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)

2005 Annual Results Announcement

- Revenue grew 10.4% to Rmb3,456.4 million
- Net profit attributable to equity holders of the Company increased by 16.8% to Rmb1,431.2 million
- Earnings per share was Rmb32.95 cents
- Final dividend of Rmb15.0 cents per share recommended

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") are pleased to announce the audited consolidated operating results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2005 (the "Period"), prepared in conformity with the new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (thereafter collectively referred to as the "New HKFRS").

RESULTS AND DIVIDENDS

During the Period, revenue for the Group was Rmb3,456.4 million, representing an increase of 10.4% over 2004. Net profit from ordinary activities attributable to equity holders of the Company was Rmb1,431.2 million, representing an increase of 16.8% over 2004. Earnings per share for the Period was Rmb32.95 cents (2004: Rmb28.22 cents per share).

The Directors have recommended to pay a final dividend of Rmb15.0 cents per share (2004: Rmb15.0 cents per share), subject to shareholders' approval at the 2005 annual general meeting of the Company to be held on June 14, 2006. Together with an interim dividend of Rmb7.0 cents per share paid on November 25, 2005, total dividend for the Period amounted to Rmb22.0cents per share (2004: Rmb19.0 cents per share).

The audit committee of the Company has reviewed the annual results. Set out below are the audited consolidated income statement and consolidated balance sheet for the Period, together with comparative figures for 2004:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Revenue	5	**3,456,385**	**3,131,993**
Operating costs		(1,195,428)	(881,355)
Gross profit		2,260,957	2,250,638
Other income	5	185,947	41,646
Administrative expenses		(62,766)	(74,506)
Other expenses		(41,635)	(243,823)
Profit from operating activities	6	**2,342,503**	**1,973,955**
Finance costs		(101,343)	(103,457)
Share of profits of associates		7,217	9,086
Share of profit of a jointly controlled entity		16,285	19,622
Profit before tax		**2,264,662**	**1,899,206**
Income tax expense	7	(692,366)	(542,749)
Profit for the Year		**1,572,296**	**1,356,457**
Attributable to:			
Equity holders of the Company		1,431,192	1,225,699
Minority interests		141,104	130,758
		1,572,296	1,356,457
Dividends		955,485	825,191
Earnings per share	8	**32.95cents**	**28.22cents**

CONSOLIDATED BALANCE SHEET

	Notes	As at December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Non-current assets			
Property, plant and equipment		13,422,605	12,564,935
Prepaid lease payments		387,448	405,586
Goodwill		85,472	85,472
Interests in associates		226,871	176,744
Interest in a jointly controlled entity		79,907	79,812
Available for sale investments		1,000	1,000
Expressway operating rights		188,545	197,245
Deferred tax assets		—	42,529
		14,391,848	**13,553,323**
Current assets			
Inventories		6,446	6,416
Loan to an associate		116,000	—
Trade receivables	9	21,744	26,569
Other receivables		316,238	381,017
Prepaid lease payments		18,138	18,138
Investments held for trading		612,097	676,447
Cash and cash equivalents		829,145	803,739
		1,919,808	**1,912,326**
Current liabilities			
Trade payables	10	402,221	297,213
Tax liabilities		334,048	185,482
Other taxes payable		31,779	24,343
Other payables and accruals		327,471	294,786
Interest-bearing bank and other loans		886,539	787,892
Dividend payable		33,379	19,070
		2,015,437	**1,608,786**
Net current (liabilities)/assets		**(95,629)**	**303,540**
Total assets less current liabilities		**14,296,219**	**13,856,863**
Non-current liabilities			
Interest-bearing bank and other loans		548,198	655,570
Long term bonds		1,000,000	1,000,000
Deferred tax liabilities		384,153	388,787
		1,932,351	2,044,357
		12,363,868	11,812,506
Net Assets			
Capital and reserves			
Issued capital		4,343,115	4,343,115
Reserves		6,201,336	5,725,629
Proposed final dividend		651,467	651,467
Equity attributable to equity holders of the Company		**11,195,918**	**10,720,211**
Minority interests		**1,167,950**	**1,092,295**
Total equity		**12,363,868**	**11,812,506**

Notes:

1 **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("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 and by the Hong Kong Companies Ordinance.

