



(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0576)

2006 Interim Results Announcement

- Revenue increased by 30.6% to Rmb2,186.4 million
- Profit attributable to equity holders of the Company increased by 8.9% to Rmb688.7 million
- Earnings per share increased by 8.9% to Rmb15.86 cents
- Interim dividend of Rmb7.0 cents per share is recommended

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 (collectively the “Group”) for the six months ended June 30, 2006 (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 grew 30.6% over the same period in 2005 to reach Rmb2,186.4 million, while profit attributable to equity holders of the Company for the Period grew 8.9% to reach Rmb688.7 million. Earnings per share for the Period amounted to Rmb15.86 cents, representing an increase of 8.9% over the same period in 2005.

The Directors have recommended to pay an interim dividend of Rmb7.0 cents per share, subject to the approval of the shareholders at the Company’s proposed extraordinary general meeting to be held on November 16, 2006.

The audit committee of the Company has reviewed the interim results. Set out below are the unaudited consolidated income statement and balance sheet for the Period, together with comparative figures for 2005 and relevant notes:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	For the six months ended June 30,	
		2006 <i>Rmb'000</i>	2005 <i>Rmb'000</i> (Re-stated)
Revenue	3	2,186,404	1,673,912
Operating costs		<u>(1,031,346)</u>	<u>(647,269)</u>
Gross profit		1,155,058	1,026,643
Other income	4	55,956	62,221
Administrative expenses		(29,011)	(26,026)
Other operating expenses		<u>(13,878)</u>	<u>(10,015)</u>
Profit from operating activities	5	1,168,125	1,052,823
Finance costs		(47,358)	(46,480)
Share of profits of associates		2,084	3,497
Share of profit of a jointly-controlled entity		<u>10,149</u>	<u>10,677</u>
Profit before tax		1,133,000	1,020,517
Income tax expense	6	<u>(372,501)</u>	<u>(328,871)</u>
Profit for the Period		<u>760,499</u>	<u>691,646</u>
Attributable to:			
Equity holders of the Company		688,729	632,693
Minority interest		<u>71,770</u>	<u>58,953</u>
		<u>760,499</u>	<u>691,646</u>
Dividends			
Proposed interim	7	<u>(304,018)</u>	<u>(304,018)</u>
Earnings per share	8	<u>15.86 cents</u>	<u>14.57 cents</u>

CONSOLIDATED BALANCE SHEET

		As at June 30, 2006	As at December 31, 2005
		<i>Rmb'000</i>	<i>Rmb'000</i>
Notes		<u>Unaudited</u>	<u>Audited</u>
Non-current assets			
Property, plant and equipment		13,386,230	13,422,605
Prepaid lease payments		378,380	387,448
Goodwill		85,472	85,472
Interest in a jointly-controlled entity		82,698	79,907
Interests in associates		232,632	226,871
Available-for-sale investments		1,000	1,000
Expressway operating rights		<u>184,194</u>	<u>188,545</u>
		<u>14,350,606</u>	<u>14,391,848</u>
Current assets			
Inventories		13,164	6,446
Loan to an associate		—	116,000
Trade receivables	9	49,495	21,744
Other receivables		651,571	316,238
Prepaid lease payments		18,137	18,138
Investments held for trading		10,000	612,097
Cash and bank balances		<u>996,573</u>	<u>829,145</u>
		<u>1,738,940</u>	<u>1,919,808</u>
Current liabilities			
Trade payables	10	433,344	402,221
Tax liabilities		304,830	334,048
Other taxes payable		15,148	31,779
Other payables and accruals		346,632	327,471
Dividend payable		7,355	33,379
Interest-bearing bank and other borrowings		<u>744,705</u>	<u>886,539</u>
		<u>1,852,014</u>	<u>2,015,437</u>
Net current liabilities		<u>(113,074)</u>	<u>(95,629)</u>
Total assets less current liabilities		<u>14,237,532</u>	<u>14,296,219</u>

