

Chairman's Statement



GENG Xiaoping

At Zhejiang Expressway, we believe in the importance of making continuous progress. As we are faced with a much challenging tomorrow, Zhejiang Expressway is also fully prepared to build itself into an even stronger expressway operator for tomorrow.

Dear Shareholders,

A solid year in 2005 ... a challenging year for 2006.

I am pleased to report that the Group has achieved another year of solid growth in 2005. Our revenue recorded a growth of 10.4% amounting to Rmb3,456.4 million, while net profit grew 16.8% to Rmb1,431.2 million. Our shareholders should be also pleased to find that the Company's return on equity (ROE) was further improved to 12.78%.

Indeed, this is the ninth consecutive year that Zhejiang Expressway has been maintaining double-digit growth. As chairman of the Group, I am proud of such achievement. But at the same time, there is no reason to be complacent. As chairman of the Group, it is also my responsibility to be vigilant for any possible risks and would-be negative factors that may affect the long-term development of the Group. The way I see it, there are a couple of tasks that will be the management's focus in its effort to achieve further growth in 2006 and beyond.

One of the key tasks for the management is to fully prepare itself for tackling the changes in the operating environment. For expressway operators in China such as Zhejiang Expressway, the operating environment is an important determinant of their performance. In year 2005, we already witnessed the looming of certain challenges in this respect: Zhejiang Province's GDP growth rate slowed from 14.3% in 2004 to 12.4% in 2005, and there was a commensurate slowdown in new vehicle sales. As a result, the growth on our operating results for the year, albeit solid, showed a slowdown tendency compared to previous years.

In enabling our operation so that it would be less environment-sensitive, the Group has been developing its expressway-related operations (service area operations, billboard advertising, etc) during recent years in order to expand the Group's income base. This has been moving in a very encouraging direction and the Group will continue such endeavors, with a view to enlarging the revenue from expressway-related operations to a more significant share of total Group income.

The management's second key task will be to continue to enhance our "product quality" and to attract more road users to travel on our expressways. Now that we have the widened Shanghai-Hangzhou-Ningbo Expressway with greater capacity, we are much better equipped in further attracting and accommodating additional traffic. Considering that the traffic growth generated on our expressways is expected to undergo only a moderate growth for the next few years, there is an even greater need for the Group to strive to enhance traffic on its expressways.

With a service-minded corporate philosophy, we are incessantly enhancing our services as well as ourselves. Continuously upgrading our service standards to ensure superb traveling conditions along our expressways remains our day-to-day operating objective. Our Phase III widening project on the Shanghai-Hangzhou-Ningbo Expressway (the "Widening Project") is but one of our long-term programs to make us more competitive as a service provider. Other efforts are less visible to our investors, yet equally important: continuous human resources programs aimed to attract and retain quality staff and to motivate them to deliver their best performance; customer service training programs for our front-line staff; and so forth. Meanwhile, the Group will continue to explore opportunities for acquiring quality expressway assets so as to enlarge our market share.

Our State President Mr Hu Jin Tao quoted Ralph Waldo Emerson on his recent visit to the United States, "Progress is the activity of today and the assurance of tomorrow." At Zhejiang Expressway, we believe in the importance of making continuous progress. As we are faced with a much challenging tomorrow, Zhejiang Expressway is also fully prepared to build itself into an even stronger expressway operator for tomorrow.

EPILOG

This annual report uses Xi Hu (West Lake) as the design theme, and in a way, this is much overdue for a Hangzhou-based company such as Zhejiang Expressway. Whereas Xi Hu is the life and spirit of Hangzhou as well as one of the best sceneries in China, we at Zhejiang Expressway also aspire to becoming an exemplary Hangzhou company and counting among the best-run enterprises in China. Like Xi Hu, we are poised to be a charm to all of our stakeholders: our investors, our customers, our employees and the community at large.