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, 2004 except as described below.

In the current year, the Group has adopted all of the new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (thereafter collectively referred to as the "New HKFRS") issued by the HKICPA that are relevant to its operations and effective for accounting periods on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates/jointly controlled entities has been changed. The adoption of the new HKFRS has resulted in the following changes to the Group's accounting policies that has an effect on how the results for the current and the amounts reported for the prior years are prepared and presented.

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after January 1, 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below.

Goodwill

In previous years, goodwill arising on or after acquisitions prior to January 1, 2001 was held in reserves, and goodwill arising on acquisitions on or after January 1, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of Rmb 352,860,000, after offsetting negative goodwill of Rmb12,655,000, has been transferred to the Group's retained earning on January 1, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has applied the relevant transitional provisions in HKFRS 3 and eliminated the carrying amount of the related accumulated amortisation of Rmb 41,121,000 on January 1, 2005 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from January 1, 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after January 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to January 1, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on January 1, 2005 of RMB12,655,000 previously recorded in goodwill reserve. The amount has been transferred to retained earnings as disclosed above.

Owner-occupied Leasehold Interest in Land

In previous years, land use rights were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Classification and measurement of financial assets and financial liabilities

By December 31, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From January 1, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss" and "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market which are carried at cost less impairment as their fair value cannot be reliably measured. As a result of this change in accounting policy, the long term investments and short term investments amounted to Rmb1,000,000 and Rmb 612,097,000 have been reclassified to available for sale investment and investment held for trading, respectively. The comparative figures have been reclassified to conform with the current year's presentation.

The HKICPA has issued the following Standards and Interpretations ("INT") that are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial statements.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	New investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

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

[2] Effective for annual periods beginning on or after January 1, 2006.

[3] Effective for annual periods beginning on or after December 1, 2005.

[4] Effective for annual periods beginning on or after March 1, 2006.

3 **Summary of the Effects of the Changes in Accounting Policies**

The effects of the changes in the accounting policies described above on the results for the Period and the same period in 2004 are as follows:

	Year ended December 31, 2005 Rmb'000	2004 Rmb'000
Non-amortization of goodwill of subsidiaries and increase in profit	12,245	—

The cumulative effects of the application of the new HKFRSs as at December 31, 2004 and January 1, 2005 are summarized below:

	As at December 31, 2004 Rmb'000 (Originally stated)	Adjustments Rmb'000	As at December 31, 2004 Rmb'000 (Re-stated)	Adjustments Rmb'000	As at January 1, 2005 Rmb'000 (Re-stated)
Balance sheet items					
Impact of HKFRS 3:					
Property, plant equipment	12,988,659	(423,724)	12,564,935	—	12,564,935
Impact of HKAS 39:					
Available-for-sale investments	—	1,000	1,000	—	1,000
Investment held for trading	—	676,447	676,447	—	676,447
Long term investments	1,000	(1,000)	—	—	—
Short term investments	676,447	(676,447)	—	—	—
Total effects on equity as a result of change in the presentation of minority net	—	1,092,295	1,092,295	—	1,092,295

The financial effects of the application of the new HKFRSs to the Group's equity as at January 1, 2004 are summarized below:

	As originally stated Rmb'000	Adjustment Rmb'000	As re-stated Rmb'000
Retained profits	981,537	(352,860)	628,677

