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

Stock Code : 0576

Leveraging Opportunities, Pursuing Growth

2010 Annual Report

Leveraging Opportunities,

Pursuing Growth

As the economies of China and Zhejiang Province underwent solid recovery growth, Zhejiang Expressway's operation also witnessed a healthy return to growth in year 2010. The toll road business has demonstrated its integral strengths and registered double-digit growth in revenue, while the securities business has been fast expanding and is now contributing a significant share of the Group's profits.

In 2011, we expect some uncertainties to remain, but we also see opportunities abound as China's domestic economy is expected to continue its healthy growth. We believe that the two "pillar" businesses of the Group will grow from strength to strength, and more importantly, they will provide reliable support to our other business ventures in the future. Zhejiang Expressway will be actively leveraging opportunities amidst a dynamic market, seeking to build other suitable new businesses to pursue growth whilst strengthening our core business, with a view to bringing greater returns to our shareholders.

Contents

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 51% 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
Huajian	Huajian Transportation Economic Development Center（華建交通經濟開發中心）, a State-owned enterprise

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, 2010 to December 31, 2010
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
Services Co	Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd.(浙江高速公路清障施救服務有限公司), a 85% owned subsidiary of Development Co
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
Supervisory Committee	the supervisory committee 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.(浙商證券有限責任公司), a 70.46% owned subsidiary of the Shangsan Co

Company Profile

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating 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 the 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, 2010, total assets of the Company and its subsidiaries amounted to Rmb33,652.06 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, 2010, consolidated assets of Communications Group totaled Rmb133,325.18 million.

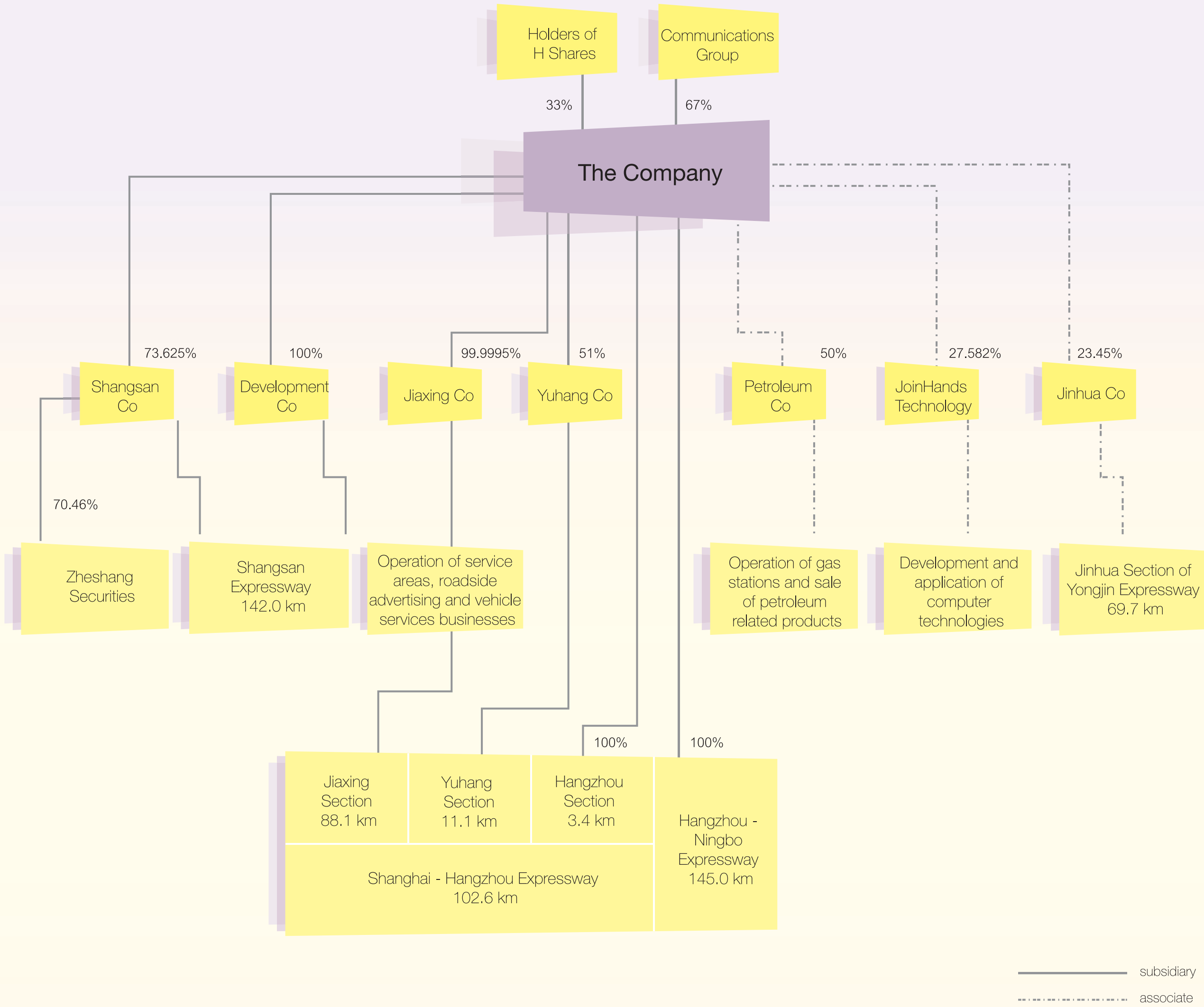
The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

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.

On August 12, 2005, a 10-year corporate bond of the Company, issued on January 24, 2003, was listed on the Shanghai Stock Exchange.

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, 2010:



Review of Major Corporate Events

1. On March 14, 2010, the Company announced the 2009 annual results in Hong Kong, and thereafter conducted its annual results roadshow in Hong Kong, Singapore, the U.K. and the U.S.A.

2. At 00:00 on April 16, 2010, the toll-by-weight policy came into full effect for the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway. The traditional toll standards for trucks whereby toll was collected according to truck classes would be changed to toll collected by truck weights.

3. On May 10, 2010, the Company held its 2009 annual general meeting. The meeting approved 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.

   On the same day, the Company announced its 2010 first quarterly results.

4. On May 20, 2010, the Company, Communications Group and Yiwu Communications Development Co., Ltd. entered into an agreement to further inject Rmb23.45 million into Jinhua Co. After the capital injection, the Company continued to hold 23.45% equity interests in Jinhua Co.

5. On July 2, 2010, Huajian, one of the major shareholders of the Company, transferred its 11% equity interests in the Company to the Company's controlling shareholder, Communications Group, at no consideration.

   After the share transfer, the equity interests held by Communications Group in the Company has increased to approximately 67%.

6. During the period between August 13 and October 20, 2010, the Company acquired a total of 49% equity interests in Zhejiang Expressway Investment Development Co, Ltd ("Development Co") which was held by the Company's middle-to-senior level management and staff. After the acquisition, Development Co became a wholly-owned subsidiary of the Company.

7. On August 29, 2010, the Company announced its 2010 interim results in Hong Kong, and thereafter conducted its interim results roadshow in Hong Kong and Singapore.

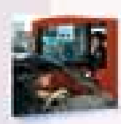
8. On October 18, 2010, the Company held an extraordinary general meeting. The meeting elected Mr. DING Huikang as executive director of the Company and approved his remuneration and Mr. LIU Haisheng as supervisor of the Company. Prior to the meeting, the Company had approved on August 28, 2010 the resignation of Ms ZHANG Yang from the office of non-executive director and the resignation of Mr. ZHENG Qihua from the office of supervisor. The meeting also approved the distribution of an interim dividend of RMB0.06 per share.

9. On October 20, 2010, Shangsan Co further injected Rmb861.65 million into Zheshang Securities. Upon completion of the capital injection, Shangsan Co will hold 70.83% equity interests in Zheshang Securities.

10. On November 19, 2010, the Company announced its 2010 third quarterly results.







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	18
– Yuhang Section	51%	11.1	6	1	0	1995-1998	18
– Hangzhou Section	100%	3.4	4	2	0	1995	18
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	16.0	4	1	0	1992	17
– Hongken to Duantang section	100%	124.0	8	9	2	1995	17
– Duantang to Dazhujia section	100%	5.0	4	1	0	1996	17
Shangsan Expressway	73.625%	142.0	4	11	3	2000	20

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 20 seats Truck with tonnage of 2 tons or below	5	0.45
2	Passenger vehicle with seats above 20 and up to 40 Truck with tonnage of above 2 tons and up to 5 tons	10	0.80
3	Passenger vehicle with seats above 40 Truck with tonnage of above 5 tons and up to 10 tons	15	1.20
4	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
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,				
	2006	2007	2008	2009	**2010**
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	**Rmb'000**
Revenue	4,763,780	7,030,380	6,323,470	6,036,294	**6,769,064**
Profit Before Tax	2,742,927	4,332,533	2,934,079	3,084,128	**3,111,274**
Income Tax Expense	(884,036)	(1,191,638)	(668,928)	(840,055)	**(798,785)**
Profit for the year	1,858,891	3,140,895	2,265,151	2,244,073	**2,312,489**
Attributable to:					
Owners of the Company	1,652,871	2,415,965	1,892,787	1,795,488	**1,871,499**
Non-controlling interests	206,020	724,930	372,364	448,585	**440,990**
Earnings Per Share (EPS)	38.06 cents	55.63 cents	43.58 cents	41.34 cents	**43.09 cents**

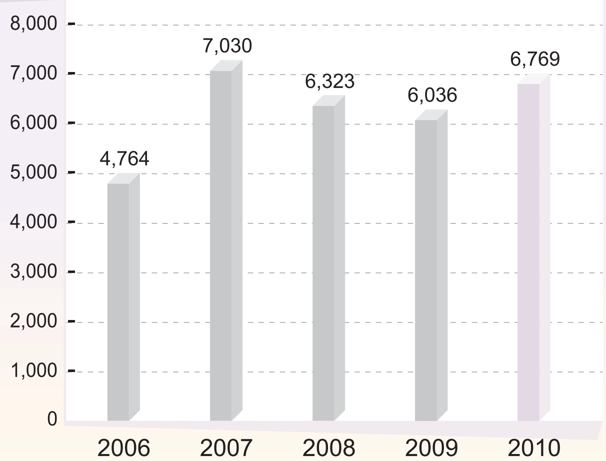
RETURN ON EQUITY (ROE)

	2006	2007	2008	2009	**2010**
ROE	13.90%	18.27%	13.83%	12.66%	**12.71%**

MONTHLY AVERAGE DAILY FULL TRIP TRAFFIC VOLUME

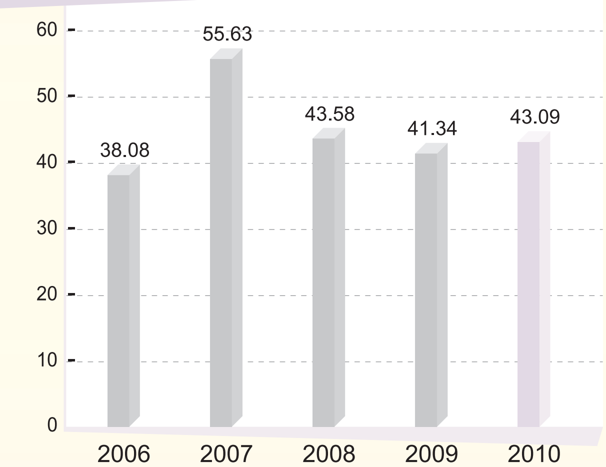
	Shanghai-Hangzhou-Ningbo Expressway					Shangsan Expressway				
	2006	2007	2008	2009	**2010**	2006	2007	2008	2009	**2010**
January	35,342	38,233	42,024	32,126	**36,438**	20,079	19,057	21,505	19,682	**17,887**
February	33,785	40,239	36,261	31,494	**35,833**	20,174	23,618	22,453	19,659	**21,894**
March	38,810	42,536	42,791	33,748	**38,175**	19,897	22,132	22,301	18,049	**18,212**
April	40,789	45,657	44,917	36,725	**40,564**	20,554	22,402	22,995	19,783	**19,561**
May	39,255	44,462	38,583	34,507	**38,361**	20,215	22,287	20,219	19,106	**18,304**
June	38,307	42,938	36,595	33,692	**38,073**	18,619	20,699	19,028	18,394	**17,482**
July	37,067	41,989	36,143	33,574	**39,418**	18,691	20,957	18,779	18,552	**17,682**
August	38,716	43,112	35,856	34,181	**38,916**	19,379	21,485	18,919	18,720	**15,895**
September	40,870	44,646	38,146	36,275	**40,666**	20,542	22,312	19,853	19,905	**16,586**
October	40,342	45,037	35,864	36,191	**42,200**	20,717	22,738	18,732	19,238	**17,189**
November	39,486	44,238	32,792	33,623	**38,772**	19,428	21,503	17,043	16,724	**15,725**
December	39,375	42,840	32,251	34,596	**37,761**	19,136	20,833	16,493	17,277	**14,974**
Average	38,536	43,001	37,688	34,241	**38,765**	19,783	21,652	19,895	18,751	**17,616**

Revenue (Rmb Million)



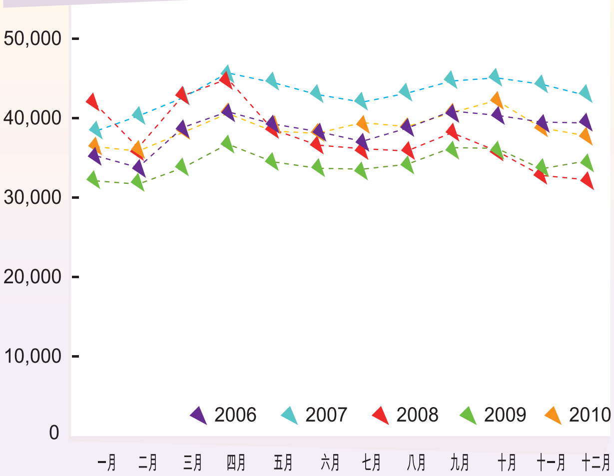
Net profit (Rmb Million)

EPS (Rmb Cents)

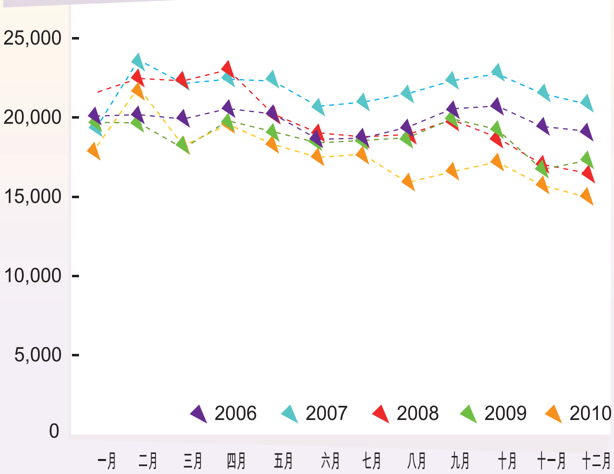


ROE (%)

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
CHEN Jisong

In 2010, the Company's operation saw a healthy return to growth. In 2011, Under the leadership of the board of directors, we will be meticulous in our planning and innovative in our development endeavors, fully leveraging the strategic opportunities presented to the Company. Whilst steadily growing our toll road business and pro-actively expanding the securities business, Zhejiang Expressway will also actively search for opportunities to develop other new businesses so as to broaden the Group's income base.