	Notes	As at June 30, 2006 <i>Rmb'000</i> <u>Unaudited</u>	As at December 31, 2005 <i>Rmb'000</i> <u>Audited</u>
Non-current liabilities			
Interest-bearing bank and other borrowings		502,804	548,198
Long-term bonds		1,000,000	1,000,000
Deferred tax liabilities		<u>372,806</u>	<u>384,153</u>
		<u>1,875,610</u>	<u>1,932,351</u>
		<u>12,361,922</u>	<u>12,363,868</u>
Capital and reserves			
Share capital		4,343,115	4,343,115
Reserves		6,586,047	6,201,336
Proposed dividend		<u>304,018</u>	<u>651,467</u>
Equity attributable to equity holders of the Company		<u>11,233,180</u>	<u>11,195,918</u>
Minority interests		<u>1,128,742</u>	<u>1,167,950</u>
Total equity		<u>12,361,922</u>	<u>12,363,868</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, 2005 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 ("HKICPA"), which are either effective for accounting periods beginning on or after December 1, 2005 or January 1, 2006. 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 has been 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 will have no material impact on the results and the financial position of the Group:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after January 1, 2007

² Effective for annual periods beginning on or after March 1, 2006

³ Effective for annual periods beginning on or after May 1, 2006

⁴ Effective for annual periods beginning on or after June 1, 2006

3. Segment Information

During the Period, there was no 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,		2005	
	2006		2005	
	Revenue	Profit	Revenue	Profit
	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited	Unaudited	Unaudited
				(Re-stated)
Segment by business activities				
- Toll	1,732,700	1,114,125	1,537,003	1,002,598
- Service areas	429,150	26,862	114,449	10,419
- Advertising	<u>24,554</u>	<u>14,071</u>	<u>22,460</u>	<u>13,626</u>
	<u>2,186,404</u>	1,155,058	<u>1,673,912</u>	1,026,643
Other revenue		55,956		62,221
Administrative expenses		(29,011)		(26,026)
Other operating expenses		<u>(13,878)</u>		<u>(10,015)</u>
Profit from operating activities		<u>1,168,125</u>		<u>1,052,823</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,	
	2006	2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u>
Profit from short term securities investment	4,775	20,275
Interest income	16,670	12,901
Rental income	7,162	13,348
Trailer income	11,478	9,578
Exchange gain/(loss)	6,556	(778)
Other miscellaneous income	<u>9,315</u>	<u>6,897</u>
Total	<u><u>55,956</u></u>	<u><u>62,221</u></u>

5. **Profit from Operating Activities**

The Group's profit from operating activities is arrived at after charging the following:

	For the six months ended June 30,	
	2006	2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Unaudited</u> <u>(Re-stated)</u>
Depreciation	306,918	259,946
Amortization of expressway operating rights	4,350	4,350
Amortization of prepaid lease payments	9,068	9,069
Staff costs	56,318	55,262

6. **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,	
	2006	2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited
	_____	<u>(Re-stated)</u>
Group		
Tax charged	383,848	328,805
Deferred	<u>(11,347)</u>	<u>66</u>
Tax charge for the Period	<u><u>372,501</u></u>	<u><u>328,871</u></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,	
	2006	2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	Unaudited	Unaudited
	_____	<u>(Re-stated)</u>
Group		
Profit before tax	<u><u>1,133,000</u></u>	<u><u>1,020,517</u></u>
Tax at the statutory tax rate of 33%	373,890	336,771
Tax effect of share of profits of associates	(688)	(1,154)
Tax effect of share of profit of a jointly-controlled entity	(3,349)	(3,523)
Tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	<u>2,648</u>	<u>(3,223)</u>
Tax charge at the Group’s effective tax rate	<u><u>372,501</u></u>	<u><u>328,871</u></u>

7. Dividends

The Directors have recommended the payment of an interim dividend of Rmb7.0 cents per share (2005: Rmb7.0 cents), subject to the approval of the shareholders at the Company’s proposed extraordinary general meeting to be held on November 16, 2006. The recommendation has been set out in the financial statements.

8. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the Period of Rmb688,729,000 (2005: Rmb632,693,000) and the 4,343,114,500 shares (2005: 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.