4 **Changes of Accounting Estimates**

In the previous years, depreciation on expressway and bridges is calculated to write off the cost over their estimated useful lives using a method whereby the aggregate annual depreciation amounts,compared at average rates ranger from 6.11% to 8.77% per annum, and the total accumulated depreciation will be equal to the total cost of expressways and bridges after 30 years when the authorised operating period terminates. With effect from January 1, 2005, expressways and bridges are depreciated by straight-line method in the residual years, which is a change in accounting estimate, and considered by the directors to be suitable in the future. Due to this change of accounting estimate, the net book value of property,plant and equipment and the net profit before tax have been decreased, while the depreciation expense has been increased for the year ended December 31, 2005. The profit before tax has been decreased by Rmb269,319,000. Accordingly, the net profit attributable to equity holder of the Companyhas been decreased by Rmb164,407,000 up to December 31, 2005.

5 **Revenue and Other Income**

	Year ended December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Toll operation income	3,350,670	3,066,954
Service areas business income	230,183	183,637
Advertising business income	48,045	41,159
Road maintenance income	2,568	7,244
	3,631,466	3,298,994
Less: Revenue taxes	(175,081)	(167,001)
Revenue	3,456,385	3,131,993
Realised gain (loss) on disposal of investments held for trading	13,795	(23,400)
Unrealised gain (loss) on investments held for trading	20,187	(12,758)
Interest income	40,151	12,514
Rental income	45,341	22,941
Trailer income	20,318	18,352
Exchange gains, net	18,461	220
Other	27,694	23,777
Other income	185,947	41,646
	3,642,332	3,173,639

The Company and its subsidiaries are subject to the business tax, levied at 3% and 5% on toll income and 3% to 5% on other services income. In addition, the subsidiaries are subject to the following types of revenue taxes and surcharge:

- City development tax, levied at 1% to 7% of business tax;
- Education supplementary tax, levied at 3.5% to 4% of business tax; and
- Culture and education fees, levied at 3% on advertising income.

6 **Profit from Operating Activities**

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

	Year ended December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Depreciation	535,015	305,882
Amortization of expressway operating rights	8,700	8,700
Amortization of goodwill	—	12,245
Amortization of prepaid lease payment	18,138	17,779
Staff costs	149,097	129,207

7 **Income Tax Expense**

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 Enterprise Income Tax ("EIT") 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.

	Year ended December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Group		
Tax charged	654,471	556,566
Tax refunded	—	(34,372)
Deferred	37,895	20,555
Tax charge for the Period	692,366	542,749

During the year, according to the approvals from the Zhejiang Provincial Local Tax Bureau, Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), one of the Company's subsidiaries, was entitled to a 30% EIT exemption for the year ended December 31, 2005 under the category of "Enterprise providing employment opportunities to redundant workers with a minimum of three-years employment term" as defined in the relevant national tax rules. As a result, the tax exemption for the year ended December 31, 2005 amounted to Rmb51,408,000 (2004: the tax refund received by Shangsan Co in 2004 for the year ended December 31, 2003 amounted to Rmb27,004,000 and a tax exemption for the year ended December 31, 2004 amounted to Rmb36,914,000, respectively).

In 2004, according to the approvals from the Zhejiang Provincial National Tax Bureau, Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") and Zhejiang Expressway Vehicle Towing and Rescue Service Co., Ltd ("Service Co"), two of the Company's subsidiaries, were entitled to a 100% EIT exemption for the year ended December 31, 2003 and accordingly received tax refund amounting to Rmb6,554,000 and Rmb814,000, respectively, under the category of "New enterprises providing employment opportunities to redundant urban workers" as defined in the relevant national tax rules.

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:

	Year ended December 31, 2005 Rmb'000	2004 Rmb'000 (Re-stated)
Group		
Profit before tax	2,264,662	1,899,206
Tax at the statutory tax rate of 33%	747,338	626,738
Tax effect of share of profits of associates	(2,382)	(2,998)
Tax effect of share of profit of a jointly controlled entity	(5,374)	(6,475)
Tax refunded	—	(34,372)
Tax exemption of a subsidiary	(51,408)	(36,914)
Tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	4,192	(3,230)
Tax charge at the Group's effective tax rate	692,366	542,749

8 **Earnings per share**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of the Company for the year of Rmb1,431,192,000 (2004: Rmb1,225,699,000) and the 4,343,114,500 ordinary shares (2004: 4,343,114,500 ordinary shares) in issue during the year.

