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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 Annual Results Announcement

- Revenue amounted to Rmb6,700.26 million, representing a slight decrease of 1.2% year-on-year.
- Profit attributable to owners of the Company amounted to Rmb1,686.27 million, representing a decrease of 6.6% year-on-year.
- Earnings per share was Rmb38.83 cents.
- A final dividend of Rmb24 cents per share is recommended.

The directors (the “Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announced the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2012 (the “Period”), with the basis of preparation as stated in note 1 set out below.

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb6,700.26 million, representing a slight decrease of 1.2% over 2011. Profit attributable to owners of the Company was Rmb1,686.27 million, representing a decrease of 6.6% year-on-year. Earnings per share for the Period was Rmb38.83 cents (2011: Rmb41.57 cents).

The Directors have recommended to pay a final dividend of Rmb24 cents per share (2011: Rmb25 cents), subject to shareholders’ approval at the annual general meeting of the Company. Together with an interim dividend of Rmb6 cents per share already paid, the annual dividend payout during the Period is Rmb30 cents per share (2011: Rmb31 cents).

The audit committee of the Company has reviewed the Group's annual results of the Period. Set out below are the audited consolidated statement of comprehensive income for the Period and consolidated statement of financial position as at December 31, 2012, together with the comparative figures for 2011:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
		December 31,	
		2012	2011
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Revenue	3	6,700,258	6,781,352
Operating costs		(4,369,641)	(4,077,403)
Gross profit		2,330,617	2,703,949
Securities investment gains		99,783	7,925
Other income	4	288,644	281,929
Administrative expenses		(82,092)	(84,380)
Other expenses		(46,154)	(38,565)
Share of loss of associates		(17,341)	(7,035)
Share of loss of a jointly controlled entity		(3,516)	—
Finance costs		(53,995)	(80,043)
Profit before tax		2,515,946	2,783,780
Income tax expense	5	(646,864)	(717,838)
Profit for the year		1,869,082	2,065,942

		For the year ended December 31,	
		2012	2011
Note		Rmb'000	Rmb'000
	Other comprehensive income (loss)		
	Available-for-sale financial assets:		
	– Fair value gain (loss) during the year	4,800	(9,746)
	– Reclassification adjustments for cumulative gain included in profit or loss upon disposal	(175)	(4,072)
	Income tax relating to components of other comprehensive income	(1,156)	3,455
	Other comprehensive income (loss) for the year (net of tax)	3,469	(10,363)
	Total comprehensive income for the year	1,872,551	2,055,579
	Profit for the year attributable to:		
	Owners of the Company	1,686,270	1,805,345
	Non-controlling interests	182,812	260,597
		1,869,082	2,065,942
	Total comprehensive income attributable to:		
	Owners of the Company	1,688,079	1,799,941
	Non-controlling interests	184,472	255,638
		1,872,551	2,055,579
	Earnings per share – basic and diluted	7 Rmb38.83 cents	Rmb41.57 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31, 2012	2011
	<i>Note</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,357,844	1,294,465
Prepaid lease payments		66,931	68,983
Expressway operating rights		10,732,058	11,364,938
Goodwill		86,867	86,867
Other intangible assets		155,633	157,594
Deposit paid for acquisition of a property		–	323,800
Interests in associates		465,513	446,679
Interest in a jointly controlled entity		369,954	–
Available-for-sale investments		133,000	1,000
Other receivables		325,035	382,000
		<u>13,692,835</u>	<u>14,126,326</u>
CURRENT ASSETS			
Inventories		27,418	26,400
Trade receivables	8	57,847	48,013
Loans to customers arising from margin financing business		724,123	–
Other receivables and prepayments		701,627	844,142
Prepaid lease payments		2,052	2,052
Available-for-sale investments		134,899	60,274
Held for trading investments		1,486,772	1,260,021
Financial assets held under resale agreement		280,066	–
Bank balances held on behalf of customers		7,491,625	7,177,508
Bank balances and cash			
– Time deposits with original maturity over three months		1,483,408	2,467,793
– Cash and cash equivalents		3,362,709	3,120,430
		<u>15,752,546</u>	<u>15,006,633</u>