9. Trade Receivables

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

	As at June 30, 2006	As at December 31, 2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Audited</u>
Within 1 year	47,235	20,470
1 to 2 years	1,011	1,274
Over 2 years	<u>1,249</u>	<u>—</u>
Total	<u>49,495</u>	<u>21,744</u>

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

10. Trade Payables

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

	As at June 30, 2006	As at December 31, 2005
	<i>Rmb'000</i>	<i>Rmb'000</i>
	<u>Unaudited</u>	<u>Audited</u>
Within 1 year	344,003	368,672
1 to 2 years	68,199	26,786
2 to 3 years	21,057	3,211
Over 3 years	<u>85</u>	<u>3,552</u>
Total	<u>433,344</u>	<u>402,221</u>

11. Comparative Figures

Starting with the financial year 2005, expressways and bridges are depreciated by straight-line method in the residual years, which is a change in accounting estimate, and is considered by the Directors to be suitable in the future. Due to this change of accounting estimate for the six months ended June 30, 2005, the carrying value of property, plant and equipment and the profit before tax were decreased, while the depreciation expense was increased by an amount of Rmb130,614,000. Accordingly, profit attributable to equity holders of the Company was decreased by Rmb78,764,000 for the six months ended June 30, 2005.

Therefore, certain comparative figures have been restated to conform to the Period's presentation.

BUSINESS REVIEW

Amid a drive to adjust economic structures for a more sustainable growth, the economy of Zhejiang Province grew 14.1% during the Period, compared to the national average GDP growth rate of 10.9%, and continued its double-digit growth trend. This has resulted in an even higher growth in demand for transportation needs in the province as well as in the larger Yangtze River Delta region.

Strong growth in transportation needs did not, however, translate into expressway traffic in a commensurate manner, as the growing number of new expressways completed and opened to traffic had not only contributed to economic growth, but had also served to mitigate traffic growth on existing expressways.

Among the total income of Rmb2,212.0 million realized by the Group during the Period, Rmb1,754.0 million, or approximately 79.3%, was attributable to toll income generated by the two major expressways owned and operated by the Group, with the remaining Rmb458.0 million, or approximately 20.7%, attributable to the Group's toll road-related business operations.

During the Period, income from toll road operations grew 8.4% compared to the same period in 2005, while income from toll road-related business operations grew 226.0%. A breakdown of the Group's income during the Period is set out below:

	Six months ended June 30,		
	2006	2005	% Change
	<u>Rmb'000</u>	<u>Rmb'000</u>	<u>% Change</u>
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	1,344,554	1,215,355	10.6
Shangsan Expressway	409,504	402,549	1.7
Other income			
Service areas	432,007	116,696	270.2
Advertising	<u>25,965</u>	<u>23,786</u>	<u>9.2</u>
Subtotal	<u>2,212,030</u>	<u>1,758,386</u>	<u>25.8</u>
Less: Revenue taxes	<u>(25,626)</u>	<u>(84,474)</u>	<u>-69.7</u>
Revenue	<u><u>2,186,404</u></u>	<u><u>1,673,912</u></u>	<u><u>30.6</u></u>

Toll Road Operations

Daily average traffic volume on the Shanghai-Hangzhou-Ningbo Expressway during the Period was 37,759 in full-trip equivalent, representing a growth of 7.8% year-on-year. The traffic on the expressway's two sections underwent varying degrees of growth: the growth rate for the Shanghai-Hangzhou section was 13.4% year-on-year, while that for the Hangzhou-Ningbo section was 3.5% year-on-year. Meanwhile, daily average traffic volume on the Shangsan Expressway during the Period was 19,922 in full-trip equivalent, representing a reduction in traffic by 1.5% year-on-year.

Slower traffic growth on the Hangzhou-Ningbo section was partly due to traffic diversions to other newly built expressways, and partly due to safety measures introduced along certain areas on the section affected by the ongoing widening works. The slight decline in traffic on the Shangsán Expressway was the result of traffic diversions to both newly built expressways and a parallel national road reopened to traffic after renovation.

The rate of growth in toll income was slightly higher than that in traffic volume on the two expressways, thanks to a continued improvement in traffic mix, where the higher fee-paying heavy trucks have taken up a greater proportion of the overall traffic.

Toll income from the Shanghai-Hangzhou-Ningbo Expressway during the Period amounted to Rmb1,344.6 million, representing an increase of 10.6% year-on-year, while toll income from the Shangsán Expressway during the Period amounted to Rmb409.5 million, representing an increase of 1.7% year-on-year.

Toll Road-Related Business Operations

Through its subsidiaries, the Group also carried out toll road-related business operations along expressways, including gas stations, restaurants and shops in service areas, roadside billboard advertising and vehicle services.

