



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.



The Directors of the Company present their report and the audited financial statements of the Company and the Group for the year ended December 31, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the design, construction, operation, maintenance and management of high grade roads, as well as the development and provision of certain ancillary services, such as technical consultation, advertising, automobile servicing and fuel facilities. There were no changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

During the year, the entire turnover and contribution to profit from operating activities of the Group were derived from the Zhejiang Province in the People's Republic of China (the "PRC"). Accordingly, a further analysis of the turnover and contribution to profit from operating activities by geographical area is not presented. However, an

analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year ended December 31, 2003 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2003 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 52 to 89.

An interim dividend of Rmb0.04 per share (approximately HK\$0.038) was paid on November 6, 2003. The Directors recommend the payment of a final dividend of Rmb0.11 per share (approximately HK\$0.10) in respect of the year, to shareholders on the register of members on April 26, 2004. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities

and minority interests of the Group prepared on the basis set out in the notes below:

Results	Year ended December 31				
	2003 Rmb'000	2002 Rmb'000	2001 Rmb'000	2000 Rmb'000	1999 Rmb'000
Turnover	2,471,805	2,168,078	1,722,517	1,188,604	1,050,498
Operating costs	(731,451)	(561,918)	(392,535)	(248,429)	(298,417)
Gross profit	1,740,354	1,606,160	1,329,982	940,175	752,081
Other revenue	127,285	66,457	216,690	242,888	167,528
Administrative expenses	(114,629)	(95,209)	(88,487)	(64,978)	(60,320)
Other operating expenses	(54,243)	(33,109)	(18,236)	(75,317)	(2,374)
Profit from operating activities	1,698,767	1,544,299	1,439,949	1,042,768	856,915
Finance costs	(132,801)	(163,224)	(215,346)	(197,083)	(172,922)
Share of profits of associates	17,394	11,719	12,396	40,584	22,559
Share of profit/(loss) of a jointly-controlled entity	9,829	1,677	(1,459)	(6,517)	—
Profit before tax	1,593,189	1,394,471	1,235,540	879,752	706,552
Tax	(497,166)	(400,952)	(363,970)	(186,391)	(71,810)
Profit before minority interests	1,096,023	993,519	871,570	693,361	634,742
Minority interests	(87,231)	(103,067)	(110,957)	(57,360)	(86,431)
Net profit from ordinary activities attributable to shareholders	1,008,792	890,452	760,613	636,001	548,311
Earnings per share - basic	23.23 cents	20.50 cents	17.51 cents	14.64 cents	12.62 cents
Assets, liabilities and minority interests					
Total assets	15,068,687	14,505,834	14,477,538	14,586,420	13,925,688
Total liabilities	(3,910,291)	(3,826,254)	(3,685,828)	(4,128,921)	(3,868,691)
Minority interests	(1,012,417)	(977,789)	(1,502,629)	(1,495,364)	(1,449,432)
Net assets	10,145,979	9,701,791	9,289,081	8,962,135	8,607,565

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2002 have been extracted from the Company's 2002 annual report dated March 4, 2003, while those of the year ended December 31, 2003 prepared were based on the consolidated income statement as set out on page 52 of the financial statements.
2. The 2003 earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year ended December 31, 2003 of Rmb1,008,792,000 (2002: Rmb890,452,000) and the 4,343,114,500 ordinary shares (2002: 4,343,114,500 ordinary shares) in issue during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers contributed less than 30% of the total revenue and purchases, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

CONNECTED TRANSACTIONS

Details of the connected transactions of the Group carried out during the year are set out in note 40 to the financial statements. The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted the Company a waiver from compliance with Chapter 14 of the Listing Rules in respect of the undertakings and indemnities, as set out in paragraph (a) of note 40 to the financial statements, pursuant to its letter dated March 10, 2000 (the "Undertakings and Indemnities").

The independent non-executive Directors have reviewed the Undertakings and Indemnities, and confirmed that, during the year ended December 31, 2003, such transactions were carried out in accordance with the terms of the arrangements governing each respective transaction in question.

Ernst & Young, the auditors of the Company (as required by the Stock Exchange in its letter dated March 10, 2000) have also reviewed the said transactions and have confirmed that the independent non-executive Directors have given their approval of these transactions and that they were carried out by the Company in accordance with the terms of the agreements governing each respective transaction during the year ended December 31, 2003.

In addition, the Group has also entered into other connection transactions as set out in paragraphs (b) to (f) of note 40 to the financial statements.

In respect of the connected transactions relating to a restructuring of the Group as set out in paragraphs (b) to (e) of note 40 of the financial statements, the Directors expect that the Group structure can be streamlined following the establishment of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") and its subsidiary, Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Services Co"), and the related assets transfers, and that the management and operation of the ancillary businesses of the Group can become more specialized and efficient. However, the Directors are of the view that such Group restructuring will not lead to any change in the business model of the Group and will not have any significant impact on the earnings, assets and liabilities of the Group.

