

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the 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 2008 (the “Period”), the Company met all code provisions in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14, and adopted the recommended best practices contained in the Code whenever applicable.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has formulated and 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”) contained in Appendix 10 of the Listing Rules.

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

BOARD OF DIRECTORS OF THE COMPANY (THE “BOARD”)

The executive directors of the Company during the Period are:

Mr. GENG Xiaoping (Chairman)
Mr. FANG Yunti (General Manager)
Mr. ZHANG Jingzhong
Mr. JIANG Wenyao

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

Ms. ZHANG Luyun
Ms. ZHANG Yang

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

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

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

Mr. GENG Xiaoping	5/5
Mr. FANG Yunti	5/5
Mr. ZHANG Jingzhong	5/5
Mr. JIANG Wenyao	5/5
Ms. ZHANG Luyun	4/5
Ms. ZHANG Yang	5/5
Mr. TUNG Chee Chen	5/5
Mr. ZHANG Junsheng	4/5
Mr. ZHANG Liping	5/5

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 effectively discharge its duties, the Board has set up four special committees: the Audit Committee, the Nomination and Remuneration Committee, the Strategic Committee, and the Connected Transaction 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, and the Board has appointed three Independent Non-executive Directors, with at least one possessing the appropriate professional qualification or with accounting or related financial management expertise.

Pursuant to Rules 3.13 of the Listing Rules, the Company has specifically inquired all three Independent Non-executive Directors and received their respective confirmation of independence during the Period. 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, the positions of Chairman and General Manager of the Company were separately held by Mr. GENG Xiaoping and Mr. FANG Yunti, respectively, with fully segregated roles 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, 2006 to February 28, 2009.

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 three Independent Non-executive Directors, namely, Mr. TUNG Chee Chen, Mr. ZHANG Junsheng, and Mr. ZHANG Liping, with Mr. ZHANG Liping as the Chairman of the committee.

During the Period, there were no changes to the members of the Board and senior management for the current session. Since their remuneration was already determined at an earlier time, the Nomination and Remuneration Committee of the Company had not held any meetings during the Period.

AUDITORS' REMUNERATION

During the Period, the Company had paid HK\$3,600,000 (Rmb3,248,820 equivalent) and Rmb840,000 to Deloitte Touche Tohmatsu Certified Public Accountants (the Hong Kong auditors) and Zhejiang Pan China Certified Public Accountants (the PRC auditors) for audit services for 2007, respectively. The auditors had provided no other 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.

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The Audit Committee comprised of five Non-executive Directors, three of whom are Independent Non-executive Directors, namely Mr. TUNG Chee Chen, Mr. ZHANG Junsheng and Mr. ZHANG Liping, and the remaining two are Non-executive Directors, namely Ms. ZHANG Luyun and Ms. ZHANG Yang, 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	3/4
Ms. ZHANG Yang	4/4

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 the requirements on the composition of the audit committee as set out in Rule 3.21 of the Listing Rules.

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, 2008, the interests of the Directors, Supervisors and Chief Executives in the share capital of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Interest in the shares of Zhejiang Expressway Investment Development Co., Ltd.*

Name	Position	Contribution of capital (Rmb)	Nature of interest	Percentage of the registered capital of associated corporation
Mr. GENG Xiaoping	Chairman	3,600,000	Legally and beneficially owned	3.00%
Mr. FANG Yunti	Director/General Manager	2,880,000	Same as above	2.40%
Mr. JIANG Wenyao	Director	1,980,000	Same as above	1.65%
Mr. ZHANG Jingzhong	Director	1,650,000	Same as above	1.38%
Mr. FANG Zhexing	Supervisor	1,050,000	Same as above	0.88%

* a 51% owned subsidiary of the Company

Save as disclosed above, as at December 31, 2008, 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, 2008, 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 Investment Group	Beneficial owner	2,432,500.00	83.61%
Huajian	Beneficial owner	476,760,000	16.39%

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
Ballie Gifford & Co.	Investment manager	211,890,275(L)	14.78%
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	156,233,246(L)	10.90%
		2,025,760(S)	0.14%
		139,303,052(P)	9.72%
T.Rowe Price Associates, Inc. and its Affiliates	Interest of controlled corporations	128,275,000(L)	8.94%
The Bank of New York Mellon Corporation	Interest of controlled corporations/ approved lending agent	92,914,921(L)	6.48%
		29,759,100(P)	2.08%

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, 2008, 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

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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

There were no changes made to the Articles of Association of the Company during the Period.

During the Period, the last shareholders' meeting of the Company took place at 9:00 a.m. on Thursday, May 15, 2008 at 12/F, Block A, Dragon Century Plaza, 1 Hangda Road, Hangzhou, Zhejiang Province, the People's Republic of China. Shareholders voted by way of poll, and approved the reports of the directors and of the supervisory committee for 2007, the audited financial statements for 2007, a final dividend for 2007, the final report for 2007 and the financial budget for 2008, as well as the re-appointment of external auditors.

The next annual general meeting of the Company is expected to be held on May 4, 2009 to consider the resolutions in respect of the reports of the directors and of the supervisory committee for 2008, the audited financial statements for 2008, a final dividend for 2008, the final report for 2008 and the financial budget for 2009, as well as the re-appointment of external auditors.

The Company's shares comprised of Domestic Shares and H Shares. The Domestic Shares were held by Zhejiang Communications Investments Group Co., Ltd as to 2,432,500,000 shares and by Huajian Transportation Economic Development Center as to 476,760,000 shares, representing 56% and 11% of the total shareholding

respectively. As at the date of this report, and to the best of the Directors' knowledge, 100% of the H shares of the Company, with a total shareholding of 1,433,854,500 shares, which accounts for approximately 33% of all issued capital of the Company, are held by the public.

INTERNAL CONTROLS

The Company has set up internal monitoring system that included the protection of assets as well as the preservation of accounting and financial information, capable of taking necessary steps in reaction to possible changes in our business and operating environment. The Company's Audit Committee is charged with the duties of monitoring, reviewing and directing the monitoring activities. Aside from reviewing the annual reporting by outside auditors, the Audit Committee also reviews internal special investigation report by internal audit department, covering all major business activities of the Company on a quarterly basis, to examine the effectiveness of internal control system and risk management system. Any important comments and/or recommendations by the Audit Committee are implemented by relevant units under the supervision of internal audit department.

During the Period, the directors of the Company had carried out a review of the effectiveness of the system of internal control of the Company, covering all material controls, including financial, operational and compliance controls and risk management functions. There were no major breaches in the internal control system that may have had an impact to shareholders' interests.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are specifically 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.