

Will the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway adversely affect the normal traffic flow?

- The Widening Project on the Shanghai-Hangzhou-Ningbo Expressway is carried out on two sides of the existing expressway. In respect of Phase I of the Widening Project already completed, being the work from Hongken to Guzhu of approximately 44 kilometers, strict on-site supervision and a comprehensive plan have been implemented, including keeping other half lanes open to traffic, breaking the works into smaller sections and scheduling as much work at night as possible. Even though the speed of traffic flow was slower in certain sections during the construction, traffic flow of the expressway was smooth during the course of the widening works, and there were no significant impact to the continued growth in traffic volumes. Moreover, travel conditions at parallel roads were even less

desirable, thus unable to divert any traffic away from our expressway. We believe that the experience gained from Phase I of the Widening Project will help us to minimise the impact on the normal traffic flow brought about by the construction works during the on going Phase II of the widening project, and Phase III to be commenced in 2004.

How much impact does price increase in raw materials such as cement and reinforcing bars have on the costs of the Widening Project?

- The expressways we operate have very high elevations, such that most of the construction works involve the build-up of foundations. Only structures such as bridges, passageways and culverts make use of cement and reinforcing bars. The amount used is relatively small. Since October 2003, prices of cement and reinforcing bars have increased significantly, but the prices have been decreasing recently. Should prices of raw material remain high, we will allow for price adjustments in accordance with relevant contracts and regulations in order to ensure the progress as well as the quality of construction be maintained. Even so, we do not expect such price adjustments will have any material impact on the costs of Widening Project as a whole.



Toll fees based on weight of trucks have been implemented in certain expressways in China. Will Zhejiang Expressway consider adopting this charging method?

- We have also noted this measure which aims to tackle the rampant problem of overloaded trucks and also consider it to be a more reasonable charging method as far as all parties are concerned. We will keep a close eye on the implementation of the relevant measure, though we think it is still too early to judge if the measures can be sustained. We are more in favour of banning the excessively loaded vehicles from entering own expressways, as the damage they cause to the road structures far out weigh the extra toll fees they pay.

What are the major risks that the Company will face in the future?

- Although the traffic flow on most sections of the Shanghai-Hangzhou-Ningbo Expressway has room for further growth relative to the designed carrying capacity of the eight lanes upon completion of the Widening Project, given the rapid development and increasing integration of the economy of the Yangtze River Delta region, the existing expressway network is still far from sufficient to meet the growing demand for the local traffic for quite some



time in the future. To alleviate future congestions, there will be new expressways constructed and opened to traffic in Zhejiang Province by the end of 2007 in areas surrounding the Shanghai-Hangzhou-Ningbo Expressway. The newly constructed expressways will on the one hand compliment the existing road networks and assure good road infrastructure to serve the need arising from further growth of the local economy, but will on the other hand cause a certain degree of traffic diversions from the Shanghai-Hangzhou-Ningbo Expressway in the short period immediately after the opening to traffic of these new expressways. Although our parent company will be taking up stakes, including controlling stakes, in these newly planned new expressways, we are also aware of the operating risks it will bring about in the short term, and consider these risks the most significant ones that the Company will face.

The Company has spent more than RMB300 million in respect of the large-scale road surface-overlaying project during the past two years. Will similar expenditures be incurred by the Company in the near future?

- The road surface-overlaying project of the Shanghai-Hangzhou-Ningbo Expressway that commenced in the second half of 2002 will be completed in 2004. It is expected that an additional cost of approximate RMB100 million will be incurred in 2004. Applying prudent accounting principles, costs of the road surface-overlaying project are included in maintenance costs in the year incurred. In view of the rapid growth in traffic volumes on the Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway, it will be difficult to implement a large-scale road surface-overlaying project a few years from now. Therefore, we will be implementing the road surface-overlaying project section by section, year by year starting from 2005, in order to minimise the impact of the construction works on traffic flow and to distribute more evenly the financial impact of related costs. According to this policy, we expect that the total expenditures on maintenance each year in the next few years will be maintained at approximately 8% of toll revenue.



When will the Company apply for adjustments to toll fees again?

- Pursuant to a concession agreement entered into between the Company and the Zhejiang government, we may apply for adjustments to toll fees in April 2005. The agreement also provides that if the increase in toll fees that the Company applies for does not exceed the accumulated annual compound growth rate of the national retail price index for the past three years, the Zhejiang government will approve the relevant application. Therefore, whether the Company will apply for a price adjustment and to what extent will we adjust the fees depends on the growth of the national retail price index for the three years prior to 2005. Any decision on fee adjustment will also be subject to the outcome of a market sensitivity study.