		As at December 31,	
		2012	2011
	<i>Notes</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
CURRENT LIABILITIES			
Accounts payable to customers arising from securities business		7,481,819	7,143,067
Trade payables	9	378,364	317,188
Tax liabilities		223,592	491,619
Other taxes payable		53,082	61,753
Other payables and accruals		973,031	724,216
Dividends payable		94,998	94,971
Long-term bonds due in one-year		1,000,000	–
Bank loans		–	462,553
Derivative financial instrument		–	6,426
		<u>10,204,886</u>	<u>9,301,793</u>
NET CURRENT ASSETS		<u>5,547,660</u>	<u>5,704,840</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,240,495</u>	<u>19,831,166</u>
NON-CURRENT LIABILITIES			
Long-term bonds		–	1,000,000
Deferred tax liabilities		224,220	232,066
		<u>224,220</u>	<u>1,232,066</u>
		<u>19,016,275</u>	<u>18,599,100</u>
CAPITAL AND RESERVES			
Share capital		4,343,115	4,343,115
Reserves		<u>11,177,137</u>	<u>10,835,424</u>
Equity attributable to owners of the Company		15,520,252	15,178,539
Non-controlling interests		<u>3,496,023</u>	<u>3,420,561</u>
		<u>19,016,275</u>	<u>18,599,100</u>

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”) (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2. Principal Accounting Policies

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

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA:

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

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

Amendments to HKAS 1
Amendments to HKAS 32
HK(IFRIC) – Int 20

Presentation of Items of Other Comprehensive Income⁴
Offsetting Financial Assets and Financial Liabilities²
Stripping Costs in the Production Phase of a
Surface Mine¹

- ¹ Effective for annual periods beginning on or after January 1, 2013
- ² Effective for annual periods beginning on or after January 1, 2014
- ³ Effective for annual periods beginning on or after January 1, 2015
- ⁴ Effective for annual periods beginning on or after July 1, 2012

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

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

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

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

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

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

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

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

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC) – Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

3. Segment Information

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

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

- (i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.
- (ii) Service area and advertising businesses – the sale of food, restaurant operation, automobile servicing, operation of petrol stations and design and rental of advertising billboards along the expressways.
- (iii) Securities operation – the securities broking, margin financing and securities lending services and proprietary trading.

Segment revenue and results

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

For the year ended December 31, 2012

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

For the year ended December 31, 2011

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

Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker, the Group's Chief Executive Officer, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

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

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

Other segment information

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

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

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

Note: Non-current assets excluded financial instruments.

Revenue from major services

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

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

Geographical information

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

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

Information about major customers

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

4. Other Income

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

5. Income Tax Expense

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

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group is 25%.

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

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

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

6. Dividends

	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
Dividends recognised as distribution during the year:		
2012 Interim - Rmb6 cents (2011: 2011 interim Rmb6 cents) per share	260,587	260,587
2011 Final - Rmb25 cents (2011: 2010 Final Rmb25 cents) per share	1,085,779	1,085,779
	1,346,366	1,346,366

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

7. Earnings per share

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

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

8. Trade Receivables

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

	As at December 31,	
	2012	2011
	<i>Rmb'000</i>	<i>Rmb'000</i>
Within 3 months	57,538	47,742
3 months to 1 year	—	—
1 to 2 years	146	—
Over 2 years	163	271
Total	<u>57,847</u>	<u>48,013</u>

9. Trade payables

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

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

BUSINESS REVIEW

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

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

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

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

TOLL ROAD OPERATIONS

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

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

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

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

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

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

TOLL ROAD-RELATED BUSINESS OPERATIONS

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

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

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

SECURITIES BUSINESS

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

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

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

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

LONG-TERM INVESTMENTS

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

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

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

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

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

Financial Analysis

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

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

Liquidity and Financial Resources

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

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

During the Period, net cash inflow generated from the Group’s operating activities amounted to Rmb1,537.71 million.

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

Borrowings and Solvency

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

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

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

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

Capital Structure

As at December 31, 2012, the Group had Rmb19,016.28 million in total equity, Rmb8,481.82 million in fixed-rate liabilities and Rmb1,947.29 million in interest-free liabilities, representing 64.6%, 28.8% and 6.6% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less accounts payable to customer arising from securities business by total equity, was 15.5% as at December 31, 2012 (December 31, 2011: 18.2%).

Capital Expenditure Commitments and Utilization

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

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

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

Contingent Liabilities and Pledge of Assets

As at December 31, 2012, the Group did not have any contingent liabilities nor any pledge of assets or guarantees.

Foreign Exchange Exposure

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

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

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

OUTLOOK

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

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

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

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

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

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 has complied with all code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) set out in Appendix 14 to the Listing Rules, and has adopted the recommended best practices in the Code as and when applicable.

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

Hangzhou, PRC, March 19, 2013

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.