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

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

2012 INTERIM RESULTS ANNOUNCEMENT

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") announced the unaudited consolidated operating results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2012 (the "Period"), with the basis of preparation as stated in note 1 to the condensed consolidated financial statements set out below.

During the Period, revenue for the Group was Rmb3,329.18 million, generally on par with the same period in 2011. Profit for the Period attributable to owners of the Company was Rmb891.59 million, representing a slight decrease of 1.0% year-on-year. Earnings per share for the Period was Rmb20.53 cents, representing a decrease of 1.0% over the same period in 2011.

The Directors have recommended to pay an interim dividend of Rmb6 cents per share, subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on October 12, 2012.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited condensed consolidated statement of comprehensive income and condensed consolidated statement of financial position for the Period, with comparative figures for the same period in 2011 and relevant notes to the condensed consolidated financial statements:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Notes	For the six months ended June 30, 2012 RMB'000	2011 RMB'000
Revenue	3	**3,329,181**	3,339,367
Operating costs		**(2,076,791)**	(1,986,690)
Gross profit		**1,252,390**	1,352,677
Securities investment gains		**61,211**	27,885
Other income	4	**124,881**	119,926
Administrative expenses		**(33,410)**	(36,032)
Other expenses		**(16,508)**	(19,323)
Share of loss of associates		**(15,849)**	(9,367)
Finance costs		**(31,223)**	(41,852)
Profit before tax		**1,341,492**	1,393,914
Income tax expense	5	**(328,225)**	(352,347)
Profit for the Period		**1,013,267**	1,041,567
Other comprehensive income			
Available-for-sale financial assets:			
– Fair values gain (loss) during the Period		**5,436**	(8,662)
– Reclassification adjustments for cumulative gain included in profit or loss upon disposal		**–**	(4,072)
Income tax relating to components of other comprehensive income		**(1,359)**	3,184
Other comprehensive income (loss) for the Period (net of tax)		**4,077**	(9,550)
Total comprehensive income for the Period		**1,017,344**	1,032,017
Profit for the Period attributable to:			
Owners of the Company		**891,591**	900,316
Non-controlling interests		**121,676**	141,251
		1,013,267	1,041,567
Total comprehensive income for the Period attributable to:			
Owners of the Company		**893,717**	895,336
Non-controlling interests		**123,627**	136,681
		1,017,344	1,032,017
Earnings per share-basic	7	**20.53 cents**	20.73 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at June 30, 2012** **RMB'000** ***Unaudited***	As at December 31, 2011 *RMB'000* *Audited*
Non-current Assets			
Property, plant and equipment		**1,272,588**	1,294,465
Prepaid lease payments		**67,958**	68,983
Expressway operating rights		**11,019,731**	11,364,938
Goodwill		**86,867**	86,867
Other intangible assets		**151,675**	157,594
Deposit paid for acquisition of a property		**323,800**	323,800
Interests in associates		**430,830**	446,679
Available-for-sale investments		**1,000**	1,000
Other receivables		**82,000**	382,000
		13,436,449	14,126,326
Current Assets			
Inventories		**23,563**	26,400
Trade receivables	8	**50,738**	48,013
Other receivables		**1,296,606**	844,142
Prepaid lease payments		**2,052**	2,052
Available-for-sale investments		**281,473**	60,274
Held-for-trading investments		**988,036**	1,260,021
Structured deposits		**170,658**	–
Bank balances held on behalf of customers		**7,454,088**	7,177,508
Margin financing and securities lending		**216,145**	–
Bank balances and cash			
– Time deposits with original maturity over three months		**1,868,888**	2,467,793
– Cash and cash equivalents		**3,784,411**	3,120,430
		16,136,658	15,006,633

