr. LI Zongsheng and Mr. WANG Weili, of whom Mr. ZHANG Junsheng serves as Chairman of the Remuneration Committee.

The Strategic Committee comprised of three executive directors, namely Mr. ZHAN Xiaozhang, Ms. LUO Jianhu and Mr. DING Huikang as well as Mr. ZHANG Jingzhong, Mr. WU Junyi and several outside experts and advisors, of whom Mr. ZHAN Xiaozhang serves as chairman of the Strategic Committee.

During the Period, the Audit Committee held a total of four meetings. Individual attendances by the members of the Audit Committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

	Attendance in person	Attendance by proxy
Mr. TUNG Chee Chen *(retired)*	1/2	1/2
Mr. ZHANG Junsheng	2/4	1/4
Mr. ZHANG Liping *(retired)*	2/2	
Ms. ZHANG Luyun *(retired)*	1/2	
Mr. ZHOU Jun	2/2	
Mr. PEI Ker-Wei	2/2	
Mr. WANG Weili	1/2	1/2
Mr. WANG Dongjie	2/2	

In the meetings held during the Period, the Audit Committee conducted, amongst others, review of financial statements for the quarterly, interim and annual results, the effectiveness of the system of internal control and the reporting thereof to the Board, as well as recommendation on the re-appointment of external auditors.

Pursuant to Terms of Reference for the Remuneration Committee, one of the responsibilities of the Remuneration Committee is to offer the Board recommendations on remunerations of executive directors and senior management. Before the separation of Nomination and Remuneration Committee into two independent committees of Nomination Committee and Remuneration Committee, the Nomination and Remuneration Committee held a meeting during the Period, during which it reviewed the candidates for directors and supervisors and their recommended remuneration in relation to change in sessions of the Board and the Supervisory Committee of the Company. Each and every member of the Nomination and Remuneration Committee attended the meeting. Proposed candidates for directors and supervisors for the new session as well as their recommended remuneration that was reviewed by the Nomination and Remuneration Committee were later reviewed and approved by the full Board and the general meeting of shareholders.

During the Period, the Strategic Committee held three meetings, mainly discussed the Company's strategic development and transformation, as well as strategic positioning and development plan for the next three years as proposed by relevant department. Each and every member of the Strategic Committee attended the meetings.

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, monitoring the Company's compliance with the Code and its disclosure within this report; the Board reviews and monitors the training and continuous professional development of Directors and senior management through the works of human resources department, and review and monitor the Company's policies and practices on compliance with legal and regulatory requirements through the works of legal and internal audit department.

During the Period, the Directors have all confirmed their responsibility for preparing the accounts, and that there were no events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern basis.

AUDITORS' REMUNERATION

During the Period, the Company had paid HK$3.85 million (approximately Rmb3.15 million equivalent) and Rmb830,000 to Deloitte Touche Tohmatsu Certified Public Accountants (the Hong Kong auditors) and Pan-China Certified Public Accountants Ltd. (the PRC auditors) for audit services conducted in 2011, respectively. The auditors did not provide non-audit services to the Company.

SECRETARY TO THE BOARD

During the Period, the Secretary to the Board had complied with Rule 3.29 of the Listing Rules regarding undergoing relevant professional trainings.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2012, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2012, the interests and short positions of other persons in the shares and underlying shares of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Communications Group	Beneficial owner	2,909,260,000	100%

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
JP Morgan Chase & Co	Beneficial owner, investment manager and custodian corporation/ approved lending agent	156,633,546 (L) 42,000(S) 117,344,000(P)	10.92%(L) 0.00%(S) 8.18%(P)
BlackRock, Inc.	Interest of controlled corporations	130,448,159(L) 5,502,378(S)	9.09%(L) 0.38%(S)
Veritas Funds Plc	Beneficial owner	74,170,000(L)	5.17%(L)
The Real Return Group Limited	Interest of controlled corporations	71,820,000(L)	5.01%(L)

The letter “L” denotes a long position. The Letter “S” denotes a short position. The letter “P” denotes interest in a lending pool.

Save as disclosed above, as at December 31, 2012, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association of the Company, two or more Shareholders who in aggregate hold 10% or more of the voting rights of all the shares of the Company having the right to vote may write to the Board to request the convening of an extraordinary general meeting and specifying the agenda of the meeting. Upon receipt of the request in writing, the Board shall convene the extraordinary general meeting as soon as possible. Shareholders who hold in aggregate 5% or more of the voting rights of all the shares of the Company having the right to vote are entitled to propose additional motions in annual general meeting, provided that such motions are served on the Company within 30 days after the issue of the notice of annual general meeting.

Written requests, proposals and enquiries may be sent to the Company through contact details listed on page 46 of this report.

INVESTOR RELATIONS

The Board is committed to ensuring that all shareholders and the investment community have equal and timely access to information about the Company so as to enable their accurate assessment of the Company's fair value. Such information is available through channels including financial reports, shareholder meetings, statutory announcements, the Hong Kong Stock Exchange website (www.hkexnews.hk) and the Company's own website (www.zjec.com.cn).

Activities such as investor and analyst briefings, one-on-one meetings, conference calls, roadshows, and press conferences are held regularly by senior management of the Company, particularly after results announcements.

Great importance is also attached to maintaining clear and effective communications channels with investors as part of the Company's bid to enhance its transparency and to promote the understanding of its business in the investment community. Any parties who wish to learn more about the Company may do so via the contact details listed below:

Mr. Tony ZHENG
Company Secretary
12/F, Block A, Dragon Century Plaza
1 Hangda Road Hangzhou, Zhejiang 310007
China
Tel: 86-571-8798 7700
Fax: 86-571-8795 0329
E-mail: zhenghui@zjec.com.cn

During the Period, the last shareholders' meeting of the Company took place at 3:00 p.m. on Friday, October 12, 2012 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated October 12, 2012 on resolutions passed at the extraordinary general meeting of the shareholders.

The next Annual General Meeting of the Company is expected to be held in May 2013, with exact date and resolutions for review to be specified in notice of Annual General Meeting when it is published.

The Company has an issued share capital of 4,343,114,500 shares comprised of domestic shares and H shares. The domestic shares are held by Zhejiang Communications Investment Group Co., Ltd. as to 2,909,260,000 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,433,854,500 shares are H shares, representing approximately 33% of the total issued capital of the Company. As at the date of this report, and to the best of the Directors' knowledge, 100% of the H shares of the Company are held by the public.

During the Period, Article 90 of the Company's articles of association was deleted in its entirety and substituted by the following:

"The Company shall have a board of directors. The Board of directors shall comprise nine directors, of whom at least three shall be independent non-executive directors. The board of directors shall have one chairman and one vice-chairman."

INTERNAL CONTROLS

The Company has set up an internal monitoring system that aims to protect assets, preserve accounting and financial information, as well as to ensure the accuracy of financial statements, including the establishment of departments and units, setting out responsibilities, execution of management systems and quality control mechanisms. The system is capable of taking necessary steps to react to possible changes in our businesses as well as external operating environments. Throughout the operating process, the Company's various internal control measures are being continuously enhanced, fulfilled and are deemed effective.

The Company's Audit Committee is charged with the duties of reviewing internal controls, directing monitoring activities. Aside from reviewing the annual reporting by external auditors, the committee also reviews the effectiveness of internal control system and risk management mechanism through reviewing the internal special audit report on the Company's various core businesses prepared by internal audit department on a quarterly basis. During the year, the Audit Committee focused on the compliance of the Company's internal control measures, as well as risk control mechanism relating to new business investment and renovation of the Company's securities business. The internal audit department carried out specific audit into these compliance issues and monitored relevant rectifications, ensuring the effectiveness of the Company's management systems.

During the Period, the Directors of the Company had carried out a review on the effectiveness of the Company's internal control system, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. There were no major breaches in the internal control system that may have had an impact to Shareholders' interests, and the internal control system was deemed to be effective and sufficient.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are expressly stipulated in the articles of association of the Company. Pursuant to the articles of association of the Company, the management of the Company is assigned the functions to be in charge of the production and business operation of the Company and to organize the implementation of the resolutions of the board of directors, to organize the implementation of the annual business plan and investment program of the Company, to prepare plans for the establishment of the internal management structure of the Company, to prepare the basic management systems of the Company, and to formulate basic rules and regulations of the Company, etc.

Directors, Supervisors and Senior Management Profiles

DIRECTORS

Executive Directors

Mr. ZHAN Xiaozhang, born in 1964, is a senior economist. Mr. Zhan holds a bachelor's degree in law. He further obtained a master's degree in public administration from the Business Institute of Zhejiang University in 2005. He has been appointed as the Chairman of the Company since Jun 2012.

From 1985 to 1991, Mr. Zhan worked as an officer at Transport Administrative Division under Waterway Transport Authority of Zhejiang Provincial Bureau of Construction. From 1991 to 1998, he served as Deputy Secretary then Secretary of the Communist Youth League Commission at Zhejiang Provincial Bureau of Communications. From 1998 to 2002, he was Deputy Director of Waterway Transport Authority under Zhejiang Provincial Bureau of Communications. From 2002 to 2003, he was Deputy Director of Human Resources Department at Zhejiang Provincial Bureau of Communications. From 2003 to 2006, Mr. Zhan was Chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. From 2006 to 2008, he became Chairman of Zhejiang Jinji Property Co., Ltd. Mr. Zhan has been Assistant to General Manager and Manager of Research and Development Department at Zhejiang Communications Investment Group Co., Ltd from 2006 to 2009.

He served as an Executive Director and the General Manager of the Company from March 2009 to June 2012. Mr. ZHAN currently serves as Deputy General Manager of Communications Group.

Ms. LUO Jianhu, born in 1971, graduated from the Department of Law at Hangzhou University with a bachelor's degree in law, majoring in Economic Law. She is a lawyer and senior economist. Ms. Luo has been appointed as an Executive Director and the General Manager of the Company since June 2012.

Since she started her career in August 1994, Ms. Luo had held such positions as the board secretary of Zhejiang Transportation Engineering Construction Group Co., Ltd., the deputy director, director of the Legal Affairs Department, the deputy director of the Secretarial Office to the board and the manager of the Investment and Development Department of Zhejiang Communications Investment Group Co., Ltd.

Mr. DING Huikang, born in 1955, is a professor-level senior engineer, an Executive Director and Deputy General Manager of the Company. Mr. Ding graduated from Zhejiang Institute of Communications majoring in Road and Bridge Engineering and Changsha Institute of Communications, majoring in Economic Law. From 1980 to 1997, Mr. Ding successively held the positions of technician, assistant engineer, engineer, assistant team leader and team leader at No.1 Road Engineering Team of Zhejiang Province. From 1997 to 2000, he served as General Manager and senior engineer of No.1 Transportation Engineering Co., Ltd. of Zhejiang Transportation Engineering Construction Group. From 2000 to 2004, he was head of the management committee of Zhejiang Ningbo Yongtaiwen Expressway Second Phase Project. He has been Chairman of Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. and Zhejiang Zhoushan Cross-Sea Bridge Co., Ltd. since 2004 and 2006 respectively. He has been serving as Executive Director and Deputy General Manager since August 2010.

Non-Executive Directors

Mr. LI Zongsheng, born in 1967, is a senior economist. Since Mr. Li graduated from the Department of Chinese Language at YanTai University in July 1991, he had served as the deputy director of the administrative office of the Commission for Economy and Trade of Zaozhuang in Shandong Province and the head of the First Secretarial Division of Zaozhuang Municipal Government Office.

Since he joined Zhejiang Communications Investment Group Co., Ltd. in July 2004, he had successively held the positions of the head and deputy director of the Chinese Communist Party Working Department, deputy director of the Discipline Office and the board secretary and deputy director of the Secretarial Office to the Board.

He is currently the manager of the Human Resources Department of Zhejiang Communications Investment Group Co. Ltd.

Mr. WANG Weili, born in 1965, graduated from Fuzhou University majoring in Road and Bridge. He is a senior engineer with professional certification.

Since he started his career in September 1987, Mr. Wang had served as an engineer of Zhejiang Transportation Design Institute, the vice director of Engineering Division of Executive Commission of Zhejiang Jinliwen Expressway Co., Ltd. and the deputy general manager and chief engineer of Zhejiang-Jiashao Expressway Co., Ltd. Since he joined Zhejiang Communications Investment Group Co., Ltd. in May 2006, he had successively held the positions of the vice president of Project Management Department, Security Management Department and Expressway Management Department and the deputy director of the Expressway Construction Management Office.

He is currently the manager of the Expressway Management Department of Zhejiang Communications Investment Group Co. Ltd.

Mr. WANG Dongjie, born in 1977, graduated from Southeast University majoring in Highway and Railway Engineering with a master's degree in engineering. He is a senior engineer.

Since he started his career in March 2002, Mr. Wang had served as an engineer of the Executive Commission of Hangzhou Ring Road North Line Project, the deputy executive chief of the Executive Commission for the interflow renovation of Hangzhou airport road, the Engineering Division Chief of Management Office of Chun'an section of Hangqian Expressway and the director and deputy general manager of Hangzhou Transportation Road and Bridge Construction Company.

He joined Zhejiang Communications Investment Group Co., Ltd. in January 2007 and is currently the president of the Investment and Development Department.