Dear Shareholders,

Gathering Strengths to Build Up Our Business Platform

It is my pleasure to present to you the 2010 annual report of Zhejiang Expressway on behalf of the board of directors of the Company. Having overcome the negative impact brought by consecutive traffic diversions and the aftermath of the financial crisis that had plagued us during the past two years, the Company's operation saw a healthy return to growth in year 2010. I am pleased to report that for the year ended 31 December 2010, the Group recorded a total revenue of Rmb 6,769.06 million, an increase of 12.1% over the same period of 2009, while net profit rose 4.2% year-on-year to Rmb1,871.5 million and earnings per share was Rmb43.09 cents (2009: Rmb41.34 cents).

The fine operating results indicate that we are on a healthy track to re-climb from the declines that we have suffered since 2008. The improved performance demonstrates the resilient operational strengths of the Company and the earnings quality of its assets. More importantly, the confidence and support of our shareholders and the hard work of the entire management and staff have contributed to enhancing the profitability of the Company. The good work that we have done during the past year has indeed laid a solid foundation for building up a stronger business platform for the future.

The current development focus of Zhejiang Expressway is still its toll road assets - assets that have generated satisfactory returns to our shareholders year after year, and will continue to serve as our pillars for supporting our future growth. Both the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway have been affected by traffic diversions from newly opened roads nearby since 2008. However, as the economy continues to grow healthily and partly owing to the strategic locations of the two expressways within the Yangzi River Delta region, organic traffic growth on the expressways has gradually outweighed the negative impact of traffic diversions caused by competing roads over the past two years. And as the expansion works along Shanghai Section of the Shanghai-Hangzhou-Ningbo Expressway was completed in early 2010, together with the implementation of the toll-by-weight policy, we witnessed the return of double-digit growth for the Shanghai-Hangzhou-Ningbo Expressway after two years of decline. Meanwhile, the decline of toll revenue generated on the Shangsan Expressway has narrowed to 2.3% in 2010, with the impact of traffic diversions due to Zhuyong Expressway having already stabilized. Overall speaking, our toll road business looks set to re-gather their strengths and will serve as a pivotal support to the Group's future business growth.

Our securities business has become another pillar of Zhejiang Expressway, a pillar that we will also rely on for fueling future growth. Now contributing approximately 17% of the Group's net profit, Zheshang Securities has grown from strength to strength all these years. Despite a turbulent stock market in year 2010, the securities company has achieved satisfactory operating results and has rolled out successful developments. With a total of 54 branches spreading across 48 primary cities in 13 provinces, Zheshang Securities has further expanded its market share of the nation's brokerage business. It has also made significant inroads in building new operations in asset management, investment banking and futures, shoring up its competitive edges in offering diverse financial services to a growing market.

With our toll road operations and securities business burnishing their performance in recent years, Zhejiang Expressway looks toward the future with great confidence. With the rollout of the State's 12th Five-year Plan, the Company is faced with an excellent opportunity for building up its business platform. Under the leadership of the board of directors, we will be meticulous in our planning and innovative in our development endeavors in 2011, fully leveraging the strategic opportunities presented to the Company. Whilst steadily growing our toll road business and pro-actively expanding the securities business, Zhejiang Expressway will also actively search for opportunities to develop other new businesses so as to broaden the Group's income base. Relying on our parent company's support, we will investigate possibilities in other infrastructure businesses. In order to meet any emerging funding needs once suitable projects are identified, we are also strengthening our internal capital operation so as to prepare ourselves well for various funding scenarios in the future.

Harboring our strong toll road operations and securities business as our two pillars, we believe that the Group is now well poised for building up a stronger business platform - a platform that will, together with the concerted efforts of all our staff, take the Group much farther with greater success.

CHEN Jisong
Chairman
March 13, 2011

Continuing to Strengthen the Toll Road Business

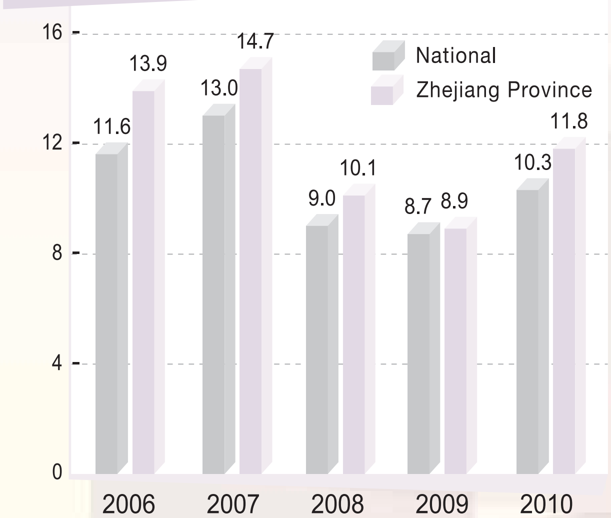
While the toll road operations have re-climbed to strength in 2010, Zhejiang Expressway is by no means complacent about its core business. Faced with an ever-improving road network and growing competition within the industry, the Company will continue to develop new technologies on road maintenance and toll collection and to enhance service quality, with a view to maintaining its market leadership position and strengthening its core competitiveness. It will also strive to seek acquisitions of suitable assets or operate expressway projects entrusted by external parties, so as to further strengthen Zhejiang Expressway's toll road business and pursue long-term development of the Company.

Management Discussion and Analysis

Director and
General Manager
ZHAN Xiaozhang

As a result of the overall economic recovery, Zhejiang Province also experienced stable and relatively fast development in 2010 and saw various sectors gradually returning to balanced developments. GDP in Zhejiang Province rose 11.8% during the Period as compared to the same period of the previous year.

GDP Growth Rate



As China's domestic macro economy stabilized and improved, revenue from the Group's overall operations grew during the Period compared to the same period of the previous year. However, performance varied across the different operations. During the Period, the Group realized a total income of Rmb6,979.57 million, representing an increase of 11.9% year-on-year; of which Rmb3,590.46 million was attributable to the two major expressways operated by the Group, representing 51.4% of the total income; Rmb1,731.07 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 24.8% of the total income; and Rmb1,658.05 million was attributable to the securities business, representing 23.8% of the total income.

BUSINESS REVIEW

In 2010, as the Government applied a number of initiatives to strengthen and improve macro-economic controls and accelerated economic restructuring, China has managed to consolidate and expand the achievements in countering the impact of the global financial crisis, thereby enabling the Chinese economy to operate well in general. In 2010, China's national GDP grew by 10.3% year-on-year.

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

	2010 Rmb'000	2009 Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	**2,848,805**	2,451,957	16.2%
Shangsan Expressway	**741,652**	759,434	-2.3%
Other income			
Service areas	**1,641,748**	1,185,813	38.4%
Advertising	**85,881**	85,076	0.9%
Road maintenance	**3,439**	3,784	-9.1%
Securities business income			
Commission	**1,431,416**	1,582,623	-9.6%
Bank interest	**226,630**	170,074	33.3%
Subtotal	**6,979,571**	6,238,761	11.9%
Less: Revenue taxes	**(210,507)**	(202,467)	4.0%
Revenue	**6,769,064**	6,036,294	12.1%

TOLL ROAD OPERATIONS

The Group saw a relatively high rate of organic growth in traffic volume along its two expressways during the Period, as a result of a number of favorable factors in 2010 such as the growth in cargo throughput on the highways, increasing automobile sales volume and resumed growth in exports in Zhejiang Province.

Meanwhile, upon completion of the works on the Shanghai section of the Shanghai-Hangzhou Expressway on January 1, 2010 and after the Company had stepped up various promotional activities, traffic volume along the Shanghai-Hangzhou section quickly returned to the level prior to traffic diversions. In addition, the World Expo held in Shanghai contributed to an increase in traffic volume of passenger vehicles traveling on the two expressways of the Group.

The implementation of the toll-by-weight policy for trucks in April 2010 has effectively reduced excessive overloading of trucks and boosted toll income from trucks. It has also changed the past few years' trend whereby the increase in toll income from the Group's expressways had been lower than the increase in traffic volume, with the increase in toll income being approximately three percentage points higher than the increase in traffic volume in 2010.

The dual-path identification system for expressways in Zhejiang Province launched in mid-October 2009 led to a growth in traffic volume along the Shanghai-Hangzhou-Ningbo Expressway while having a negative impact on the traffic volume along the Group's Shangsan Expressway. This was the major reason for a decline in toll income and traffic volume along the Shangsan Expressway compared to the same period of the previous year. However, the implementation of the system during the Period had a slightly positive impact on toll income from the two expressways as a whole.

In order to improve tolling efficiency and to facilitate the access by drivers and passengers to toll stations on expressways in a more efficient and convenient way, the Company has commenced full operation of eight electronic toll stations at the first stage in April 2010. Since its official operation, the electronic tolling system has accounted for 30% of the use of electronic toll collection on all expressways throughout the province, and the system was well-received by users.

The official operation in February 2010 of the Shenjia Huhang Expressway adjacent to the Shanghai-Hangzhou Expressway had a minor impact on the traffic volume along the Group's expressways. However, the opening of the Zhuyong Expressway on July 22, 2010 had a more significant negative impact on the Shangsan Expressway, apart from creating slight traffic diversions upon the Group's Shanghai-Hangzhou-Ningbo Expressway.

Consequently, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 38,784 during the Period, representing an increase of 13.3% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai- Hangzhou-Ningbo Expressway was 39,548, an increase of 19.7% year-on-year, and that along the Hangzhou-Ningbo section was 38,238, an increase of 8.9% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 17,584 during the Period, representing a decrease of 6.2% year-on-year.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway and the 142km Shangsan Expressway amounted to Rmb3,590.46 million during the Period, representing an increase of 11.8% year-on-year. In respect of such income, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,848.81 million, an increase of 16.2% year-on-year, while toll income from the Shangsan Expressway amounted to Rmb741.65 million, a decrease of 2.3% 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 stabilization and recovery of the macro economy, continued growth in vehicle ownership in the province, and the hosting of the Shanghai World Expo not only brought an increase in traffic volume along the Group's two expressways, but also stimulated a rise in the spending will among travelers in the service areas. A rebound in traffic volume, a substantial growth in sales of petroleum products and a rise in the prices of petroleum products also brought income growth to gas stations, resulting in a substantial increase in income from the service areas as well. Income from toll road-related businesses amounted to Rmb1,742.12 million during the Period, representing a year-on-year increase of 35.5%.

SECURITIES BUSINESS

The domestic stock market in China remained volatile and showed a falling trend in 2010, with a decrease in trading volume compared to the past. Meanwhile, the establishment of additional operation networks by various major domestic securities firms had further intensified competition among securities firms, causing commission rates to continue to decline.

Zheshang Securities has been taking a positive approach to cope with the intensely competitive environment and endeavoring to expand various businesses, and consequently the market share of its securities brokerage business and the total number of customers continued to rise, and its operation network increased to 54 branches. The asset management business grew substantially, having been approved to launch five integrated asset management plans in 2010 and ranked among the top domestic securities firms in terms of net operating income. Meanwhile, Zheshang Securities' investment banking and futures businesses achieved satisfactory growth as well.

During the Period, Zheshang Securities realized an operating income of Rmb1,658.05 million, a decrease of 5.4% year-on-year. Of such income, brokerage commission income amounted to Rmb1,431.42 million, a year-on-year decrease of 9.6%; and bank interest income amounted to Rmb226.63 million, a year-on-year increase of 33.3%. In order to control risks, Zheshang Securities invested more than 70% of its proprietary securities business in bonds with relatively lower risks and as such, the securities investment income as accounted for in the consolidated statement of comprehensive income amounted to Rmb119.91 million.

LONG-TERM INVESTMENTS

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) was blessed by a rise in the retail prices of petroleum and a growth in petroleum sales during the Period, and consequently realized an income of Rmb3,551.90 million in 2010, representing an increase of 32.3% year-on-year. However, the opening of five new gas stations in 2010 resulted in increases in corresponding rental expenses, labor costs and repair expenses. During the Period, net profit of the associate company amounted to Rmb17.52 million, which remained at basically the same level as the previous year.

The 69.7km Jinhua Section of the Ningbo-Jinhua Expressway, operated by Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate company of the Company), benefited from an increase in toll income in 2010 compared to a lower operating income base in 2009, as a result of the introduction of the toll-by-weight system and the introduction of the more accurately analyzed dual-path identification system. It recorded an average daily traffic volume of 9,277 in full-trip equivalents during the Period, while toll income amounted to Rmb189.95 million, an increase of 37.3% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb68.45 million during the Period but the loss is gradually decreasing.

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company) generated its income primarily from its printing operations and property leasing. During the Period, it did not show any improvement to its operations but had reduced the percentage of its shareholding in a subsidiary, and consequently it managed to realize a net profit of Rmb4.27 million during the Period.

FINANCIAL ANALYSIS

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

During the Period, profit attributable to owners of the Company for the year was approximately Rmb1,871.50 million, representing an increase of 4.2% year-on-year, while earnings per share for the Company was Rmb43.09 cents.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2010, current assets of the Group amounted to Rmb19,673.10 million in aggregate (2009: Rmb17,903.78 million), of which bank balances and cash accounted for 30.5% (2009: 29.5%), bank balances held on behalf of customers accounted for 59.4% (2009: 64.4%), and held-for-trading investments accounted for 4.1% (2009: 2.9%). Current ratio (current assets over current liabilities) as at December 31, 2010 was 1.3 (2009: 1.3). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances held on behalf of customers over current liabilities less balance of accounts payable to customers arising from the securities dealing business) was 2.6 (2009: 2.6).

The amount for held-for-trading investments of the Group as at December 31, 2010 amounted to Rmb803.77 million (2009: Rmb517.90 million), of which 74.7% was invested in corporate bonds, 24.6% was invested in the stock market, and the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb2,550.50 million, representing a decrease of 14.8%.

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

	As at December 31,	
	2010	2009
	Rmb'000	Rmb'000
Cash and cash equivalent		
Rmb	**5,674,173**	5,018,914
US$ in Rmb equivalent	**2,616**	25,423
HK$ in Rmb equivalent	**5,264**	4,666
Time deposits		
Rmb	**301,286**	228,452
US$ in Rmb equivalent	**24,259**	—
Held-for-trading investments-Rmb	**803,772**	517,895
Available-for-sale investments- Rmb	**71,928**	54,704
Financial assets held under resale agreement- Rmb	**80,163**	—
Total	**6,963,461**	5,850,054
Rmb	**6,931,322**	5,819,965
US$ in Rmb equivalent	**26,875**	25,423
HK$ in Rmb equivalent	**5,264**	4,666

BORROWINGS AND SOLVENCY

As at December 31, 2010, total liabilities of the Group amounted to Rmb15,956.94 million, of which 11.4% was borrowings and 72.9% was accounts payable to customers arising from the securities dealing business.