For further details of such connected transaction, please refer to the Company's announcement dated August 28, 2003.

The 22 connected persons as mentioned in paragraph (b) of note 40 to the financial statements are 17 directors and/or supervisors of the Company and/or its subsidiaries, namely, Geng Xiaoping, Fang Yunti, Zhang Jingzhong, Xuan Daoguang, Jiang Wen Yao, Huang Qiuxia, Pan Jiaxiang, Wu Junyi, Fang Zhexing, Zhan Huagang, Gong Zuxian, Ni Ciyun, Pan Santao, He Weiyang, Yang Yingzhi, Wang Yubing and Zhang Pubiao, who won in aggregate 17.825% of the equity interest in the registered capital of Development Co, and 3 directors of Development Co, namely,

Ma Boliang, Lu Youfa and Hu Ronggen, and 2 supervisors of Development Co, namely, Sun Zhongfu and Zhou Jianrong, who in aggregate own 3.125% of the equity interest in the registered capital of Development Co.

The 4 connected persons as mentioned in paragraph (d) of note 40 to the financial statements are 4 directors of Services Co, namely, Gong Zuxian, Chen Jianye, Xu Jianmin and Xu Guangmei, who invest in an aggregate of 3.75% of the equity interest in the registered capital of Services Co.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Company and the Group as at December 31, 2003 are set out in note 36 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2003, before taking into the account of the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined on the basis of the lower of the amount determined under PRC accounting standards and the amount determined under generally accepted accounting

principles in Hong Kong, amounted to Rmb641,107,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,640,000,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalisation issues.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at December 31, 2003, the following shareholders held 5% or more of the issued share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO"):

Name	Number of shares	Percentage of share capital (domestic shares)
Zhejiang Communications Investment Group Co., Ltd.	2,432,500,000	83.61%
Huajian Transportation Economic Development Center	476,760,000	16.39%

Name	Number of shares	Percentage of share capital (H shares)
Capital Group	155,925,300	10.87%
JP Morgan Chase	120,569,200	8.41%
Aberdeen Asset Management Asia	114,906,000	8.01%
State Street Corporation	86,129,500	6.01%
Commonwealth Bank of Australia	83,133,000	5.80%
Schroder Investment (Singapore) Limited	72,032,000	5.46%

Save as disclosed above, no person had registered an interest or short position in the shares or underlying Shares of the Company that was recorded in the registrar kept pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

TRUST DEPOSITS

As at December 31, 2003, other than the deposits of HK\$355,000 (equivalent to Rmb378,000 approximately) and Rmb10,039,000 placed in non-bank financial institutions in Hong Kong and the PRC respectively, the Group did not have any trust deposits, nor any time deposits with any non-bank financial institution in the PRC. Nearly all of the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Geng Xiaoping
Mr. Fang Yunti
Mr. Zhang Jingzhong
Mr. Xuan Daoguang

Non-executive Directors

Ms. Zhang Yang
Ms. Zhang Luyun
(re-appointed on March 1, 2003)
Ms. Zhang Chunming
(term expired on February 28, 2003)

Independent non-executive Directors

Mr. Tung Chee Chen
Mr. Zhang Junsheng
Dr. Hu Hung Lick, Henry
(term expired on February 28, 2003)
Mr. Zhang Liping (appointed on March 1, 2003)

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

Pursuant to an extraordinary general meeting held on February 11, 2003, the term of office for the existing Directors is three years, with effect from March 1, 2003. At the same meeting, Mr. Geng Xiaoping was re-elected as the Chairman of the Company, Mr. Tung Chee Chen was re-appointed as the Chairman of the Audit Committee and the Nomination and Remunerations Committee, and Mr. Fang Yunti was re-appointed as the General Manager of the Company.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out in pages 35 to 39 of the Company's annual report.

DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors ("Supervisors") of the Company has entered into a service agreement with the Company, with effect from March 1, 2003, for a term of three years.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year, the Company entered into an investment agreement with the nominees representative, inter alia, four Directors and one Supervisor of the Company to establish Development Co, of which the four Directors and one Supervisor are beneficial owners (please refer to the section headed "Directors', Supervisors' and chief executives' interests in shares and underlying shares" below for details), and Development Co's subsidiary, Service Co, had respectively entered into contracts with the Company and its certain subsidiaries for acquisition of certain assets and

equity interests. Further details of the transactions undertaken in connection therewith are included in note 40 to the financial statements. Save as disclosed above, no Director or Supervisor had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES INTERESTS IN SHARES AND UNDERLYING SHARES

