1 BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

During the Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that became effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting polices in the following areas that have an effect on how the results for the Period or prior accounting periods are prepared and presented:

(a) Business Combinations

During the Period, 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 principle effects of the application of HKFRS 3 to the Group are summarized below:

Goodwill

Prior to January 1, 2005, goodwill arising on acquisitions was capitalized and amortised over its estimated useful life. With respect to goodwill previously capitalized on the balance sheet, the Group has discontinued amortising such goodwill from January 1, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisition 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 during the Period. Comparative figures for 2004 have not been re-stated.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Interests in Jointly Controlled Entities

Prior to January 1, 2005, interests in jointly controlled entities were accounted for using the equity method. HKAS 31 "Interests in jointly controlled entities" allows entities to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue using the equity method to account for its interest in jointly controlled entities.

(c) Leasehold Land

Prior to January 1, 2005, leasehold land was included in fixed assets and its amortization was provided on a straight-line basis to write off the cost of the leasehold land over the lease term. During the Period, the Group has applied HKAS 17 "Lease". Under HKAS 17, the land and buildings 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 Group has reclassified leasehold land from fixed assets to prepaid lease payments under operation leases, which are carried at cost and amortized over the lease term. Comparative figures have been re-stated. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold land continues to be accounted for as fixed assets.

(d) Financial Instruments

During the Period, 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 to recognize, derecognize or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

Classification and measurement of financial assets and financial liabilities:

Prior to January 1, 2005, 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 the 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 gains or losses previously recognised in equity is included in the net profit or loss for that period. From January 1, 2005 onwards, the Group classifies and measures 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", "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. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On January 1, 2005, the Group reclassified its "long term investments" and "short term investments" as "available-for-sale financial assets" and "investment in securities", respectively, to conform to the requirements of HKAS 39. No adjustment to the previous carrying amounts of assets and liabilities at January 1, 2005 has been made to the Group's retained earnings.

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:

	For the six months ended June 30,	
	2005	2004
	Rmb'000	Rmb'000
Decrease in amortisation of goodwill	**6,123**	–
Increase in profit	**6,123**	–

3 SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

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)	Adjustment Rmb'000	As at December 31, 2004 Rmb'000 (Re-stated)	Adjustment Rmb'000	**As at January 1, 2005 Rmb'000 (Re-stated)**
Balance sheet items					
Fixed assets	12,988,659	(423,723)	12,564,936	–	**12,564,936**
Prepaid lease payments	–	423,723	423,723	–	**423,723**
Total effects on assets and liabilities	12,988,659	–	12,988,659	–	**12,988,659**
Minority interests	–	1,092,295	1,092,295	–	**1,092,295**
Total effects on equity	–	1,092,295	1,092,295	–	**1,092,295**
Minority interests	1,092,295	(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
Minority interests	–	1,012,417	1,012,417
Total effects on equity	–	1,012,417	1,012,417

4 TURNOVER AND SEGMENT INFORMATION

During the Period, the principal activities of the Group did not change. The operating results by principal activities are summarized as follows:

	For the six months ended June 30,			
	2005		2004	
		Profit		Profit
	Turnover	**Contribution**	Turnover	Contribution
	Rmb'000	**Rmb'000**	Rmb'000	Rmb'000
	Unaudited	**Unaudited**	Unaudited	Unaudited
				(Re-stated)
Segment by business activities				
- Toll	**1,537,003**	**1,142,282**	1,376,019	1,005,821
- Service areas	**114,449**	**10,418**	79,921	20,099
- Advertising	**22,460**	**13,626**	18,427	10,221
	1,673,912	**1,166,326**	1,474,367	1,036,141
Other revenue		**62,221**		(6,361)
Administrative expenses		**(34,972)**		(46,759)
Other operating expenses		**(10,015)**		(15,255)
Profit from operating activities		**1,183,560**		967,766

No further analysis of the turnover and profit from operating activities by geographical segment was prepared as the turnover and profit from operating activities of the Group were all generated from Zhejiang Province, the PRC, during the Period.

