

Ever since its establishment, Zhejiang Expressway has never departed from its conviction that it operates a people business. We put relentless efforts in continuously enhancing the facilities of our expressways and their ancillary services, with a view to creating comfortable, safe and highly efficient travel conditions to our expressway users.



2003 was a year full of challenges. Nevertheless, the Group has once again achieved double-digit growth in both revenues and profits, continuing to demonstrate the strong growth momentum that has been sustained since the Company's public listing in 1997.

The challenges that the Group faced during 2003 included the outbreak of the Severe Acute Respiratory Syndrome (SARS), traffic diversion by the east section of Hangzhou City Ring Road, and efforts in accommodating construction works related to the widening project and the road surface-overlaying project on the Shanghai-



Hangzhou-Ningbo Expressway. In addition, the Group was faced with the challenge to ensure safe and smooth travel conditions under heavy traffic flow and the rampant problem of overloaded trucks. In tackling the above challenges and difficulties, the management has taken a prudent and perseverant approach, and with the committed and diligent efforts of all of our staff, achieved satisfactory operating results. On behalf of the Board of Directors, I would like to express my gratitude to all members of the management and to our staff as a whole.

In 2003, apart from achieving sound operating results, the Company was also named by *Forbes* global as one of the 200 successful companies outside of the U.S. with annual sales below USD1 billion in its "Best Under a Billion" list for 2003. It was also named by *Asiamoney* as one of the "Top Ten Best Managed Companies in the PRC", an honor that the Company has won for six consecutive years. The Company was nominated again by *Finance Asia* for the "Best Corporate Governance" awards for the China market.

The outstanding operating results and the numerous awards did not come by without a good reason. First of all, the Company has been enjoying a good operating environment as a result of the strong and healthy economic development of China in general and the Yangtze River Delta region in particular. Secondly, the Company strives to continuously improve corporate governance,

including the structure of the Board of Directors, a stable management team, the Company's high degree of transparency and excellent investor relations. Thirdly, the management has implemented well the Company's strategies, focusing on shareholder value and efficiency and effectiveness of operational management.

The dedicated efforts of the management have brought forth solid and favorable return for shareholders. The Company has been delivering an annual return of 40.4% on average for the past five years. This has been the case even when the Company was subject to the negative impact of the Asian Financial Crisis, when the Company raised substantially the dividend payout ratio to maintain shareholder return.

With the rapid economic development in the Yangtze River Delta region and acceleration in industrialization and urbanization in the region, the expressway network will continue to expand and vehicle consumption will rise, thereby bringing greater challenges and opportunities to the Company. To fulfill the need arising from continued rapid socio-economic developments, Zhejiang Province has laid down a long-term development plan to build an expressway network of 5,000 km in overall length by 2020. By 2010, it is expected that the province will have 3,400 km of expressways in operation. This development plan will present the Company with more investment or acquisition opportunities in the province.

In order to create value for our shareholders, customers and the community, as we have always been doing, the Company will continue to focus on our expressway operations and related businesses, and will expand the Company's earnings base through investigating opportunities to increase our investments and acquisitions. Meanwhile, the Company will further improve the Group's structure, gradually implementing professional and market-oriented management in our toll road operations, repair and maintenance and ancillary services, with a view to building the "Zhejiang Expressway" brand in service quality. We have the belief that only through providing high-quality services to satisfy our expressway users' needs will we be able to ensure continued growth of our business, thereby creating maximum value for our shareholders.

In Zhejiang Expressway, the management and staff share the same value: *Service* as our mission, *Excellence* as our standard. Together, we work toward *Creating Value* for our expressway users,



our business partners, our shareholders and our community. With such value and conviction, I am confident the Company is destined for a better tomorrow.

Geng Xiaoping
Chairman

March 15, 2004