	Note	As at June 30, 2012 *RMB'000* *Unaudited*	As at December 31, 2011 *RMB'000* *Audited*
Current Liabilities			
Accounts payable to customers arising from securities dealing business		**7,404,195**	7,143,067
Trade payables	9	**354,200**	317,188
Tax liabilities		**193,669**	491,619
Other taxes payable		**41,893**	61,753
Other payables and accruals		**628,171**	724,216
Dividends payable		**1,244,191**	94,971
Bank loans		**50,000**	462,553
Long-term bonds		**1,000,000**	–
Derivative financial instrument		**–**	6,426
		10,916,319	9,301,793
Net Current Assets		**5,220,339**	5,704,840
Total Assets Less Current Liabilities		**18,656,788**	19,831,166
Non-current Liabilities			
Long-term bonds		**–**	1,000,000
Deferred tax liabilities		**232,131**	232,066
		232,131	1,232,066
		18,424,657	18,599,100
Capital and Reserves			
Share capital		**4,343,115**	4,343,115
Reserves		**10,643,362**	10,835,424
Equity attributable to owners of the Company		**14,986,477**	15,178,539
Non-controlling interests		**3,438,180**	3,420,561
		18,424,657	18,599,100

Notes:

1. **BASIS OF PREPARATION**

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

2. **PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies applied in the condensed consolidated financial statements for the Period are consistent with those applied in the preparation of the Group's annual financial statements for the year ended December 31, 2011.

In the current period, the Group has applied, for the first time, new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Period. The application of these new and revised HKFRSs in the current interim period had no material effect on the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. **REVENUE**

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

	For the six months ended June 30,	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	*Unaudited*
Toll operation revenue	**1,735,725**	1,731,996
Service area business revenue	**981,695**	908,049
Advertising business revenue	**45,529**	39,245
Commission income from securities operation	**422,931**	506,696
Interest income from securities operation	**143,301**	153,381
Total revenue	**3,329,181**	3,339,367

4. OTHER INCOME

	For the six months ended June 30,	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	*Unaudited*
Interest income on bank balances and entrusted loan receivables	**74,037**	67,128
Interest income from structured deposits	**658**	–
Rental income	**33,655**	32,754
Net exchange (loss) gain	**(3,552)**	2,252
Handling fee income	**3,396**	8,649
Towing income	**5,557**	5,805
Others	**11,130**	3,338
Total	**124,881**	119,926

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2012	2011
	RMB'000	*RMB'000*
	Unaudited	*Unaudited*
Current tax:		
PRC enterprise income tax	**326,801**	359,756
Deferred tax	**1,424**	(7,409)
	328,225	352,347

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 Period.

6. DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb6 cents per share (2011: Rmb6 cents per share), subject to shareholders' approval at the extraordinary general meeting of the Company expected to be held on October 12, 2012.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the Period attributable to owners of the Company of Rmb891,591,000 (2011: Rmb900,316,000) and the 4,343,114,500 (2011: 4,343,114,500) ordinary shares in issue during the Period.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding during both periods.

8. TRADE RECEIVABLES

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

	As at June 30, 2012 ***RMB'000*** ***Unaudited***	As at December 31, 2011 *RMB'000* *Audited*
Within 3 months	**50,467**	47,742
3 months to 1 year	**–**	–
1 to 2 years	**–**	–
Over 2 years	**271**	271
Total	**50,738**	48,013

9. TRADE PAYABLES

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

	As at June 30, 2012 ***RMB'000*** ***Unaudited***	As at December 31, 2011 *RMB'000* *Audited*
Within 3 months	**139,727**	93,602
3 months to 1 year	**82,306**	32,295
1 to 2 years	**42,615**	116,005
2 to 3 years	**63,366**	58,618
Over 3 years	**26,186**	16,668
Total	**354,200**	317,188

BUSINESS REVIEW

China's domestic economic growth continued to slacken as a result of the instability in the world economy and Chinese macro-control initiatives. Although China's domestic economy performed steadily as a whole in the first half of 2012, the GDP growth rate fell significantly, recording an increase of 7.8% year-on-year. During the Period, due to a number of factors such as the significant deceleration of growth in the foreign trade and export of the Zhejiang Province, the province's GDP increased by 7.4% year-on-year, which remained lower than the national average growth rate.