5 OTHER REVENUE

	For the six months ended June 30,	
	2005	2004
	Rmb'000	Rmb'000
	Unaudited	Unaudited
Profit/(loss) from short term securities investment	**20,275**	(36,648)
Interest income	**12,901**	5,295
Rental income	**13,348**	10,629
Trailer income	**9,578**	8,719
Exchange (loss)/gain	**(778)**	137
Other miscellaneous income	**6,897**	5,507
Total	**62,221**	(6,361)

6 PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended June 30,	
	2005	2004
	Rmb'000	Rmb'000
	Unaudited	Unaudited
		(Re-stated)
Depreciation	**129,331**	130,921
Amortization of expressway operating rights	**4,350**	4,350
Amortization of goodwill	**–**	6,126
Amortization of prepaid lease payment	**8,946**	8,800
Staff costs	**43,762**	44,035

7 SHARE OF PROFIT OF ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

	Associates		Jointly controlled entity	
	For the six months ended June 30,		For the six months ended June 30,	
	2005	2004	**2005**	2004
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
	Unaudited	Unaudited	**Unaudited**	Unaudited
Profit before tax	**4,888**	8,940	**15,936**	11,089
Tax charge for the period	**(1,391)**	(2,089)	**(5,259)**	(884)
Profit after tax	**3,497**	6,851	**10,677**	10,205

8 INCOME TAX EXPENSES

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 Corporate Income Tax ("CIT") in the PRC 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.

According to the requirements of new HKFRSs, the presentation of share of tax of associates and jointly controlled entities has been changed. The changes in presentation have been applied retrospectively.

	For the six months ended June 30,	
	2005	2004
	Rmb'000	Rmb'000
	Unaudited	Unaudited
		(Re-stated)
Group		
Tax charged	**328,805**	270,078
Tax refunded	**–**	(34,360)
Deferred	**44,198**	28,204
Tax charge for the Period	**373,003**	263,922

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:

	For the six months ended June 30,	
	2005	2004
	Rmb'000	Rmb'000
	Unaudited	Unaudited
		(Re-stated)
Group		
Profit before tax	**1,137,080**	911,757
Tax at the statutory tax rate of 33%	**375,236**	300,880
Tax refunded	**–**	(34,360)
Tax effect of net (income)/expense that is not (taxable)/deductible in determining taxable profit	**(2,233)**	(2,598)
Tax charge at the Group's effective tax rate	**373,003**	263,922

9 DIVIDENDS

The Directors have recommended the payment of an interim dividend of Rmb7.0 cents (approximately HK6.6 cents) per share (2004 Interim: Rmb4.0 cents), subject to the approval of the shareholders at the Company's proposed extraordinary general meeting to be held on October 31, 2005. The recommendation has been set out in the financial statements.

10 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 Period of Rmb711,457,000 (2004: Rmb602,410,000) and the 4,343,114,500 shares (2004: 4,343,114,500 shares) in issue during the Period.

Diluted earnings per share for the Period have not been calculated, as no diluting event occurred during these years.

11 FIXED ASSETS

Except that the leasehold land of Rmb423,723,000, which was included in fixed asset prior to January 1, 2005, was reclassified from fixed assets to prepaid lease payments under operation leases, there were no other significant changes to the Group's fixed assets during the Period.

12 TRADE RECEIVABLES

The aging analysis of trade receivables as at June 30, 2005 and the comparative figures as at December 31, 2004 are as follows:

	As at June 30, 2005 Rmb'000 Unaudited	As at December 31, 2004 Rmb'000 Audited
Within 1 year	**25,582**	25,636
1 to 2 years	**3,090**	933
Over 2 years	**933**	–
Total	**29,605**	26,569

The Group allows an average credit period of approximately 180 days to its trade customers.