Diluted earnings per share amounts for the years ended December 31, 2005 and 2004 have not been calculated, as no diluting event existed during these years.

9 **Trade Receivables**

The aging analysis of trade receivables as at December 31, 2005 and the comparative figures of December 31, 2004 are as follows:

	As at December 31, 2005 Rmb'000	2004 Rmb'000
Within 1 year	20,470	25,636
1 to 2 years	1,274	933
Total	21,744	26,569

10 **Trade Payables**

The aging analysis of trade payables as at December 31, 2005 and the comparative figures of December 31, 2004 are as follows:

	As at December 31, 2005 Rmb'000	2004 Rmb'000
Within 1 year	368,672	262,085
1 to 2 years	26,786	10,037
2 to 3 years	3,211	20,930
Over 3 years	3,552	4,161
Total	402,221	297,213

11 **Transfer to reserves**

In accordance with the Company Law of the People's Republic of China ("PRC") and the companies' articles of association, the Company, its subsidiaries, its associates and its jointly controlled entity (collectively, the "Entities") are required to allocate 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the SSR may be converted to increase the Entities' share capital.

In prior years, in accordance with the Company Law of the PRC, the Entities are required to transfer 5% to 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory public welfare fund, which is a non-distributable reserve other than in the event of the liquidation of the Entities. The statutory public welfare fund must be used for capital expenditure on staff welfare facilities and these facilities remain as the properties of the Entities.

Under the amended Company Law of the PRC, the Group does not require to make appropriation to statutory public welfare fund with effect from 2005.

BUSINESS REVIEW

2005 has been a year in which macro-economic control measures, designed to place stronger emphasis on sustainability and equitability in the process of rapid economic development, were further strengthened and fine-tuned. Economic growth at the national level and the provincial level remained unabated, though Zhejiang Province's GDP growth rate, at 12.4%, was slightly lower than the growth rate of 14.3% achieved in 2004.

In contrast to the agricultural and industrial sectors in Zhejiang Province, the service sector underwent the highest rate of GDP growth in 2005, with modern logistics and tourism emerging as two of a handful new areas of growth in the provincial economy.

Traffic volume on the two expressways operated by the Group continued to grow in 2005, bringing growth on both toll income and income from other expressway-related business activities for the ninth consecutive year since the Company was established in 1997.

Revenue for the Group was Rmb3,456.4 million during the Period, representing an increase of 10.4% over 2004, with toll income continuing to partake as the dominate share of the overall income, constituting approximately 92.3% of the Group's total income. Income from other expressway-related business activities, however, grew at a higher rate than toll income. A detailed breakdown of the Group's revenue for the Period is set out below:

	2005 Rmb'000	2004 Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	2,519,676	2,327,733	8.3%
Shangsan Expressway	830,994	739,221	12.4%
Other income			
Service areas businesses income	230,183	183,637	25.4%
Advertising businesses income	48,045	41,159	16.7%
Road maintenance income	2,568	7,244	-64.6%
Subtotal	3,631,466	3,298,994	10.1%
Less: Revenue taxes	(175,081)	(167,001)	4.8%
Revenue	3,456,385	3,131,993	10.4%

Expressway Operations

Traffic volume on the two expressways operated by the Group continued to grow during the Period, with average daily traffic in full-trip equivalents at 35,143 for the Shanghai-Hangzhou-Ningbo Expressway and 19,824 for the Shangsan Expressway, respectively. However, traffic volume growth rates were significantly lower compared to previous years, at 5.5% year-on-year for the Shanghai-Hangzhou-Ningbo Expressway and 4.9% year-on-year for the Shangsan Expressway.