Independent Non-Executive Directors

Mr. ZHANG Junsheng, born in 1936, is a professor, Independent Non-executive Director and a member of the Audit Committee and the Nomination and Remuneration Committee of the Company. Mr. Zhang graduated from Zhejiang University in 1958, and was Lecturer, Associate Professor, and Advising Professor at Zhejiang University. He was also Professor concurrently at, amongst other universities, Zhongshan University. In 1980, he became Deputy General Secretary of Zhejiang University. In 1983, Mr. Zhang served as Deputy General Secretary in the Hangzhou City Communist Party Committee. In 1985, he began to work for the Xinhua News Agency, Hong Kong Branch, and had become its Deputy Director since July, 1987 and was Consultant to the Sichuan Provincial Government and Senior Consultant to the Shenzhen Municipal Government. Since September 1998, Mr. Zhang has taken up the position of General Secretary of Zhejiang University. From 2003 to 2008, Mr. Zhang served as Director of the Zhejiang Province Economic Development Consultation Committee and he is currently Special Advisor to the Zhejiang Provincial Government, Chairman of Zhejiang University Development Committee, Honorary Doctor of Science of City University of Hong Kong, Honorary Academician of Asian Knowledge Management Association and Honorary Professor of Canadian Chartered Institute of Business Administration. Mr. Zhang has been Independent Non-executive Director of the Company since March 2000.

Mr. ZHOU Jun, born in 1969, is the executive director and vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Mr. Zhou graduated from Nanjing University and Fudan University with a bachelor's degree and a master's degree. He also serves as the chairman of S.I. Infrastructure Holdings Ltd. and eight other companies, the Chairman of Asia Water Technology Ltd. in Singapore (SGX: 5GB), executive director and deputy CEO of Shanghai Industrial Holdings Ltd. (HK: 0363), executive director of Shanghai Industrial Urban Development Group Ltd. (HK: 0563). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Holdings Co., Ltd. (SH: 600607), managing director of Shanghai Cyber Galaxy Investment Co., Ltd. and general manager of the Strategic Investment Department of SIIC. Mr. Zhou has about 20 years' professional experience in general management, financial investment, real estate and project planning.

Mr. PEI Ker-Wei, born in 1957, is a Professor of Accountancy and Executive Dean for China Region at W. P. Carey School of Business, Arizona State University. Mr. Pei received his Ph.D. degree in Accounting from University of North Texas in 1986.

He is currently the director of W.P. Carey EMBA programs in China. He served as the chairman of the Globalization Committee of the American Accounting Association in 1997 and as the president of the Chinese Accounting Professors Association-North America in 1993 to 1994.

Mr. Pei currently serves as an external director of Baosteel Group and independent director of Want Want China Holdings (00151.hk) and Zhong An Real Estate (00672. hk).

SUPERVISORS

Supervisor Representing Shareholders

Mr. FU Zhexiang, born in 1958, graduated from Correspondence College of the Party Central School majoring in Economics with a bachelor's degree. He is a senior accountant with professional certification.

Since he started his career in December 1976, Mr. Fu had served as the deputy chief of the Fee Collection Division of Highway Inspection and Collection Bureau of Zhejiang Province and the deputy chief accountant of Zhejiang Xin Gan Xian Express Passenger Transportation Co., Ltd. Since he joined Zhejiang Communications Investment Group Co., Ltd. in February 2002, he had successively held the positions of the assistant to manager of the Financial Audit Department and the vice president of Financial Management Department and Internal Audit Department.

He is currently the manager and financial director of the Financial Management Department of Zhejiang Communications Investment Group Co., Ltd.

Independent Supervisors

Mr. WU Yongmin, born in 1963, is an Assistant Professor. Mr. Wu graduated from China University of Political Science and Law with a master's degree.

He was the Deputy Dean of the Department of Law at Hangzhou University, Deputy Dean of the Department of Law at Zhejiang University's Law School, and Director of Zheda Law Firm. Mr. Wu studied at the Christian-Albrechts-Universitat zu Kiel in 1996 as a visiting scholar. He is currently the Dean of the Department of Law at the Law School of Zhejiang University, a Supervisor for master's degree candidates in Business Law, a member of China Business Law Research Council, Deputy Director of Zhejiang Tax Law Research Council, an Arbitrator of Hangzhou Arbitration Committee, and a Lawyer at Zhejiang Zeda Law Firm.

Mr. LIU Haisheng, born in 1969, is a professor. He obtained a doctorate degree in Economics from Fudan University, a postdoctoral fellow in Accounting at Xiamen University. He is currently Professor in Accounting, a master student supervisor, a Certified Public Accountant (non-practicing) in the PRC, a member of the Expert Consultancy Committee of Accounting Standards in Zhejiang Province, an Assessment Expert on Financial Expenditures Performance of Zhejiang Province, an executive member of the Zhejiang Association of Certified Financial Officers and Independent Supervisor of the Company.

He is currently a Vice Dean of the School of Finance and Accounting at Zhejiang Gongshang University. His main research fields include accounting for intangible assets, strategic cost management and economic theories. Mr. LIU is also independent director of Ningbo Thermal Power Co., Ltd, Zhejiang Qianjiang Motorcycle Co., Ltd and Zhejiang Enjoyor Electronics Co., Ltd.

Mr. ZHANG Guohua, born in 1963, obtained a doctorate degree in human resources management. He is a senior economist and the president of Ping An Bank, Hangzhou Branch. Mr. Zhang graduated from Hangzhou University in 1985 with a bachelor's degree in education and then received a master's degree in educational psychology in 1988. In 2000, he was granted the Graduate Certificate of Completion in finance by the School of Economics of Zhejiang University, and then obtained the doctorate degree in psychology from the College of Science of Zhejiang University in 2007.

Since 1988, Mr. Zhang had successively worked in the headquarters of Industrial and Commercial Bank of China, Hangzhou Institute of Financial Managers, Hangzhou Financial Urban Credit Cooperative and China Everbright Bank, Hangzhou Branch and Wuxi Branch. Since February 2009, he has been the president of Ping An Bank, Hangzhou Branch.

Since July 10, 2008, he has served as an independent director of Zheshang Securities.

Supervisor Representing Employees

Ms. ZHANG Xiuhua, born in 1969, is a senior economist, the Supervisor representing employees of the Company. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

From July 1991 to February 1997, she worked in the Operation Division of the Zhejiang Provincial Expressway Executive Commission. She joined the Company since March 1997, and had served as assistant manager, deputy manager and manager of the Operation Department.

Ms. Zhang currently serves the Assistant to General Manager, she is also General Manager of Shengxin Co., the director of Yuhang Co., Jiaxing Co., and Petroleum Co.

OTHER MEMBERS OF SENIOR MANAGEMENT

Mr. ZHANG Jingzhong, born in 1963, is a Senior Lawyer, the Deputy General Manager of the Company. Mr. Zhang graduated from Zhejiang University (previously known as Hangzhou University) in July 1984 with a bachelor's degree in law.

In 1984, he joined the Zhejiang Provincial Political Science and Law Policy Research Unit. From 1988 to 1994, he was Associate Director of Hangzhou Municipal Foreign Economic Law Firm. In 1992, he obtained the qualifications required by the regulatory authorities in China to practice securities law. In January 1994, Mr. Zhang became a Senior Partner at T&C Law Firm in Hangzhou.

Mr. Zhang has been an Executive Director and Company Secretary of the Company since March 1997, and was appointed Deputy General Manager in March 2002. Mr. Zhang also serves as Director at Shangsan Co., Development Co., and Vice Chairman at Zheshang Securities.

Mr. FANG Zhexing, born in 1965, is a Senior Engineer, the Deputy General Manager of the Company. Mr. Fang graduated from Zhejiang University where he received a master's degree in engineering in 1991.

From 1986 to 1988 he was the Assistant Engineer in the Project Management Office of the Electric Power and Water Conservancy Bureau in Taizhou. From 1991 until 1997, he was the Engineer in the Project Management Office of Zhejiang Provincial Expressway Executive Commission, where he participated in the project management of Shanghai-Hangzhou-Ningbo Expressway.

Since March 1997, he has served as the Deputy Manager and the Manager of the Planning and Development Department, the Manager of the Project Development Department, the Director of Quality Management Office, the Director of Internal Audit Department of the Company, the Manager of the Human Resources Department and the Secretary of Disciplinary Committee. Mr. Fang is currently the Chairman of Jiaxing Co., and director of Jinhua Co..

Mr. WU Junyi, born in 1969, a holder of master degree in accounting, and is the Chief Financial Officer of the Company. Mr. Wu graduated from Xi'an Communications University in 1996. From 1996 to 1997, he was with the China Investment Bank, Hangzhou Branch. He joined the Company in May 1997, and has served as Manager of Securities Investment Department and Manager of Planning and Finance Department.

Mr. Tony H. ZHENG, born in 1969, is the Company Secretary of the Company. Mr. Zheng graduated from University of California at Berkeley in 1995 with a BS degree in Civil Engineering. He joined the Company in June 1997, and has served as Deputy Director of the Secretarial Office to the Board and Assistant Company Secretary. Mr. Zheng continues to serve as Director of the Secretarial Office to the Board, and Director of Hong Kong Representative Office of the Company.

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the operation, maintenance and management of high grade roads, development and operation of certain ancillary services, such as advertising, automobile servicing and fuel facilities, as well as provision of security broking service, margin financing and securities lending services and proprietary securities trading.

SEGMENT INFORMATION

During the Period, the revenue and segment profit of the Group were wholly derived from the People's Republic of China ("PRC"). Accordingly, a further analysis of the revenue and segment profit by geographical area is not presented. An analysis of the Group's revenue and segment profit by principal activity for the year ended December 31, 2012 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2012 and the state of financial position at that date are set out in the financial statements on pages 68 to 170.

An interim dividend of Rmb0.06 per share (approximately HK$0.07) was paid on November 16, 2012. The Directors recommend the payment of a final dividend of Rmb0.24 per share (approximately HK$0.30) of the year to Shareholders. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 77.3% during the Period. Further details of the dividends are set out in note 16 to the financial statements.

FIVE YEAR SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities and non-controlling interests of the Group prepared on the basis set out in the notes below.

	Year ended December 31,				
	2012	2011	2010	2009	2008
Results	**Rmb'000**	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Revenue	6,700,258	6,781,352	6,769,064	6,036,294	6,323,470
Operating costs	(4,369,641)	(4,077,403)	(3,760,494)	(3,145,294)	(3,133,244)
Gross profit	2,330,617	2,703,949	3,008,570	2,891,000	3,190,226
Security investment gains (loss)	99,783	7,925	126,532	35,967	(316,213)
Other income	288,644	281,929	199,791	426,280	211,420
Administrative expenses	(82,092)	(84,380)	(83,189)	(69,845)	(70,003)
Other expenses	(46,154)	(38,565)	(21,904)	(133,640)	(38,947)
Share of (loss) profit of associates	(17,341)	(7,035)	2,453	(24,164)	10,659
Share of (loss) profit of jointly controlled entities	(3,516)	–	–	21,254	23,746
Finance costs	(53,995)	(80,043)	(120,979)	(62,724)	(76,809)
Profit before tax	2,515,946	2,783,780	3,111,274	3,084,128	2,934,079
Income tax expense	(646,864)	(717,838)	(798,785)	(840,055)	(668,928)
Profit for the year	1,869,082	2,065,942	2,312,489	2,244,073	2,265,151
Attributable to:					
Owners of the Company	1,686,270	1,805,345	1,871,499	1,795,488	1,892,787
Non-controlling interests	182,812	260,597	440,990	448,585	372,364
Earnings per share - Basic and diluted	38.83 cents	41.57 cents	43.09 cents	41.34 cents	43.58 cents

Assets and liabilities	As at December 31, 2012 Rmb'000	2011 Rmb'000	2010 Rmb'000	2009 Rmb'000	2008 Rmb'000
Total assets	29,445,381	29,132,959	33,652,055	32,402,781	25,287,521
Total liabilities	(10,429,106)	(10,533,859)	(15,956,940)	(15,337,927)	(8,990,253)
Net assets	19,016,275	18,599,100	17,695,115	17,064,854	16,297,268

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2011 have been extracted from the Company's 2011 annual report dated March 30, 2012, while those of the year ended December 31, 2012 were prepared based on the consolidated statement of comprehensive income as set out on page 68 of the financial statements.

2. The 2012 earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2012 of Rmb1,686,270,000 (2011: Rmb1,805,345,000) and the 4,343,114,500 (2011: 4,343,114,500) ordinary shares in issue during the year.