Given the slowdown of growth in the macro economy, the organic growth of traffic volume of the Group's expressways also fell significantly in the first half of 2012. As China's stock market continued to tumble during the Period, revenue from the securities business of the Group also recorded a decrease comparing with the same period last year. Consequently, during the Period, income for the Group decreased by 0.3% year-on-year, amounting to Rmb3,424.25 million in total. Of such income, Rmb1,795.45 million was generated from the two major expressways owned and operated by the Group, representing an increase of 0.2% year-on-year and accounting for 52.4% of total income; and Rmb1,035.30 million was generated from the toll road-related businesses, representing an increase of 8.4% year-on-year and accounting for 30.2% of total income. The securities business contributed an income of Rmb593.50 million to the Group, representing a decrease of 13.9% year-on-year and accounting for 17.4% of total income.

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

	For the six months ended June 30,		
	2012	2011	
	RMB'000	*RMB'000*	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	**1,456,618**	1,437,224	1.3%
Shangsan Expressway	**338,830**	354,681	–4.5%
Other income			
Service areas	**985,507**	911,890	8.1%
Advertising	**49,796**	43,053	15.7%
Securities business income			
Commission	**450,200**	535,900	–16.0%
Bank interests	**143,301**	153,381	–6.6%
Subtotal	**3,424,252**	3,436,129	–0.3%
Less: Revenue taxes	**(95,071)**	(96,762)	–1.7%
Revenue	**3,329,181**	3,339,367	–0.3%

Toll Road Operations

During the Period, the deceleration in macro-economic growth caused the organic growth in the traffic volume of the Group's two expressways to slow down significantly. In particular, with respect to the Shangsan Expressway, along which most of the companies are small- and medium-sized enterprises, the extent of fall in the organic growth of traffic volume was significantly greater than that of the Shanghai-Hangzhou-Ningbo Expressway.

Moreover, the total number of small- and medium-sized trucks declined slightly as a whole due to the rapid increase in the number of container trucks following the implementation of the toll-by-weight policy so that the number of trucks in total traffic volume decreased by 1.6 percentage points. This was also the main reason for the increase in toll income from expressways was lower than the increase in traffic volume during the Period.

The abolition of the "Unified Toll Card" policy (referring to the payment of annual fees for Hangzhou's vehicles to travel along loop expressways on an unlimited basis) in succession since January 1, 2012 had a slightly negative impact on the toll income from the Shanghai-Hangzhou-Ningbo Expressway. As the utilization rate of the cards is expected to decrease month by month in the second half of 2012, the impact on the toll income will continue to increase month by month. Meanwhile, the tolling policy based on the actual travel routes implemented in Zhejiang Province on May 15 this year had a positive impact on the traffic volume growth in some sections of the Group's expressways. However, adjustment to the rounding of the last figures of tolls for passenger vehicles had a certain degree of negative impact on the toll income of the Shanghai-Hangzhou-Ningbo Expressway.

Average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 41,838 during the Period, representing an increase of 5.4% year-on-year. In particular, average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou Section of the Shanghai-Hangzhou-Ningbo Expressway increased by 7.2% year-on-year, and that along the Hangzhou-Ningbo Section increased by 4.1% year-on-year. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 17,004 during the Period, representing a decrease of 0.5% year-on-year.

Toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb1,456.62 million during the Period, representing an increase of 1.3% year-on-year; while toll income from the Shangsan Expressway amounted to Rmb338.83 million during the Period, representing a decrease of 4.5% year-on-year.

Toll Road-Related Business Operations

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

During the Period, the number of customers in the service areas along the Group's two expressways decreased as a result of the slackened growth in the traffic volume of the expressways, and the traffic diversions from the Shaoxing Section of the Shanghai-Hangzhou-Ningbo Expressway upon the opening of the Shaozhu Expressway. To address these problems, the Company stepped up the development of new projects in the service areas by acquiring a four-year lease and operational right of the Zhenhai service area in the Ningbo Loop Expressway in May this year, and introducing in June this year in Zhejiang Province for the first time McDonald's, the fast food restaurant chain, to the service areas of expressways to improve business performance and service quality.