Apart from the growing maturity of these expressway assets, a number of other factors have affected the traffic volume performance of the two expressways in 2005. Slower economic growth in Zhejiang Province as well as in the Yangtze River Delta Region in 2005 compared to 2004, coupled with a corresponding slowdown in new vehicle sales, has contributed to a slower growth in demand for road transport. Ongoing expressway-widening projects along the Shanghai-Hangzhou-Ningbo Expressway and on neighboring expressways during the Period have also contributed to a certain degree of traffic diversions from the Shanghai-Hangzhou-Ningbo Expressway.

While the toll rates for expressways are generally higher than those for neighboring roads, the differences in toll rates for trucks were further narrowed at the start of 2005. As part of the integral policies of the government to tackle the practice of overloading trucks, the toll rates for trucks that are above 10 tons were lowered throughout Zhejiang Province at the beginning of 2005, with the toll rates for trucks on neighboring national and provincial roads reduced by an even greater amount than those for expressways, thereby further enhancing the relative competitiveness of national and provincial roads.

However, the toll rate reduction for trucks that are above 10 tons did have positive implications for expressway operators in addition to reducing overloading practices and resulting in a safer road traveling environment. The change has led to a continued increase in the proportion of trucks of over 10 tons amongst the traffic mix, resulting in a higher growth rate in toll income than in traffic volume. Toll income growth rates for the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway during the Period were 8.3%and 12.4% year-on-year, respectively.

Expressway-Related Business Operations

Apart from the expressway operations, the Group has also carried out other business operations such as gas stations, restaurants and shops in service areas as well as billboard advertising along the expressways operated by the Group.

Expanded shopping facilities and more flexible cooperative arrangements at the service areas helped the expressway-related business operations grew at a rate higher than the expressway operations in 2005 in terms of income. Revenue from the expressway-related business operations grew 21.0% during the Period to reach Rmb280.8 million, contributing to approximately 7.7% of the Group's total revenue.

Long-Term Investments

Driven by continued traffic volume growth on the 9.45km Shida Road, Shida Co. saw its revenue grew 9.3% to Rmb84.5 million in 2005. However, a higher maintenance cost during the Period has led to a reduction in profit after taxation by 17.0% to Rmb32.6 million.

Gas station operations carried out by Petroleum Co. throughout Zhejiang Province were boosted by strong growth in demand for gasoline products in 2005. While revenue for the associate company grew 33.1% during the Period, rising global oil prices and a rigid price control regime imposed on domestic retail outlets nevertheless resulted in a reduction in the net profit by 12.8% to Rmb14.0 million.

Amid growing competition in its field of computer networking and digital printing businesses, JoinHands Technology realized a net profit of Rmb3.3 million during the Period, representing a decrease of 14.1% over 2004, while its revenue fell by 36.1%.

Expressway Widening Project

Phase II of the project to widen the Shanghai-Hangzhou-Ningbo Expressway from four lanes to eight lanes (the "Widening Project"), spanning approximately 95km between Dajing and Fengjing, was completed and opened to traffic in accordance with plan in November 2005, thereby significantly improving the traveling condition as well as increasing the expressway's capacity which in turn allows for further traffic volume growth in the future.

Phase III of the Widening Project, totaling approximately 84km between Guzhu and Duantang, progressed as planned during the Period, and is targeted for completion by the end of 2007.

Extensive onsite management measures were put in place to maintain a normal traffic flow on the Shanghai-Hangzhou-Ningbo Expressway as the widening works were being carried out. However, temporary disturbances to the traffic were inevitable, and the resulted inconvenience to the travelers did have a measurable negative impact on the traffic volume growth of the affected section of the expressway.

FINANCIAL ANALYSIS

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

During the Period, net profit attributable to equity holders of the Company amounted to Rmb1,431.2 million, representing an increase of 16.8% over 2004, while earnings per share was Rmb32.95 cents (2004: Rmb28.22 cents per share). Return on equity for the Period increased from 11.4% to 12.8%.

