

Being the first year in the Eleventh Five-Year National Economic Development Plan, 2006 started off well for Zhejiang Province, and there is good reason to believe that strong economic growth will continue with the relevant authorities having placed growing emphasis on stability and balance in managing economic affairs. The provincial economy is expected to further benefit from a double-digit growth in the national economy and the ongoing globalization that continues to generate robust growth in world trade.

While traffic on the two expressways operated by the Group is expected to continue to grow into the second half of 2006, the proportion of higher fee-paying heavy trucks among the overall traffic is expected to stabilize after having more than doubled over the past two years. Therefore, the rate of growth in toll income should more closely mirror that of traffic volume as we approach the end of the year.

As a trial case to further develop toll road-related businesses, Zhejiang Expressway Investment Development Co., Ltd. (a 51% owned subsidiary of the Company) is planning to join local investors to develop a multi-purpose service complex near the Wangdian exit along the Shanghai-Hangzhou Expressway. The complex, expected to be completed by the end of 2008, will house a multitude of shops, restaurants, as well as leisure and entertainment facilities.