Meanwhile, the government adjusted the prices of petroleum products more frequently during the Period. However, since the price increases were greater than the price decreases, the sales amount of petroleum products continued to increase year-on-year. During the Period, measures to adjust the mode of operation for the service areas to counter adverse effects were very effective, and revenue from the service areas was basically the same compared to the same period last year. Consequently, revenue from the expressway-related businesses amounted to Rmb1,035.30 million during the Period, representing an increase of 8.4% year-on-year.

Securities Business

During the Period, the aggregate trading volume of China's domestic stock market declined substantially year-on-year as the market remained volatile and showed a downward trend. Due to the new commission policy – the "Notice on Further Strengthening Customer Services and the Management of Securities Trading Commissions of Securities Firms" implemented in early 2011, the decline in the commission rate has basically remained stable over the past one year.

Moreover, new sales outlets continued to drive a stable increase in market share of the Company's securities business. The Company had 60 securities sales outlets during the Period, an increase of six outlets year-on-year. However, the increase in the number of operational units and employees both raised the operational costs and undermined the profitability of the securities business during the Period.

Meanwhile, hit by the downturn of China's real economy and the slump in the stock market, revenue from the investment banking and asset management businesses showed a decline in varying degrees year-on-year during the Period.

During the Period, the securities business realized an operating income of Rmb593.50 million, representing a decrease of 13.9% year-on-year. Of such income, brokerage commission income amounted to Rmb450.20 million, representing a decrease of 16.0% year-on-year; bank interest income amounted to Rmb143.30 million, representing a decrease of 6.6% year-on-year. In addition, during the Period, securities investment income of Zheshang Securities included in the Condensed Consolidated Statement of Comprehensive Income was Rmb57.89 million.

Long-Term Investments

Zhejiang Expressway Petroleum Development Co., Ltd. (a 50% owned associate company of the Company) ("Petroleum Co") realized an income of Rmb2,909.18 million, representing an increase of 21.6% year-on-year during the Period due to a rise in the prices of petroleum products and a growth in sales of petroleum products. In the Period, Petroleum Co achieved a net profit of Rmb10.18 million (same period in 2011: Rmb17.52 million).

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (Jinhua Co, a 23.45% owned associate company of the Company) operates the 69.7km Jinhua Section of the Ningbo-Jinhua Expressway. During the Period, the continuous fall in the domestic macro economy affected toll income of the Company. The Jinhua Section of the Ningbo-Jinhua Expressway recorded an average daily traffic volume in full-trip equivalents of 11,773, representing an increase of 11.0% year-on-year; while toll income amounted to Rmb112.20 million, representing an increase of 6.1% year-on-year. Due to its heavy financial burden, the associate company still incurred a loss of Rmb32.61 million during the Period (same period in 2011: loss of Rmb30.13 million).

JoinHands Technology Co., Ltd. (a 27.582% owned associate company of the Company), whose revenue is mainly derived from house leasing, did not show any improvement in its operation during the Period and therefore realized a loss of Rmb1.20 million during the Period (same period in 2011: loss of Rmb1.20 million).

The Company entered into a transfer agreement with Guangzhou Kaixin Consulting Co., Ltd. ("Kaixin Company") in July 2011. However, as Kaixin Company has failed to pay the consideration for the equity interest transfer according to the terms of the contract, the Company lodged a lawsuit against Kaixin Company in August 2011 at the People's Court of Xihu District, Hangzhou City. The court ruled in favour of the Company in March 2012. However, both the Company and Kaixin Company filed appeals respectively because of their respective objections against the court's decision. The Company is taking appropriate measures to increase the chance of winning the lawsuit in the second trial.