Total interest-bearing borrowings of the Group as at December 31, 2010 amounted to Rmb1,822.00 million, representing an increase of 12.3% over the beginning of the year. The borrowings comprised outstanding balances of loans from domestic commercial banks totaling Rmb822.00 million, and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. Of the interest-bearing borrowings, 54.9% were not repayable within one year.

		Maturity Profiles		
	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Commercial bank loans	350,000	350,000	–	–
Fixed rates				
Commercial bank loans	472,000	472,000	–	–
Corporate bonds	1,000,000	–	1,000,000	–
Total as at December 31, 2010	1,822,000	822,000	1,000,000	–
Total as at December 31, 2009	1,622,384	478,055	1,144,329	–

As at December 31, 2010, the Group's loans from domestic commercial banks comprised half-year and 1-year short-term loans, of which Rmb472.00 million was fixed-rate loans with interest rates ranging from 5.10% to 5.81% per annum, Rmb350.00 million was floating-rate loans with interest rates ranging from 5.00% to 5.52% per annum. The annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. The annual interest rate for accounts payable to customer arising from the securities dealing business was fixed at 0.36%. The Group's World Bank loans, denominated in US dollar, of approximately Rmb422.38 million equivalent, have been fully repaid during the Period.

Total interest expense for the Period amounted to Rmb120.98 million, while profit before interest and tax amounted to Rmb3,232.25 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 26.7 (2009: 50.2).

	2010 **Rmb'000**	2009 Rmb'000
Profit before tax and interest	**3,232,253**	3,146,852
Interest expenses	**120,979**	62,724
Interest cover ratio	**26.7**	50.2

The asset-liability ratio (total liabilities over total assets) was 47.4% as at December 31, 2010 (December 31, 2009: 47.3%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from the securities dealing business over total assets less bank balances held on behalf of customers) of the Group was 19.7% (December 31, 2009: 18.4%).

Pursuing a Steady Development of the Securities Business

The securities business of Zhejiang Expressway has gradually grown to maturity and has become a significant player in the securities sector. Now counting 54 branches with operations spreading across 48 major cities in 13 provinces, Zheshang Securities endeavors to continue to expand its market share and enhance its competitiveness. Whilst continuing to strengthen the new businesses that it has recently expanded into such as investment banking, asset management, futures and fixed income, Zheshang Securities will also focus on developing its human capital, with a view to becoming a market leader in the country's securities and finance industry.

CAPITAL STRUCTURE

As at December 31, 2010, the Group had Rmb17,695.12 million total equity, Rmb13,103.03 million fixed-rate liabilities, Rmb350.00 million floating-rate liabilities and Rmb2,503.91 million interest-free liabilities, representing 52.6%, 38.9%, 1.0% and 7.5% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customers arising from the securities dealing business by total equity, was 24.4% as at December 31, 2010 (December 31, 2009: 22.5%).

	As at December 31, 2010		As at December 31, 2009	
	Rmb'000	%	Rmb'000	%
Total equity	**17,695,115**	**52.6%**	17,064,853	52.7%
Fixed rate liabilities	**13,103,030**	**38.9%**	12,702,930	39.2%
Floating rate liabilities	**350,000**	**1.0%**	422,384	1.3%
Interest-free liabilities	**2,503,910**	**7.5%**	2,212,614	6.8%
Total	**33,652,055**	**100.0%**	32,402,781	100.0%
Long-term interest-bearing liabilities	**1,000,000**	**3.5%**	1,144,329	3.5%
Gearing ratio 1 (Note)		**24.4%**		22.5%
Gearing ratio 2 (Note)		**5.7%**		6.7%
Asset-liability ratio 1 (Note)		**47.4%**		47.3%
Asset-liability ratio 2 (Note)		**19.7%**		18.4%

Note: Gearing ratio 1 represents the total liabilities less accounts payable to customers arising from the securities dealing 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 accounts payable to customers arising from the securities dealing 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 Rmb461.82 million, while capital expenditures of the Company totaled Rmb169.16 million. Amongst the total capital expenditures of the Group, Rmb149.48 million was incurred for acquisition and construction of properties, Rmb133.48 million for purchase of equipment, Rmb97.09 million for the acquisition of 49% equity interests in Zhejiang Expressway Investment Development Co., Ltd., Rmb23.45 million due to the further capital contribution into Zhejiang Jinhua Yongjin Expressway Co., Ltd., Rmb24.30 million for the road widening project between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub of the Shangsan Expressway and Rmb25.00 million for the establishment of Zheshang Fund Management Co.,Ltd.(a 25% owned associate of Zheshang Securities Co., Ltd.).

As at December 31, 2010, capital expenditures committed by the Group and the Company totaled Rmb765.66 million and Rmb226.72 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb360.18 million will be used for acquisition and construction of properties, Rmb342.76 million for acquisition of equipment, Rmb46.62 million for the widening project between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub of the Shangsan Expressway, and Rmb16.10 million for service area renovation and expansion.

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

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at December 31, 2010, the Group did not have any contingent liabilities nor any pledge of assets or guarantees.

FOREIGN EXCHANGE EXPOSURE

Save for the dividend payments to overseas shareholders in Hong Kong dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited and the Group has not used financial instrument for hedging purposes.

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

HUMAN RESOURCES

As at December 31, 2010, there were 5,827 employees within the Group, amongst whom 1,195 worked in the managerial, administrative and technical positions, while 4,632 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

The Company adopts a remuneration policy that aims to be competitive for attracting and retaining talents. The overall remuneration package for employees comprised mainly basic salaries, bonuses and benefits. Bonuses are designed to reflect individual job performances, as well as business and share price performances of the Group. Such bonuses are designed as short-term incentives, while a long-term incentive mechanism has yet to be established. Benefits for employees come in the form of contributions made by the Group to various local social security agencies covering pension, medical and accommodation concerns that are calculated as a percentage of employees' income and in accordance with relevant 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 Rmb44.86 million.

The remuneration level fixed by the Company is sufficient to attract and retain the directors required for its successful operation. All the directors did not participate in determining their emoluments to avoid payment of excessive remuneration.

OUTLOOK

The Chinese economy has improved in general despite encountering a highly complex domestic and international economic environments as well as multiple and frequent natural disasters. In Zhejiang Province, under the current environment underpinned by a significant improvement in infrastructure developments and an increasing stimulation of the economy by consumption, foreign trade exports resumed high growth and automotive retail sales registered a continuous rapid increase. With the above favorable factors, the Group's two expressways are expected to continue to undergo significant organic growth in traffic volume in 2011.

However, the opening of the Zhuyong Expressway in July 2010 will continue to divert traffic flows from the Group's Hangzhou-Ningbo Expressway and Shangsan Expressway. While the operation of the Shanghai-Hangzhou High-speed Railway on October 26, 2010 has a certain negative impact on passenger buses running between Hangzhou and Shanghai, it is not expected to have a major impact on the Group's total toll income in 2011.

The implementation of the toll-by-weight policy for trucks on April 16, 2010 has generated more satisfactory growth in the Group's toll income. This policy is anticipated to continue to have a more positive impact on the Group's toll income in 2011. Coupled with this is the initial launch of an electronic tolling system for expressways in Zhejiang Province. After achieving a satisfactory result at the Stage-One launch of the system, Stage Two will be implemented at the end of 2011, which will cover all of the Group's toll stations by 2015.

As China is anticipated to further tighten liquidity in order to curb inflation, there will be increasing uncertainties about the stock market in 2011. Coupled with the fact that fierce competition among securities firms has not shown any sign of subsiding, Zheshang Securities will continue to face intense competition. By making aggressive efforts to develop its core businesses such as investment banking, asset management and fixed income, Zheshang Securities will steadily expand its operation network and strive to deliver satisfactory operating results.

2011 will be the first year of the 12th Five-year Plan where the Company aims to upgrade its capabilities for business evolution. While endeavoring to become a market leader in its principal business of expressway operations, the Company will devote aggressive efforts to cultivating management capabilities for diversified operations. We will make use of our good cash flow, continuing to seek suitable investments and acquisitions or operate other external expressway projects entrusted to the Group. Through various means such as debt and/or equity financing, we will fully leverage our existing financing capabilities to expand the room for business development. Ultimately, the Company's management and staff will continue to strive for good operating results for the Company and create greater value for our shareholders.

Actively Seeking New Business Opportunities

With its core expressway business and the securities business serving as the Company's pillars, the Company is well poised for capturing any emerging business opportunities. We will look into possibilities in infrastructure related businesses such as ports and logistics, transportation and related property developments, both in Zhejiang Province and beyond. Leveraging our human and financial resources, Zhejiang Expressway will capitalize on its existing strong business foundation and aim to build an even stronger one.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic environment

Since complexities regarding the recovery of both the international and domestic economies still exist, coupled with the uncertainties regarding the recovery growth of Zhejiang Province's internal and external trades, as well as possible new difficulties encountered by the macro-economy amid the current inflationary pressure, it is anticipated that traffic growth along the Group's expressways remains uncertain in the future. The operations, financial position and operating results of the Group remain uncertain.

Competition

Although the Shenjia Huhang Expressway and the Zhuyong Expressway were successively opened in 2010, the future openings of nearby expressways such as the Jiaxing-Shaoxing Cross River Passage are expected to result in new traffic diversions for the Shangsan Expressway and certain sections of the Shanghai-Hangzhou-Ningbo Expressway. Therefore, we cannot be assured as to whether traffic volumes to be generated on the expressways under the Group will be at the same levels as before or will increase in the future, or whether the operating results of the Group will be affected.

Concession period extension

Since the expansion works of the Shanghai-Hangzhou-Ningbo Expressway has been completed, we plan to apply for the extension of the concession period for the construction, management and toll collection of the Shanghai-Hangzhou-Ningbo Expressway. We cannot be assured as to whether the Zhejiang Provincial Government will timely approve the application for extending the concession or whether material delays or serious difficulties will arise in the course of the application for extending the concession period, which may have an adverse impact on the operations, financial position and operating results of the Group.

Toll policy

Although Zhejiang Province has implemented the toll-by-weight policy for trucks in April 2010, local toll road policies in Hangzhou City are expected to change due to further inflation in prices of goods and an increase in petroleum product prices. It is also expected that toll standards for vehicle classes and toll calculation methods adopted by expressways in the province may be adjusted further. Changes in toll standards for expressways may arise and we cannot be assured as to whether this will adversely affect the toll income of the Group.

SECURITIES BUSINESS RISKS

Market Fluctuations

Our securities business is 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; and 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 Securities Business

We are subject to extensive regulations in the PRC in which we conduct our securities business and we are regulated 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 financial effects, cause us significant reputational harm, or harm our business prospects. New laws or 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, see notes 4, 5 and 6 to the Consolidated Financial Statements.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

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

— the consolidated financial statements prepared in accordance with 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 covers 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 that the Group faces.

From the beginning of Year 2010 up to now, there have been no significant events that would have material impact on the normal operation of the Group.

For and on behalf of the Board
ZHANG Jingzhong
Executive Director/Deputy General Manager

Hangzhou, Zhejiang Province, the PRC
March 13, 2011

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good governance in Appendix 14 ("Appendix 14") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the financial year 2010 (the "Period"), the Company had met all provisions in the Code on Corporate Governance Practices (the "Code") in Appendix 14, and adopted the recommended best practices contained in the Code whenever 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") in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the directors of the Company (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. CHEN Jisong *(Chairman)*
Mr. ZHAN Xiaozhang *(General Manager)*
Mr. JIANG Wenyao
Mr. ZHANG Jingzhong
Mr. DING Huikang (Effective since October 18, 2010)

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

Ms. ZHANG Luyun
Ms. ZHANG Yang (Resigned on August 28, 2010)

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

Mr. TUNG Chee Chen
Mr. ZHANG Junsheng
Mr. ZHANG Liping

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

Mr. CHEN Jisong *(Chairman)*	4/4
Mr. ZHAN Xiaozhang *(General Manager)*	4/4
Mr. JIANG Wenyao	4/4
Mr. ZHANG Jingzhong	4/4
Mr. DING Huikang	1/1
Ms. ZHANG Luyun	4/4
Ms. ZHANG Yang	3/3
Mr. TUNG Chee Chen	4/4
Mr. ZHANG Junsheng	4/4
Mr. ZHANG Liping	4/4

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 three special committees: the Audit Committee, the Nomination and Remuneration Committee, and the Strategic 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 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/relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. CHEN Jisong and Mr. ZHAN Xiaozhang were the Chairman and the 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

The non-executive directors of the Company are appointed for a period of three years, from March 1, 2009 to February 29, 2012.

NOMINATION AND REMUNERATION OF DIRECTORS

The Board has a Nomination and Remuneration Committee, mainly responsible for reviewing and making recommendations for the selection standards and procedures for Directors, General Manager and other senior management of the Company; identifying qualified candidates and making reviews and recommendations thereon; and determining, supervising and monitoring the implementation of the remuneration policies for the Directors and senior management personnel. For the details of its terms of reference, please refer to the "Corporate Governance" section in the Company's web site.

The Nomination and Remuneration Committee comprised of non-executive directors, namely, Ms. ZHANG Luyun, Ms. ZHANG Yang (resigned on August 28, 2010), Mr. TUNG Chee Chen, Mr. ZHANG Junsheng, and Mr. ZHANG Liping, with Ms. ZHANG Luyun as the Chairwoman of the committee since March 1, 2009.

During the Period, the Nomination and Remuneration Committee held two meetings through written communications to review and recommend candidates for the newly appointed director/deputy general manager and supervisor, including the recommended remunerations thereof.

AUDITORS' REMUNERATION

During the Period, the Company had paid HK$3,800,000 (approximately Rmb3,400,000 equivalent) and Rmb850,000 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 2009, respectively. The auditors did not provide non-audit services to the Company.

AUDIT COMMITTEE

The Board has an Audit Committee which is mainly responsible for providing advice to the Board regarding the appointment, reappointment and removal of external auditors; the supervision of the integrity of the Company's financial statements and annual reports and accounts, half-yearly and quarterly reports, and the review of important opinions in relation to financial reporting as set out in statements and reports, and the review of the Company's financial control, internal control and risk management system. For the details of its terms of reference, please refer to the "Corporate Governance" section in the Company's web site.

The Audit Committee comprised of the non-executive directors, of whom Mr. TUNG Chee Chen, Mr. ZHANG Junsheng and Mr. ZHANG Liping are independent non-executive directors, Ms. ZHANG Luyun and Ms. ZHANG Yang (resigned on August 28, 2010) are non-executive directors, with Mr. TUNG Chee Chen as the Chairman of the committee.

