



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

2007 Interim Results Announcement

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") are pleased to announce the unaudited consolidated operating results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2007 (the "Period"), prepared in conformity with accounting principles generally accepted in Hong Kong, with the basis of preparation as stated in note 1 to the consolidated financial statements set out below.

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb3,381.5 million, representing an increase of 54.7% over the same period in 2006. Profit attributable to equity holders of the Company was Rmb1,197.1 million, representing an increase of 73.8%. Earnings per share for the Period was Rmb27.56 cents, representing an increase of 73.8% over the same period in 2006.

The Directors have recommended to pay an interim dividend of Rmb7.0 cents per share, subject to shareholders' approval at the extraordinary general meeting of the Company to be held on October 30, 2007.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited consolidated income statement and consolidated balance sheet for the Period, together with comparative figures for 2006:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six months ended June 30,	
	Notes	2007 Rmb'000	2006 Rmb'000
Revenue	3	3,381,505	2,186,404
Operating costs		<u>(1,504,904)</u>	<u>(1,031,346)</u>
Gross profit		1,876,601	1,155,058
Other income	4	236,941	55,956
Administrative expenses		(34,588)	(29,011)
Other operating expenses		(54,459)	(13,878)
Finance costs		(26,160)	(47,358)
Share of profit of associates		1,316	2,084
Share of profit of a jointly-controlled entity		<u>10,222</u>	<u>10,149</u>
Profit before tax		2,009,873	1,133,000
Income tax expense	5	<u>(392,786)</u>	<u>(372,501)</u>
Profit for the Period		<u>1,617,087</u>	<u>760,499</u>
Attributable to:			
Equity holders of the Company		1,197,119	688,729
Minority interest		<u>419,968</u>	<u>71,770</u>
		<u>1,617,087</u>	<u>760,499</u>
Dividends			
Proposed interim	6	<u>(304,018)</u>	<u>(304,018)</u>
Earnings per share	7	<u>27.56 cents</u>	<u>15.86 cents</u>

CONSOLIDATED BALANCE SHEET

	Notes	As at June 30, 2007 Rmb'000 <u>Unaudited</u>	As at December 31, 2006 Rmb'000 <u>Audited</u>
Non-current assets			
Property, plant and equipment		13,605,792	13,775,621
Prepaid lease payment		399,927	390,658
Goodwill		91,428	91,428
Other intangible assets		141,331	144,727
Interest in associates		490,048	224,857
Interest in a jointly-controlled entity		84,540	87,982
Available for sale investments		1,000	1,000
Expressway operating rights		<u>175,495</u>	<u>179,845</u>
		<u>14,989,561</u>	<u>14,896,118</u>
Current assets			
Inventories		15,087	12,255
Loan to an associate		50,000	—
Trade receivables	8	54,610	54,451
Other receivables		284,263	180,514
Prepaid lease payment		19,013	18,626
Held-for-trading investments		312,295	229,880
Bank balances held on behalf of customers		8,495,722	2,507,763
Bank balances and cash		<u>2,955,092</u>	<u>1,670,385</u>
		12,186,082	4,673,874
Assets classified as held for sale		<u>17,525</u>	<u>427</u>
		<u>12,203,607</u>	<u>4,674,301</u>

	Notes	As at June 30, 2007 Rmb'000 <u>Unaudited</u>	As at December 31, 2006 Rmb'000 <u>Audited</u>
Current liabilities			
Trade payables	9	418,798	369,323
Trade payable to customers arising from securities dealing business		8,491,280	2,501,593
Tax liabilities		447,470	537,265
Other taxes payable		38,611	20,293
Other payables and accruals		586,681	409,740
Dividend payable		2,215	41,595
Interest-bearing bank and other borrowings		1,051,273	397,141
Provision		<u>34,800</u>	<u>34,800</u>
		11,071,128	4,311,750
Liabilities associated with assets held for sale		<u>—</u>	<u>995</u>
		<u>11,071,128</u>	<u>4,312,745</u>
Net current assets		<u>1,132,479</u>	<u>361,556</u>
Total assets less current liabilities		<u>16,122,040</u>	<u>15,257,674</u>
Non-current liabilities			
Interest-bearing bank and other borrowings		393,464	448,266
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		<u>349,085</u>	<u>456,956</u>
		<u>1,742,549</u>	<u>1,905,222</u>
		<u>14,379,491</u>	<u>13,352,452</u>