3. Differences in Financial Statements prepared under PRC GAAP and HKFRSs

	Profit for the year ended December 31,		Net assets as at December 31,	
	2012 Rmb'000	2011 Rmb'000	**2012 Rmb'000**	2011 Rmb'000
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	1,877,675	2,073,734	19,264,630	18,838,862
HK GAAP adjustments:				
(a) Goodwill	–	–	(199,769)	(199,769)
(b) Amortization provided, net of deferred tax	(1,952)	(1,952)	(161,204)	(159,252)
(c) Assessment on impact of appreciation, net of deferred tax	(3,547)	(3,116)	63,764	67,311
(d) Others	(7)	–	6,597	6,604
(e) Non-controlling interests	(3,087)	(2,724)	42,257	45,344
As restated in the financial statements	1,869,082	2,065,942	19,016,275	18,599,100

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

RELATED PARTY TRANSACTIONS

During the year, details of the related party transactions that the Company has entered into with its subsidiary and fellow subsidiary are set out in note 47 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2012 are set out in note 45 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 71 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2012, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HK GAAP, amounted to Rmb1,952,740,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2012, the Group did not have any trust deposits with any non-bank financial institution in the PRC. All of the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS

The Directors of the Company during the year and as at the date of this report are:

EXECUTIVE DIRECTORS

Mr. ZHAN Xiaozhang *(Chairman)*
Mr. CHEN Jisong *(Chairman, retired)*
Ms. LUO Jianhu *(General Manager)*
Mr. JIANG Wenyao *(retired)*
Mr. ZHANG Jingzhong *(retired)*
Mr. DING Huikang

NON-EXECUTIVE DIRECTOR

Ms. ZHANG Luyun *(retired)*
Mr. LI Zongsheng
Mr. WANG Weili
Mr. WANG Dongjie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TUNG Chee Chen *(retired)*
Mr. ZHANG Junsheng
Mr. ZHANG Liping *(retired)*
Mr. ZHOU Jun
Mr. PEI Ker-Wei

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 48 to 56 in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service agreement with the Company, with effect from June 11, 2012, to June 30, 2015.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2012 or during the year, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, Supervisor and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing shareholders.

TAXATION AND TAX RELIEF

According to a Notice issued jointly by PRC Ministry of Finance and State Administration of Taxation regarding individual income tax policies (Caishuizi【1994】No.020), the dividend incomes received by foreign individuals from a foreign- invested enterprise are exempt from individual income tax.

As stipulated by a Notice issued by the PRC State Administration of Taxation in relation to the withholding and payment of enterprise income tax by Chinese resident enterprises for payment of dividend to H shareholders who are overseas non-resident enterprises (Guoshuihan【2008】No. 897), the Company as a Chinese resident enterprises is required to withhold 10% enterprise income tax when it distributes dividends for the year 2008 and thereafter to all non-resident enterprise holders of H shares of the Company (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise holders of H shares) whose names appear on the H share register of members of the Company on the record date.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders are taxed or enjoy tax relief in accordance with the aforementioned regulations.

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong, who had served as the Company's Hong Kong auditors since 2005, will retire and a resolution for their reappointment as Hong Kong auditors of the Company will be proposed at the forthcoming Annual General Meeting of the shareholders.

By Order of the Board
ZHAN Xiaozhang
Chairman

Hangzhou, Zhejiang Province, the PRC
March 19, 2013

Report of the Supervisory Committee

During the Period, the Supervisory Committee duly performed its supervisory responsibilities, and safeguarded the legitimate interests of the shareholders and the Company in accordance with relevant rules and regulations under the Company Law of the PRC, the Company's Articles of Association and the Rules of the Supervisory Committee.

Main tasks undertaken by the Supervisory Committee during the Period were to assess and supervise lawfulness and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of activities including holding meetings of the Supervisory Committee and attending general meetings of shareholders and meetings of the Board. The Supervisory Committee has carefully examined the operating results and the financial standing of the Company, discussed and reviewed the financial statements to be submitted by the Board to the general meeting of shareholders.

During the Period, the Supervisory Committee held two meetings of its own, and attended six meetings held by the Board and two general meetings of shareholders.

The Supervisory Committee observes that during the Period, faced with multiple factors such as slower traffic volume growth rates resulting from slower economic growth rates, changes in government policies, increased industrial standards, and lackluster stock market, maintaining the Company's profit growth was becoming increasingly difficult. Under the leadership of the Board, the management, key members and the entire staff of the Company rose up to the challenges with enthusiasm and hard work, focusing on development through transformation, safe and smooth operating conditions, lowering costs while growing revenues through innovations and plugging leaks, while actively promoted new securities businesses and pushed on with the spin-off process amid unfavourable capital market conditions, achieving new progress in various aspects of the business, and fully realized the Company's operating targets.

The Supervisory Committee has reviewed the financial statements of the Company for 2012 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2012, and complied with the relevant laws, regulations and the Company's Articles of Association. Despite that the annual results have declined slightly, the Company nevertheless maintained a high dividend payout ratio in recent years, thereby maintaining a stable long term dividend payout policy and providing satisfactory return to its shareholders.

During the Period, the members of the Board, General Manager and other senior management of the Company have complied with their fiduciary duties and have acted in good faith and diligently while carrying out their responsibilities. There were no incident of abuse of power or infringement of the interests of shareholders or employees.

The Supervisory Committee is satisfied with the performances across various lines of business achieved by the Board and the management of the Company.

By the order of the Supervisory Committee
FU Zhexiang
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 18, 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.

浙江滬杭甬高速公路股份有限公司

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 68 to 170, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 19, 2013

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2012

	NOTES	2012 Rmb'000	2011 Rmb'000
Revenue	7	6,700,258	6,781,352
Operating costs		(4,369,641)	(4,077,403)
Gross profit		2,330,617	2,703,949
Securities investment gains	8	99,783	7,925
Other income	9	288,644	281,929
Administrative expenses		(82,092)	(84,380)
Other expenses		(46,154)	(38,565)
Share of loss of associates		(17,341)	(7,035)
Share of loss of a jointly controlled entity		(3,516)	–
Finance costs	10	(53,995)	(80,043)
Profit before tax	11	2,515,946	2,783,780
Income tax expense	12	(646,864)	(717,838)
Profit for the year		1,869,082	2,065,942
Other comprehensive income (loss)	13		
Available-for-sale financial assets:			
– Fair value gain (loss) during the year		4,800	(9,746)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		(175)	(4,072)
Income tax relating to components of other comprehensive income		(1,156)	3,455
Other comprehensive income (loss) for the year (net of tax)		3,469	(10,363)
Total comprehensive income for the year		1,872,551	2,055,579
Profit for the year attributable to:			
Owners of the Company		1,686,270	1,805,345
Non-controlling interests		182,812	260,597
		1,869,082	2,065,942
Total comprehensive income attributable to:			
Owners of the Company		1,688,079	1,799,941
Non-controlling interests		184,472	255,638
		1,872,551	2,055,579
EARNINGS PER SHARE – Basic and diluted	17	Rmb38.83 cents	Rmb41.57 cents

Consolidated Statement of Financial Position

At December 31, 2012

	NOTES	2012 Rmb'000	2011 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	1,357,844	1,294,465
Prepaid lease payments	19	66,931	68,983
Expressway operating rights	20	10,732,058	11,364,938
Goodwill	21	86,867	86,867
Other intangible assets	22	155,633	157,594
Deposit paid for acquisition of a property	23	–	323,800
Interests in associates	25	465,513	446,679
Interest in a jointly controlled entity	26	369,954	–
Available-for-sale investments	27	133,000	1,000
Other receivables	30	325,035	382,000
		13,692,835	14,126,326
CURRENT ASSETS			
Inventories		27,418	26,400
Trade receivables	28	57,847	48,013
Loans to customers arising from margin financing business	29	724,123	–
Other receivables and prepayments	30	701,627	844,142
Prepaid lease payments	19	2,052	2,052
Available-for-sale investments	27	134,899	60,274
Held for trading investments	31	1,486,772	1,260,021
Financial assets held under resale agreement	32	280,066	–
Bank balances held on behalf of customers	33	7,491,625	7,177,508
Bank balances and cash			
– Time deposits with original maturity over three months	34	1,483,408	2,467,793
– Cash and cash equivalents	34	3,362,709	3,120,430
		15,752,546	15,006,633

Consolidated Statement of Financial Position

At December 31, 2012

	NOTES	2012 Rmb'000	2011 Rmb'000
CURRENT LIABILITIES			
Accounts payable to customers arising from securities business	35	7,481,819	7,143,067
Trade payables	36	378,364	317,188
Tax liabilities		223,592	491,619
Other taxes payable		53,082	61,753
Other payables and accruals	37	973,031	724,216
Dividends payable		94,998	94,971
Long-term bonds due in one-year	41	1,000,000	–
Bank loans	38	–	462,553
Derivative financial instrument	40	–	6,426
		10,204,886	9,301,793
NET CURRENT ASSETS		5,547,660	5,704,840
TOTAL ASSETS LESS CURRENT LIABILITIES		19,240,495	19,831,166
NON-CURRENT LIABILITIES			
Long-term bonds	41	–	1,000,000
Deferred tax liabilities	42	224,220	232,066
		224,220	1,232,066
		19,016,275	18,599,100
CAPITAL AND RESERVES			
Share capital	43	4,343,115	4,343,115
Reserves		11,177,137	10,835,424
Equity attributable to owners of the Company		15,520,252	15,178,539
Non-controlling interests		3,496,023	3,420,561
		19,016,275	18,599,100

The consolidated financial statements on pages 68 to 170 were approved and authorised for issue by the board of directors on March 19, 2013 and are signed on its behalf by:

ZHAN Xiaozhang
DIRECTOR

LUO Jianhu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2012

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Statutory reserves (Note)	Capital reserve	Investment revaluation reserve	Dividend reserve	Special reserve	Retained profits	Total		
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At January 1, 2011	4,343,115	3,645,726	2,727,900	–	3,849	1,085,779	18,666	2,898,217	14,723,252	2,971,863	17,695,115
Profit for the year	–	–	–	–	–	–	–	1,805,345	1,805,345	260,597	2,065,942
Other comprehensive loss for the year	–	–	–	–	(5,404)	–	–	–	(5,404)	(4,959)	(10,363)
Total comprehensive income for the year	–	–	–	–	(5,404)	–	–	1,805,345	1,799,941	255,638	2,055,579
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(143,582)	(143,582)
Capital injection	–	–	–	1,712	–	–	–	–	1,712	336,642	338,354
Interim dividend	–	–	–	–	–	–	–	(260,587)	(260,587)	–	(260,587)
Final dividend	–	–	–	–	–	(1,085,779)	–	–	(1,085,779)	–	(1,085,779)
Proposed final dividend	–	–	–	–	–	1,085,779	–	(1,085,779)	–	–	–
Transfer to reserves	–	–	240,734	–	–	–	–	(240,734)	–	–	–
At December 31, 2011	4,343,115	3,645,726	2,968,634	1,712	(1,555)	1,085,779	18,666	3,116,462	15,178,539	3,420,561	18,599,100
Profit for the year	–	–	–	–	–	–	–	1,686,270	1,686,270	182,812	1,869,082
Other comprehensive income for the year	–	–	–	–	1,809	–	–	–	1,809	1,660	3,469
Total comprehensive income for the year	–	–	–	–	1,809	–	–	1,686,270	1,688,079	184,472	1,872,551
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(109,010)	(109,010)
Interim dividend	–	–	–	–	–	–	–	(260,587)	(260,587)	–	(260,587)
Final dividend	–	–	–	–	–	(1,085,779)	–	–	(1,085,779)	–	(1,085,779)
Proposed final dividend	–	–	–	–	–	1,042,347	–	(1,042,347)	–	–	–
Transfer to reserves	–	–	258,877	–	–	–	–	(258,877)	–	–	–
At December 31, 2012	4,343,115	3,645,726	3,227,511	1,712	254	1,042,347	18,666	3,240,921	15,520,252	3,496,023	19,016,275

Note: Statutory reserves comprise:

(a) *Statutory surplus reserve*

In accordance with the Company Law of the People's Republic of China (the "PRC") and the respective articles of association of the Company and its subsidiaries (collectively the "Entities"), the Entities are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the statutory surplus reserve may be converted to increase the respective Entities' capital.

(b) *General risk reserve*

In accordance with the Finance Regulation for Financial Enterprises, securities companies are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general risk reserve. This general risk reserve may be used to cover potential losses on risk exposures.

(c) *Transaction risk reserve*

In accordance with the Securities Law of the PRC, securities companies are required to allocate not less than 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the transaction risk reserve. This transaction risk reserve may be used to cover potential losses on securities transactions.