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

Mr. TUNG Chee Chen	4/4
Mr. ZHANG Junsheng	4/4
Mr. ZHANG Liping	4/4
Ms. ZHANG Luyun	4/4
Ms. ZHANG Yang (Resigned on August 28, 2010)	3/3

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.

During the Period, the Company has complied with Rule 3.21 of the Listing Rules regarding the composition of the audit committee.

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.

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

As at December 31, 2010, none of the Directors, Supervisors and Chief Executives 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 Stock Exchange pursuant to the Model Code.

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

As at December 31, 2010, 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	184,584,607(L) 140,452,750(P)	12.87% 9.80%
BlackRock, Inc.	Interest of controlled corporations	143,654,140(L) 2,895,979(S)	10.02% 0.20%
Invesco Hong Kong Limited	Investment manager	127,952.860(L)	8.92%

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, 2010, 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 at the following address:

Zhejiang Expressway Co., Ltd.
12/F, Block A, Dragon Century Plaza
1 Hangda Road
Hangzhou, Zhejiang 310007
The People's Republic of China

Attention: Company Secretary

INVESTOR RELATIONS

The Company made the following changes to the articles of association during the extraordinary general meeting of the shareholders held on October 18, 2010:

(1) Amended Article 19 of the Articles as follows:

"After the establishment of the Company, 4,343,114,500 ordinary shares were issued of which 1,433,854,500 were issued as overseas listed foreign invested shares representing approximately 33% of the total number of ordinary shares which were issued by the Company. The shareholding structure of the Company comprises 4,343,114,500 ordinary shares of which 2,909,260,000 domestic invested shares are held by the promoter, Zhejiang Communications Investment Group Co., Ltd.（浙江省交通投資集團有限公司）and 1,433,854,500 overseas listed foreign invested shares are held by holders of overseas listed foreign invested shares."

(2) Amended Article 90 of the Articles as follows:

"The Company shall have a board of directors. The board of directors shall comprise nine directors, of whom five shall be executive directors and four shall be non-executive directors. Of the four non-executive directors, three shall be independent non-executive directors. The board of directors shall have one chairman and one vice-chairman."

During the Period, the last shareholders' meeting of the Company took place at 3:00 p.m. on Monday, October 18, 2010 at 12/F, Block A, Dragon Century Plaza, 1 Hangda Road, Hangzhou, Zhejiang Province, the People's Republic of China. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated October 18, 2010 on resolutions passed at the extraordinary general meeting of the shareholders.

The next annual general meeting of the Company is expected to be held on May 9, 2011 to consider the resolutions in respect of, among others, the reports of the directors and of the supervisory committee for 2010, the audited financial statements for 2010, a final dividend for 2010, the final report for 2010 and the financial budget for 2011, as well as the re-appointment of external auditors.

The Company's 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.

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 regulatory guidelines by the Company's securities business, as well as compliance with the Company's important management systems. 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

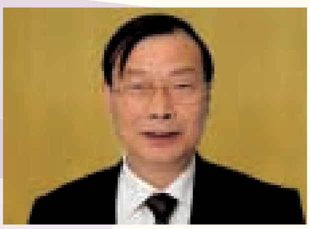
EXECUTIVE DIRECTORS

Mr. CHEN Jisong, born in 1952, is a senior engineer with professional certification. Mr. CHEN has been appointed as the chairman of the Company since March 1, 2009. In 1978, Mr. CHEN graduated from Nanjing Institute of Technology. From 1978 to 1982, Mr. CHEN served as Deputy Chief then Chief of Division No. 1 under the Municipal Construction Department in Hangzhou, Zhejiang Province. From 1982 to 1990, he was Deputy Manager then Manager of the Municipal Construction Company in Hangzhou, Zhejiang Province. From 1990 to 1997, he was Deputy Director then Director of Urban and Suburban Construction Commission of Hangzhou, Zhejiang Province. From 1990 to 1993, he served as Deputy Director of Economic Development Zone in Hangzhou, Zhejiang Province. From 1997 to 2000, Mr. CHEN was Deputy Mayor of Hangzhou, Zhejiang Province. From 2000 to 2005, he became Director of the Bureau of Construction of Zhejiang Provincial Government. Mr. CHEN has been Chairman of Communications Group (the controlling shareholder of the Company) since 2005.

Mr. ZHAN Xiaozhang, born in 1964, is a senior economist with a bachelor's degree in law. In 2005, Mr. ZHAN obtained a master's degree in public administration from the Business Institute of Zhejiang University. Mr. ZHAN has been appointed as an Executive Director and the General Manager of the Company since March 1, 2009. 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 Communications Group (the controlling shareholder of the Company) from 2006 to 2009.

Mr. JIANG Wenyao, born in 1966, is an Executive Director and Deputy General Manager of the Company. Mr. JIANG graduated from Zhejiang University, majoring in industrial automation and manufacturing mechanics, and obtained a master's degree in engineering. From March 1991 to February 1997, he worked in the Engineering Division, the Planning and Finance Division and the Equipment Division of the Zhejiang Provincial Expressway Executive Commission. He joined the Company since March 1997, and has served as Deputy Manager of the General Department, Manager of the Equipment Department, Manager of the Operation Department, Assistant to General Manager and Company Secretary. He has been serving as Deputy General Manager since March 2003 and Executive Director and Deputy General Manager since March 2006. Mr. JIANG also serves as Director and General Manager at Development Co., and Director at Yuhang Co., both subsidiaries of the Company.

Mr. ZHANG Jingzhong, born in 1963, is a senior lawyer, Executive Director and Company Secretary 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 Senior Partner at T&C Law Firm in Hangzhou. Mr. ZHANG has been Executive Director and Company Secretary of the Company since March 1997, and was appointed Deputy General Manager in March 2002. He was re-appointed as Company Secretary in March 2003 and as Deputy General Manager in March 2006. Mr. ZHANG also serves as Director at Shangsan Co., Development Co., Petroleum Co., and Vice Chairman at Zheshang Securities.



Mr. DING Huikang, born in 1955, is 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.

NON-EXECUTIVE DIRECTORS

Ms. ZHANG Luyun, born in 1961, is a senior economist and Director and Deputy General Manager of Communications Group (the controlling shareholder of the Company) Ms. ZHANG graduated from the Department of Chinese Language at Zhejiang University, majoring in Chinese Language, and obtained an EMBA degree from China Europe International Business School in 2008. From 1983 to 1997, she served as Secretary, Deputy Chief and Chief of the Office of Hangzhou City Communist Party Committee. In 1997, she was Deputy President of Hangzhou Broadcasting and TV College. She joined Communications Group in December 2001 and has been Director and Deputy General Manager since then. Ms. ZHANG has been Non-executive Director of the Company since March 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TUNG Chee Chen, born in 1942, is Chairman (Chief Executive Officer) of Orient Overseas (International) Limited. He is an Independent Non-executive Director, a member of the Nomination and Remuneration Committee and Chairman of the Audit Committee of the Company. Mr. TUNG was educated at the University of Liverpool, England, where he received his bachelor's degree in science. He later obtained a master's degree in mechanical engineering at the Massachusetts Institute of Technology in the United States. Mr. TUNG has been Independent Non-executive Director of the Company since March 1997. In addition, Mr. TUNG also holds directorships in the following listed public companies: Independent Non-executive Director of BOC Hong Kong (Holdings) Limited, Cathay Pacific Airways Limited, PetroChina Company Limited, Sing Tao News Corporate Limited, Wing Hang Bank Limited and U-Ming Marine Transport Corp.

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. ZHANG Liping, born in 1958, is Chief Executive Officer of Credit Suisse in China. He is Independent Non-executive Director, a member of the Audit Committee and Chairman of the Nomination and Remuneration Committee of the Company. Mr. ZHANG graduated from the University of International Business & Economics of Beijing and received a master's degree in international affairs and international laws from St. John's University in New York, the United States. He also attended New York University's MBA program. Mr. ZHANG held a number of senior positions at other organizations, including Chief Executive Officer of Imagi International Holdings Limited, Managing Director of Pacific Concord Holdings Limited, Managing Director and Geographic Head - Greater China Region of Dresdner Banking Group, and Director of the Investment Banking Division and China Chief Representative of Merrill Lynch Co. & Inc. Mr. ZHANG has been Independent Non-executive Director of the Company since March 2003.

SUPERVISORS

SUPERVISOR REPRESENTING SHAREHOLDERS

Mr. MA Kehua, born in 1952, is a senior economist and Chairman of the Supervisory Committee. Mr. MA graduated from the Mechanics Department of Shanghai Railway Institute in 1977, after which he worked as an Engineer at Shanghai Railway Bureau No.1 Construction Company and the Plumbing and Electricity Section of Shanghai Railway Bureau, Hangzhou Branch. Mr. MA was in charge of the Planning and Finance Division at Zhejiang Local Railway Company, and in 1993 became Deputy Division Chief and Division Chief of Zhejiang Jinwen Railway Executive Commission responsible for materials supply. Mr. MA took up the post of Deputy General Manager of Zhejiang Provincial High Class Highway Investment Company Limited in June 1999, and is currently Deputy General Manager of Communications Group (the controlling shareholder of the Company).

SUPERVISOR REPRESENTING EMPLOYEES

Mr. FANG Zhexing, born in 1965, is a Senior Engineer, the Supervisor Representing Employees 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 and the Manager of the Human Resources Department. Mr. FANG is currently the Director of Disciplinary Committee and is also the Chairman of Jiaxing Co., and director of Jinhua Co..

INDEPENDENT SUPERVISORS

Mr. JIANG Shaozhong, born in 1946, is a professor. Mr. JIANG graduated from the Management Department of Zhejiang University with a master's degree. In 1982, he worked in the Management Department of Zhejiang University as Lecturer, Assistant Professor, Professor, Dean of Research Office and Deputy Dean of the Department. From 1984 to 1985, he was Visiting Scholar at Stanford University in the United States. From 1991 to 1998 he was Deputy General Economist, Chief of the Financial Division, Chief of the Teaching Division and Standing Deputy Dean of the Management School of Zhejiang University. He is currently Deputy General Accountant of Zhejiang University.

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 in law in 1990. He was Deputy Dean of the Department of Law at Hangzhou University, Deputy Dean and Standing Deputy Dean of the Department of Law at Zhejiang University's Law School, and Director of Zhejiang Zheda Law Firm. Mr. WU studied at Christian-Albrechts-Universit ät zu Kiel in 1996 as Visiting Scholar. He is currently Acting Dean of the Department of Law at the Law School of Zhejiang University, Supervisor for master's degree candidates in Business Law, member of China Business Law Research Council, Deputy Director of Zhejiang Tax Law Research Council, Arbitrator of Hangzhou Arbitration Committee, and 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.

OTHER SENIOR MANAGEMENT MEMBER

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.

Report of the Directors

The Directors of the company hereby present their report and the audited financial statements of the Company and the Group for the year ended December 31, 2010.

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 and proprietary securities trading.

SEGMENT INFORMATION

During the year, the entire revenue and segment profit of the Group were 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, 2010 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2010 and the state of financial position at that date are set out in the financial statements on pages 49 to 123.

An interim dividend of Rmb0.06 per share (approximately HK$0.07) was paid on November 18, 2010. The Directors recommend the payment of a final dividend of Rmb0.25 (approximately HK$0.29) in respect of the year, to shareholders whose names appeared on the register of members of the Company on April 14, 2011. 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 71.9% 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,				
	2010	2009	2008	2007	2006
Results	**Rmb'000**	Rmb'000	Rmb'000	Rmb'000	Rmb'000
				(Restated)	(Restated)
REVENUE	**6,769,064**	6,036,294	6,323,470	7,030,380	4,763,780
Operating costs	**(3,760,494)**	(3,145,294)	(3,133,244)	(3,089,133)	(2,076,670)
Gross profit	**3,008,570**	2,891,000	3,190,226	3,941,247	2,687,110
Security investment income (loss)	**126,532**	35,967	(316,213)	475,828	80,421
Other income	**199,791**	426,280	211,420	134,607	123,531
Administrative expenses	**(83,189)**	(69,845)	(70,003)	(81,089)	(71,022)
Other expenses	**(21,904)**	(133,640)	(38,947)	(93,259)	(32,901)
Finance costs	**(120,979)**	(62,724)	(76,809)	(60,552)	(71,991)
Share of profit (loss) of associates	**2,453**	(24,164)	10,659	(4,655)	4,435
Share of profit of a jointly controlled entity	**—**	21,254	23,746	20,406	23,344
PROFIT BEFORE TAX	**3,111,274**	3,084,128	2,934,079	4,332,533	2,742,927
INCOME TAX EXPENSE	**(798,785)**	(804,055)	(668,928)	(1,191,638)	(884,036)
PROFIT FOR THE YEAR	**2,312,489**	2,244,073	2,265,151	3,140,895	1,858,891
Attributable to:					
Owners of the Company	**1,871,499**	1,795,488	1,892,787	2,415,965	1,652,871
Non-controlling interests	**440,990**	448,585	372,364	724,930	206,020
EARNINGS PER SHARE-BASIC	**43.09 cents**	41.34 cents	43.58 cents	55.63 cents	38.06 cents

Assets and liabilities	2010 Rmb'000	2009 Rmb'000	2008 Rmb'000	2007 Rmb'000 (Restated)	2006 Rmb'000 (Restated)
	As at December 31,				
Total assets	**33,652,055**	32,402,781	25,287,521	27,512,804	19,570,419
Total liabilities	**(15,956,940)**	(15,337,927)	(8,990,253)	(11,748,490)	(6,217,967)
Net assets	**17,695,115**	17,064,854	16,297,268	15,764,314	13,352,452

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2009 have been extracted from the Company's 2009 annual report dated March 30, 2010, while those of the year ended December 31, 2010 were prepared based on the consolidated statement of comprehensive income as set out on page 49 of the financial statements.

2. The 2010 earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2010 of Rmb1,871,499,000 (2009: Rmb1,795,488,000) and the 4,343,114,500 ordinary shares (2009: 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		**Net assets as at December 31,**	
	2010 **Rmb'000**	2009 Rmb'000	**2010** **Rmb'000**	2009 Rmb'000
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	**2,321,359**	2,257,855	**17,926,462**	17,287,330
HK GAAP adjustments:				
(a) Goodwill	**—**	—	**(199,769)**	(199,769)
(b) Amortization provided, net of deferred tax	**(1,952)**	(13,709)	**(157,300)**	(155,348)
(c) Assessment on impact of appreciation, net of deferred tax	**(3,677)**	(3,884)	**70,427**	74,104
(d) Others	**—**	3,719	**7,228**	7,228
(e) Non-controlling interests	**(3,241)**	92	**48,067**	51,309
As restated in the financial statements	**2,312,489**	2,244,073	**17,695,115**	17,064,854

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 43 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, 2010 are set out in note 41 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 52 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2010, 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 Rmb1,868,794,000. 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 capitalisation issues.