	Notes	As at June 30, 2007 Rmb'000 <u>Unaudited</u>	As at December 31, 2006 Rmb'000 <u>Audited</u>
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		<u>7,878,685</u>	<u>7,550,189</u>
Equity attributable to equity holders of the Company		<u>12,221,800</u>	<u>11,893,304</u>
Minority interests		<u>2,157,691</u>	<u>1,459,148</u>
		<u>14,379,491</u>	<u>13,352,452</u>

Notes:

1 Basis of Preparation

The condensed 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 financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2006 except as described below.

During the Period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after January 1, 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations apart from HKFRS 8 and HK(IFRIC)-Int 12 will have no material impact on the results and the financial position of the Group. The directors of the Company are in the process of assessing the impact of HKFRS 8 and HK(IFRIC)-Int 12 on the result and the financial position of the Group:

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) —Int 11	HKFRS2 — Group and Treasury Share Transactions ²
HK(IFRIC) —Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after January 1, 2009

² Effective for annual periods beginning on or after March 1, 2007

³ Effective for annual periods beginning on or after January 1, 2008

3 Segment Information

Comparing to the same period last year, apart from the securities operation activity, there was no other change in the principal activities of the Group. The operating results by principal activities are summarized as follows:

	For the six months ended June 30,			
	2007		2006	
	Profit		Profit	
	Revenue Rmb'000 Unaudited	Contribution Rmb'000 Unaudited	Revenue Rmb'000 Unaudited	Contribution Rmb'000 Unaudited
Segment by business activities				
- Toll	1,889,388	1,265,378	1,732,700	1,114,125
- Service areas	576,390	26,471	429,150	26,862
- Advertising	32,446	10,535	24,554	14,071
- Securities business	<u>883,281</u>	<u>574,217</u>	<u>—</u>	<u>—</u>
	<u>3,381,505</u>	1,876,601	<u>2,186,404</u>	1,155,058
Other revenue		236,941		55,956
Administrative expenses		(34,588)		(29,011)
Other operating expenses		<u>(54,459)</u>		<u>(13,878)</u>
Profit from operating activities		<u>2,024,495</u>		<u>1,168,125</u>

No further analysis of the revenue and profit from operating activities by geographical segment was prepared as the revenue and profit from operating activities of the Group were all generated from Zhejiang Province, the People's Republic of China (the "PRC"), during the Period.

4 Other Income

	For the six months ended June 30,	
	2007 Rmb'000 Unaudited	2006 Rmb'000 Unaudited
Gain on disposal of investments held for trading	160,248	4,775
Gain on fair value changes on investments held for trading	3,217	—
Interest income	10,618	16,670
Rental income	13,478	7,162
Trailer income	11,327	11,478
Exchange gain	16,563	6,556
Other miscellaneous income	<u>21,490</u>	<u>9,315</u>
Total	<u>236,941</u>	<u>55,956</u>

5 Income Tax Expenses

As the Group had no taxable profits in Hong Kong during the Period, no Hong Kong profits tax had been provided.

The Group was subject to Corporate Income Tax (“CIT”) in the PRC levied at a rate of 33% of taxable income based on income for financial reporting purposes prepared in accordance with the laws and regulations in the PRC.