As at December 31, 2003, the interests of the Directors, Supervisors and chief executives in the share capital of the Company's associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO were as follows:

Long positions in shares of Development Co

Name	Position	Interest	Contribution of registered capital (Rmb)	Nature of interest	Percentage of the associated corporation's registered capital
Mr. Geng Xiaoping	Chairman	Equity interest	2,400,000	Directly beneficially owned	3.00
Mr. Fang Yunti	Director/ Chief executive	Same as above	1,920,000	Same as above	2.40
Mr. Zhang Jingzhong	Director	Same as above	550,000	Same as above	0.69
Mr. Xuan Daoguang	Director	Same as above	1,100,000	Same as above	1.38
Mr. Fang Zhexing	Supervisor	Same as above	700,000	Same as above	0.88

Save as disclosed above, none of the Directors, Supervisors and chief executives had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the registrar required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, as at December 31, 2003.

DIRECTORS AND SUPERVISORS' RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

Except for the Development Co investment agreement as disclosed in section headed "Directors and Supervisors interests in contracts" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or Supervisor or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

PENSION SCHEME

As required by the State regulations of the PRC, the Group participates in a defined contribution pension scheme organised by local social security authorities. Under the scheme, all employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Group

is required to make contributions to local social security authorities at rates ranging from 20% to 22.5% of the average basic salaries of the employees of the previous year within the geographical area where the employees are under employment with the Group. The Group has no obligation for the payment of pension benefits beyond such annual contributions to the registered insurance companies. When an employee leaves the scheme, the Group is not entitled to a refund of any contributions that it has previously made. Hence, no forfeited contribution was used by the Group to reduce the level of its contributions during the year. During the year, contributions to registered insurance companies made by the Group under the defined contribution retirement scheme amounted to Rmb13,880,000 (2002: Rmb6,534,000).

MEDICAL INSURANCE SCHEME

Medical expenses for employees of the Group were accounted for as part of the benefits provided by the Group in accordance with relevant accounting rules and internal policies. Following the promulgation of employees' basic medical schemes by local governments in the Zhejiang Province, subject to the local regulations of various areas of the province, starting from the second half of 2002, the Group is required to make contributions to local social security authorities, which are in proportion to the salaries and wages of the employees at rates ranging from 4% to 11%. Up to December 31, 2003, certain entities of the Group had enrolled in these compulsory schemes. The Group planned to have all of its subsidiaries participating in this medical insurance scheme in the near future. Judging from the arrangements of the schemes, the Directors do not anticipate any significant impact of its

participation in the scheme on the Group's financial standing, specially for its consolidated income statement and consolidated balance sheet.

ACCOMMODATION BENEFITS FOR EMPLOYEES

According to relevant rules and regulations in the PRC, the Group and its employees are all required to make contributions to an accommodation fund to local social security authorities, which are in proportion to the salaries and wages of the employees at an average rate of 10%. There are no further obligations beyond the contributions to the accommodation fund organised by the local social security authorities.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's articles of association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing shareholders.

UNITED KINGDOM TAXATION

The following paragraphs are intended as a general guide only and are based on current legislation and Inland Revenue practice. If you are in any doubt as to your tax position, you should consult on appropriate professional adviser without delay.

Individual holders of H Shares who are resident and domiciled in the United Kingdom (the "UK") will, in general, be liable to UK income tax on dividends received from the Company. Where such an individual receives dividends from the Company without withholding of taxes in the PRC, the amount included as income for the purpose of computing his or her UK tax liability is the gross amount of the dividend and this is taxed at the appropriate marginal rate (currently 10% for a basic rate taxpayer and 32.5% for a higher rate taxpayer). Where tax is withheld from the dividend, the individual will be entitled to claim resident credit against UK income tax for any tax withheld from the dividend up to the amount of the UK income tax liability. The Company would assume responsibility for withholding tax at source within the PRC if such a withholding is required. The current UK-Chinese Double Taxation Agreement provides that the maximum withholding tax on dividends from Chinese resident companies paid to UK residents is 10% of the gross dividend.

Individual holders of H Shares who are but not domiciled in the UK will only be liable to income tax on a dividend from the Company to the extent that the dividend is remitted to the UK.

A UK tax resident corporate shareholder will, in general, be liable to UK corporation tax on dividends received from the Company, with double tax relief available for withholding tax suffered. In certain cases (not to be discussed here), a holder of H Shares which is a UK tax resident company may be entitled to relief for "underlying" tax paid by the Company or its subsidiaries.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has throughout the year ended December 31, 2003 complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors and the two non-executive Directors.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Geng Xiaoping

Chairman

Hangzhou, Zhejiang Province, the PRC

March 15, 2004