TRUST DEPOSITS

As at December 31, 2010, 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. CHEN Jisong *(Chairman)*
Mr. ZHAN Xiaozhang *(General Manager)*
Mr. JIANG Wenyao
Mr. ZHANG Jingzhong
Mr. DING Huikang (Effective since October 18, 2010)

NON-EXECUTIVE DIRECTORS

Ms. ZHANG Luyun
Ms. ZHANG Yang (Resigned on August 28, 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TUNG Chee Chen
Mr. ZHANG Junsheng
Mr. ZHANG Liping

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

At the board meeting held by the Company on August 28, 2010, Ms. ZHANG Yang resigned from her position as Director of the Company due to changes in her job responsibilities. Mr. DING Huikang was nominated to be Director and Deputy General Manager of the Company. The appointment of Mr. DING Huikang's Executive Directorship was subsequently approved by resolutions passed at the extraordinary general meeting of shareholders held on October 18, 2010.

The term of Mr. DING Huikang's Executive Directorship commenced on October 18, 2010 and expires on February 29, 2012.

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 page 36 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 March 1, 2009 or the date of appointment, to February 29 , 2012.

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, 2010 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

During the Period, one of the Company's major shareholders, Huajian transferred its all shares to the Company's majority shareholder, Communications Group.

Before the transfer, Huajian and Communications Group held respectively 11% (476,760,000 shares) and 56% (2,432,500,000 shares) shareholding of the Company. After the transfer, shareholding held by the Communications Group increased to 67% (2,909,260,000 shares). The remaining 1,433,854,500 Shares are H Shares, representing approximately 33% of the total issued share capital of the Company.

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

In accordance with the Notice on Taxation of Dividends and Stock (Options) Transfer Income Obtained by Foreign-invested Companies, Foreign Companies and Foreign Citizens (Guoshuifa [1993] No.045) published by the State Administration of Taxation, foreign individuals holding H Shares are exempted from paying personal income tax for dividends obtained from companies incorporated in PRC that issue H Shares.

As stipulated by the Notice on Issues Relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation PRC (Guoshuihan [2008] No.897), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-Share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

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.

ON BEHALF OF THE BOARD
CHEN Jisong
Chairman

Hangzhou, Zhejiang Province, the PRC
March 13, 2011

Report of the Supervisory Committee

During the financial year 2010 (the "Period"), the Supervisory Committee duly performed its supervisory duties, 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, legality 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 meetings of shareholders and meetings of the Board. The Supervisory Committee has carefully examined the operating results and the financial standing of the Company, and discussed and reviewed the financial statements to be submitted by the Board to the general meeting.

During the Period, the Supervisory Committee held two meetings of its own, and attended four meetings of the Board and two shareholders' meeting.

The Supervisory Committee observes that during the Period, the Directors, General Manager and other senior management of the Company worked strenuously in leading the staff to successfully implement major projects such as toll-by-weight for trucks and security measures for Shanghai World Expo; grasping opportunities and accelerated the development of securities and futures business while the core expressway business regained growth for the first time in three years, with timely initiated major policy reforms in road maintenance and employee remunerations.

The Supervisory Committee has reviewed the financial statements of the Company for 2010 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 2010, and complied with the relevant laws, regulations and the Company's Articles of Association. The Company kept absolute dividend payment for the recent years unchanged while its annual results recorded small single digit growth, thereby keeping the long term dividend payout policy stable.

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

The Supervisory Committee is satisfied with the various results obtained by the Board and the management of the Company.

By the order of the Supervisory Committee
MA Kehua
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 11, 2011

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
(Established 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 49 to 123, which comprise the consolidated statement of financial position as at December 31, 2010, 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 the 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, 2010, 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 13, 2011

Consolidated Statement of Comprehensive Income

For the Year ended December 31, 2010

	NOTES	2010 Rmb'000	2009 Rmb'000
Revenue	7	**6,769,064**	6,036,294
Operating costs		**(3,760,494)**	(3,145,294)
Gross profit		**3,008,570**	2,891,000
Securities investment gains	8	**126,532**	35,967
Other income	9	**199,791**	426,280
Administrative expenses		**(83,189)**	(69,845)
Other expenses		**(21,904)**	(133,640)
Share of profit (loss) of associates		**2,453**	(24,164)
Share of profit of a jointly controlled entity		**—**	21,254
Finance costs	10	**(120,979)**	(62,724)
Profit before tax	11	**3,111,274**	3,084,128
Income tax expense	12	**(798,785)**	(840,055)
Profit for the year		**2,312,489**	2,244,073
Other comprehensive (loss) income	13		
Available-for-sale financial assets:			
– Fair value gain during the year		**14,342**	34,234
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		**(25,052)**	(13,632)
Income tax relating to components of other comprehensive income		**2,678**	(5,150)
Other comprehensive (loss) income for the year (net of tax)		**(8,032)**	15,452
Total comprehensive income for the year		**2,304,457**	2,259,525
Profit for the year attributable to:			
Owners of the Company		**1,871,499**	1,795,488
Non-controlling interests		**440,990**	448,585
		2,312,489	2,244,073
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,867,332**	1,803,504
Non-controlling interests		**437,125**	456,021
		2,304,457	2,259,525
EARNINGS PER SHARE - Basic	17	**Rmb 43.09 cents**	Rmb 41.34 cents

Consolidated Statement of Financial Position

At December 31, 2010

	NOTES	2010 Rmb'000	2009 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,120,626**	1,035,628
Prepaid lease payments	19	**71,035**	30,342
Expressway operating rights	20	**12,071,497**	12,755,338
Goodwill	21	**86,867**	86,867
Other intangible assets	22	**155,020**	154,819
Interests in associates	24	**472,910**	435,007
Available-for-sale investments	25	**1,000**	1,000
		13,978,955	14,499,001
CURRENT ASSETS			
Inventories		**17,715**	17,342
Trade receivables	26	**50,768**	50,570
Other receivables	27	**953,153**	451,167
Prepaid lease payments	19	**2,052**	1,421
Available-for-sale investments	25	**71,928**	54,704
Held for trading investments	28	**803,772**	517,895
Financial assets held under resale agreement	29	**80,163**	—
Bank balances held on behalf of customers	30	**11,685,951**	11,532,284
Bank balances and cash			
– Restricted bank balances	31	**—**	942
– Time deposits with original maturity over three months	31	**325,545**	228,452
– Cash and cash equivalents	31	**5,682,053**	5,049,003
		19,673,100	17,903,780
CURRENT LIABILITIES			
Accounts payable to customers arising from securities dealing business	32	**11,631,030**	11,502,930
Trade payables	33	**548,695**	647,373
Tax liabilities		**450,708**	512,551
Other taxes payable		**51,002**	30,492
Other payables and accruals	34	**1,049,301**	637,665
Dividends payable		**120,319**	18
Interest-bearing bank and other loans	35	**822,000**	478,055
Provisions	36	**21,238**	122,477
		14,694,293	13,931,561
NET CURRENT ASSETS		**4,978,807**	3,972,219
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,957,762**	18,471,220

	NOTES	2010 Rmb'000	2009 Rmb'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	35	—	144,329
Long-term bonds	37	**1,000,000**	1,000,000
Deferred tax liabilities	38	**262,647**	262,037
		1,262,647	1,406,366
		17,695,115	17,064,854
CAPITAL AND RESERVES			
Share capital	39	**4,343,115**	4,343,115
Reserves		**10,380,137**	9,840,505
Equity attributable to owners of the Company		**14,723,252**	14,183,620
Non-controlling interests		**2,971,863**	2,881,234
		17,695,115	17,064,854

The consolidated financial statements on pages 49 to 123 were approved and authorised for issue by the Board of Directors on March 13, 2011 and are signed on its behalf by:

CHEN Jisong
DIRECTOR

ZHAN Xiaozhang
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended December 31, 2010

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserves (Note)	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
At January 1, 2009	4,343,115	3,645,726	2,116,529	—	1,042,347	—	2,535,333	13,683,050	2,614,218	16,297,268
Profit for the year	—	—	—	—	—	—	1,795,488	1,795,488	448,585	2,244,073
Other comprehensive income for the year	—	—	—	8,016	—	—	—	8,016	7,436	15,452
Total comprehensive income for the year	—	—	—	8,016	—	—	1,795,488	1,803,504	456,021	2,259,525
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(189,005)	(189,005)
Interim dividend	—	—	—	—	—	—	(260,587)	(260,587)	—	(260,587)
Final dividend	—	—	—	—	(1,042,347)	—	—	(1,042,347)	—	(1,042,347)
Proposed final dividend	—	—	—	—	1,085,779	—	(1,085,779)	—	—	—
Transfer to reserves	—	—	350,482	—	—	—	(350,482)	—	—	—
At December 31, 2009 and January 1, 2010	4,343,115	3,645,726	2,467,011	8,016	1,085,779	—	2,633,973	14,183,620	2,881,234	17,064,854
Profit for the year	—	—	—	—	—	—	1,871,499	1,871,499	440,990	2,312,489
Other comprehensive income for the year	—	—	—	(4,167)	—	—	—	(4,167)	(3,865)	(8,032)
Total comprehensive income for the year	—	—	—	(4,167)	—	—	1,871,499	1,867,332	437,125	2,304,457
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	(228,950)	(228,950)
Acquisition of additional interests in subsidiaries	—	—	—	—	—	18,666	—	18,666	(117,546)	(98,880)
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	—	—	260,889	—	—	—	(260,889)	—	—	—
At December 31, 2010	**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**

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, 2010

	2010 Rmb'000	2009 Rmb'000
OPERATING ACTIVITIES		
Profit before tax	**3,111,274**	3,084,128
Adjustments for:		
Finance costs	**120,979**	62,724
Interest income	**(56,414)**	(30,727)
Share of (profit) loss of associates	**(2,453)**	24,164
Share of profit of a jointly controlled entity	**—**	(21,254)
Depreciation of property, plant and equipment	**134,794**	122,774
Amortisation of expressway operating rights	**691,332**	676,220
Amortisation of prepaid lease payments	**2,039**	1,265
Amortisation of other intangible assets	**12,706**	13,438
Impairments loss on interest in an associate	**—**	9,298
Gain on disposal of available-for-sale investments	**(25,052)**	(13,632)
Gain on fair value changes on held for trading investments	**(101,480)**	(22,335)
Loss on disposal of property, plant and equipment	**3,753**	33,072
Loss on written off of expressway operating rights	**142**	—
Gain on disposal of a jointly controlled entity	**—**	(274,494)
Operating cash flows before movements in working capital	**3,891,620**	3,664,641
Increase in inventories	**(373)**	(1,039)
(Increase) decrease in trade receivables	**(198)**	25,429
Increase in other receivables	**(43,466)**	(23,129)
Increase in held for trading investments	**(184,397)**	(247,973)
Increase in bank balances held on behalf of customers	**(153,667)**	(5,889,092)
Increase in accounts payable to customers arising from securities dealing business	**128,100**	5,895,457
(Decrease) increase in trade payables	**(98,678)**	232,277
Increase (decrease) in other taxes payable	**20,510**	(2,268)
Increase in other payables and accruals	**73,282**	99,903
(Decrease) increase in provisions	**(101,239)**	88,613
Cash generated from operations	**3,531,494**	3,842,819
Income taxes paid	**(860,018)**	(785,613)
Interest paid	**(120,979)**	(62,724)
NET CASH FROM OPERATING ACTIVITIES	**2,550,497**	2,994,482

	NOTE	2010	2009
		Rmb'000	Rmb'000
INVESTING ACTIVITIES			
Interest received		**37,894**	31,694
Dividends received from associates		**13,000**	42
Proceeds on disposal of property, plant and equipment		**27,043**	3,834
Proceeds on disposal of a jointly controlled entity		**—**	252,000
Repayment of entrusted loan from a related party		**120,000**	—
Entrusted loans to a related party		**(500,000)**	(120,000)
Entrusted loan to a third party		**(60,000)**	—
Purchases of property, plant and equipment		**(250,588)**	(164,060)
Prepaid lease payments for land use rights		**(43,363)**	(1,324)
Addition in expressway operating rights		**(7,633)**	(507,581)
Purchases of intangible assets		**(12,907)**	(10,192)
(Increase) decrease in available-for-sale investments		**(204)**	2,381
Increase in financial assets held under resale agreement		**(80,163)**	—
Decrease in structured deposit		**—**	200,000
(Increase) decrease in time deposits		**(97,093)**	55,616
Decrease in restricted bank balances		**942**	34,058
Investments in associates		**(48,450)**	(4,249)
NET CASH USED IN INVESTING ACTIVITIES		**(901,522)**	(227,781)
FINANCING ACTIVITIES			
Acquisition of additional interest in subsidiaries		**(98,880)**	—
Prepayment from non-controlling shareholders		**338,354**	—
Dividends paid		**(1,226,065)**	(1,336,304)
Dividends paid to non-controlling shareholders		**(228,950)**	(130,959)
New bank loans raised		**822,000**	200,000
Repayment of bank and other loans		**(622,384)**	(187,380)
NET CASH USED IN FINANCING ACTIVITIES		**(1,015,925)**	(1,454,643)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**633,050**	1,312,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**5,049,003**	3,736,945
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**5,682,053**	5,049,003

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.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the “Group”) is 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 and proprietary trading.

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

New and revised Standards and Interpretations applied in the current year

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised standards and interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at January 1, 2010 based on information that existed at the inception of the leases. The application of the amendments to HKAS 17 has had no impact on the consolidated financial statements of the Group and therefore no adjustment is required.

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

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group has applied HKAS 27 (as revised in 2008) for changes in ownership interests in existing subsidiaries of the Group in the current year.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss. These changes have been applied prospectively from January 1, 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional equity interest in subsidiaries, Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") and Zhejiang Expressway Vehicle Towing and Rescue Service Co., Ltd. ("Service Co"), in the current year. The change in policy has resulted in the difference of Rmb18,666,000 between the consideration paid of Rmb98,880,000 and the non-controlling interests recognised of Rmb117,546,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of Rmb18,666,000 and a decrease in the basic earnings per share for the year of Rmb0.4 cents. In addition, the cash consideration paid in the current year of Rmb98,880,000 has been included in cash flows used in financing activities.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

New and revised Standards and Interpretations issued but not yet effective *(Continued)*

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

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

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

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

[5] Effective for annual periods beginning on or after January 1, 2012.

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

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

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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 accounting periods.

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

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

New and revised Standards and Interpretations issued but not yet effective *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending December 31, 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of the Group's other financial assets but not on the Group's financial liabilities.

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.

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.

The results 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 into line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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. Prior to January 1, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on acquisitions prior to January 1, 2001

Goodwill arising on acquisitions of net assets and operations of another entity prior to January 1, 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on acquisitions on or after January 1, 2001

Goodwill arising on an acquisition of a business is carried at cost less any 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 cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever 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 the carrying amount of the unit, 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. 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.

Investments in associates

An associate is an entity over which the investor 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. 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 equals or exceeds its 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 associate that are not related to the Group.

Investments in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in jointly controlled entities *(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 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 interests in the jointly controlled entity that are not related to the Group.