On July 6, 2012, the Company entered into a transfer agreement with Shaoxing Communications Investment Group Co., Ltd. ("SXCI") for the acquisition of a 50% equity interest in Shengxin Expressway Co., Ltd. ("Shengxin Company", a limited company that owns the toll collection rights to the Shaoxing Section of Yongjin Expressway), a wholly-owned subsidiary of SXCI, for a cash consideration of Rmb355.03 million plus interest accrued on the consideration. However, completion of the acquisition is conditional upon, amongst others, the approval from the relevant provincial and municipal departments of the State-owned Assets Supervision and Administration Commission of the PRC, and the transfer of the operating rights from SXCI to Shengxin Company being approved by the Zhejiang Provincial Government. For details of the agreement, please refer to the announcement regarding the acquisition of the 50% equity interest in Shengxin Expressway published by the Company on July 9, 2012.

HUMAN RESOURCES

The Company continued to revamp its remuneration and performance policy during the Period, better follow through the growth strategy and promote the pegging of overall remuneration upgrade with the productivity of employees as a way for salary increase. There was no significant change in other staff matters and training programs as compared with the details disclosed in the Company's most recent annual report.

FINANCIAL ANALYSIS

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

During the Period, profit attributable to owners of the Company for the Period was approximately Rmb891.59 million, representing a decline of 1.0% year-on-year, return on owners' equity was 5.95%, representing an increase of 0.3%, while earnings per share for the Company was Rmb20.53 cents.

Liquidity and Financial Resources

As at June 30, 2012, current assets of the Group amounted to Rmb16,136.66 million in aggregate (December 31, 2011: Rmb15,006.63 million), of which bank balances and cash accounted for 35.0% (December 31, 2011: 37.2%), bank balances held on behalf of customers accounted for 46.2% (December 31, 2011: 47.8%), and held-for-trading investments accounted for 6.1% (December 31, 2011: 8.4%). The current ratio (current assets over current liabilities) as at June 30, 2012 was 1.5 (December 31, 2011: 1.6). Excluding the effect of customer deposits 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 2.5 (December 31, 2011: 3.6).

The amount of held-for-trading investments of the Group as at June 30, 2012 was Rmb988.04 million (December 31, 2011: Rmb1,260.02 million), of which approximate 90.5% was invested in bonds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb975.10 million. The Directors do not expect the Company to experience any problem with liquidity and financial resources in the foreseeable future.

Borrowings and Solvency

As at June 30, 2012, total liabilities of the Group amounted to Rmb11,148.45 million (December 31, 2011: Rmb10,533.86 million), of which 0.4% was short-term bank loans, 9.0% was corporate bonds and 66.4% was accounts payable to customers arising from the securities dealing business.

Total interest-bearing borrowings of the Group as at June 30, 2012 amounted to Rmb1,050.00 million, representing a decrease of 28.2% compared to the sum as at December 31, 2011. The borrowings comprised of outstanding balances of loans from a domestic commercial bank, totaling Rmb50.00 million and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. All the interest-bearing borrowings need to be repayable within one year.

As at June 30, 2012, the Group's loan from the domestic commercial bank is one-year floating-rate loan, with interest rate of 6.56% per annum. The annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable once a year. Besides, the annual interest rate for accounts payable to customers arising from the securities dealing business was fixed at 0.5% and 0.4%.

Total interest expense for the Period amounted to Rmb31.22 million, while profit before interest and tax amounted to Rmb1,372.72 million. Consequently, the interest cover ratio (profit before interest and tax over interest expenses) stood at 44.0 times (June 30, 2011: 34.3 times).

The asset-liability ratio (total liabilities over total assets) was 37.7% as at June 30, 2012 (December 31, 2011: 36.2%). Excluding the effect of customer deposits 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 16.9% (December 31, 2011: 15.4%).

Capital Structure

As at June 30, 2012, the Group had Rmb18,424.66 million equity in total, Rmb8,404.20 million fixed-rate liabilities, Rmb50.00 million floating-rate liabilities and Rmb2,694.25 million interest-free liabilities, representing 62.3%, 28.4%, 0.2% and 9.1% 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 20.3% as at June 30, 2012 (December 31, 2011: 18.2%).