	For the six months ended June 30,	
	2007 Rmb'000 Unaudited	2006 Rmb'000 Unaudited
Group		
Tax charged	500,657	383,848
Deferred	<u>(107,871)</u>	<u>(11,347)</u>
Tax charge for the Period	<u>392,786</u>	<u>372,501</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the PRC to the tax expense at the effective tax rates is as follows:

	For the six months ended June 30,	
	2007 Rmb'000 <u>Unaudited</u>	2006 Rmb'000 <u>Unaudited</u>
Group		
Profit before tax	<u>2,009,873</u>	<u>1,133,000</u>
Tax at the statutory tax rate of 33%	663,258	373,890
Tax effect of a subsidiary's previous operating loss that is deductible in determining taxable profit	(186,628)	—
Tax effect of share of profit of associates	(434)	(688)
Tax effect of share of profit of a jointly-controlled entity	(3,373)	(3,349)
Effect of tax law changes on previously recorded deferred tax liabilities	(99,165)	—
Tax effect of net expense that is not deductible in determining taxable profit	<u>19,128</u>	<u>2,648</u>
Tax charge at the Group's effective tax rate	<u>392,786</u>	<u>372,501</u>

On April 29, 2007, in accordance with the approval from the Zhejiang Provincial State Tax Bureau, Zheshang Securities Co., Ltd. (a 70.46% owned subsidiary of Zhejiang Shangsang Expressway Co., Ltd.) was allowed to use the profit derived to cover losses incurred in prior years. Therefore, Rmb186.6 million was directly used to deduct its enterprise income tax expenses for 2007.

Pursuant to the Income Tax Law of the PRC, which will come into force on January 1, 2008, passed at the Fifth Session of the Tenth National People's Congress held on March 16, 2007, the enterprise income tax rate will be 25%. Therefore, an adjustment was made to the deferred tax liabilities for the current period which are expected to be settled after 2008 to reduce the income tax expenses by approximately Rmb99.2 million.

6 Dividends

The directors have recommended the payment of an interim dividend of Rmb7.0 cents per share (2006: Rmb7.0 cents), subject the approval of the shareholders at the Company's proposed extraordinary general meeting expected to be held on October 30, 2007. The recommendation has been set out in the financial statements.

7 Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the Period of Rmb1,197,119,000 (2006: Rmb688,729,000) and the 4,343,114,500 shares (2006: 4,343,114,500 shares) in issue during the Period.

Diluted earnings per share for the Period have not been calculated, as no diluting event occurred during these years.

8 Trade Receivables

The aging analyses of trade receivables at the balance sheet dates are as follows:

	As at June 30, 2007 Rmb'000 <u>Unaudited</u>	As at December 31, 2006 Rmb'000 <u>Audited</u>
Within 1 year	52,982	52,773
1 to 2 years	471	471
Over 2 years	<u>1,157</u>	<u>1,207</u>
Total	<u>54,610</u>	<u>54,451</u>

The Group allows an average credit period of approximately 180 days to its trade customers.

9 Trade Payables

The aging analyses of trade payables at the balance dates are as follows:

	As at June 30, 2007 Rmb'000 <u>Unaudited</u>	As at December 31, 2006 Rmb'000 <u>Audited</u>
Within 1 year	406,008	357,172
1 to 2 years	11,878	11,323
2 to 3 years	398	714
Over 3 years	<u>514</u>	<u>114</u>
Total	<u>418,798</u>	<u>369,323</u>

BUSINESS REVIEW

Amid continued steady and strong growth of the PRC economy, the national GDP grew by 11.5% year-on-year during the first half of 2007. The Zhejiang's provincial economy has also grown rapidly during the Period, with improved quality and efficiency as well as enhanced structural balance. Zhejiang's provincial GDP grew by 14.7% year-on-year during the first half of the year, a rate of growth that is 0.6 percentage-point higher than the same period last year, and 3.2 percentage-points higher than the national figure. The strong economic growth momentum in Zhejiang Province has led to elevated levels of consumption and sustained increase in the total number of vehicles, while further advancing the development in transportation and bringing an increase in traffic flow. With a number of new expressways under construction and opening to traffic within the province, the road networking effect under the rapid economic growth is becoming increasingly apparent.