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 sale of goods is recognised when goods are delivered and title has passed.

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

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in supply of goods and services, or for administrative purposes (properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction 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.

	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%
Communications and signalling 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 acquired separately and 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 provided 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).

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 identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

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 provided 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).

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, repair and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 to determine whether there is any indication that these 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, representing merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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 expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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. 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.

For a leasehold land which are classified as operating lease, whilst the building element is classified as finance lease, interest in the leasehold land 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 to the extent the allocation of the lease payments can be made reliably. 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, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 translation 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 charged as an expense when employees have rendered service 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 financial asset, 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, other receivables, bank balances, financial assets held under resale agreement and balances held on behalf of customers) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. The cash advanced is recognised as amounts held under agreements in the consolidated statement of financial position. Assets held under resale agreements are not recognised. 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)*

Effective interest method *(Continued)*

Financial assets at fair value through profit or loss

Financial asset at FVTPL include financial assets held for trading and structured deposits with embedded derivatives.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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 in profit or loss includes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of 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 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 available-for sale 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

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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, 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. 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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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. Where 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 is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following is the key assumptions concerning the future, and 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 and liabilities 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 units 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, 2010, the carrying amount of goodwill is Rmb86,867,000 (2009: Rmb86,867,000). Details of the recoverable amount calculation are disclosed in Note 23.

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, 2010, the carrying amounts of intangible assets with indefinite useful lives were Rmb66,563,000 (2009: Rmb66,563,000). Details of the recoverable amount calculation are disclosed in Note 23.

Provision against litigation and guarantees

Measuring the provision against litigation and guarantees requires an estimation of the expenditure required to settle the obligation arising from the litigation and guarantees. The settlement amount depends on such factors as the totality of facts, interpretation and application of laws and regulation, and court rulings. Where the court rules differently than the Group has expected, the ultimate settlement amount may be materially different from the provision that has been made and affect the Group's profit and loss in future periods. At December 31, 2010, the Group has made provision against litigation and guarantee of Rmb21,238,000 (2009: Rmb122,477,000). During the year ended December 31, 2010, the Group has reversed the overprovision in prior years amounted to Rmb13,426,000 (2009: nil). Details of the provision are disclosed in Note 36.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	Rmb'000	Rmb'000
Financial assets		
Available-for-sale investments		
– at cost	**1,000**	1,000
– at fair value	**71,928**	54,704
Fair value through profit of loss		
Held for trading investments	**803,772**	517,895
Loans and receivables		
(including cash and cash equivalents)	**18,724,410**	17,257,635
Financial liabilities		
Amortised cost	**14,505,097**	14,223,057

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, trade and other receivables, financial assets held under resale agreement, bank balances, bank balances held on behalf of customers, trade and other payables, accounts payable to customers arising from securities dealing business, interest-bearing bank and other loans and long-term bonds. Details of these 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.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to financial assets held under resale agreement, fixed-rate time deposits, and long-term bonds (see Notes 29, 31 and 37 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 interest-bearing bank and other loans (see Notes 30, 31 and 35 for details).

The Group currently does not have an interest rate risk hedging policy as the management consider 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 arises.

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

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 and bank and other loans, at the end of the reporting period.

The analysis was prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 30 basis point increase or decrease was used based on management's assessment.

If interest rates had been 30 basis points (2009: 30 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2010 would increase/decrease by Rmb38,291,000 (2009: Rmb36,357,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Currency risk

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

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

	Assets		Liabilities	
	2010	2009	**2010**	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Hong Kong dollar ("HKD")	**20,180**	18,954	**14,947**	14,288
United Sates dollar ("USD")	**85,383**	81,650	**58,718**	478,611

The Group currently does not have a currency risk hedging policy as the management considers that the risk is not significant. The management will continue to monitor foreign currency risk exposure and consider hedging against it should the need arises.

Sensitivity analysis

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

This sensitivity analysis details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in Rmb against HKD and USD. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. If Rmb had strengthened/weakened 5% against HKD, the Group's post-tax profit for the year ended December 31, 2010 would have decreased/increased by Rmb196,000 (2009: Rmb175,000). If Rmb had strengthened/weakened 5% against USD, the Group's post-tax profit for the year ended December 31, 2010 would have decreased/increased by Rmb1,000,000 (2009: increased/decreased by Rmb14,886,000).

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 available-for-sale listed investments.

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

Sensitivity analysis

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

If the prices of the respective equity and debt instruments had been 5% (2009: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2010 would increase/decrease by Rmb30,141,000 (2009: Rmb19,421,000) as a result of the changes in fair value of held for trading investments; and

- investment valuation reserve would increase/decrease by Rmb2,697,000 (2009: Rmb2,051,000) as a result of the changes in fair value of available-for-sale listed investments.

Credit risk

As at December 31, 2010, 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 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, corporate bonds and financial assets held under resale agreement amounting to Rmb48,232,000 (2009: Rmb45,140,000), Rmb560,000,000 (2009: Rmb120,000,000), Rmb600,735,000 (2009: Rmb511,344,000) and Rmb80,163,000 (2009: nil) as disclosed in Notes 26, 27, 28 and 29, 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, 2010 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 based on the agreed repayment terms. 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 as at the end of the reporting period.

For the year ended December 31, 2010

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity tables

	Weighted average interest rate %	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 31/12/2010 Rmb'000
2010								
Non-derivative financial liabilities								
Trade payables	—	166,438	382,257	—	—	—	548,695	548,695
Accounts payable to customers arising from securities dealing business	0.36	11,641,498	—	—	—	—	11,641,498	11,631,030
Other payables	—	503,372	—	—	—	—	503,372	503,372
Bank and other loans								
– fixed rate	5.38	35,951	448,259	—	—	—	484,210	472,000
– variable rate	5.45	4,765	363,849	—	—	—	368,614	350,000
Long-term bonds	4.29	42,900	—	85,800	1,042,900	—	1,171,600	1,000,000
		12,394,924	1,194,365	85,800	1,042,900	—	14,717,989	14,505,097

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average interest rate %	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 31/12/2009 Rmb'000
2009								
Non-derivative financial liabilities								
Trade payables	—	410,900	236,473	—	—	—	647,373	647,373
Accounts payable to customers arising from securities dealing business	0.36	11,513,283	—	—	—	—	11,513,283	11,502,930
Other payables	—	450,370	—	—	—	—	450,370	450,370
Bank and other loans								
– fixed rate	5.31	30,133	176,770	—	—	—	206,903	200,000
– variable rate	2.58	195,734	87,475	146,962	—	—	430,171	422,384
Long-term bonds	4.29	42,900	—	85,800	1,085,800	—	1,214,500	1,000,000
		12,643,320	500,718	232,762	1,085,800	—	14,462,600	14,223,057

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is 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.

(c) Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

5. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

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).
- 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).

	31/12/2010			
	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
Non-derivative financial assets held for trading	**803,772**	**—**	**—**	**803,772**
Available-for-sale financial assets				
Listed equity securities	**71,928**	**—**	**—**	**71,928**
Total	**875,700**	**—**	**—**	**875,700**

5. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

	31/12/2009			
	Level 1	Level 2	Level 3	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Financial assets at FVTPL				
Non-derivative financial assets				
held for trading	517,895	—	—	517,895
Available-for-sale financial assets				
Listed equity securities	54,704	—	—	54,704
Total	572,599	—	—	572,599

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 stakeholders 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 debt, which includes the borrowings disclosed in Notes 35 and 37, 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, new share issues and share buy-backs 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 operating and reportable 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 and proprietary trading.

Segment revenue and results

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

For the year ended December 31, 2010

	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	**3,475,319**	**1,715,064**	**1,578,681**	**6,769,064**	**—**	**6,769,064**
Inter-segment sales	**—**	**5,798**	**—**	**5,798**	**(5,798)**	**—**
Total	**3,475,319**	**1,720,862**	**1,578,681**	**6,774,862**	**(5,798)**	**6,769,064**
Segment profit	**1,594,389**	**102,920**	**615,180**	**2,312,489**		**2,312,489**

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended December 31, 2009

	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	3,107,505	1,259,888	1,668,901	6,036,294	—	6,036,294
Inter-segment sales	—	1,785	—	1,785	(1,785)	—
Total	3,107,505	1,261,673	1,668,901	6,038,079	(1,785)	6,036,294
Segment profit	1,557,013	69,902	617,158	2,244,073		2,244,073

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.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment at the end of the reporting period:

	Segment assets		Segment liabilities	
	2010	2009	**2010**	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Toll operation	**15,411,964**	16,130,461	**(3,098,340)**	(2,911,913)
Service area and advertising businesses	**890,656**	752,089	**(421,751)**	(353,202)
Securities operation	**17,262,568**	15,433,364	**(12,436,849)**	(12,072,812)
Total segment assets (liabilities)	**33,565,188**	32,315,914	**(15,956,940)**	(15,337,927)
Goodwill	**86,867**	86,867	**—**	—
Consolidated assets (liabilities)	**33,652,055**	32,402,781	**(15,956,940)**	(15,337,927)

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

7. SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit or loss 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, 2010				
Income tax expense	**553,871**	**25,865**	**219,049**	**798,785**
Interest income	**32,218**	**24,196**	**—**	**56,414**
Interest expense	**107,210**	**13,769**	**—**	**120,979**
Interests in associates	**214,253**	**235,298**	**23,359**	**472,910**
Share of result of associates	**(16,079)**	**24,415**	**(5,883)**	**2,453**
Fair value changes on held for trading investments	**6,620**	**—**	**94,860**	**101,480**
Addition to non-current assets (Note)	**208,067**	**11,930**	**142,944**	**362,941**
Depreciation and amortisation	**739,955**	**29,137**	**71,779**	**840,871**
Loss (gain) on disposal of property, plant and equipment	**7,480**	**(3,130)**	**(597)**	**3,753**
For the year ended December 31, 2009				
Income tax expense	543,669	21,323	275,063	840,055
Interest income	26,413	4,314	—	30,727
Interest expense	56,613	6,111	—	62,724
Interests in associates	206,881	223,384	4,742	435,007
Share of result of associates	(27,164)	2,258	742	(24,164)
Share of result of jointly controlled entity	21,254	—	—	21,254
Fair value changes on held for trading investments	673	—	21,662	22,335
Addition to non-current assets (Note)	555,957	37,743	93,706	687,406
Depreciation and amortisation	734,564	29,750	49,383	813,697
Loss on disposal of property, plant and equipment	21,119	689	11,264	33,072

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:

	2010	2009
	Rmb'000	Rmb'000
Toll operation revenue	**3,475,319**	3,107,505
Service area businesses revenue	**1,633,628**	1,178,318
Advertising business revenue	**77,997**	77,786
Commission income from securities operation	**1,352,051**	1,498,827
Interest income from securities operation	**226,630**	170,074
Others	**3,439**	3,784
	6,769,064	6,036,294

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, 2009 and 2010, there are no individual customers with sales of 10% or more of the Group's total sales.

8. SECURITIES INVESTMENT GAINS

	2010	2009
	Rmb'000	Rmb'000
Gain on fair value changes on held for trading investments	**101,480**	22,335
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**25,052**	13,632
	126,532	35,967

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

9. OTHER INCOME

	2010	2009
	Rmb'000	Rmb'000
Interest income on bank balances and entrusted loan receivables	**56,278**	27,613
Rental income	**66,369**	58,697
Net exchange gain	**15,303**	547
Handling fee income	**23,689**	28,644
Towing income	**11,056**	11,243
Gain on disposal of a jointly controlled entity (Note)	**—**	274,494
Interest income from structured deposit	**136**	3,114
Others	**26,960**	21,928
	199,791	426,280

Note: On September 10, 2009, the Group entered into an agreement with Hangzhou Communications Group Co., Ltd ("Hangzhou Communications Group"), a state-owned enterprise, pursuant to which the Group agreed to sell, and Hangzhou Communications Group agreed to purchase, the entire 50% interest of the Group in Hangzhou Shida Expressway Co., Ltd. ("Shida JV"), which was to undertake the operation of Shiqiao-Dajing expressway, for a consideration of Rmb367,000,000. The disposal was completed in November 2009 and the gain on disposal of the jointly controlled entity of Rmb274,494,000 was recognised in the profit or loss for the year ended December 31, 2009.

10.FINANCE COSTS

	2010 Rmb'000	2009 Rmb'000
Interest expenses wholly repayable within 5 years:		
Bank loans	**14,462**	6,111
Other loans	**63,617**	13,713
Long-term bonds	**42,900**	42,900
	120,979	62,724

11.PROFIT BEFORE TAX

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

	2010 Rmb'000	2009 Rmb'000
Depreciation of property, plant and equipment	**134,794**	122,774
Amortisation of prepaid lease payments	**2,039**	1,265
Amortisation of expressway operating rights (included in operating costs)	**691,332**	676,220
Amortisation of other intangible assets (included in operating costs)	**12,706**	13,438
Total depreciation and amortisation	**840,871**	813,697
Staff costs (including directors and supervisors):		
– Wages and salaries	**483,114**	399,663
– Pension scheme contributions	**44,857**	33,244
	527,971	432,907
Auditors' remuneration	**7,415**	5,408
Loss on disposal of property, plant and equipment	**3,753**	33,072
Cost of inventories recognised as an expense	**1,480,688**	1,041,496
Impairment loss on interest in an associate (included in other expenses)	**—**	9,298
(Reversal of) provision for litigation (included in other expenses)	**(13,426)**	95,660

12. INCOME TAX EXPENSE

	2010 Rmb'000	2009 Rmb'000
Current tax:		
PRC Enterprise Income Tax	**794,590**	841,722
Deferred tax (Note 38)	**4,195**	(1,667)
	798,785	840,055

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

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

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

	2010 Rmb'000	2009 Rmb'000
Profit before tax	**3,111,274**	3,084,128
Tax at the PRC enterprise income tax rate of 25%	**777,819**	771,032
Tax effect of share of (profit) loss of associates	**(613)**	6,041
Tax effect of share of profit of a jointly controlled entity	**—**	(5,314)
Tax effect of income not taxable for tax purposes	**(12)**	(22)
Tax effect of expenses not deductible for tax purposes	**21,591**	68,318
Tax charge for the year	**798,785**	840,055

13.OTHER COMPREHENSIVE (LOSS) INCOME

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

	Year ended December 31, 2010			Year ended December 31, 2009		
	Before-tax amount Rmb'000	**Tax (expense) benefit Rmb'000**	**Net-of-tax amount Rmb'000**	Before-tax amount Rmb'000	Tax (expense) benefit Rmb'000	Net-of-tax amount Rmb'000
Fair value gain on available-for-sale financial assets arising during the year	**14,342**	**(3,585)**	**10,757**	34,234	(8,558)	25,676
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets	**(25,052)**	**6,263**	**(18,789)**	(13,632)	3,408	(10,224)
Total	**(10,710)**	**2,678**	**(8,032)**	20,602	(5,150)	15,452

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2009: 11) directors and 6 (2009: 5) supervisors are as follows:

	CHEN Jisong^Φ RMB'000	ZHAN Xiaozhang^Φ RMB'000	ZHANG Jingzhong^Φ RMB'000	JIANG Wenyao^Φ RMB'000	GENG Xiaoping^Φ RMB'000 (Note i)	FANG Yunti^Φ RMB'000 (Note i)	DING HuiKang^Φ RMB'000 (Note ii)	ZHANG Luyun^ RMB'000	ZHANG Yang^ RMB'000 (Note iii)	TUNG Chee Chen* RMB'000	ZHANG Junsheng* RMB'000	ZHANG Liping* RMB'000	MA Kehua# RMB'000	FANG Zhexing# RMB'000	ZHENG Qihua# RMB'000 (Note iv)	JIANG Shaozhong# RMB'000	WU Yongmin# RMB'000 (Note v)	LIU Haisheng# RMB'000	Total RMB'000
2010																			
Salaries, allowances and benefits in kind	4	458	391	390	–	–	162	3	2	214	53	214	3	4	1	2	2	1	1,904
Bonuses paid and payable	–	220	193	193	–	–	80	–	–	–	–	–	–	–	–	–	–	–	686
Pension scheme contributions	–	15	15	15	–	–	6	–	–	–	–	–	–	–	–	–	–	–	51
Total emoluments	4	693	599	598	–	–	248	3	2	214	53	214	3	4	1	2	2	1	2,641
2009																			
Salaries, allowances and benefits in kind	3	404	376	361	90	76	–	4	4	222	54	222	3	4	3	3	2	–	1,831
Bonuses paid and payable	–	276	209	224	61	37	–	–	–	–	–	–	–	–	–	–	–	–	807
Pension scheme contributions	–	13	15	15	–	3	–	–	–	–	–	–	–	–	–	–	–	–	46
Total emoluments	3	693	600	600	151	116	–	4	4	222	54	222	3	4	3	3	2	–	2,684

Φ Executive directors

^ Non-executive directors

* Independent non-executive directors

\# Supervisors

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

Notes:

(i) Resigned on February 28, 2009.