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	2012 Rmb'000	2011 Rmb'000
OPERATING ACTIVITIES		
Profit before tax	2,515,946	2,783,780
Adjustments for:		
Finance costs	53,995	80,043
Interest income	(178,899)	(141,187)
Share of loss of associates	17,341	7,035
Share of loss of a jointly controlled entity	3,516	–
Depreciation of property, plant and equipment	155,330	154,557
Amortisation of expressway operating rights	693,610	691,370
Amortisation of prepaid lease payments	2,052	2,052
Amortisation of other intangible assets	16,248	13,653
Fair value changes on derivative financial instrument	(2,841)	6,426
Gain on disposal of available-for-sale investments	(175)	(4,072)
Gain on disposal of associate	(12)	–
Gain on fair value changes on held for trading investments	(99,608)	(3,853)
Loss (gain) on disposal of property, plant and equipment	6,195	(56)
Reversal of provisions	–	(21,238)
Impairment loss of interest in an associate	–	11,979
Operating cash flows before movements in working capital	3,182,698	3,580,489
Increase in inventories	(1,018)	(8,685)
(Increase) decrease in trade receivables	(9,834)	2,755
(Increase) decrease in other receivables	(5,493)	12,634
Increase in held for trading investments	(127,143)	(452,396)
Increase in loans to customers arising from margin financing business	(724,123)	–
(Increase) decrease in bank balances held on behalf of customers	(314,117)	4,508,443
Increase (decrease) in accounts payable to customers arising from securities business	338,752	(4,487,963)
Increase (decrease) in trade payables	61,176	(231,507)
(Decrease) increase in other taxes payable	(8,671)	10,751
Decrease in derivative financial instruments	(3,585)	–
Increase in other payables and accruals	128,591	140,802
Cash generated from operations	2,517,233	3,075,323
Income taxes paid	(923,893)	(709,945)
Interest paid	(55,633)	(79,449)
NET CASH FROM OPERATING ACTIVITIES	1,537,707	2,285,929

Consolidated Statement of Cash Flows

For the year ended December 31, 2012

	NOTE	**2012** **Rmb'000**	2011 Rmb'000
INVESTING ACTIVITIES			
Interest received		155,890	129,093
Acquisition of a jointly controlled entity		(184,140)	–
Additional contribution in an associate		(50,000)	–
Proceed on disposal of associates		4,906	–
Dividends received from associates		6,500	7,217
Proceeds on disposal of property, plant and equipment		1,169	7,632
Repayment of entrusted loans from related parties		337,482	570,471
Repayment of entrusted loan from third parties		300,000	260,000
Entrusted loans to related parties		(310,000)	(690,000)
Entrusted loan to a third party		–	(500,000)
Loan to an associate		–	(82,000)
Purchases of financial products investment		(1,069,500)	–
Settlement of financial products investment		970,000	–
Purchases of property, plant and equipment		(351,840)	(312,910)
Addition in expressway operating rights		–	(136,000)
Purchases of intangible assets		(14,287)	(16,227)
Refund (Payment) of deposit paid for acquisition of a property		323,800	(323,800)
Purchase of available-for-sale investments		(204,388)	(4,200)
Proceeds on disposal of available-for-sale investments		2,563	12,000
Repayment of financial assets held under resale agreement		–	80,163
Advance of financial assets held under resale agreement		(280,066)	–
Decrease (increase) in time deposits		984,385	(2,142,248)
Deferred consideration on disposal of a jointly controlled entity		–	115,000
Dividend received from a former jointly controlled entity		–	53,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		622,474	(2,972,809)
FINANCING ACTIVITIES			
Dividends paid		(1,346,366)	(1,346,366)
Dividends paid to non-controlling shareholders		(108,983)	(168,930)
New bank loans raised		–	462,553
Repayment of bank and other loans		(462,553)	(822,000)
NET CASH USED IN FINANCING ACTIVITIES		(1,917,902)	(1,874,743)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		242,279	(2,561,623)
CASH AND CASH EQUIVALENTS AT JANUARY 1		3,120,430	5,682,053
CASH AND CASH EQUIVALENTS AT DECEMBER 31	32	3,362,709	3,120,430

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

1. CORPORATE INFORMATION

Zhejiang Expressway Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") with limited liability on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company changed its business registration into a Sino-foreign joint stock limited company.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the American Depositary Shares ("ADSs") evidenced by the American Depositary Receipts ("ADRs") representing the deposited H Shares of the Company effective.

In the opinion of the directors, the immediate and ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Group"), a state-owned enterprise established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("Rmb"), which is also the functional currency of the Company.

1. CORPORATE INFORMATION (Continued)

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the "Group") are involved in the following principal activities:

(a) the operation, maintenance and management of high grade roads;

(b) the development and provision of certain ancillary services such as advertising, automobile servicing and fuel facilities; and

(c) the provision of securities broking services, margin financing and securities lending services and proprietary trading.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

The application of the amendments to 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

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

[2] Effective for annual periods beginning on or after January 1, 2014.

[3] Effective for annual periods beginning on or after January 1, 2015.

[4] Effective for annual periods beginning on or after July 1, 2012.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 *Presentation of Financial Statements, amendments* to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012 (Continued)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

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 ("AFS") investments but not the Group's financial liabilities. Regarding the Group's AFS 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. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted provided that all of these standards are applied 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by 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 and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

Joint venture

Jointly controlled entity

Joint venture arrangement that involves the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as a jointly controlled entity.

The results and assets and liabilities of a jointly controlled entity are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture (Continued)

Jointly controlled entity (Continued)

The financial statements of the jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interest in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Toll income from the operation of tolled roads is recognised when the tolls are received or become receivable.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income, including advertising income, is recognised when services are provided.

Commission income from securities broking business is recognised on a trade date basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Advisory and handling fee income are recognised when the relevant transactions have been provided or the relevant services have been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

	Estimated useful life	Annual depreciation rate
Leasehold land and buildings	30-50 years	1.9%-3.2%
Ancillary facilities	10-30 years	3.2%-9%
Communication and signaling equipment	5 years	19.4%
Motor vehicles	5-8 years	12.1%-19.4%
Machinery and equipment	5-8 years	12.1%-19.4%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets recognised with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expressway operating rights under service concession arrangements

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets based on fair value of the consideration paid upon initial recognition. Subsequent costs incurred on expressway widening projects and upgrading services are recognised as additional costs of the expressway operating rights. The concession intangible assets representing expressway operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

The concession intangible assets are amortised to write-off their cost over their expected useful lives in the remaining concession period on a straight-line basis.

Costs in relation to the day-to-day servicing, repairs and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in the leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and corporate annuity scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, loans to customers arising from margin financing business, other receivables, bank balances and cash, financial assets held under resale agreement and bank balances held on behalf of customers) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

In particular, for financial assets held under resale agreements where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements, the cash advanced by the Group is recognised as secured loans and receivables and presented as amounts held under resale agreements in the consolidated statement of financial position. The difference between the purchase and resale consideration is amortised over the period of the respective agreements using the effective interest method and is included in interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial asset at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the securities investment gains line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 5(c).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as any of the categories of financial assets set out above.

Equity securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans to customers arising from margin financing business, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and loans to customers arising from margin financing business are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities including trade payables, accounts payable to customers arising from securities business, other payables, bank loans, dividends payable and long-term bonds are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instrument

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Securities lending arrangement

The Group lends investment securities to clients and requires cash and/or equity securities from customers held as collaterals under such securities lending agreements. The cash collaterals arisen from these are included in "accounts payable to customers arising from securities business". For those securities held by the Group and lent to client that do not result in the derecognition of financial assets, they are included in AFS investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2012, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2011: Rmb86,867,000 (without accumulated impairment loss)). Details of the recoverable amount calculation are disclosed in Note 24.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of intangible assets with indefinite useful lives

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of themselves or the cash-generating unit to which they belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from themselves or the cash-generating unit to which they belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2012, the carrying amounts of intangible assets with indefinite useful lives were Rmb66,563,000 (without accumulated impairment loss) (2011: Rmb66,563,000 (without accumulated impairment loss)). Details of the recoverable amount calculation are disclosed in Note 24.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Financial assets		
AFS investments		
– at cost	11,000	1,000
– at fair value	256,899	60,274
Fair value through profit of loss held for trading investments	1,486,772	1,260,021
Loans and receivables (including cash and cash equivalents)	14,394,921	13,917,611
Financial liabilities		
Derivative financial instrument	–	6,426
Amortised cost	9,618,015	9,468,671

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include AFS investments, held for trading investments, trade and other receivables, loans to customers arising from margin financing business, financial assets held under resale agreement, bank balances and cash, bank balances held on behalf of customers, trade and other payables, accounts payable to customers arising from securities business, bank loans, derivative financial instrument, dividends payable and long-term bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans to customers arising from margin financing business, financial assets held under resale agreement, fixed-rate time deposits, bank loans and long-term bonds (see Notes 29, 32, 34, 38 and 41 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances held on behalf of customers, bank balances and bank loans (see Notes 33, 34 and 38 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances, bank balances held on behalf of customers and bank loans at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 30 basis points (2011: 30 basis points) increase or decrease is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 30 basis points (2011: 30 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2012 would have increased/ decreased by Rmb24,422,000 (2011: Rmb22,945,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

(ii) Currency risk

The Group is mainly exposed to HKD and USD relative to Rmb.

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2012 Rmb'000	12/31/2011 Rmb'000	**12/31/2012 Rmb'000**	12/31/2011 Rmb'000
Hong Kong dollar ("HKD")	19,460	15,164	14,228	322,446
United States dollar ("USD")	68,543	63,495	40,544	36,564

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in RMB against HKD and USD. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. If RMB had strengthened/weakened 5% (2011: 5%) against HKD, the Group's post-tax profit for the year ended December 31, 2012 would have decreased/increased by Rmb196,000 (2011: decreased/increased by Rmb11,523,000). If RMB had strengthened/weakened 5% (2011: 5%) against USD, the Group's post-tax profit for the year ended December 31, 2012 would have decreased/increased by Rmb1,050,000 (2011: Rmb1,010,000).

The Group has entered into certain foreign currency forward contracts. Management of the Company are of the opinion that the Company's exposure to currency risk related to the foreign currency forward contract is minimum. Accordingly, no currency risk sensitivity analysis of foreign currency forward contract is presented.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its held for trading and AFS listed investments.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2011: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2012 would have increased/decreased by Rmb55,754,000 (2011: Rmb47,251,000) as a result of the changes in fair value of held for trading investments; and

- investment valuation reserve would have increased/decreased by Rmb9,634,000 (2011: Rmb2,260,000) for the Group as a result of the changes in fair value of AFS listed investments.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at December 31, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group reviews the recoverable amount of each individual trade debt and entrusted loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group provides clients with margin financing for securities transactions and securities lending to clients, which are secured by clients' securities or deposits held as collateral. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. In addition, the Group and the Company review the recoverable amount of each individual at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the trades of margin clients exceed their respective limits. Any such shortfall is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the client's positions. The Group and the Company seek to maintain strict control over its outstanding receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Other than the concentration of credit risk on certain trade receivables, entrusted loan receivables, loan receivable from an associate, corporate bonds, financial investment products and financial assets held under resale agreement amounting to Rmb54,582,000 (2011: Rmb47,086,000), Rmb639,651,000 (2011: Rmb951,648,000), Rmb82,101,000 (2011: Rmb82,000,000), Rmb1,451,457,000 (2011: Rmb1,059,726,000), Rmb103,432,000 (2011: nil) and Rmb280,066,000 (2011: nil) as disclosed in Notes 28, 30, 31 and 32, respectively, the Group does not have any other significant concentration of credit risk. The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances and cash at December 31, 2012 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual cash inflows and (outflows) on derivative instruments that settle on a gross basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	On demand or Less than 3 months Rmb'000	3 months – 1 year Rmb'000	1 – 3 years Rmb'000	3 – 5 years Rmb'000	+5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2012 Rmb'000
2012								
Non-derivative financial liabilities								
Trade payables	–	342,686	35,678	–	–	–	378,364	378,364
Accounts payable to customers arising from securities business	0.42	7,489,675	–	–	–	–	7,489,675	7,481,819
Other payables	–	662,834	–	–	–	–	662,834	662,834
Dividends payable	–	94,998	–	–	–	–	94,998	94,998
Long-term bonds – fixed rate	4.29	1,042,900	–	–	–	–	1,042,900	1,000,000
		9,633,093	35,678	–	–	–	9,668,771	9,618,015

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or Less than 3 months Rmb'000	3 months – 1 year Rmb'000	1 – 3 years Rmb'000	3 – 5 years Rmb'000	+5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at 31/12/2011 Rmb'000
2011								
Non-derivative financial liabilities								
Trade payables	–	284,893	32,295	–	–	–	317,188	317,188
Accounts payable to customers arising from securities business	0.50	7,151,996	–	–	–	–	7,151,996	7,143,067
Other payables	–	450,892	–	–	–	–	450,892	450,892
Dividends payable	–	94,971	–	–	–	–	94,971	94,971
Bank loans								
– fixed rate	5.08	54,115	315,128	–	–	–	369,243	362,553
– variable rate	6.44	1,609	102,698	–	–	–	104,307	100,000
Long-term bonds – fixed rate	4.29	42,900	–	1,085,800	–	–	1,128,700	1,000,000
		8,081,376	450,121	1,085,800	–	–	9,617,297	9,468,671
2011								
Derivatives – gross settlement								
Foreign currency forward contract								
– inflow								
– HKD	–	–	313,259	–	–	–	313,259	313,259
– outflow								
– Rmb	–	–	(319,685)	–	–	–	(319,685)	(319,685)
		–	(6,426)	–	–	–	(6,426)	(6,426)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of foreign currency forward contract is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	12/31/2012			
	Level 1 Rmb'000	**Level 2 Rmb'000**	**Level 3 Rmb'000**	**Total Rmb'000**
Financial assets at FVTPL				
Held for trading investments	1,486,772	–	–	1,486,772
Available-for-sale financial assets				
Listed equity and debt securities	256,899	–	–	256,899
Total	1,743,671	–	–	1,743,671

	12/31/2011			
	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
Held for trading investments	1,260,021	–	–	1,260,021
Available-for-sale financial assets				
Listed equity securities	60,274	–	–	60,274
Total	1,320,295	–	–	1,320,295
Financial liabilities at FVTPL				
Derivative financial instrument	–	(6,426)	–	(6,426)
Total	1,320,295	(6,426)	–	1,313,869

There were no transfers between Level 1 and 2 in the current and prior years.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in Notes 38 and 41, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

7. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Service area and advertising businesses – the sale of food, restaurant operation, automobile servicing, operation of petrol stations and design and rental of advertising billboards along the expressways.