With a favorable macro economic environment and satisfactory performance by the Group's management, the Group realized a total income of Rmb3,509.1 million, of which Rmb1,951.8 million was attributable to the two major expressways owned and operated by the Group, representing 55.6% of the total income; Rmb614.2 million was attributable to the Group's toll road-related businesses, representing 17.5% of the total income; and Rmb943.0 million was attributable to the securities business, representing 26.9% of the total income.

During the Period, toll income from the toll roads grew by 11.3% over the same period in 2006, while income from toll road-related businesses grew by 34.1%. A breakdown of the Group's income for the Period is set out below:

	Six months ended		
	June 30,		
	2007	2006	
	<u>Rmb'000</u>	<u>Rmb'000</u>	<u>% Change</u>
Toll income			
Shanghai-Hangzhou-Ningbo			
Expressway	1,521,028	1,344,554	13.1%
Shangsan Expressway	430,778	409,504	5.2%
Other incomes			
Service areas	579,844	432,007	34.2%
Advertising	34,400	25,965	32.5%
Securities business	<u>943,018</u>	<u>—</u>	<u>—</u>
Subtotal	3,509,068	2,212,030	58.6%
Less: Revenue taxes	<u>(127,563)</u>	<u>(25,626)</u>	<u>397.8%</u>
Revenue	<u><u>3,381,505</u></u>	<u><u>2,186,404</u></u>	<u><u>54.7%</u></u>

Toll Road Operations

Benefiting from sustained rapid economic growth and the increasing expressway networking effect, traffic volumes generated on the expressways operated by the Group experienced significant growth. Average daily traffic volume in full-trip equivalents for Shanghai-Hangzhou-Ningbo Expressway was 42,357 during the Period, representing a year-on-year growth of 12.2%. In particular, growth of traffic volume in full-trip equivalents along the Shanghai-Hangzhou section was 17.0%, while that along the Hangzhou-Ningbo section was 9.4%. Average daily traffic volume in full-trip equivalents for Shangsan Expressway during the Period was 21,669, representing a year-on-year growth of 8.8%.

There were two main reasons for the high rate of growth of traffic volume in full-trip equivalents along the Shanghai-Hangzhou section during the Period: firstly, following the completion and opening to traffic of the widening works along the Shanghai-Hangzhou section at the end of 2005, enhanced traffic flow and improved level of comfort of driving has positively contributed to the sustained growth in traffic volume along the section; secondly, following the full completion of HangXinJing Expressway at the end of 2006, the traffic between Shanghai and Jiangxi Province was able to flow through the 11km Yuhang subsection of the Shanghai-Hangzhou section, resulting in a year-on-year growth of 21.9% in traffic volume along the Yuhang subsection.

On the other hand, Shangsang Expressway continued to experience a certain level of diversion in its short distance traffic due to the parallel national road 104, which was renovated and re-opened to traffic at the end of 2005 with substantially improved traveling condition, resulting in the level of traffic volume growth during the Period lagging behind that of the Shanghai-Hangzhou-Ningbo Expressway.

Toll income from the Shanghai-Hangzhou-Ningbo Expressway during the Period was Rmb1,521.0 million, representing a year-on-year increase of 13.1%, while toll income from Shangsang Expressway during the Period was Rmb430.8 million, representing a year-on-year increase of 5.2%.

Toll Road-related Business Operations

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

During the Period, income from service area operations grew by 34.2% following the completion of renovation and expansion projects at the Jiaying service area and the opening of a new pair of service area (Changan service area) on May 1. The growth in traffic volumes had contributed to a 36.9% increase in income for gas station operations. The continued expansion of the Group's toll road-related businesses led to a 33.3% overall increase in income from such ancillary businesses.

Securities Business

Taking advantage of a rapidly developing domestic securities market, surging trading volume and an increasing market share, the securities business realized an income of Rmb943.0 million during the Period, of which Rmb899.4 million was brokerage commission income, and Rmb43.6 million was bank interest income.