(ii) Appointed on August 28, 2010.

(iii) Resigned on August 28, 2010.

(iv) Resigned on August 26, 2010.

(v) Appointed on August 26, 2010.

The emoluments of each of the directors and supervisors were below HK$1,000,000 (equivalent to Rmb850,900) in both years. Bonuses paid to directors and supervisors 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.

15. EMPLOYEES' EMOLUMENTS

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

	2010	2009
	Rmb'000	Rmb'000
Salaries, allowances and benefits in kind	**7,640**	10,426
Bonuses paid and payable (Note)	**14,797**	658
Pension scheme contributions	**107**	57
Incentive paid	**—**	2,500
Compensation for loss of office	**—**	—
	22,544	13,641

Note: The bonuses paid and payable is determined by reference to the performance of the relevant business of the Group for the two years ended December 31, 2010 and 2009.

15. EMPLOYEES' EMOLUMENTS *(Continued)*

The five individuals with the highest emoluments in the Group during the year included no (2009: no) director, whose emoluments are set out in Note 14 above, and five (2009: five) non-director employees.

Their emoluments are within the following bands:

	No. of individuals	
	2010	2009
HK$2,000,001 to HK$2,500,000		
(equivalent to Rmb1,702,001 to Rmb2,127,000)	**—**	2
HK$2,500,001 to HK$3,000,000		
(equivalent to Rmb2,127,001 to Rmb2,553,000)	**—**	2
HK$3,500,001 to HK$4,000,000		
(equivalent to Rmb2,978,001 to Rmb3,404,000)	**1**	—
HK$4,000,001 to HK$4,500,000		
(equivalent to Rmb3,404,001 to Rmb3,829,000)	**1**	—
HK$4,500,001 to HK$5,000,000		
(equivalent to Rmb3,829,001 to Rmb4,255,000)	**1**	1
HK$5,000,001 to HK$5,500,000		
(equivalent to Rmb4,255,001 to Rmb4,680,000)	**1**	—
HK$8,000,001 to HK$8,500,000		
(equivalent to Rmb6,807,001 to Rmb7,233,000)	**1**	—

For the year ended December 31, 2010

16.DIVIDENDS

	2010 Rmb'000	2009 Rmb'000
Dividends recognised as distribution during the year:		
2010 Interim - Rmb6 cents		
(2009: 2009 interim Rmb6 cents) per share	**260,587**	260,587
2009 Final - Rmb25 cents		
(2009: 2008 Final Rmb24 cents) per share	**1,085,779**	1,042,347
	1,346,366	1,302,934

The final dividend of Rmb25 cents per share in respect of the year ended December 31, 2010 (2009: final dividend of Rmb25 cents per share in respect of the year ended December 31, 2009) 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 Rmb1,871,499,000 (2009: Rmb1,795,488,000) and the 4,343,114,500 (2009: 4,343,114,500) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding for the years ended December 31, 2009 and 2010.

18.PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Rmb'000	Ancillary facilities Rmb'000	Communication and signalling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
COST							
At January 1, 2009	412,966	485,858	266,236	173,247	306,273	8,502	1,653,082
Additions	36,559	22,112	39,936	11,007	45,580	8,866	164,060
Transfer	—	14,955	—	—	—	(14,955)	—
Disposals	(12,491)	(21,131)	—	(6,979)	(35,233)	—	(75,834)
At December 31, 2009 and January 1, 2010	437,034	501,794	306,172	177,275	316,620	2,413	1,741,308
Additions	51,551	1,052	28,669	21,653	64,672	82,991	250,588
Transfer	—	473	—	—	330	(803)	—
Disposals	—	(36,242)	(7,047)	(3,585)	(12,231)	—	(59,105)
At December 31, 2010	**488,585**	**467,077**	**327,794**	**195,343**	**369,391**	**84,601**	**1,932,791**
DEPRECIATION							
At January 1, 2009	42,561	118,512	187,372	110,924	162,465	—	621,834
Provided for the year	17,500	24,163	36,635	14,396	30,080	—	122,774
Disposals	(12,486)	(15,727)	—	(6,691)	(4,024)	—	(38,928)
At December 31, 2009 and January 1, 2010	47,575	126,948	224,007	118,629	188,521	—	705,680
Provided for the year	29,962	22,156	20,718	15,972	45,986	—	134,794
Disposals	—	(11,364)	(5,442)	(3,422)	(8,081)	—	(28,309)
At December 31, 2010	**77,537**	**137,740**	**239,283**	**131,179**	**226,426**	**—**	**812,165**
CARRYING VALUES							
At December 31, 2010	**411,048**	**329,337**	**88,511**	**64,164**	**142,965**	**84,601**	**1,120,626**
At December 31, 2009	389,459	374,846	82,165	58,646	128,099	2,413	1,035,628

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:

	2010	2009
	Rmb'000	Rmb'000
Leasehold land and buildings in the PRC:		
Long lease	**25,314**	25,976
Medium-term lease	**385,734**	363,483
	411,048	389,459

19.PREPAID LEASE PAYMENTS

	2010	2009
	Rmb'000	Rmb'000
Analysed for reporting purposes as:		
Current assets	**2,052**	1,421
Non-current assets	**71,035**	30,342
	73,087	31,763

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" situated in the PRC.

20.EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2009	16,257,748
Addition	507,581
At December 31, 2009 and January 1, 2010	16,765,329
Addition	7,633
Written off	(260)
At December 31, 2010	16,772,702
AMORTISATION	
At January 1, 2009	3,333,771
Charge for the year	676,220
At December 31, 2009 and January 1, 2010	4,009,991
Charge for the year	691,332
Written off	(118)
At December 31, 2010	4,701,205
CARRYING VALUES	
At December 31, 2010	12,071,497
At December 31, 2009	12,755,338

The above expressway operating rights were granted by the Zhejiang Provincial Government to the Group for 30 years. During the expressway concessionary period, the Group has the rights of operation 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 will be returned to the grantors at zero consideration.

21.GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2009, December 31, 2009, January 1, 2010 and December 31, 2010	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 23.

22.OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/ futures firm licenses Rmb'000	Trading seats Rmb'000	Software licenses Rmb'000	Total Rmb'000
COST					
At January 1, 2009	101,147	63,083	3,480	10,069	177,779
Additions	—	—	—	10,192	10,192
At December 31, 2009 and January 1, 2010	101,147	63,083	3,480	20,261	187,971
Additions	—	—	—	12,907	12,907
At December 31, 2010	101,147	63,083	3,480	33,168	200,878
AMORTISATION					
At January 1, 2009	18,446	—	—	1,268	19,714
Charge for the year	8,650	—	—	4,788	13,438
At December 31, 2009 and January 1, 2010	27,096	—	—	6,056	33,152
Charge for the year	8,253	—	—	4,453	12,706
At December 31, 2010	35,349	—	—	10,509	45,858
CARRYING VALUES					
At December 31, 2010	65,798	63,083	3,480	22,659	155,020
At December 31, 2009	74,051	63,083	3,480	14,205	154,819

The customer bases of Zheshang Securities Co., Ltd ("Zheshang Securities") and Zheshang Futures Broker Co., Ltd (formerly known as Zhejiang Tianma 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 licenses 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 23.

23. 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"), including 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, 2010 and 2009 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	2010	2009	**2010**	2009	**2010**	2009
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	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

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

During the year ended December 31, 2010, the 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.

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% (2009: 15%). No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 18 years (2009: 19 years) and 20 years (2009: 21 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 18.01% (2009: 17.5%). Growth rate beyond the five-year period is assumed to be nil.

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 18.01% (2009: 17.5%). Growth rate beyond the five-year period is assumed to be nil.

24.INTERESTS IN ASSOCIATES

	2010 Rmb'000	2009 Rmb'000
Unlisted investments in associates, at cost	**474,691**	426,241
Share of post-acquisition (loss) profits, net of dividends received	**(1,781)**	8,766
	472,910	435,007

At December 31, 2010 and 2009, 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 2010 %	2009 %	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.	Corporate	The PRC	**27.58**	27.58	Provision of printing services and property leasing
Zhejiang Concord Property Investment Co., Ltd.	Corporate	The PRC	**45**	22.95	Investment and real estate development
Hangzhou Tianjun Industrial Co., Ltd	Corporate	The PRC	**29.45**	29.45	Investment and portfolio management
Hangzhou Yuhang Communication Time Plaza Co., Ltd. ("Time Plaza Co") (Note i)	Corporate	The PRC	**16.57**	16.57	Investment and real estate development
Ningbo Expressway Advertising Co., Ltd. ("Ningbo Advertising Co") (Note ii)	Corporate	The PRC	**24.5**	12.5	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	**12.97**	—	Asset fund management

24.INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(i) The Group is able to exercise significant influence over Time Plaza Co because it has the power to appoint one out of five directors of that company under the provisions stated in the Articles of Association of that company.

(ii) The Group is able to exercise significant influence over Ningbo Advertising Co because it has the power to appoint two out of five directors of that company under the provisions stated in the Articles of Association of that company.

(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, 2009, an impairment loss of Rmb9,298,000 in relation to interest in an associate, Yongjin, was recognised.

The recoverable amounts of Yongjin 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 twenty-year period and a discount rate of 8% (2009: 8%).

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

	2010 Rmb'000	2009 Rmb'000
Total assets	**6,304,394**	4,754,409
Total liabilities	**(4,590,133)**	(3,265,061)
Net assets	**1,714,261**	1,489,348
Group's share of net assets of associates, after impairment loss of Rmb9,298,000 (2009: Rmb9,298,000)	**472,910**	435,007
Revenue	**4,600,647**	2,907,878
Loss for the year	**(7,822)**	(104,542)
Other comprehensive income	**—**	—
Group's share of results of associates for the year	**2,453**	(24,164)

25.AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010	2009
	Rmb'000	Rmb'000
Non-current assets:		
Unlisted equity securities investments, at cost (Note i)	**1,000**	1,000
Current assets:		
Listed equity securities investments in the PRC, at fair value (Note ii)	**71,928**	54,704
	72,928	55,704

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, 2010, the gain on change in fair value of the investments of Rmb14,342,000 (2009: Rmb34,234,000) has been recognised as other comprehensive income.

During the year ended December 31, 2010, the Group disposed certain listed equity investments and recognised a gain on disposal of Rmb25,052,000 (2009: Rmb13,632,000).

26.TRADE RECEIVABLES

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

	2010	2009
	Rmb'000	Rmb'000
Within 3 months	**49,666**	49,739
3 months to 1 year	**—**	—
1 to 2 years	**271**	218
Over 2 years	**831**	613
	50,768	50,570

Included in the Group's trade receivable balance aged within 3 months were tolls receivable from the Expressway Fee Settlement Centre of the Highway Administration Bureau of Zhejiang Province and Hangzhou Urban and Rural Construction Committee amounting to Rmb48,232,000 (2009: Rmb45,140,000) which has been settled subsequent to the end of the reporting period. The directors consider the credit risk of the balance to be minimal. The Group has not provided for impairment loss on the balances past due as set out above and does not hold any collateral over these balances.

27.OTHER RECEIVABLES

	2010	2009
	Rmb'000	Rmb'000
Consideration receivable* (Note a)	**115,000**	115,000
Entrusted loans receivables from a related party (Note 43(a))	**500,000**	120,000
Entrusted loan receivable from a third party (Note b)	**60,000**	—
Dividend receivable from a former jointly controlled entity*	**53,000**	53,000
Prepayments	**53,223**	54,783
Others*	**171,930**	108,384
	953,153	451,167

* The amounts were unsecured, interest-free and repayable on demand.

27.OTHER RECEIVABLES *(Continued)*

Notes:

(a) The balance represented the receivable of the unsettled consideration of disposal of Shida JV during the year ended December 31, 2009 (Note 9).

(b) Pursuant to the board resolutions of the Company on August 28, 2010, Shangsan Co, a subsidiary of the Company, and the entrusted loan contracts, Shangsan Co provided short-term entrusted loans during 2010 totalling Rmb60,000,000 with maturity date of December 22, 2011 to Taizhou State-Owned Asset Operations Co., Ltd. ("Taizhou Co"), a non-controlling shareholder of a subsidiary of Shangsan Co at a fixed interest rate of 5.56% per annum, via Industrial and Commercial Bank of China. Taizhou Co has pledged 30,000,000 shares in Zheshang Securities representing 1.42% equity interest in Zheshang Securities as collateral.

28.HELD FOR TRADING INVESTMENTS

	2010	2009
	Rmb'000	Rmb'000
Held for trading investments include:		
Listed securities in the PRC, at fair value:		
Equity securities	**197,592**	293
Open-end equity funds	**5,445**	6,258
Corporate bonds with fixed interest ranging from 3.5% to 8.5% per annum and maturity date from November 24, 2012 to December 17, 2020	**600,735**	511,344
	803,772	517,895

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29.FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

The amounts represent debt securities acquired by the Group which will be resold at a predetermined price on January 6, 2011 under resale agreements with a financial institution in the PRC during the year. The amounts carry interest at fixed rates ranging from 2.89% to 2.98% and have been subsequently settled in January 2011.