During the Period, the toll road-related business operations continued to expand. With a change in the operating mode of its gas stations from consigning to self-operating, income from toll road-related business operations reached Rmb458.0 million, representing an increase of 226.0% year-on-year. Discounting the effect of change in the operating mode of gas stations, the growth in income would be 16.1%.

Long-term Investments

Traffic volume on Shida Road, a 9.45km toll road owned and operated by Hangzhou Shida Highway Co., Ltd. (“Shida Co.”, a 50% owned jointly controlled entity of the Company), grew 16.5% year-on-year during the Period, leading to a 15.8% growth in toll income for the jointly controlled entity. Net profit realized by Shida Co. during the Period was Rmb20.3 million.

During the Period, Zhejiang Expressway Petroleum Development Co., Ltd. (“Petroleum Co.”, a 50% owned associate of the Company) saw its revenue grow 43.6% year-on-year, while net profit realized was Rmb7.8 million, representing a decrease of 3.6%. The decrease in net profit was mainly attributable to its inability to adjust its retail gas prices in line with rises in purchase prices under the current regulatory control regime.

JoinHands Technology Co., Ltd. (“JoinHands Technology”, a 27.58% owned associate of the Company) continued to experience weak demand for its computer products. Revenue for the associate company was Rmb8.1 million during the Period, representing a decrease of 11.5% year-on-year, while a net profit of Rmb17.0 thousand was realized.

Updates on the Acquired Securities Business

Following the acquisition of 70.46% equity interest in Kinghing Securities Co., Ltd. (“Kinghing Securities”) by Zhejiang Shangsang Expressway Co., Ltd. (a 73.625% owned subsidiary of the Company) on April 20, 2006, the acquisition was approved by the China Securities Regulatory Commission on June 14, 2006, with the Company assuming control over the securities company starting from July 1, 2006. On August 4, 2006, the securities company was renamed as “Zheshang Securities Co., Ltd.” (浙商證券有限責任公司) (“Zheshang Securities”), thereby signifying a new chapter of the company.

The results of Zheshang Securities have not yet been consolidated into the financial statements of the Group. Based on accounting principles generally accepted in the PRC, the company realized Rmb192.8 million in revenue and Rmb100.1 million in profit before taxation during the Period amid favorable sentiment in the domestic capital market.

As at June 30, 2006, and based on accounting principles generally accepted in the PRC, the net asset value of Zheshang Securities stood at Rmb548.5 million.

Expressway Widening Project

Phase III of the project to widen the Shanghai-Hangzhou-Ningbo Expressway from four lanes to eight lanes (the “Widening Project”) progressed as planned during the Period along the Hangzhou-Ningbo section. With ground preparation being the current focus of ongoing works, the laying of foundation was completed by the end of June 2006 and overall completion is expected by the end of 2007.

While every effort was made to minimize the impact of construction works on the normal traffic flow along the Hangzhou-Ningbo section, some of the safety measures introduced in areas affected by the Widening Project did slow down travel speed and subsequently reduce the carrying capacity of existing lanes at certain times.

FINANCIAL ANALYSIS

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

During the Period under review, profit attributable to equity holders of the Company recorded a growth of 8.9% to Rmb688.7 million (2005 restated: Rmb632.7 million), while earnings per share was Rmb15.86 cents (2005 restated: Rmb14.57 cents), resulting in an increase in return on equity from 5.7% for the same period last year to 6.1% for the Period.

Liquidity and Financial Resources

As at June 30, 2006, current assets of the Group amounted to Rmb1,738.9 million, amongst which Rmb600.0 million held as other receivables was capital contribution to Kinghing Securities (subsequently renamed as Zheshang Securities Co., Ltd.). This has increased the percentage of account receivables, other receivables and inventories amongst total current assets from 24.0% as at the start of the Period to 41.1% as at the end of the Period.

As at June 30, 2006, the Group had adequate net cash inflow generated from operating activities amounting to Rmb1,106.9 million, representing an increase of 4.2% over the same period last year.

The Group's financial position remained healthy. As at June 30, 2006, the Group's cash and cash equivalents amounted to Rmb846.9 million as compared with Rmb723.5 million as at December 31, 2005. In addition, the Group held Rmb149.6 million in time deposits and Rmb10.0 million in money market funds as at June 30, 2006.