In order to offer more advanced securities products and services, as well as to strengthen the securities business and its market valuation, Zhejiang Shangsang Expressway Co., Ltd. ("Shangsang Co", a 73.625% owned subsidiary of the Company) entered into agreement on June 6, 2007 with Zheshang Securities Co., Ltd. ("Zheshang Securities", a 70.46% owned subsidiary of Shangsang Co) to make a further capital injection of Rmb704,615,400 into Zheshang Securities. The transaction is pending approval by the Chinese Securities Regulatory Commission. Details of the transaction are set out in the shareholders' circular dated July 17, 2007.

Furthermore, in order to carry out brokerage business in share index futures, Zheshang Securities entered into a share transfer and capital injection agreement on June 5, 2007 to acquire 100% ownership of Zhejiang Tianma Futures Broker Co., Ltd. (浙江天馬期貨經紀有限公司) for a consideration of Rmb66 million, and to inject a further capital of Rmb70 million to increase its registered capital from Rmb30 million to Rmb100 million.

Long-term Investments

During the Period, the 9.45km Shida Road (owned and operated by Hangzhou Shida Highway Co., Ltd., a 50% owned jointly-controlled entity) underwent widening works that hindered traffic capacity at certain sections of the road, and as a result traffic volume only grew by 4.0%. Toll income from Shida Road during the Period decreased slightly by 0.3% year-on-year, amounting to Rmb46.7 million. Net profit realized by the jointly-controlled entity during the Period was Rmb20.4 million, representing a year-on-year increase of 0.7%.

Growing demand on vehicle consumption continued to push up demand for gasoline products for Zhejiang Expressway Petroleum Development Co., Ltd., a 50% owned associate of the Company. Two additional retail gas stations opened during the Period also served as a new growth point. Income for the associate company grew by 21.6% year-on-year, while net profit realized during the Period was Rmb8.4 million, representing a year-on-year increase of 7.5%.

JoinHands Technology Co., Ltd. (“JoinHands Technology”, a 27.582% owned associate of the Company) failed to improve the performance of its various businesses during the Period, and incurred a loss of Rmb5.0 million. The Company is in the process of selling its 27.582% ownership interest in JoinHands Technology through asset trading center in accordance with relevant PRC regulations on state-owned assets.

Zhejiang Jinhua Yongjin Expressway Co., Ltd. (a 23.45% owned associate of the Company) owns 100% interest in the 69.7km Jinhua section of Ningbo-Jinhua Expressway, which completed construction and opened to traffic on December 28, 2005. During the Period, traffic volume on the section grew by 26.1%, while toll income grew by 30.1%. Since the acquisition of the stakes in the associate company was not completed until June 30, 2007, its results were not incorporated into the financial statements of the Group during the Period.

Expressway Widening Project

The third phase of the project to widen the Shanghai-Hangzhou-Ningbo Expressway, covering a 80km section between Guzhu and Ningbo, commenced works in October 2004. The construction works are, according to plan, currently progressing while the existing lanes are being kept open to traffic. Overall progress and the amount of works finished have been slightly ahead of the schedule. It is expected that the Ningbo to Hangzhou side of the widening works will be completed and opened to traffic before the end of August 2007, and the entire eight lanes to be opened to traffic by end of the year. Completion of the widening works along the Shanghai-Hangzhou-Ningbo Expressway, with its newly expanded eight-lane capacity, will further improve the level of comfort of driving, thereby expected to positively contributing to continued growth in traffic volume.

FINANCIAL ANALYSIS

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

During the Period, return on equity was 9.8%, representing an increase of 59.8% over the same period last year.

Liquidity and Financial Resources

As at June 30, 2007, current assets of the Company amounted to Rmb12,203.6 million (December 31, 2006: Rmb4,674.3 million), of which bank balance and cash accounted for 24.2% (December 31, 2006: 35.7%), while bank balance held on behalf of clients of Zheshang Securities accounted for 69.6% (December 31, 2006: 53.7%) and held-for-trading investments accounted for 2.6% (December 31, 2006: 4.9%). Current ratio (current assets over current liabilities) as at June 30, 2007 was 1.1 (December 31, 2006: 1.1).