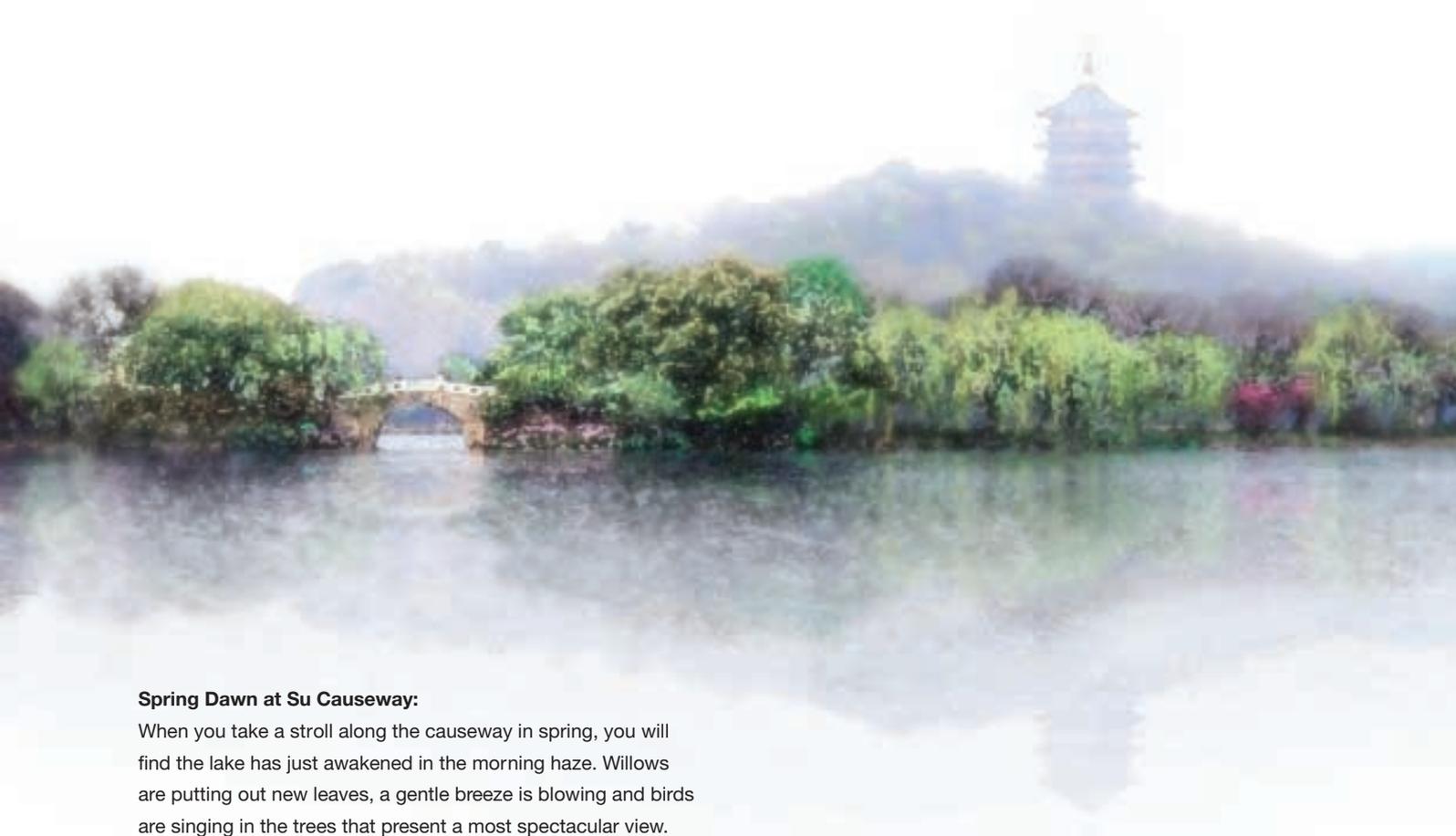
GENG Xiaoping

Chairman

April 25, 2006

Shareholders

For shareholders, Zhejiang Expressway means a listed company committed to enhancing returns. Since its listing, the Company has been maintaining excellent profit growth for nine consecutive years, and its dividend payout has been consistently staying at a relatively high level. We treasure the communication between the management and shareholders and investors, and we believe that only through maintaining high transparency will we bring utmost benefits to them.



Spring Dawn at Su Causeway:

When you take a stroll along the causeway in spring, you will find the lake has just awakened in the morning haze. Willows are putting out new leaves, a gentle breeze is blowing and birds are singing in the trees that present a most spectacular view.