Profitability

Our consistently profitable business performance in the last five years resulted in a compound annual growth rate of 17.1% and 11.7% in earnings per share and return on equity, respectively.

The dividend payout ratio reached 66.8% during the Period, represent a stable dividend payout policy that the management maintained in past years.

Liquidity

The Group enjoyed strong cash inflow from its steady growth in toll income, with net cash inflow from operating activities amounting to Rmb1,983.3 million as at December 31, 2005, representing a year-on-year increase of 31.4%.

As at December 31, 2005, current assets of the Group amounted to Rmb1,919.8 million in aggregate (2004: Rmb1,912.3 million), of which account receivables, other receivables and inventories accounted for 24.0% (2004: 21.6%).

Financial Resources

As at December 31, 2005, the Group held Rmb1,441.2 million in cash and cash equivalents, time deposits and short-term investments (2004: Rmb1,480.2 million), with cash and cash equivalents accounting for 50.2%, time deposits 7.3% and short-term investments 42.5% of the total amount, respectively.

Among the Rmb612.1 million held in short-term investments as at December 31, 2005, 96.1% was held in government bonds, with the remaining 3.9% held in close-ended security investment funds.

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

Borrowings and Solvency

The Group adjusts its debt levels based on, among others, its cash flow, interest coverage ratio and the ratio of debt over capital.

As at December 31, 2005, interest-bearing borrowings for the Group totaled Rmb2,434.7 million (2004: Rmb2,443.5 million), amongst which Rmb886.5 million comprised short-term interest bearing borrowings (an increase of 12.5% year-on-year) and Rmb1,548.2 million comprised long-term borrowings (a decrease of 6.5% year-on-year).

During the Period, the interest rates of the Group's semi-annual and annual domestic commercial bank borrowings, totaling Rmb630.0 million, were fixed between 4.698% and 5.580%; the interest rate for Rmb72.6 million government loans remained fixed at 3.000%; the annual coupon rate for the Rmb1 billion corporate bonds issued by the Company in 2003 for a term of 10 years was fixed at 4.290%, with interests payable annually. The floating rates of the Group's Rmb732.1 million World Bank loans, denominated in US dollars, varied from 4.110% to 4.590% during the Period.

Total interest expense for the Period amounted to Rmb107.2 million, while profit before interest and tax amounted to Rmb2,371.9 million, resulting in an interest cover ratio (profit before interest and tax over interest expenses) of 22.1 (2004: 19.4).

Moreover, the asset-liability ratio, which represents the total liabilities over total assets, remained low at 24.2% (2004: 23.6%) as at December 31, 2005. The solvency of the Group remained strong during the Period.

Capital Structure

As at December 31, 2005, the Group had Rmb12,363.9 million total equity (including minority interests), Rmb1,702.6 million fixed-rate liabilities, Rmb732.1 million floating-rate liabilities and Rmb1,513.1 million interest-free liabilities, representing 75.8%, 10.4%, 4.5% and 9.3% of the Group's capital, respectively.

Capital Expenditure Commitments and Utilization

As at December 31, 2005, total capital expenditure commitments of the Group and the Company stood at Rmb4,086.8 million and Rmb3,130.3 million, respectively. Of the total capital expenditure commitments of the Group, approximately 57.8% will be applied toward the Widening Project, while 27.2% will be applied toward the construction of Jiashao Expressway.

Total capital expenditure incurred by the Group and by the Company during the Period amounted to Rmb1,449.3 million and Rmb764.4 million, respectively, with the Widening Project alone having utilized Rmb1,266.6 million.

The Group will rely upon its internal resources to fund its capital expenditure commitments, with a preference for debt financing to meet any shortfall.