Held-for-trading investments of the Group as at June 30, 2007 were Rmb312.3 million (December 31, 2006: 229.90 million), of which 96.8% were invested in the stock market and the remainder was monetary funds.

During the Period, the Group had adequate net cash inflow generated from operating activities, amounting to Rmb2,004.4 million.

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

Borrowings and Solvency

As at June 30, 2007, the total liabilities of the Group were Rmb12,813.7 million (December 31, 2006: Rmb6,218.0 million), of which 19.1% were interest-bearing borrowings and 66.3% were client deposits arising from securities dealing.

Total interest-bearing borrowings of the Group as at June 30, 2007 were Rmb2,444.7 million, representing an increase of 32.5% over the beginning of the year. The borrowings comprised outstanding balances of the World Bank loans, denominated in US dollar, of approximately Rmb615.5 million in Rmb equivalent, government loans of Rmb54.2 million, loans from domestic commercial banks totaling Rmb775.0 million and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. Of the interest-bearing borrowings, 57.0% were not repayable within one year.

As at June 30, 2007, the Group's loans from domestic commercial banks were all semi-annual and annual short-term loans, with the interest rate fixed between 5.27% and 6.07% per annum; the interest rate for government loans was fixed at 3.00% per annum; the annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually; the annual interest rate for client deposits arising from securities dealing was fixed at 0.72%; the floating rate of the Group's World Bank loans, denominated in US dollar, was 5.54%.

Total interest expense for the Period amounted to Rmb45.0 million, while profit before interest and tax amounted to Rmb2,036.0 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 45.2 (June 30, 2006: 21.6).

The asset-liability ratio (total liabilities over total assets) was 47.1% as at June 30, 2007 (December 31, 2006: 31.8%).

Capital Structure

As at June 30, 2007, the Group had Rmb14,379.5 million total equity, Rmb10,320.5 million fixed-rate liabilities, Rmb615.5 million floating-rate liabilities and Rmb1,877.7 million interest-free liabilities, representing 52.9%, 38.0%, 2.3% and 6.9% of the Group's capital, respectively. Gearing ratio (total liabilities less client deposits arising from securities dealing over total equity) as at June 30, 2007 was 30.1% (December 31, 2006: 27.8%).

Capital Expenditure Commitments and Utilization

Total capital expenditures of the Group and of the Company for the Period amounted to Rmb507.8 million and Rmb471.7 million, respectively, with Rmb281.4 million incurred by the acquisition of a 23.45% stake in Zhejiang Jinhua Yongjin Expressway Co., Ltd. and Rmb185.3 million incurred by the Shanghai-Hangzhou-Ningbo Expressway widening project (“Widening Project”).

The capital expenditures committed by the Group and by the Company as at June 30, 2007 were Rmb3,379.7 million and Rmb2,486.2 million, respectively. Amongst the total capital expenditures committed by the Group, 48.5% will be used on the Widening Project and 32.9% will be used on the construction of Jiashao Expressway.

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

Contingent Liabilities and Pledge of Assets

14 customers of Zheshang Securities previously entered into state bond investment agency agreements with Kinghing Trust Investment Co., Ltd (“Kinghing Investment”), whereby Zheshang Securities kept in custody state bonds in an aggregate principal amount of Rmb106.5 million. These state bonds were pledged as security for certain third party repo trading transactions and the funds obtained were misappropriated by Kinghing Investment. Kinghing Investment was unable to return the misappropriated funds and as a result, the security over the state bonds was enforced to settle the relevant repo trading transactions.

The Directors are of the view that Kinghing Investment should take full responsibility for breach of the state bond investment agency agreements. Currently, Kinghing Investment has ceased operations and its restructuring is underway. It is understood that the 14 customers have already registered their claims with Kinghing Investment’s restructuring team. As at the date of this announcement, three of the 14 customers have started legal proceedings against Zheshang Securities for disputes over the state bond investment agency agreement.