(iii) Securities operation – the securities broking, margin financing and securities lending services and proprietary trading.

7. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended December 31, 2012

	Toll operation Rmb'000	**Service area and advertising businesses Rmb'000**	**Securities operation Rmb'000**	**Total Segment Rmb'000**	**Elimination Rmb'000**	**Total Rmb'000**
Revenue						
External sales	3,548,692	2,025,429	1,126,137	6,700,258	–	6,700,258
Inter-segment sales	–	7,919	–	7,919	(7,919)	–
Total	3,548,692	2,033,348	1,126,137	6,708,177	(7,919)	6,700,258
Segment profit	1,637,244	66,169	165,669	1,869,082		1,869,082

For the year ended December 31, 2011

	Toll operation Rmb'000	Service area and advertising businesses Rmb'000	Securities operation Rmb'000	Total Segment Rmb'000	Elimination Rmb'000	Total Rmb'000
Revenue						
External sales	3,522,510	1,916,564	1,342,278	6,781,352	–	6,781,352
Inter-segment sales	–	8,004	–	8,004	(8,004)	–
Total	3,522,510	1,924,568	1,342,278	6,789,356	(8,004)	6,781,352
Segment profit	1,695,078	71,763	299,101	2,065,942		2,065,942

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker, the Group's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets		Segment liabilities	
	12/31/2012 Rmb'000	12/31/2011 Rmb'000	**12/31/2012 Rmb'000**	12/31/2011 Rmb'000
Toll operation	15,458,159	15,636,388	(2,402,463)	(2,806,522)
Service area and advertising businesses	553,479	597,281	(157,674)	(231,303)
Securities operation	13,346,876	12,812,423	(7,868,969)	(7,496,034)
Total segment assets (liabilities)	29,358,514	29,046,092	(10,429,106)	(10,533,859)
Goodwill	86,867	86,867	–	–
Consolidated assets (liabilities)	29,445,381	29,132,959	(10,429,106)	(10,533,859)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

7. SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment profit or segment assets:

	Toll operation Rmb'000	Service area and advertising businesses Rmb'000	Securities operation Rmb'000	Total Rmb'000
For the year ended December 31, 2012				
Income tax expense	567,031	19,710	60,123	646,864
Interest income	138,924	10,693	29,282	178,899
Interest expense	53,749	246	–	53,995
Interests in associates	185,456	234,005	46,052	465,513
Interest in a jointly controlled entity	369,954	–	–	369,954
Share of result of associates	(12,827)	7,366	(11,880)	(17,341)
Share of loss of a jointly controlled entity	(3,516)	–	–	(3,516)
Gain on fair value changes on held for trading investments	10,290	–	89,318	99,608
Additions to non-current assets (Note)	604,822	14,333	105,406	724,561
Depreciation and amortisation	742,318	28,624	96,298	867,240
Loss on disposal of property, plant and equipment	4,722	1,223	250	6,195

	Toll operation Rmb'000	Service area and advertising businesses Rmb'000	Securities operation Rmb'000	Total Rmb'000
For the year ended December 31, 2011				
Income tax expense	575,759	24,281	117,798	717,838
Interest income	112,843	28,344	–	141,187
Interest expense	69,650	10,393	–	80,043
Interests in associates	198,285	236,386	12,008	446,679
Share of result of associates	(15,968)	19,566	(10,633)	(7,035)
Gain on fair value changes on held for trading investments	6,800	–	(2,947)	3,853
Additions to non-current assets (Note)	239,949	21,258	414,792	675,999
Depreciation and amortisation	740,363	28,696	92,573	861,632
Impairment loss on interest in an associate	–	11,979	–	11,979
(Gain) loss on disposal of property, plant and equipment	(528)	164	308	(56)

Note: Non-current assets excluded financial instruments.

7. SEGMENT INFORMATION (Continued)

Revenue from major services

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

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Toll operation revenue	3,548,692	3,522,510
Service area businesses revenue (mainly sales of goods)	1,934,501	1,834,422
Advertising business rental revenue	90,473	81,765
Commission income from securities operation	832,213	985,754
Interest income from securities operation	293,924	356,524
Others	455	377
	6,700,258	6,781,352

Geographical information

The Group's operations are located in the PRC (country of domicile). All non-current assets of the Group are located in the PRC.

All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e., the PRC).

Information about major customers

During the years ended December 31, 2012 and 2011, there are no individual customer with sales over 10% of the total sales of the Group.

8. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Gain on fair value changes on held for trading investments	99,608	3,853
Cumulative gain reclassified from equity on disposal of AFS investments	175	4,072
	99,783	7,925

The above securities investment gains wholly contributed from listed investments in both years.

9. OTHER INCOME

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Interest income on bank balances, entrusted loan receivables and financial products investment	159,532	141,187
Rental income (Note)	72,335	69,165
Handling fee income	5,685	24,526
Towing income	9,303	8,782
Other interest income (Note 23)	19,367	–
Gain on disposal of an associate	12	–
Exchange (loss) gain, net	(2,155)	8,672
Fair value gain on derivative financial instrument	2,841	–
Others	21,724	29,597
	288,644	281,929

Note:

(i) Rental income included contingent rent of approximately Rmb33,697,000 (2011: Rmb28,747,000) during the year.

10. FINANCE COSTS

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Interest expenses wholly repayable within 5 years:		
Bank loans	11,095	37,143
Long-term bonds	42,900	42,900
	53,995	80,043

11. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging (crediting):

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Depreciation of property, plant and equipment	155,330	154,557
Amortisation of prepaid lease payments	2,052	2,052
Amortisation of expressway operating rights (included in operating costs)	693,610	691,370
Amortisation of other intangible assets (included in operating costs)	16,248	13,653
Total depreciation and amortisation	867,240	861,632
Staff costs (including directors and supervisors):		
– Wages and salaries	621,513	525,302
– Pension scheme contributions	62,864	54,998
	684,377	580,300
Auditors' remuneration	5,901	4,951
Loss (gain) on disposal of property, plant and equipment	6,195	(56)
Cost of inventories recognised as an expense	1,786,678	1,685,956
Impairment loss on interest in an associate (included in other expenses)	–	11,979
Fair value (gain) loss on derivative financial instrument	(2,841)	6,426
Reversal of provision for litigation (included in other expenses)	–	(21,238)

12. INCOME TAX EXPENSE

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Current tax:		
PRC Enterprise Income Tax	655,910	750,856
Deferred tax (Note 42)	(9,046)	(33,018)
	646,864	717,838

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%.

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 before tax per the consolidated statement of comprehensive income as follows:

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Profit before tax	2,515,946	2,783,780
Tax at the PRC enterprise income tax rate of 25% (2011:25%)	628,987	695,945
Tax effect of share of loss of associates	4,335	1,759
Tax effect of share of loss of a jointly controlled entity	879	–
Tax effect of income not taxable for tax purposes	(17)	(16)
Tax effect of expenses not deductible for tax purposes	12,680	20,150
Tax charge for the year	646,864	717,838

13. OTHER COMPREHENSIVE INCOME (LOSS)

Tax effect relating to other comprehensive income (loss) as follows:

	Year ended 12/31/2012			Year ended 12/31/2011		
	Before-tax amount Rmb'000	**Tax benefit Rmb'000**	**Net-of-income-tax amount Rmb'000**	Before-tax amount Rmb'000	Tax benefit Rmb'000	Net-of-income-tax amount Rmb'000
Fair value gain (loss) on AFS financial assets arising during the year	4,800	(1,200)	3,600	(9,746)	2,437	(7,309)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of AFS financial assets	(175)	44	(131)	(4,072)	1,018	(3,054)
Total	4,625	(1,156)	3,469	(13,818)	3,455	(10,363)

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments paid or payable to each of the 15 (2011: 9) directors and 8 (2011: 5) supervisors are as follows:

	Chen Jisong@ Rmb'000 (note i)	Zhan Xiaozhang@ Rmb'000	Luo Jianhu@ Rmb'000 (note ii and iii)	Jiang Wenyao@ Rmb'000 (note i)	Zhang Jingzhong@ Rmb'000 (note i)	Ding HuiKang@ Rmb'000	Zhang Luyun^ Rmb'000 (note i)	Li Zongsheng^ Rmb'000 (note ii)	Wang Weili^ Rmb'000 (note ii)	Wang Dongjie^ Rmb'000 (note ii)	Tung Cheechen* Rmb'000	Zhang Junsheng* Rmb'000 (note i)	Zhang Liping* Rmb'000 (note i)	Zhou Jun* Rmb'000 (note ii)	Pei Ker-wei* Rmb'000 (note ii)	Ma Kehua# Rmb'000 (note i)	Fang Zhexing# Rmb'000 (note i)	Jiang Shaozhong# Rmb'000 (note i)	Fu Zhexiang# Rmb'000 (note ii)	Zhang Xiuhua# Rmb'000 (note ii)	Wu Yongmin# Rmb'000	Liu Haisheng# Rmb'000	Zhang Guohua# Rmb'000 (note ii)	Total Rmb'000
2012																								
Salaries, allowances and benefits in kind	4	275	291	209	210	425	2	3	2	3	81	54	81	121	120	4	4	5	3	3	6	–	2	1,908
Bonuses paid and payable	–	346	95	54	54	135	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	684
Pension scheme contributions	–	23	14	11	11	24	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	83
Total emoluments	4	644	400	274	275	584	2	3	2	3	81	54	81	121	120	4	4	5	3	3	6	–	2	2,675
2011																								
Salaries, allowances and benefits in kind	4	457	N/A	390	390	389	4	N/A	N/A	N/A	204	52	203	N/A	N/A	5	5	5	N/A	N/A	3	3	N/A	2,114
Bonuses paid and payable	–	220	N/A	193	193	193	–	N/A	N/A	N/A	–	–	–	N/A	N/A	–	–	–	N/A	N/A	–	–	N/A	799
Pension scheme contributions	–	16	N/A	16	16	16	–	N/A	N/A	N/A	–	–	–	N/A	N/A	–	–	–	N/A	N/A	–	–	N/A	64
Total emoluments	4	693	N/A	599	599	598	4	N/A	N/A	N/A	204	52	203	N/A	N/A	5	5	5	N/A	N/A	3	3	N/A	2,977

@ Executive directors

^ Non-executive directors

* Independent non-executive directors

Supervisors

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

Notes:

(i) Resigned on June 11, 2012.

(ii) Appointed on June 11, 2012.

(iii) Ms. Luo Jianhu is also the Chief Executive of the Company and her emoluments disclosed above include those services rendered by her as the Chief Executive.

The emoluments of each of the directors and supervisors were below HK$1,000,000 (equivalent to Rmb811,000) in both years. Bonuses paid to directors and supervisors are performance-rated and are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors.

No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years. Bonuses are determined by reference to the individual performance of the directors.

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 5 (2011: 3) senior managements are as follows:

	Zhang Jingzhong Rmb'000 (note i)	Fang Zhexing Rmb'000	Wu Junyi Rmb'000	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000 (note i)	Total Rmb'000
2012						
Salaries, allowances and benefits in kind	214	420	420	321	251	1,626
Bonuses paid and payable	82	135	135	98	103	553
Pension scheme contributions	12	24	24	24	24	108
Total emoluments	308	579	579	443	378	2,287
2011						
Salaries, allowances and benefits in kind	N/A	293	293	272	N/A	858
Bonuses paid and payable	N/A	193	193	76	N/A	462
Pension scheme contributions	N/A	15	15	15	N/A	45
Total emoluments	N/A	501	501	363	N/A	1,365

Note: (i) Appointed on June 11, 2012.

The emoluments of each of the senior managements were below HK$1,000,000 (equivalent to Rmb811,000) in both years. Bonuses paid to senior managements are performance-rated and are determined by the Board of Directors of the Company.

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

15. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Salaries, allowances and benefits in kind	6,680	9,289
Bonuses paid and payable (Note)	16,315	17,681
Pension scheme contributions	126	118
	23,121	27,088

Note:

The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2012 and 2011.

The five individuals with the highest emoluments in the Group during the year included no (2011: no) director, whose emoluments are set out in Note 14 above, and five (2011: five) non-director employees.