Contingent Liabilities and Pledge of Assets

At December 31 2005, the PRC Government Bonds (being the treasury bonds issued by the PRC Government) of an approximate aggregate amount of RMB587 million were held in the Company's investment account with Kinghing Securities Co., Ltd. ("Kinghing Securities"). Prior to the date of the Acquisition Agreements, Kinghing Securities had pledged the PRC Government Bonds as security for certain third party repo trading transactions entered into by it through the Shanghai branch of the PRC Securities Registration and Clearing Co., Ltd. Subsequent to the pledging of the PRC Government Bonds, Kinghing Trust Investment Co., Ltd., the largest equity owner of Kinghing Securities at the relevant time, had misappropriated funds of Kinghing Securities such that Kinghing Securities currently does not have sufficient funds to settle the relevant repo trading transactions, and as a result, the security over the PRC Government Bonds may be enforced. In light of the above circumstances, the Company has decided to participate in the restructuring of Kinghing Securities, through which additional RMB600 million capital contribution will be injected by Shangsan into Kinghing Securities, with a view to enabling Kinghing Securities to settle the repo trading transactions and obtaining the release of the security over the PRC Government Bonds beneficially owned by the Company. As of the date of this announcement such pledge on the PRC Government Bonds has been released.Other than aforementioned, the Group did not have any contingent liabilities nor any pledge of assets as at December 31, 2005.

Foreign Exchange Exposure

As at December 31, 2005, the Group held a US dollar-denominated World Bank loan of approximately Rmb732.1 million. Except for the repayment of the World Bank loan in US dollars as well as dividend payments to overseas shareholders in Hong Kong dollars, the principal operations of the Group were settled in Renminbi.

The appreciation of Renminbi against the US dollar during the Period resulted in an exchange gain of Rmb19.2 million for the Group.

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

During the Period, the Group employed an addition 284 employees to support its expanded operations of maintenance facilities and service areas. As at December 31, 2005, there were a total of 3,028 employees within the Group, amongst whom 215 were administrative staff, 430 were engineering technicians, and 2,383 were staff working in the fields of toll collection, maintenance and service areas. Total remuneration for the Group's employees for the Period amounted to Rmb138.7 million, representing an increase of 17.5% over 2004.

OUTLOOK FOR 2006

The completion of Phase II of the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway has already given a boost to traffic volume growth along the section between Dajing and Fengjing. However, the ongoing construction works under Phase III of the Widening Project may adversely affect the normal traffic volume growth along the section between Guzhu and Duantang before its completion by the end of 2007.

Expressway-related business operations are expected to continue to expand, though at a slower rate compared to the past few years following the opening to traffic of new service areas along neighboring expressways. Nevertheless, the overall demand for such services is growing and the Company intends to tap into the growth potential by expanding its existing service areas while adding new service areas.

On the macro side, 2006 is the first year in the Eleventh Five-year National Economic Development Plan where steady economic growth has been set as one of the key objectives. For Zhejiang Province, the plan translates into a target of an average annual GDP growth rate of 9% for the next five years as the provincial economy heads toward a period of rapid industrialization and urbanization.

The forecasted strong economic growth in Zhejiang Province is expected to generate a steady growth in demand for road transport that will be met with a continuous addition of new roads to the existing network as well as renovated national and provincial roads. Although the new roads coming into operation will enhance the overall network of the existing expressways in the long run, it is expected that the overall supply of new road capacities will increase at a rate higher than that of demand growth, which means the traffic volume growth on these expressways, including the ones operated by the Group, will only be moderate in the short run.

To compensate for its additional investment for widening the Shanghai-Hangzhou-Ningbo Expressway from four lanes to eight lanes, the Company will be applying for an extension to its concession period for expressway operation and toll collection, though there is no assurance that the relevant government authorities will approve any or part of the request.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Period.

By Order of the Board
Geng Xiaoping
Chairman

Hangzhou, PRC, April 25, 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 are: Messrs. Zhang Luyun and Zhang Yang; and the independent non-executive directors are: Messrs. Tung Chee Chen, Zhang Junsheng and Zhang Liping.