After consultation with legal advisors and other legal experts, the Directors believe that, from a legal point of view, Zheshang Securities should not be required to take any legal responsibility, whether or not all the 14 customers choose to take court action. However, it is not possible to rule out the possibility that the court may request Zheshang Securities to share part of the liability. In the event this occurs, the Directors believe that the impact to the consolidated financial statements as whole is not expected to be material.

In addition, a full provision has been made for guarantees issued in respect of the state bond investment agency agreements and fund trust agreements entered into between Kinghing Investment and its corporate customers.

No provision has been made for guarantees amounting to Rmb17.8 million issued in respect of the fund trust agreements entered into between Kinghing Investment and its individual customers because (i) these individuals have already registered their claims with Kinghing Investment's restructuring team; and (ii) under the relevant state policies, these individuals are expected to be compensated in full by the state.

Save as disclosed above, the Group did not have any other contingent liabilities nor any pledge of assets as at June 30, 2007.

Foreign Exchange Exposure

Except for a World Bank loan of approximately Rmb615.5 million denominated in US dollar, and dividends for H shares payable by the Company that are settled in HK dollar, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited and the Group has not entered into any financial instrument 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 any further changes in the foreign exchange environment will not adversely affect the operating results of the Group in the future.

HUMAN RESOURCES

There were no significant changes to the Company's overall number of employees, remuneration policies, bonus schemes and training schemes from those disclosed in the Company's latest annual report.

OUTLOOK

With the continued implementation of macro-economic control measures, the adjustments to the industrial structure and the change in the mode of growth of Zhejiang Province has accelerated during the Period, resulting in improved quality of growth, enhanced coordination and sustainability in development. Driven by the robust economic development within Zhejiang Province, the volume of transport in goods and people within the province during the first half of the year underwent significant growth, benefiting the expressways within the province with various degrees of growth in traffic volumes.

Owing to the rapid macro-economic growth, as well as joint efforts by the management and employees, the Group achieved satisfactory results for the Period. It is expected that during the second half of 2007, Zhejiang's provincial economy will maintain its steady growth, with private vehicle consumption to continue to grow strongly, and expected to maintain over 20% growth year-on-year in total vehicle ownership within the province. The two expressways owned and operated by the Group are expected to enjoy continued growth in traffic volume due to their strategic locations within the Zhejiang Province.

The Company is currently studying on a non-stop toll collection system, and expects to install relevant electronic toll collection (ETC) equipment at certain toll stations along the Shanghai-Hangzhou-Ningbo Expressway in the second half of the year. The new ETC system will initially be used for testing only, and is expected to be made available to the general public in 2008 upon completion of trial testing.

As the third phase of the widening works winds down in the second half of the year, the traffic volume along the Hangzhou-Ningbo section will enjoy renewed growth. The diversion impact along Shangsang Expressway is also expected to temper off, resulting in a gradual recovery in traffic volume growth. We believe that with a further increase in vehicle carrying capacity and a full adoption of the efficient and convenient China Unionpay bankcard system, as well as the soon-to-be adopted non-stop toll collection system, the level of service provided by the two expressways owned and operated by the Group will be further enhanced.

Lastly, following the opening of a new pair of service area (Changan service area) which generated additional profit contributions, the Group's toll road-related ancillary businesses are expected to enjoy solid growth in the second half of the year, while the securities business is expected to continue to bring satisfactory results for the Group in light of continued positive investor sentiments in the domestic securities market.

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 THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the Period.

By Order of the Board
Geng Xiaoping
Chairman

Hangzhou, PRC, August 21, 2007

As at the date of this announcement, the executive directors of the Company are: Messrs. Geng Xiaoping, Fang Yunti, Zhang Jingzhong and Jiang Wenyao; the non-executive directors are: Messrs. Zhang Luyun and Zhang Yang; and the independent non-executive directors are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.