13 OTHER RECEIVABLES

	As at June 30, 2005 Rmb'000 Unaudited	As at December 31, 2004 Rmb'000 Audited
Prepayments	**39,907**	26,989
Entrusted loan to a related party	**376,000**	260,000
Entrusted loan to a third party	**–**	10,000
Deposits and other debtors	**19,460**	84,028
Total	**435,367**	381,017

14 TRADE PAYABLES

The aging analysis of trade payables as at June 30, 2005 and the comparative figures as at December 31, 2004 are as follows:

	As at June 30, 2005 Rmb'000 Unaudited	As at December 31, 2004 Rmb'000 Audited
Within 1 year	**347,950**	262,085
1 to 2 years	**26,692**	10,037
2 to 3 years	**731**	20,930
Over 3 years	**99**	4,161
Total	**375,472**	297,213

15 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2005 Rmb'000 Unaudited	As at December 31, 2004 Rmb'000 Audited
Accruals	**51,670**	82,022
Other liabilities	**222,896**	198,014
Amounts due to related parties	**12,151**	12,151
Amounts due to the holding company	**2,599**	2,599
Total	**289,316**	294,786

16 DEFERRED TAX

	As at June 30, 2005 Rmb'000 Unaudited	As at December 31, 2004 Rmb'000 Audited
Deferred tax liabilities		
At beginning of period/year	**384,577**	325,703
Expense/(Income) for the period/year	**44,198**	58,874
At end of period/year	**428,775**	384,577
Analysed by principal components		
Revaluation on marketable securities at market price of the end of period/year	**2,343**	(4,210)
Temporary differences resulting from depreciation method	**426,432**	388,787
	428,775	384,577
Deferred tax assets		
At beginning of period/year	**38,319**	–
Expense/(Income) for the period/year	**–**	38,319
At end of period/year	**38,319**	38,319
Analysed by principal components		
Non-deductible disposal of fixed assets	**38,319**	38,319
	38,319	38,319

17 RESERVES

	Share premium account Rmb'000	Goodwill reserve Rmb'000	Statutory surplus reserve Rmb'000	Public welfare fund Rmb'000	Retained profits Rmb'000	Total Rmb'000
For the six months ended June 30, 2005						
As at January 1, 2005	**3,645,726**	**(352,860)**	**892,951**	**431,448**	**1,108,364**	**5,725,629**
Net profit for the Period	**–**	**–**	**–**	**–**	**711,457**	**711,457**
Proposed interim dividend	**–**	**–**	**–**	**–**	**(304,018)**	**(304,018)**
As at June 30, 2005	**3,645,726**	**(352,860)**	**892,951**	**431,448**	**1,515,803**	**6,133,068**

	Share premium account Rmb'000	Goodwill reserve Rmb'000	Statutory Surplus reserve Rmb'000	Public welfare fund Rmb'000	Retained profits Rmb'000	Total Rmb'000
For the six months ended June 30, 2004						
As at January 1, 2004	3,645,726	(352,860)	710,497	340,221	981,537	5,325,121
Net profit for the Period	–	–	–	–	602,410	602,410
Proposed interim dividend	–	–	–	–	(173,725)	(173,725)
As at June 30, 2004	3,645,726	(352,860)	710,497	340,221	1,410,222	5,753,806

18 COMMITMENTS

	As at June 30, 2005		
	Commitments Rmb million	**Utilization Rmb million**	**Balance Rmb million**
Shanghai-Hangzhou-Ningbo expressway widening project			
From Dajing to Fengjing	**2,508**	**1,215**	**1,293**
From Guzhu to Dazhujia	**2,300**	**485**	**1,815**
Acquisition of additional 18.4% equity interest in Zhejiang Shangsan Expressway Co., Ltd.	**485**	**–**	**485**
Renovation of service area	**1**	**1**	**–**
Decoration of office	**5**	**4**	**1**
Remaining construction works of the Shangsan Expressway	**48**	**–**	**48**
Purchase of machinery	**72**	**20**	**52**
Jiashao Expressway Project	**1,145**	**35**	**1,110**
Total	**6,564**	**1,760**	**4,804**

19 RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions carried out in the ordinary course of business between the Company, its subsidiaries during the Period.