The Group conducts resale agreement under usual and customary terms of placements and holds collateral for these transactions.

The directors consider that the fair value of the collateral which are corporate bonds approximate the carrying amount of the financial assets held under resale agreement.

As at December 31, 2010, the Group did not hold for resale agreement any collateral which it was permitted to sell or repledge in the absence of default for the transactions.

30.BANK BALANCES HELD ON BEHALF OF CUSTOMERS

From the Group's securities operation, the Group receives and holds money deposited by customers and 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 1.26% to 1.89% (2009: 1.26% to 1.80%) 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	USD
	Rmb'000	Rmb'000
As at December 31, 2010	14,916	58,508
As at December 31, 2009	14,288	56,227

31.BANK BALANCES AND CASH

	2010	2009
	Rmb'000	Rmb'000
Restricted bank balance (Note)	**—**	942
Time deposits with original maturity over three months	**325,545**	228,452
Unrestricted bank balances and cash	**2,650,053**	4,819,503
Time deposits with original maturity of less than three months	**3,032,000**	229,500
Cash and cash equivalents	**5,682,053**	5,049,003
	6,007,598	5,278,397

Note: The restricted bank balance was frozen by China Securities Depository and Clearing Corporation Limited Shanghai Branch in connection with the guarantees issued by Zheshang Securities, in which the full amount of Rmb942,000 was released in January 2010.

Bank balances carry interest at the market rate of 0.36% (2009: 0.36%) per annum. Time deposits carry interest at fixed rates ranging from 1.35% to 2.50% (2009: 1.35% to 2.25%) per annum.

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

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2010	5,264	26,875
As at December 31, 2009	4,666	25,423

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32. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES DEALING BUSINESS

The settlement terms of accounts payables arising from the securities dealing 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.

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

	HKD	USD
	Rmb'000	Rmb'000
As at December 31, 2010	14,947	58,718
As at December 31, 2009	14,288	56,227

33. 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 payment due date at the end of the reporting period.

	2010	2009
	Rmb'000	Rmb'000
Within 3 months	**166,438**	410,900
3 months to 1 year	**232,122**	77,793
1 to 2 years	**60,701**	136,065
2 to 3 years	**83,256**	22,011
Over 3 years	**6,178**	604
	548,695	647,373

34. OTHER PAYABLES AND ACCRUALS

	2010	2009
	Rmb'000	Rmb'000
Other liabilities:		
Accrued payroll and welfare	**386,033**	341,870
Advance from customers	**67,102**	62,589
Toll collected on behalf of other toll roads	**33,630**	36,149
Prepayment from non-controlling shareholder of Zheshang Securities (Note)	**338,354**	—
Others	**182,365**	154,475
	1,007,484	595,083
Accruals	**41,817**	42,582
	1,049,301	637,665

Note: Amount represents prepayment for additional capital injection to Zheshang Securities from a non-controlling shareholder of Zheshang Securities. Such amount will be credited to non-controlling interest upon the approval of the relevant government authorities.

35. INTEREST-BEARING BANK AND OTHER LOANS

	2010	2009
	Rmb'000	Rmb'000
Bank loans, unsecured	**822,000**	200,000
Other loans, unsecured	**—**	422,384
	822,000	622,384
Carrying amount of bank loans repayable:		
Within one year	**822,000**	200,000
Carrying amount of other loans repayable:		
Within one year	**—**	278,055
More than one year, but not exceeding two years	**—**	87,016
More than two year, but not exceeding five years	**—**	57,313
	—	422,384
	822,000	622,384
Less: Amount due within one year shown under current liabilities	**(822,000)**	(478,055)
	—	144,329

35.INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

At December 31, 2010, the bank loans included a loan of Rmb472,000,000 (2009: Rmb200,000,000) carrying fixed rates ranging from 5.10% to 5.81% (2009: 5.31%). At December 31, 2010, the bank loans also included a loan of Rmb350,000,000 (2009: nil) carrying floating rates based on the China Central Bank benchmark interest rate ranging from 5.00% to 5.52%.

The other loans mainly represent loans from the World Bank via municipal governments and carry a floating interest rate ranges from 7.54% to 7.80% (2009: 1.82% to 4.55%) per annum (both the effective interest rate and contracted interest rate). There is no (2009: Rmb422,384,000 (USD61,859,000)) bank and other loans for the Group that are denominated in currencies other than Rmb as at December 31, 2010.

36.PROVISIONS

	Litigation on interest claim Rmb'000 (note i)	Litigation on public deposits and funds Rmb'000 (note ii)	Other litigation Rmb'000 (note iii)	Total Rmb'000
At January 1, 2009	21,683	—	12,181	33,864
Provision for the year	—	94,860	800	95,660
Utilisation of provision	—	(7,047)	—	(7,047)
At December 31, 2009 and January 1, 2010	21,683	87,813	12,981	122,477
Overprovision in prior years	(445)	—	(12,981)	(13,426)
Utilisation of provision	—	(87,813)	—	(87,813)
At December 31, 2010	21,238	—	—	21,238

36. PROVISIONS *(Continued)*

Notes:

(i) The Group has 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%. Based on the legal opinion, management considered that it is probable that the claim is ruled against the Group and accordingly, a provision for the interest compensation amounting to Rmb21,683,000 has been recognised in the profit and loss as at December 31, 2008. Based on the litigation process, overprovision in prior years of Rmb445,000 is recognised during the year ended December 31, 2010. The litigation is currently in process.

(ii) Prior to the restructuring of Zheshang Securities by the Company, the original person-in-charge of one of the Sales Departments under Zheshang Securities illegally misappropriated customers' deposits and funds, which caused a loss of approximately Rmb90,000,000 to the relevant customers. During the year ended December 31, 2009, clients who incurred losses due to the case have filed civil lawsuit against Zheshang Securities. Zheshang Securities made during the year ended December 31, 2009 a provision amounting to Rmb94,860,000 for the principal and related interest involved in the lawsuit, of which Rmb7,047,000 has been settled. During the year ended December 31, 2010, Zheshang Securities has fully settled the principal and interest to all customers. The obligation of Zheshang Securities was fully discharged as at December 31, 2010.

(iii) Sinobase International Ltd. initiated a lawsuit against Zheshang Securities in November 2008 in respect of a dispute for asset management entrustment contract entered into with Zheshang Securities in September 2005 with a principal and default compensation in aggregate of Rmb12,181,000. Full provision of such claim was recognised in profit and loss during the year ended December 31, 2008. Taking into account of the current progress of the legal proceedings, an additional provision of Rmb800,000 had been made for such claim in 2009. Sinobase International Ltd. has withdrawn the legal proceeding against Zheshang Securities during the year ended December 31, 2010. The obligation of Zheshang Securities was fully discharged and the provision of Rmb12,981,000 is reversed accordingly as at December 31, 2010.

37. LONG-TERM BONDS

	2010	2009
	Rmb'000	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, 2010 is RMB1,000,000,000.

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38. DEFERRED TAXATION

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

	Impairment of available-for-sale investments Rmb'000	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 Rmb'000	Fair value adjustment of intangible assets Rmb'000	Others Rmb'000	Total Rmb'000
At January 1, 2009	(6,198)	(8,466)	2,473	252,788	38,916	(7,251)	272,262
Charge (credit) to profit or loss	6,198	(200)	19,292	(14,223)	(2,339)	(10,395)	(1,667)
Credit to other comprehensive income	—	—	(8,558)	—	—	—	(8,558)
At December 31, 2009 and January 1, 2010	—	(8,666)	13,207	238,565	36,577	(17,646)	262,037
Charge (credit) to profit or loss	—	3,356	26,277	(10,004)	(2,339)	(13,095)	4,195
Credit to other comprehensive income	—	—	(3,585)	—	—	—	(3,585)
At December 31, 2010	—	(5,310)	35,899	228,561	34,238	(30,741)	262,647

39. SHARE CAPITAL

	Number of shares		Share capital	
	2010	2009	**2010** Rmb'000	2009 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.

39.SHARE CAPITAL *(Continued)*

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.

40.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 during the year 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.

41.COMMITMENTS

	2010	2009
	Rmb'000	Rmb'000
Contracted but not provided for in the consolidated financial statements:		
- Investments in expressways upgrade services	**—**	—
Authorised but not contracted for:		
- Investments in expressways upgrade services	**46,620**	50,000
- Purchase of machinery	**342,757**	128,000
- Renovation of service areas	**16,100**	30,000
- Purchase of office buildings and its renovation work	**360,180**	216,000
	765,657	424,000

42. OPERATING LEASES

The Group as lessee

	2010	2009
	Rmb'000	Rmb'000
Minimum lease payments	**11,765**	11,565
Contingent rental expenses	**4,501**	5,046
	16,266	16,611

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:

	2010	2009
	Rmb'000	Rmb'000
Within one year	**13,637**	11,765
In the second to fifth years inclusive	**58,651**	52,061
Over five years	**29,117**	49,400
	101,405	113,226

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.

42.OPERATING LEASES *(Continued)*

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:

	2010	2009
	Rmb'000	Rmb'000
Within one year	**28,010**	34,421
In the second to fifth years inclusive	**40,113**	35,139
After five years	**19,183**	23,481
	87,306	93,041

43.RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party transactions arising from the Group's daily operating activities:

(a) Pursuant to the resolutions of the shareholders' meeting on September 15, 2009 of Development Co, a subsidiary of the Company, and the entrusted loan contracts, Development Co provided short-term entrusted loans during 2009 totalling Rmb120,000,000 with maturity date of September 24, 2010 to Hangzhou Concord Property Investment Co., Ltd.("Hangzhou Concord Co"), a subsidiary of an associate of Development Co at a fixed interest rate of 12% per annum, via Industrial and Commercial Bank of China. The entrusted loan was fully repaid during 2010.

Pursuant to the resolutions of the shareholders' meeting on June 21, 2010 of Development Co, and the entrusted loan contracts, Development Co provided short-term entrusted loans during 2010 totalling Rmb270,000,000 with maturity date from July 11, 2011 to September 20, 2011 to Hangzhou Concord Co at a fixed interest rate of 12% per annum, via Industrial and Commercial Bank of China. 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.

43. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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 contracts, Advertising Co provided short-term entrusted loans during 2010 totalling Rmb30,000,000 with maturity date of July 11, 2011 to Hangzhou Concord Co at a fixed interest rate of 12% per annum, via Industrial and Commercial Bank of China. Such entrusted loan is guaranteed by World Trade Ltd, a related party of Hangzhou Concord Co, in full.

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, via Industrial and Commercial Bank of China. Such entrusted loan is guaranteed by World Trade Ltd, a related party of Hangzhou Concord Co, in full.

Interest income recognised in 2010 on the above transactions with Hangzhou Concord Co were Rmb26,432,000 (2009: Rmb3,700,000).

(b) Pursuant to the operation management agreement entered into between Development Co and Petroleum Co in respect of the petrol stations in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways, Petroleum Co will with their expertise 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, 2010 amounted to Rmb1,358,463,000 (2009: Rmb922,280,000).

(c) Pursuant to the capital injection agreement entered into between Yongjin and the Company on May 20, 2010, the Company agreed to further inject Rmb23,450,000 working capital in proportion to its equity interest in Yongjin.

(d) Pursuant to the acquisition agreements entered into between the vendors of Development Co and the Company, the Company acquired 49% equity interest in Development Co (of which 3.9% are held by Mr. JIANG Wenyao and Mr. ZHANG Jingzhong, who are the directors of the Company, and Mr. FANG Zhexing, who is the supervisor of the Company). Upon completion of the acquisition, Development Co. became a wholly-owned subsidiary of the Company.

43.RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

Transactions and balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled 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. Apart from the transactions with the Communications Group and parties under the common control of the Communications Group disclosed in Note 9, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

The Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled 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.

In addition, on September 10, 2009, the Group entered into an agreement with Hangzhou Communications Group, a state-owned enterprise, pursuant to which the Group agreed to sell, and Hangzhou Communications Group agreed to purchase, the entire 50% interest of the Group in Shida JV for a consideration of Rmb367,000,000. The disposal was completed in November 2009 and the gain on disposal of the jointly controlled entity of Rmb274,494,000 was recognised in the profit or loss for the year ended December 31, 2009.

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 state-controlled entities in the PRC.

Compensation of directors, supervisors, and key management personnel

Other than the directors, supervisors and key management personnel disclosed in Notes 14 and 15, the remuneration of other key management personnel during the year was approximately Rmb1,506,000 including retirement benefit scheme contribution of Rmb47,000 (2009: Rmb1,374,000 including retirement benefit scheme contribution of Rmb47,000) which is determined by the performance of the individuals and the market trends.

44.PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			2010	2009	**2010**	2009	
			%	%	**%**	%	
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**	51	**—**	—	Operation of service areas as well as roadside advertising along he the expressways operated by the Group
Advertising Co	Note 5	3,500,000	**—**	—	***70**	*35.7	Provision of advertising services
Service Co	Note 6	8,000,000	**—**	—	***100**	*43.35	Provision of vehicle towing, repair and emergency rescue services
Hangzhou Roadtone Advertising Co., Ltd. ("Roadtone Co")	Note 7	3,000,000	**—**	—	***51**	*26.01	Provision of advertising services
Zheshang Securities	Note 8	2,120,000,000	**—**	—	****51.88**	**51.88	Operation of securities business
Zheshang Futures	Note 9	150,000,000	**—**	—	*****51.88**	***51.88	Operation of securities business

44.PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

* These three 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.

** 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 company is a subsidiary of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and, accordingly, is accounted for as a subsidiary 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: Service 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.

Note 8: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. It was previously known as "Kinghing Securities Co., Ltd." before being acquired by Shangsan Co.

Note 9: Zheshang Futures was established on September 7, 1995 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 the end of the year.

Corporate Information

EXECUTIVE DIRECTORS

CHEN Jisong (Chairman)
ZHAN Xiaozhang (General Manager)
JIANG Wenyao
ZHANG Jingzhong
DING Huikang

NON-EXECUTIVE DIRECTORS

ZHANG Luyun

INDEPENDENT NON-EXECUTIVE DIRECTORS

TUNG Chee Chen
ZHANG Junsheng
ZHANG Liping

SUPERVISORS

MA Kehua
FANG Zhexing
JIANG Shaozhong
WU Yongmin
LIU Haiseng

COMPANY SECRETARY

ZHANG Jingzhong

AUTHORIZED REPRESENTATIVES

CHEN Jisong
ZHANG Jingzhong

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China Construction Bank, Zhejiang Branch
Shanghai Pudong Development Bank, Hangzhou Branch

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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

CORPORATE BOND LISTING INFORMATION

The Shanghai Stock Exchange
Symbol: 03滬杭甬
Code: 120308

Website

www.zjec.com.cn

Location Map of Expressways in Zhejiang Province