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, 2006, the Group's total interest-bearing borrowings stood at approximately Rmb2,247.5 million (December 31, 2005: Rmb2,434.7 million), of which Rmb1,502.8 million were not repayable within one year (December 31, 2005: Rmb1,548.2 million). The borrowings mainly comprised outstanding balances of the World Bank loans of Rmb699.9 million in Renminbi equivalent, loans from several domestic commercial banks totaling Rmb475.0 million and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years.

During the Period, the interest rates of the Group's semi-annual and annual domestic commercial bank borrowings, totaling Rmb475.0 million, were fixed between 5.022% and 5.58% per annum; the interest rate for Rmb72.6 million government loans remained fixed at 3.00% per annum; and the annual coupon rate for the Rmb1 billion corporate bonds was fixed at 4.29%, with interest payable annually. During the Period, the floating rate of the Group's Rmb699.9 million World Bank loans, denominated in US dollar was 4.51% per annum.

During the Period, interest expenses amounted to Rmb54.8 million and profit before interest and tax amounted to Rmb1,180.4 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 21.6 (2005 restated: 22.3).

The asset-liability ratio (total liabilities over total assets) was 23.2% as at June 30, 2006 (December 31, 2005: 24.2%).

Capital Structure

The total equity of the Group as at June 30, 2006 amounted to Rmb12,361.9 million (December 31, 2005: Rmb12,363.9 million), while fixed-rate liabilities of the Group amounted to Rmb1,547.6 million, floating-rate liabilities of the Group amounted to Rmb699.9 million and interest-free liabilities of the Group amounted to Rmb1,480.1 million, representing 76.8%, 9.6%, 4.4% and 9.2% of the Group's capital, respectively.

The gearing ratio, which represents the sum of fixed-rate liabilities, floating-rate liabilities and interest-free liabilities over total equity, was 30.2% as at June 30, 2006 (December 31, 2005: 31.9%).

Capital Expenditure Commitments and Utilization

Total capital expenditures of the Group and the Company for the Period amounted to Rmb741.3 million and Rmb215.1 million, respectively, with Rmb468.9 million incurred by the investment in Kinghing Securities and Rmb226.0 million incurred by the Widening Project.

As at June 30, 2006, capital expenditures committed by the Group and the Company were Rmb3,836.7 million and Rmb2,934.3 million, respectively. Of the total capital expenditure commitments of the Group, 55.6% will be used on the Widening Project and 28.9% will be used on the construction of Jiashao Expressway.

The above capital expenditure needs will mainly be financed by the Group's internal financial resources, with a preference for debt financing to meet any shortfalls thereof.

Contingent Liabilities and Pledge of Assets

As at June 30, 2006, the Group did not have any contingent liabilities nor any pledge of assets.

Foreign Exchange Exposure

As at June 30, 2006, except for the World Bank loans of approximately Rmb699.9 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.

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 what have been disclosed in the Company's latest annual report.

OUTLOOK

Being the first year in the Eleventh Five-Year National Economic Development Plan, 2006 started off well for Zhejiang Province, and there is good reason to believe that strong economic growth will continue with the relevant authorities having placed growing emphasis on stability and balance in managing economic affairs. The provincial economy is expected to further benefit from a double-digit growth in the national economy and the ongoing globalization that continues to generate robust growth in world trade.

While traffic on the two expressways operated by the Group is expected to continue to grow into the second half of 2006, the proportion of higher fee-paying heavy trucks among the overall traffic is expected to stabilize after having more than doubled over the past two years. Therefore, the rate of growth in toll income should more closely mirror that of traffic volume as we approach the end of the year.

As a trial case to further develop toll road-related businesses, Zhejiang Expressway Investment Development Co., Ltd. (a 51% owned subsidiary of the Company) is planning to join local investors to develop a shopping complex near the Wangdian exit along the Shanghai-Hangzhou Expressway. The complex, expected to be completed by the end of 2008, will house a multitude of shops, restaurants, as well as leisure and entertainment facilities.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH APPENDIX 14 TO THE LISTING RULES

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, the PRC, August 29, 2006

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 of the Company are: Messrs. Zhang Luyun and Zhang Yang; and the independent non-executive directors of the Company are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.

Please also refer to the published version of this announcement in South China Morning Post.