(a) On August 16, 2004, the board of directors resolved that the Company entered into two guarantees to be dated August 18, 2004 in favour of two independent financial institutions in the PRC, namely, Industrial and Commercial Bank of China (Zhejiang Province Branch) and Shanghai Pudong Development Bank, in respect of loan facilities with a principal amount of Rmb280,000,000 and Rmb80,000,000, respectively, granted to Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co") under the respective Facility Agreements.

The purpose of the facilities under the Facility Agreements is to re-finance the existing bank term loans of Shangsan Co of Rmb360,000,000 in total and with similar interest rates and maturity periods of the new facilities under the Facility Agreements.

The loans under the Facility Agreements are unsecured and the interest rates will be subject to the rates applicable to loans with maturity periods within one year as announced by the Bank of China from time to time. Each guarantee shall take effect until the expiration of two years from the repayment date of each loan to be drawn down under the respective Facility Agreement. No consideration is receivable by the Company for the provision of the financial assistance under each guarantee.

Shangsan Co is a connected person of the Company as Huajian Transportation Economic Development Center, a substantial shareholder of the Company, owns more than 10% equity interest in Shangsan Co, which is also owned as to 73.625% by the Company.

As at June 30, 2005, the amount of the above loan facilities utilised by Shangsan Co was Rmb150,000,000.

(b) On October 25, 2004, the Company entered into a loan agreement with Zhejiang Jinji Property Co., Ltd. ("Jinji Co"), a subsidiary of Zhejiang Communications Investment Group Co., Ltd. ("Communication Group"), through Communication Bank of China (the "Bank"), whereby the Company agreed to provide Jinji Co a loan through the Bank with a principal amount of Rmb260,000,000 at an annual interest rate of 6.31% and with a term of one year.

The loan is being provided to Jinji Co for use as general working capital. Jinji Co is a connected person of the Company as it is a 90% subsidiary of Communications Group, which in turn is a substantial shareholder of the Company, holding approximately 56% of the shares in the Company.

Communication Group has provided a guarantee in favour of the Company and the Bank in respect of the obligations of Jinji Co in the loan agreement.

19 RELATED PARTY TRANSACTIONS (Continued)

(c) The Group entered into several rental agreements with Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co"), an associate of the Company. Pursuant to the aforementioned agreements, the Group leased five oil stations to Petroleum Co. In 2005, the Group recorded a total rental income of Rmb4,450,000 from Petroleum Co (2004: Rmb4,450,000). The rental income was based on negotiations between the Group and Petroleum Co.

(d) Zhejiang Expressway Investment Development Co., Ltd. ("Development Co"), a 51% owned subsidiary of the Company, entered into loan agreements with Zhejiang Concord Property Investment Co., Ltd. (a 45% owned associate of Development Co) on January 6, 2005 and February 1, 2005, respectively, through China Everbright Bank ("Everbright Bank"), whereby the Development Co agreed to provide Zhejiang Concord Property Investment Co., Ltd. loans through Everbright Bank with a principal amount of Rmb 46,000,000 and Rmb 70,000,000, respectively. The annual interest rates of the aforementioned loans are both 10%, with a term of one year.

20 POST BALANCE SHEET EVENTS

On July 6, 2005, the Company's Rmb1 billion corporate bonds were approved listing by Shanghai Stock Exchange and started listing in Shanghai Stock Exchange on August 12, 2005.

21 CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at June 30, 2005, the Group did not have any contingent liabilities nor any pledge of assets.

22 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the Period's presentation.

23 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on August 15, 2005.