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2012	Year ended 12/31/2011
HK$4,500,001 to HK$5,000,000 (equivalent to Rmb3,648,001 to Rmb4,053,000)	1	1
HK$5,000,001 to HK$5,500,000 (equivalent to Rmb4,053,001 to Rmb4,459,000)	1	–
HK$5,500,001 to HK$6,000,000 (equivalent to Rmb4,459,001 to Rmb4,864,000)	1	–
HK$6,000,001 to HK$6,500,000 (equivalent to Rmb4,864,001 to Rmb5,270,000)	1	2
HK$6,500,001 to HK$7,000,000 (equivalent to Rmb5,270,001 to Rmb5,675,000)	1	1
HK$9,500,001 to HK$10,000,000 (equivalent to Rmb7,702,001 to Rmb8,107,000)	–	1

16. DIVIDENDS

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Dividends recognised as distribution during the year:		
2012 Interim – Rmb6 cents (2011: 2011 interim Rmb6 cents) per share	260,587	260,587
2011 Final – Rmb25 cents (2011: 2010 Final Rmb25 cents) per share	1,085,779	1,085,779
	1,346,366	1,346,366

The final dividend of Rmb24 cents per share in respect of the year ended December 31, 2012 (2011: final dividend of Rmb25 cents per share in respect of the year ended December 31, 2011) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

17. 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 Rmb1,686,270,000 (2011: Rmb1,805,345,000) and the 4,343,114,500 (2011: 4,343,114,500) ordinary shares in issue during the year.

Diluted earnings per share presented is the same as basic earning per share as there were no potential ordinary shares outstanding for the years ended December 31, 2012 and 2011.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Rmb'000	Ancillary facilities Rmb'000	Communication and signaling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
COST							
At January 1, 2011	488,585	467,077	327,794	195,343	369,391	84,601	1,932,791
Additions	35,494	9,599	14,433	13,259	44,977	218,210	335,972
Transfer	–	43,646	14,857	–	883	(59,386)	–
Disposals	(795)	(10,386)	(938)	(12,198)	(14,168)	–	(38,485)
At December 31, 2011	523,284	509,936	356,146	196,404	401,083	243,425	2,230,278
Additions	21,102	17,752	71,930	21,833	41,740	51,716	226,073
Transfer	–	26,873	9,483	–	–	(36,356)	–
Disposals	(844)	(11,735)	(11,938)	(6,540)	(11,055)	(544)	(42,656)
At December 31, 2012	543,542	542,826	425,621	211,697	431,768	258,241	2,413,695
DEPRECIATION							
At January 1, 2011	77,537	137,740	239,283	131,179	226,426	–	812,165
Provided for the year	37,859	23,558	21,731	16,465	54,944	–	154,557
Disposals	(795)	(4,377)	(805)	(11,578)	(13,354)	–	(30,909)
At December 31, 2011	114,601	156,921	260,209	136,066	268,016	–	935,813
Provided for the year	39,280	22,718	24,260	16,417	52,655	–	155,330
Disposals	(755)	(5,613)	(11,786)	(6,403)	(10,735)	–	(35,292)
At December 31, 2012	153,126	174,026	272,683	146,080	309,936	–	1,055,851
CARRYING VALUES							
At December 31, 2012	390,416	368,800	152,938	65,617	121,832	258,241	1,357,844
At December 31, 2011	408,683	353,015	95,937	60,338	133,067	243,425	1,294,465

The property, plant and equipment are mainly located in the PRC.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying value of properties shown above comprises:

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Leasehold land and buildings in the PRC:		
Long lease	24,654	24,984
Medium-term lease	365,762	383,699
	390,416	408,683

19. PREPAID LEASE PAYMENTS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Analysed for reporting purposes as:		
Current assets	2,052	2,052
Non-current assets	66,931	68,983
	68,983	71,035

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term leases. The amount represents prepayment of rentals under operating leases for "land use rights" of land situated in the PRC.

20. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2011	16,772,702
Adjustment	(16,145)
At December 31, 2011	16,756,557
Additions	60,730
At December 31, 2012	16,817,287
AMORTISATION	
At January 1, 2011	4,701,205
Charge for the year	691,370
Written off	(956)
At December 31, 2011	5,391,619
Charge for the year	693,610
At December 31, 2012	6,085,229
CARRYING VALUES	
At December 31, 2012	10,732,058
At December 31, 2011	11,364,938

The above expressway operating rights were granted by the Zhejiang Provincial Government for 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at zero consideration.

21. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2011, December 31, 2011 and December 31, 2012	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

22. OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/ futures firm licenses Rmb'000	Trading seats Rmb'000	Software Rmb'000	Total Rmb'000
COST					
At January 1, 2011	101,147	63,083	3,480	33,168	200,878
Additions	–	–	–	16,227	16,227
Written off	–	–	–	(146)	(146)
At December 31, 2011	101,147	63,083	3,480	49,249	216,959
Additions	–	–	–	14,287	14,287
At December 31, 2012	101,147	63,083	3,480	63,536	231,246
AMORTISATION					
At January 1, 2011	35,349	–	–	10,509	45,858
Charge for the year	6,266	–	–	7,387	13,653
Written off	–	–	–	(146)	(146)
At December 31, 2011	41,615	–	–	17,750	59,365
Charge for the year	6,266	–	–	9,982	16,248
At December 31, 2012	47,881	–	–	27,732	75,613
CARRYING VALUES					
At December 31, 2012	53,266	63,083	3,480	35,804	155,633
At December 31, 2011	59,532	63,083	3,480	31,499	157,594

22. OTHER INTANGIBLE ASSETS (Continued)

The customer bases of Zheshang Securities Co., Ltd. ("Zheshang Securities") and Zheshang Futures Broker Co., Ltd. ("Zheshang Futures") are amortised on a straight-line basis over 15 years and 3 years, respectively.

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have an indefinite useful life because they can be renewed at minimal cost even though the current licenses are effective for three years.

The trading seats of the securities operation is considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 24.

23. DEPOSIT PAID FOR ACQUISITION OF A PROPERTY

On December 26, 2011, Zheshang Securities entered into a provisional agreement with a related party, Hangzhou Jinji Real Estate Co., Ltd. ("Jinji Co"), a subsidiary of the Communications Group, for the purchase of a property in Hangzhou for a provisional consideration of Rmb809,500,000. As at December 31, 2011, deposit of Rmb323,800,000 had been paid to the vendor. During the year ended December 31, 2012, this provisional agreement has been terminated as Jinji Co fails to deliver the property to Zheshang Securities, deposit of Rmb323,800,000 together with interest, which is according to the prevailing lending rate promulgated by the People's Bank of China ("PBOC"), of Rmb19,367,000 have been repaid to Zheshang Securities.

24. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 21 and 22 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets (net of accumulated impairment losses) as at December 31, 2012 and 2011 allocated to these units are as follows:

	Goodwill		**Securities/futures firm licenses**		**Trading seats**	
	12/31/2012 Rmb'000	12/31/2011 Rmb'000	**12/31/2012 Rmb'000**	12/31/2011 Rmb'000	**12/31/2012 Rmb'000**	12/31/2011 Rmb'000
Toll operation						
– Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	75,137	75,137	–	–	–	–
– Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	10,335	10,335	–	–	–	–
Securities operation						
– Zheshang Securities	–	–	51,783	51,783	2,080	2,080
– Zheshang Futures	1,395	1,395	11,300	11,300	1,400	1,400
	86,867	86,867	63,083	63,083	3,480	3,480

During the year ended December 31, 2012, management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

24. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiaxing Co and Shangsan Co

The recoverable amounts of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 15% (2011: 15%). No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 16 years (2011: 17 years) and 18 years (2011: 19 years) for Jiaxing Co. and Shangsan Co., respectively.

Zheshang Securities

The recoverable amount of Zheshang Securities is determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 17.11% (2011: 16.58%). Growth rate beyond the five-year period is assumed to be zero.

Zheshang Futures

The recoverable amount of Zheshang Futures is determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 17.11% (2011: 16.58%). Growth rate beyond the five-year period is assumed to be zero.

25. INTERESTS IN ASSOCIATES

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Unlisted investments in associates, at cost less impairment	**505,463**	462,712
Share of post-acquisition loss, net of dividends received	**(39,950)**	(16,033)
	465,513	446,679

At December 31, 2012 and 2011, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 12/31/2012 %	12/31/2011 %	Principal activities
Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co")	Corporate	The PRC	50	50	Operation of petrol stations and sale of petroleum products
JoinHands Technology Co., Ltd. ("JoinHands Co") (Note iv)	Corporate	The PRC	27.58	27.58	Provision of printing services and property leasing
Zhejiang Concord Property Investment Co., Ltd.	Corporate	The PRC	45	45	Investment and real estate development
Hangzhou Tianjun Industrial Co., Ltd. ("Hangzhou Tianjun Co") (Note i)	Corporate	The PRC	N/A (Note i)	29.45	Investment and portfolio management
Hangzhou Yuhang Communication Time Plaza Co., Ltd. ("Time Plaza Co") (Note ii)	Corporate	The PRC	N/A (Note ii)	16.57	Investment and real estate development
Ningbo Expressway Advertising Co., Ltd. ("Ningbo Advertising Co")	Corporate	The PRC	24.5	24.5	Management of advertising billboards along expressways
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Yongjin")	Corporate	The PRC	23.45	23.45	Management of the Jinhua section of the Ningbo-Jinhua Expressway
Zheshang Fund Management Co., Ltd. ("Zheshang Fund") (Note iii)	Corporate	The PRC	13.04	13.04	Asset fund management

25. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) In November 2012, the Group entered into a share transfer agreement to dispose of its 29.45% equity interest in Hangzhou Tianjun Co to an independent third party. The disposal was completed as at December 31, 2012.

(ii) The Group was able to exercise significant influence over Time Plaza Co because it had the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company. This associate has been de-registered during the year ended December 31, 2012.

(iii) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company. During the year ended December 31, 2012, Zheshang Securities, in proportion to its equity interest, has made additional capital contribution of Rmb50,000,000 to Zheshang Fund.

(iv) In July 2011, the Company has agreed to transfer all of its 27.582% equity interest in JoinHands Co to Guangzhou Kaixin Consulting Co., Ltd. ("Kaixin Co"), an independent third party, at a consideration of Rmb31,430,000. However, as Kaixin Co has failed to pay the consideration for the equity transfer according to the terms of the Equity Interest Transfer Agreement, such transfer had not been completed and the Company lodged a lawsuit against it in August 2011 at the People's Court of Xihu District, Hangzhou City. The court ruled in favour of the Company, except for the execution of the priority right for claim against the mortgaged commercial property and land use right in Hangzhou held by JoinHands Co to the Company and the liquidated damages, in March 2012. Both the Company and Kaixin Co filed appeals respectively because of their respective objections against the court's decision. During the year ended December 31, 2011, an impairment loss of Rmb11,979,000 in relation to interest in the associate, JoinHands Co, was recognised.

25. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates at the end of the reporting period is set out below:

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Total assets	7,521,127	6,503,934
Total liabilities	(5,842,013)	(5,028,160)
Net assets	1,679,114	1,475,774
Group's share of net assets of associates, after impairment loss of Rmb21,277,000 (2011: Rmb21,277,000)	465,513	446,679
Revenue	6,312,126	5,452,262
Loss for the year	(87,218)	(60,873)
Group's share of loss of associates for the year	(17,341)	(7,035)

26. INTEREST IN A JOINTLY CONTROLLED ENTITY

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Unlisted investment in a jointly controlled entity, at cost less impairment	373,470	–
Share of post-acquisition loss, net of dividends received	(3,516)	–
	369,954	–

26. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

At December 31, 2012 and 2011, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 12/31/2012 %	12/31/2011 %	Principal activities
Shengxin Expressway Co., Ltd. ("Shengxin Co") (Note)	Corporate	The PRC	50	N/A	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

Note:

On July 6, 2012, the Company entered into a sales and purchase agreement (the "S&P Agreement") with Shaoxing Communications Investment Group Co., Ltd. ("Shaoxing Communications Group"), an independent third party, who owned 100% equity interest of Shengxin Co, pursuant to which the Company has conditionally agreed to purchase from Shaoxing Communications Group, a 50% equity interest in Shengxin Co for a cash consideration of Rmb355,033,000, plus interest accrued on the consideration at the interest rate according to the PBOC. The acquisition has been completed on November 28, 2012.

As at December 31, 2012, 50% of the consideration amounting to Rmb177,516,000 and the relevant interest of Rmb6,622,000 were paid by the Company to Shaoxing Communications Group, while the remaining 50% and unpaid interest was accounted for as consideration payable and included in other payables and accruals in the consolidated statement of financial position.

26. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using the equity method at the end of the reporting period is set out below:

	12/31/2012 **Rmb'000**	12/31/2011 Rmb'000
Current assets	9,101	–
Non-current assets	1,542,558	–
Current liabilities	(15,185)	–
Non-current liabilities	(1,166,520)	–
Revenue	11,954	–
Expenses	(15,470)	–

27. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	12/31/2012 **Rmb'000**	12/31/2011 Rmb'000
Non-current assets:		
Unlisted equity securities investments, at cost (Note i)	11,000	1,000
Debenture listed in the PRC with fixed interest of 9.6% per annum and maturity date on May 31, 2017	122,000	–
	133,000	1,000
Current assets:		
Listed equity securities investments in the PRC, at fair value (Note ii)	134,899	60,274
	267,899	61,274

27. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

As at December 31, 2012, the Group has entered into securities lending arrangement with clients that resulted in the transfer of listed AFS investments with total fair value of Rmb5,897,000 to external clients, which did not result in derecognition of the financial assets. There was no such arrangement as at December 31, 2011. Details of the collaterals were set out in Note 29.

Notes:

(i) Unlisted equity securities investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimated is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(ii) Listed equity investments represent equity securities subscribed through placement by listed issuers. They are measured at fair value. During the year ended December 31, 2012, the gain on change in fair value of the investments of Rmb4,800,000 (2011: loss on change in fair value of investment of Rm9,746,000) has been recognised as other comprehensive gain (loss).