Capital Expenditure Commitments and Utilization

During the Period, the Group incurred capital expenditures of Rmb65.17 million, while the Company incurred capital expenditures of Rmb13.07 million. Amongst the total capital expenditures of the Group, Rmb27.12 million was used for acquisition and construction of properties, Rmb37.88 million was used for purchase of equipment, while Rmb0.17 million was used for service area renovation and expansion.

As at June 30, 2012, capital expenditures committed by the Group and the Company totaled Rmb1,555.15 million and Rmb564.24 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb485.70 million will be assigned to acquisition of an office building, Rmb380.08 million to acquisition and construction of properties, Rmb307.47 million to acquisition of equipment, Rmb6.07 million to the widening project between the Shaoxing-Zhuji hub and the Shaoxing-Jiaxing hub of the Shangsan Expressway, Rmb20.80 million to service area renovation and expansion and Rmb355.03 million to acquisition of 50% equity interest in Shengxin Company.

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

Contingent Liabilities and Pledge of Assets

As at June 30, 2012, the Group did not have any contingent liabilities nor any pledge of assets or guarantees.

Foreign Exchange Exposure

Save for the repayment of a domestic foreign bank loan in Hong Kong dollars amounting to an equivalent of Rmb312.51 million and dividend payments to the holders of H shares in Hong Kong dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited.

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

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

OUTLOOK

The acute problem regarding weak external demand due to the continuous downturn in the global economy together with China's ongoing implementation of macro-control initiatives for the domestic real estate and other sectors have caused China's current domestic economic growth to continue decelerating. This has also hit, to a large extent, Zhejiang Province's economy with heavy reliance on import and export trade, thereby causing a negative impact on the organic growth in the traffic volume of the Group's two expressways.

As the clean-up and rectification campaign for toll roads is close to completion, two new policies – the toll-by-driving route policy and the improved vehicle tolls charging method – were introduced to the expressways across Zhejiang Province in May 2012, and adjustment to passenger vehicle classes will be carried out from August 1, 2012. Such adjustment is expected to have a slight negative impact on the Group. The soon-to-be-implemented policy for toll-free passenger vehicles with less than seven seats travelling on expressways during major festivals and holidays is expected to lead to an approximately 3% decline in the Group's toll revenue for the whole year.

The 52 electronic toll collection ("ETC") lanes on the Group's expressways, initially scheduled for completion by 2012, will be completed by the end of September this year ahead of schedule, and a test run will be conducted thereafter. This will further strengthen the expressways' traffic capacity, as well as improve their tolling efficiency and levels of service and management.

Meanwhile, as China's stock market experiences increased uncertainties during the downward adjustment, the Group's securities business will be subject to the significant impact of the volatility in the A-share market and the intense competition in the securities brokerage industry. It is expected that Zheshang Securities will enhance the competitiveness of its operating network and improve the revenue structure of the brokerage, investment banking, asset management and other operations, while striving to create new businesses for facilitating the sound development of the securities business.

The unfavourable situations, namely the global economic downturn and the slowdown in economic growth across the country and the province as well as a certain degree of risk caused by the industry's policies such as the clean-up and rectification campaign for toll roads, have rendered more complex and challenging situations to the Company's new-term management than in the past. We only have to seize opportunities from challenges, keep a focused mind on any changes in the industry's policies, come up with innovative management ideas and continue to identify appropriate investment projects on condition that risks are controllable, with a view to enhancing shareholders' long-term value.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold, redeemed or cancelled any of the Company's shares during the Period.

COMPLIANCE WITH LISTING RULES APPENDIX 14

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

By order of the Board
Zhejiang Expressway Co., Ltd.
Zhan Xiaozhang
Chairman

Hangzhou, PRC, August 24, 2012

As at the date of this announcement, the executive directors of the Company are: Messrs. ZHAN Xiaozhang, LUO Jianhu and DING Huikang; the non-executive directors of the Company are: Messrs. LI Zongsheng, WANG Weili and WANG Dongjie; and the independent non-executive directors of the Company are: Messrs. ZHANG Junsheng, ZHOU Jun and PEI Ker-Wei.