

Chairman's Statement

Geng Xiaoping



In 2004, the Company benefited from a positive macro-economic environment: a recovery of the world economy, continued growth of China's economy and a strong performance of the regional economy. Given such advantages, and with the management and staff's hard work, the Company has achieved outstanding results, sustained growth and harmonious developments during 2004. Such results are by no means accidental. It is an outcome of the Company's persistence on the strategic goal of creating value and its cultivation of harmony as a cornerstone of the company culture ever since its establishment in 1997.

There are many elements that may contribute to a company's continued success. But I believe harmony is one of the most important elements. Harmony is a means to success, and is also a goal in itself. The guru of the game of Go, Mr. Wu Qingyuan, believes that the essence of the game for the last century was to win, but for the 21st century, the key is to create integration, balance and harmony. He said, "The ultimate objective of the Go game is not to win, but to create integration and balance." The world-renowned golf player Mr Tiger Wood was once asked to use a word to describe his most profound experience in playing golf, the word he chose was *harmony*. Harmony is indeed the key: whether it is for playing Go or golf, living our life or operating a business.

What does harmony mean to our company? The way I see it, it is that kind of pro-active, sustainable, balanced and amicable relationships between the Company and its various stakeholders including road users, shareholders, staff, business partners and the society. The basis of harmony is *value*. We emphasize creating value for our

customers, returns for our shareholders, welfare for our staff, and well-being for the society.

Harmony for customers means being close to customer needs. It means providing customers good-value-for-money with our superior service. Superior service refers to smooth, safe and comfortable travel conditions; an efficient toll collection system; timely information and emergency services; well-equipped and customer-oriented service areas, and so forth. Superior service also means listening to our customers and knowing their needs, and applying up-to-date technological means to satisfy varied, increasingly demanding customer needs.

Harmony for shareholders means creating good and reliable financial returns for them as well as maintaining good investor relations. Shareholders are our focus, and naturally creating value for them is the Company's ultimate goal. The value for shareholders stems from a growth in traffic volume and cash flows, as well as low capital costs, and as such one of our most important tasks



is to ensure that such growth will sustain. Furthermore, we are also obliged to ensure that the Company's value will be fully reflected in the market share price through propagating the Company's corporate mission and values as well as building investor understanding and trust, which are in turn achieved through active communication with shareholders and investors.

Harmony for staff means good employer-employee relations, as well as providing a superb working environment, good career training and satisfactory remunerations and benefits. More importantly, the Company should become a "stage" for demonstrating staff's professional skills and astute abilities. It is important that as the Company is growing, our staff also grow with the Company.

Harmony also means win-win for all parties involved in competition or cooperation. This is especially true for the expressway industry in which there are no real competitors. Between industry peers and colleagues, there are always cooperative relationships to a certain extent. Similarly, with strategic partners, we stress the cultivation of long-term win-win cooperative relations.

Harmony also means responsibilities to the society. Indeed, our obligations extend beyond those of a taxpayer. While an expressway provides immeasurable social benefits in terms of promoting the economy in its vicinity, we also

realize that the construction of an expressway, as well as the development of the associated automobile industry, will to a certain extent affect the natural environment. This is a price that social progress must pay. However, as an expressway operator, we strive to compensate this by accommodating more environmental considerations in our development work.

Going forward, we are very optimistic toward the future of the expressway industry. In January 2005, China's Ministry of Communications proclaimed the "National Expressway Network Plan", pursuant to which a national trunk network totaling 85,000 kilometers radiating from major cities to connect the east-west and the north-south sections of the country, namely the network of "7-9-18" (7 trunks radiating from Beijing, 9 north-south trunks and 18 east-west trunks), will be developed in the next 30 years. Concurrently, according to the long-term transport plan of Zhejiang Province, an expressway network of "2-longitudinal, 2-horizontal, 18-connecting, 3-circulating and 3-trunks" totaling 5,000 kilometers will be built by 2020. Indeed, the expressway industry is becoming a typical "emerging", high-growth industry. The industry's development trends toward network formation, computerization, market orientation and systematization present enduring growth opportunities to the Company, and at the same time place great demands on us for enhancing our core competencies and competitive advantages.

In this regard, we will need to be even more pro-active than before in embracing the promising future. Our future strategies will be “attaining effectiveness through quality, creating value through growth”. While adhering to the expressway operations as our core business, we will cultivate our core competitiveness and enhance our service quality through a scientific management, with a view to further strengthening the brand name of Zhejiang Expressway. Meanwhile, we will endeavor to develop other businesses that are related to expressway operations and will create synergies with the operations, as well as to seek advances beyond geographical restrictions. In a nutshell, we aim to provide sustainable growth in returns for our shareholders through continued “internal” strengthening (on our expressway business) and “external” extrapolating for further opportunities. Such endeavors will call for all of our staff’s continued commitment to our corporate values of “harmony, openness, integrity and pro-activeness”.

Geng Xiaoping

Chairman

March 29, 2005



浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

二零零四年年度業績公布
2004 Annual Results Announcement



Shareholders

Shareholders are our focus, and naturally creating value for them is the Company's ultimate goal...we are also obliged to ensure that the Company's value will be fully reflected in the market share price through propagating the Company's corporate mission and values as well as building investor understanding and trust, which are in turn achieved through active communication with shareholders and investors.