During the year ended December 31, 2012, the Group disposed of certain listed equity investments and recognised a gain on disposal of Rmb175,000 (2011: Rmb4,072,000).

28. TRADE RECEIVABLES

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

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Within 3 months	57,538	47,742
3 months to 1 year	–	–
1 to 2 years	146	–
Over 2 years	163	271
	57,847	48,013

Included in the Group's trade receivable balance aged within 3 months were toll receivables from the Expressway Fee Settlement Centre of the Highway Administration Bureau of Zhejiang Province and Hangzhou Urban and Rural Construction Committee amounting to Rmb54,582,000 (2011: Rmb47,086,000) which has been settled subsequent to the end of the reporting period. The directors consider the credit risk of the balance to be minimal.

29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Loans to margin clients	724,123	–
Less: Allowance for doubtful debts	–	–
	724,123	–

29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

The Group has provided customers with margin financing and security lending for securities transactions since June 2012, the credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing at a fixed rate of 8.6%. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at December 31, 2012, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' stock securities and cash collaterals. The undiscounted market value of the stock security collaterals was amounted to Rmb2,745,885,000. Cash collateral of Rmb75,976,000 received from clients was included in accounts payable to customers arising from securities business in Note 35.

No aged analysis is disclosed as in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

30. OTHER RECEIVABLES AND PREPAYMENTS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Analysed as:		
Current		
Entrusted loans receivables from related parties (Note 47(ii))	314,616	350,704
Entrusted loan receivable from a third party (Note a)	–	300,944
Loan receivable from an associate (Note 47(i))	82,101	–
Interest receivables	73,440	72,932
Financial products investment receivables (Note b)	103,432	–
Prepayments	31,518	40,275
Others	96,520	79,287
	701,627	844,142
Non-current		
Entrusted loans receivables from related parties (Note 47(ii))	325,035	300,000
Loan receivable from an associate (Note 47(i))	–	82,000
	325,035	382,000
	1,026,662	1,226,142

Notes:

(a) Pursuant to the board resolutions of the Company on January 30, 2011, and the entrusted loan contracts, the Company provided short-term entrusted loans during 2011 totaling Rmb500,000,000 with maturity date of March 31, 2012 to Zhejiang Jiahe Industrial Co., Ltd. at a fixed interest rate of 12% per annum and guaranteed by Greentown Real Estate Group Co., Ltd. in full. Part of the loan of Rmb200,000,000 was early settled during 2011. The remaining balance was settled during the year ended December 31, 2012.

(b) Short-term fixed-yield and principal protected bank financial products.

31. HELD FOR TRADING INVESTMENTS

	12/31/2012 **Rmb'000**	12/31/2011 Rmb'000
Held for trading investments include:		
Listed securities in the PRC, at fair value:		
Equity securities	8,953	195,609
Open-end equity funds	26,362	4,686
Corporate bonds with fixed interest ranging from 5.20% to 9.60% (2011: 4.45% to 8.50%) per annum	1,451,457	1,059,726
	1,486,772	1,260,021

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

As at December 31, 2012, the amounts represented equity and debt securities acquired by the Group which would be resold at a predetermined price under resale agreements with a financial institution in the PRC in 2013. The cash advanced by the Group carried interest at fixed rates ranging from 2.16% to 5.77% per annum. Subsequent to the year end, these equity and debt securities have been fully resold and the cash advanced by the Group together with the corresponding interests have also been returned to the Group.

The Group conducted resale agreement under usual and customary terms of placements and held collaterals for these transactions.

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2012, the fair value of equity securities and debt securities held as collaterals was Rmb299,918,000, and Rmb119,900,000, respectively.

There was no financial asset held under resale agreement for the year ended December 31, 2011.

33. BANK BALANCES HELD ON BEHALF OF CUSTOMERS

From the Group's securities operation, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances held on behalf of customers carry interest at market rates which range from 1.62% to 1.98% (2011: 1.62% to 1.98%) per annum.

Bank balances held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2012	14,228	40,544
As at December 31, 2011	9,893	36,564

34. BANK BALANCES AND CASH

	12/31/2012 **Rmb'000**	12/31/2011 Rmb'000
Time deposits with original maturity over three months	1,483,408	2,467,793
Unrestricted bank balances and cash	2,613,789	2,292,357
Time deposits with original maturity of less than three months	748,920	828,073
Cash and cash equivalents	3,362,709	3,120,430
	4,846,117	5,588,223

Bank balances carry interest at the average market rate of 0.42% (2011: 0.50%) per annum. Time deposits carry interest at fixed rates ranging from 2.38% to 3.36% (2011: 1.49% to 3.50%) per annum.

34. BANK BALANCES AND CASH (Continued)

Bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2012	5,232	27,999
As at December 31, 2011	5,271	26,931

35. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts include payables for securities business as well as cash collateral from customers for securities lending and/or margin financing arrangement. The settlement terms of accounts payables arising from the securities business are one day after the trade date. No aged analysis is disclosed as in the opinion of the directors an aged analysis does not give any additional value in view of the nature of the business.

As at December 31, 2012, Rmb75,976,000 cash collateral have been received from clients for securities lending or margin financing arrangement, of which under normal course of business were repayable upon maturity within 6 months. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2012	14,228	40,544
As at December 31, 2011	9,893	36,564

36. 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 the invoice date:

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Within 3 months	227,946	93,602
3 months to 1 year	35,678	32,295
1 to 2 years	26,876	116,005
2 to 3 years	48,922	58,618
Over 3 years	38,942	16,668
	378,364	317,188

37. OTHER PAYABLES AND ACCRUALS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Other liabilities:		
Accrued payroll and welfare	398,061	350,508
Consideration payable for acquisition of equity interest in Shengxin Co. (Note26) (Note)	189,331	–
Advance from rental and advertising customers	72,051	77,754
Toll collected on behalf of other toll roads	7,114	36,944
Retention payable	84,133	85,301
Others	182,082	131,812
	932,772	682,319
Other accruals	40,259	41,897
	973,031	724,216

Notes: The amount was unsecured, repayable on demand and carried interest at interest rate according to the PBOC.

38. BANK LOANS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Bank loans, unsecured and repayable within one year	–	462,553

At December 31, 2011, the bank loans included several loans totalling Rmb362,553,000 carried interests at fixed rates ranging from 4.95% to 6.31% per annum. At December 31, 2011, the bank loans also included loans of Rmb100,000,000, which carried interests at floating rates based on the interest rate according to the People's Bank of China ranging from 6.31% to 6.56%. The Group's bank loans were fully repaid during the year ended December 31, 2012.

The Group's borrowings that are dominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD Rmb'000
As at December 31, 2011	312,553

39. PROVISIONS

	Litigation on interest claim Rmb'000 (note i)
At January 1, 2011	21,238
Overprovision in prior years	(21,238)
At December 31, 2011 and December 31, 2012	–

39. PROVISIONS (Continued)

Note:

(i) The Group received a claim from the customers under the state bond investment agency agreements and fund trust agreements for the additional interest compensation upon the settlement of the principal and interest at a rate of 2.7%. During the year ended December 31, 2011, the plaintiffs withdrew from the legal proceedings and obligation of the Group was fully discharged. Accordingly, the provision of Rmb21,238,000 has been released and included in other expenses for the year ended December 31, 2011.

40. DERIVATIVE FINANCIAL INSTRUMENT

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Foreign currency forward contract	–	6,426

As at December 31, 2011, the Group entered into foreign currency forward contract. The major terms of the outstanding contract were as follows:

Notional amount	Maturity	Exchange rates
Buy HKD 386,000,000, sell Rmb	May 31, 2012	Rmb0.8292 to HKD1

The fair value of foreign currency forward contract is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

The settlement of the foreign currency forward contract on May 31, 2012 resulted in a gain on fair value changes on derivative financial instruments of Rmb2,841,000 credited to profit or loss. The Group did not enter into any foreign currency forward contract as at December 31, 2012.

41. LONG-TERM BONDS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Long-term bonds – listed in the PRC	1,000,000	1,000,000

The long-term bonds are unsecured, carry interest payable annually at a fixed rate of 4.29% per annum and are repayable in 2013 upon maturity. The quoted price of the listed long-term bonds as at December 31, 2012 is Rmb992,421,000 (2011: Rmb1,000,000,000). The long-term bond is classified as current liabilities according to its maturity as at December 31, 2012.

42. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Provisions Rmb'000	Changes in fair value of held for trading and available-for-sale investments Rmb'000	Accelerated tax depreciation of property plant and equipment and expressway operating rights Rmb'000	Fair value adjustment of intangible assets Rmb'000	Others Rmb'000	Total Rmb'000
At January 1, 2011	(5,310)	35,899	228,561	34,238	(30,741)	262,647
Charge (credit) to profit or loss	5,310	(14,383)	(10,004)	(2,339)	(11,602)	(33,018)
Charge to other comprehensive loss	–	2,437	–	–	–	2,437
At December 31, 2011	–	23,953	218,557	31,899	(42,343)	232,066
Charge (credit) to profit or loss	–	6,633	(10,004)	(2,339)	(3,336)	(9,046)
Charge to other comprehensive loss	–	1,200	–	–	–	1,200
At December 31, 2012	–	31,786	208,553	29,560	(45,679)	224,220

43. SHARE CAPITAL

	Number of shares		Share capital	
	12/31/2012	12/31/2011	**12/31/2012 Rmb'000**	12/31/2011 Rmb'000
Registered, issued and fully paid:				
Domestic shares of Rmb1.00 each	2,909,260,000	2,909,260,000	2,909,260	2,909,260
H Shares of Rmb1.00 each	1,433,854,500	1,433,854,500	1,433,855	1,433,855
	4,343,114,500	4,343,114,500	4,343,115	4,343,115

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H Shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by ADRs representing the deposited H Shares of the Company effective.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

44. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

45. COMMITMENTS

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
Authorised but not contracted for:		
– Investments in expressways upgrade services	–	6,070
– Purchase of machinery and equipment	238,504	345,344
– Renovation of service areas	70,850	20,970
– Acquisition and construction of properties	497,050	407,203
– Purchase of office buildings	–	485,700
– Investment in an associate	280,000	–
	1,086,404	1,265,287

46. OPERATING LEASES

The Group as lessee

	Year ended 12/31/2012 Rmb'000	Year ended 12/31/2011 Rmb'000
Minimum lease payments	58,199	13,637
Contingent rental expenses	4,525	4,958
	62,724	18,595

46. OPERATING LEASES (Continued)

The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	12/31/2012	12/31/2011
	Rmb'000	Rmb'000
Within one year	49,985	14,851
In the second to fifth years inclusive	112,900	61,241
Over five years	4,490	13,540
	167,375	89,632

Operating lease payments represent rentals payable by the Group for certain service areas along expressways located in Zhejiang and Tianjin. They are negotiated for an average term of ten years and rentals contain both a fixed element and a contingent element linked to sales.

The Group as lessor

The Group leased their service areas and communication ducts under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2012	12/31/2011
	Rmb'000	Rmb'000
Within one year	24,913	34,896
In the second to fifth years inclusive	37,255	37,001
After five years	37,310	24,943
	99,478	96,840

46. OPERATING LEASES (Continued)

The Group as lessor (Continued)

For certain of the Group's service areas, the rental income are variable and being calculated at the higher of a pre-agreed percentage of sales of the relevant service areas made by the lessees or the minimum lease payments. The above commitment represented the minimum lease payments from lessees only and do not include any contingent rent elements.

47. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party during the year:

(i) Transactions and balances with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC. Details of other significant transactions with government related parties are summarised below:

47. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

(a) Transactions with Communications Group

(1) Pursuant to the provisional agreement entered into between Zheshang Securities and a related party, Jinji Co, a subsidiary of the Communications Group, dated December 26, 2011, Zheshang Securities agreed to purchase a property in Hangzhou from Jinji Co for a provisional consideration of Rmb809,500,000. As at December 31, 2011, deposit of Rmb323,800,000 has been paid to Jinji Co. During the year ended December 31, 2012, this provisional agreement has been terminated as Jinji Co fails to deliver the property to Zheshang Securities, deposit of Rmb323,800,000 together with interest, which is according to the prevailing lending rate promulgated by the People's Bank of China ("PBOC"), of Rmb19,367,000 have been repaid to Zheshang Securities.

(2) Pursuant to the board resolutions of the Company on November 10, 2011, and the loan contract, the Company provided long-term loan, totalling Rmb82,000,000 with maturity date on November 16, 2013 to the Group's associated company, Yongjin at floating rates based on the benchmark interest rate according to the People's Bank of China ranging from 6.31% to 6.56% per annum.

(b) Transactions with other government related parties

(1) Pursuant to the operation management agreement entered into between Zhejiang Expressway Investment Development Co., Ltd. ("Development Co"), a wholly owned subsidiary of the Company, and Petroleum Co in respect of the petrol stations in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways, Petroleum Co will have their expertise to assist Development Co in running their petrol stations along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways. Purchases of petroleum products from Petroleum Co during year ended December 31, 2012 amounted to Rmb1,669,833,000 (2011: Rmb1,566,140,000).

Petroleum Co is a government related entity and also an associate of the Group.

47. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with government related parties (Continued)

(b) Transactions with other government related parties (Continued)

(2) The Group has entered into various significant transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

(ii) Transactions and balances with associates and other non-government related parties

(a) Transactions and balances with associates and its subsidiaries

(1) Pursuant to the resolutions of the shareholders' meeting on June 21, 2010 of the Group's subsidiary, Development Co, and the entrusted loan contracts, Development Co provided short-term entrusted loans during 2010 totalling Rmb270,000,000 with maturity dates from July 11, 2011 to September 20, 2011 to Hangzhou Concord Property Investment Co., Ltd. ("Hangzhou Concord Co"), a subsidiary of the Group's associate at a fixed interest rate of 12% per annum. Such entrusted loan is guaranteed by World Trade Center Zhejiang Real Estate Development Co., Ltd. ("World Trade Ltd"), a related party of Hangzhou Concord Co, in full. Part of the entrusted loan of Rmb120,000,000 was repaid during 2011. Pursuant to the supplemental entrusted loan contract on July 6, 2011 of Development Co, the maturity date of the entrusted loan totalling Rmb150,000,000 was deferred to July 10, 2012, at a fixed interest rate of 12% per annum and guaranteed by World Trade Ltd in full, in which part of the entrusted loan of Rmb50,471,000 was early settled during 2011. The remaining Rmb99,529,000 was fully settled during 2012.

47. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

(a) Transactions and balances with associates and its subsidiaries (Continued)

(2) Pursuant to the resolutions of the shareholders' meeting on July 8, 2010 of Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co"), a subsidiary of Development Co, and the entrusted loan contract, Advertising Co provided short-term entrusted loan during 2010 totalling Rmb30,000,000 with maturity date of July 10, 2011 to Hangzhou Concord Co at a fixed interest rate of 12% per annum. Such entrusted loan was guaranteed by World Trade Ltd in full. Pursuant to the resolutions of the shareholders' meeting on May 25, 2011 of Development Co and the supplemental entrusted loan contract, the maturity date of the entrusted loan totalling Rmb30,000,000 was deferred to July 10, 2012, at a fixed interest rate of 12% per annum and guaranteed by World Trade Ltd in full. The balance was fully settled during 2012.

(3) Pursuant to the board resolutions of the Company on August 28, 2010, and the entrusted loan contracts, the Company provided short-term entrusted loans during 2010 totalling Rmb200,000,000 with maturity date of September 30, 2011 to Hangzhou Concord Co at a fixed interest rate of 12% per annum. Such entrusted loan was guaranteed by World Trade Ltd in full. The entrusted loan was fully repaid during 2011.

47. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

(a) Transactions and balances with associates and its subsidiaries (Continued)

(4) Pursuant to the board resolutions of the Company on August 28, 2010, and the entrusted loan contracts, the Company provided short-term entrusted loans during 2011 totalling Rmb390,000,000 with maturity dates from November 4, 2011 to August 7, 2012 and long-term entrusted loan Rmb100,000,000 with maturity date on May 17, 2013 to Zhejiang Canal Concord Property Co., Ltd., a subsidiary of Hangzhou Concord Co, at a fixed interest rate of 12% per annum. Such entrusted loans are guaranteed by World Trade Ltd in full. Part of the entrusted loan of Rmb200,000,000 was early settled during 2011. The remaining balance of Rmb190,000,000 of the short-term entrusted loans and part of the long-term entrusted loan of Rmb17,953,000 were settled in 2012.

(5) Pursuant to the board resolutions of the Company on August 28, 2010, and the entrusted loan contract, the Company provided long-term entrusted loan during 2011 totalling Rmb200,000,000 with maturity date of April 25, 2013 to Hangzhou Canal Concord Property Co., Ltd., a subsidiary of Hangzhou Concord Co at a fixed interest rate of 12% per annum. Such entrusted loan is guaranteed by World Trade Ltd in full.

(6) Pursuant to the board resolutions of the Company on June 11, 2012, and the entrusted loan contract, the Company provided long-term entrusted loan during 2012 totalling Rmb120,000,000 with maturity date of January 17, 2014 to Zhejiang Canal Concord Property Co., Ltd., a subsidiary of Hangzhou Concord Co at a fixed interest rate of 12% per annum. Such entrusted loan is guaranteed by World Trade Ltd in full.

47. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other non-government related parties (Continued)

(a) Transactions and balances with associates and its subsidiaries (Continued)

(7) Pursuant to the board resolutions of the Company on August 28, 2010, and the entrusted loan contract, the Company provided long-term entrusted loan during 2012 totalling Rmb190,000,000 with maturity date of February 7, 2014 to Zhejiang Canal Concord Property Co., Ltd., a subsidiary of Hangzhou Concord Co at a fixed interest rate of 12% per annum. Such entrusted loan is guaranteed by World Trade Ltd in full.

Interest income recognised in 2012 on the above entrusted loan transactions with associates and its subsidiaries were Rmb70,993,000 (2011: Rmb71,491,000).

Interest receivables as at December 31, 2012 on the above entrusted loan transactions with associates and its subsidiaries were Rmb47,604,000 (2011: Rmb31,175,000). The amounts will be repaid at maturity.

(b) Compensation of directors, supervisors, and key management personnel

The remuneration of the directors, supervisors and key management personnel during the year was Rmb4,962,000 (2011: Rmb4,342,000) including retirement benefit scheme contribution of Rmb191,000 (2011: Rmb109,000) which is determined by the performance of the individuals and the market trends.

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital Rmb	Percentage of equity interest attributable to the Company Direct 12/31/2012 %	Direct 12/31/2011 %	Indirect 12/31/2012 %	Indirect 12/31/2011 %	Principal activities
Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co")	Note 1	75,223,000	51	51	–	–	Management of the Yuhang Section of the Shanghai-Hangzhou Expressway
Jiaxing Co	Note 2	1,859,200,000	99.999454	99.999454	–	–	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 3	2,400,000,000	73.625	73.625	–	–	Management of the Shangsan Expressway
Development Co	Note 4	120,000,000	100	100	–	–	Operation of service areas as well as roadside advertising along the expressways operated by the Group
Advertising Co	Note 5	16,000,000	–	–	*70	*70	Provision of advertising services
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 6	8,000,000	100	100	–	–	Provision of vehicle towing, repair and emergency rescue services
Hangzhou Roadtone Advertising Co., Ltd. ("Roadtone Co")	Note 7	3,000,000	–	–	*51	*51	Provision of advertising services
Zheshang Securities	Note 8	3,000,000,000	–	–	**52.15	**52.15	Operation of securities business
Zheshang Futures	Note 9	500,000,000	–	–	***52.15	***52.15	Operation of securities business
Zheshang Capital Management Co., Ltd. ("Zheshang Capital Co")	Note 10	300,000,000	–	–	***52.15	N/A	Operation of securities business

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

* These two companies are subsidiaries of Development Co, a wholly-owned subsidiary of the Company, and, accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

Pursuant to the resolution of directors' meeting on May 25, 2011 of Development Co and the share transfer agreement, 100% shares of Towing Co were transferred to the Company on September 26, 2011.

** The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it.

*** The companies are subsidiaries of Zheshang Securities, non-wholly-owned subsidiaries of Shangsan Co, and, accordingly, are accounted for as subsidiaries by virtue of the Group's control over it.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Yuhang Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the directors attending the meetings.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Development Co was established on May 28, 2003 in the PRC as a limited liability company.

Note 5: Advertising Co was established on June 1, 1998 in the PRC as a limited liability company.

Note 6: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 7: Roadtone Co was established on July 27, 2004 in the PRC as a limited liability company.

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Note 8: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. On November 16, 2012, the board of directors of the Company announced that Zheshang Securities proposed to seek a separate listing of its shares as A shares on the Shanghai Stock Exchange. This proposed spin-off for separate listing has not yet been completed at the end of the reporting period.

Note 9: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability Company.

Note 10: Zheshang Capital Co was established on February 9, 2012 in the PRC as a limited liability Company.

All of the Company's subsidiaries are operating in the PRC. None of them had in issue any debt securities at any time during the year.

49. NON-CASH TRANSACTION

For the year ended December 31, 2010, consideration of Rmb338,354,000 was paid from the non-controlling shareholders of Zheshang Securities for capital injection in Zheshang Securities. Upon the approval from the relevant government authorities, the amount was recognised as capital contribution from the non-controlling interest during the year ended December 31, 2011.

50. EVENTS AFTER THE REPORTING PERIOD

On January 24, 2013, the long-term bonds issued by the Company have been matured, and the principal amount of Rmb1,000,000,000 and the relevant interests of the long-term bonds have been fully repaid.

51. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	257,178	200,810
Prepaid lease payments	1,783	1,878
Expressway operating rights	4,927,666	5,272,899
Other intangible assets	3,140	–
Investments in subsidiaries	4,557,600	4,557,600
Investments in associates	410,073	410,073
Investment in a jointly controlled entity	373,470	–
Available-for-sale investments	62,000	–
Other receivables	325,035	382,000
	10,917,945	10,825,260
CURRENT ASSETS		
Inventories	4,209	9,745
Trade receivables	27,901	29,449
Other receivables	458,223	543,481
Prepaid lease payments	95	95
Held for trading investment	80,000	80,000
Amount due from subsidiaries	440,694	1,007,193
Bank balances and cash		
– Time deposits with original maturity over three months	544,000	279,000
– Cash and cash equivalents	1,356,884	1,501,945
	2,912,006	3,450,908
CURRENT LIABILITIES		
Trade payables	184,262	195,641
Tax liabilities	169,301	238,285
Other taxes payable	16,164	16,939
Other payables and accruals	454,015	286,511
Amount due to subsidiaries	14,546	436,773
Bank loans	–	362,553
Long-term bonds	1,000,000	–
Derivative financial instrument	–	6,426
	1,838,288	1,543,128
NET CURRENT ASSETS	1,073,718	1,907,780
TOTAL ASSETS LESS CURRENT LIABILITIES	11,991,663	12,733,040

51. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2012 Rmb'000	12/31/2011 Rmb'000
NON-CURRENT LIABILITIES		
Long-term bonds	–	1,000,000
Deferred tax liabilities	102,280	106,206
	102,280	1,106,206
	11,889,383	11,626,834
CAPITAL AND RESERVES		
Share capital	4,343,115	4,343,115
Reserves	7,546,268	7,283,719
	11,889,383	11,626,834

	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves Rmb'000	Dividend reserves Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Total Rmb'000
At January 1, 2011	4,343,115	3,645,726	1,518,224	1,085,779	18,666	835,114	11,446,624
Total comprehensive income for the year	–	–	–	–	–	1,526,576	1,526,576
Interim dividend	–	–	–	–	–	(260,587)	(260,587)
Final dividend	–	–	–	(1,085,779)	–	–	(1,085,779)
Proposed final dividend	–	–	–	1,085,779	–	(1,085,779)	–
Transfer to reserves	–	–	151,757	–	–	(151,757)	–
At December 31, 2011	4,343,115	3,645,726	1,669,981	1,085,779	18,666	863,567	11,626,834
Total comprehensive income for the year	–	–	–	–	–	1,608,915	1,608,915
Interim dividend	–	–	–	–	–	(260,587)	(260,587)
Final dividend	–	–	–	(1,085,779)	–	–	(1,085,779)
Proposed final dividend	–	–	–	1,042,347	–	(1,042,347)	–
Transfer to reserves	–	–	156,762	–	–	(156,762)	–
At December 31, 2012	4,343,115	3,645,726	1,826,743	1,042,347	18,666	1,012,786	11,889,383

Corporate Information

Executive Directors

ZHAN Xiaozhang (Chairman)
LUO Jianhu (General Manager)
DING Huikang

Non-Executive Directors

LI Zongsheng
WANG Weili
WANG Dongjie

Independent Non-Executive Directors

ZHANG Junsheng
ZHOU Jun
PEI Ker-Wei

Supervisors

FU Zhexiang
WU Yongmin
LIU Haisheng
ZHANG Guohua
ZHANG Xiahua

Company Secretary

Tony Zheng

Authorized Representatives

ZHAN Xiaozhang
ZHANG Jingzhong

Statutory Address

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Fax: 86-571-8798 5599

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United Kingdom

As to PRC law:
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11/F, Block A, Dragon Century Plaza
1 Hangda Road
Hangzhou City, Zhejiang Province
PRC 310007

Auditors

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35/F, One Pacific Place
88 Queensway
Hong Kong

Investor Relations Consultant

Hill & Knowlton Strategies
36th Floor, PCCW Tower, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong
Tel : 852-2894 6321
Fax: 852-2576 1990

Principal Bankers

Industrial and Commercial Bank of China,
Zhejiang Branch
China Construction Bank, Zhejiang Branch
Shanghai Pudong Development Bank,
Hangzhou Branch

H Share Registrar and Transfer Office

Hong Kong Registrars Limited
Room 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

H Shares Listing Information

The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange Plc

Code: ZHEH

ADRs Information

US Exchange: OTC
Symbol: ZHEXY
CUSIP: 98951A100
ADR: H Shares 1:10

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Location Map of Expressways in Zhejiang Province