CONTENTS

ADR(s)	American Depositary Receipt(s)
ADS(s)	American Depositary Share(s)
Advertising Co	Zhejiang Expressway Advertising Co., Ltd., a 70% owned subsidiary of Development Co
Audit Committee	the audit committee of the Company
Board	the board of Directors of the Company
Company	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Investment Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a wholly State-owned enterprise established on December 29, 2001
Development Co	Zhejiang Expressway Investment Development Co., Ltd., a 51% owned subsidiary of the Company established in the PRC on May 28, 2003
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on The Stock Exchange of Hong Kong Limited and traded in Hong Kong dollars
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huajian	Huajian Transportation Economic Development Center, a State-owned enterprise

Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd., a 99.9995% owned subsidiary of the Company
JoinHands Technology	JoinHands Technology Co., Ltd., a 27.582% owned associate of the Company
Listing Rules	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange
Period	the period from January 1 to December 31, 2003
Petroleum Co	Zhejiang Expressway Petroleum Development Co., Ltd., a 50% owned associate of the Company
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
Services Co	Zhejiang Expressway Vehicle Towing and Rescue Services Co. Ltd., a 85% owned subsidiary of Development Co established in the PRC on July 31, 2003
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd., a 73.625% owned subsidiary of the Company
Shareholders	the shareholders of the Company
Shida Co	Hangzhou Shida Highway Co., Ltd., a 50% jointly-controlled entity of the Company
Supervisory Committee	the supervisory committee of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd., a 51% owned subsidiary of the Company

Zhejiang Expressway Co., Ltd. is an infrastructure company principally engaged in investing in, constructing and managing high grade roads. The Company and its subsidiaries also carry out certain ancillary businesses such as automobile servicing and operations of gas stations and billboard advertising along expressways.

The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, constructing and operating expressways and Class 1 roads in Zhejiang Province.

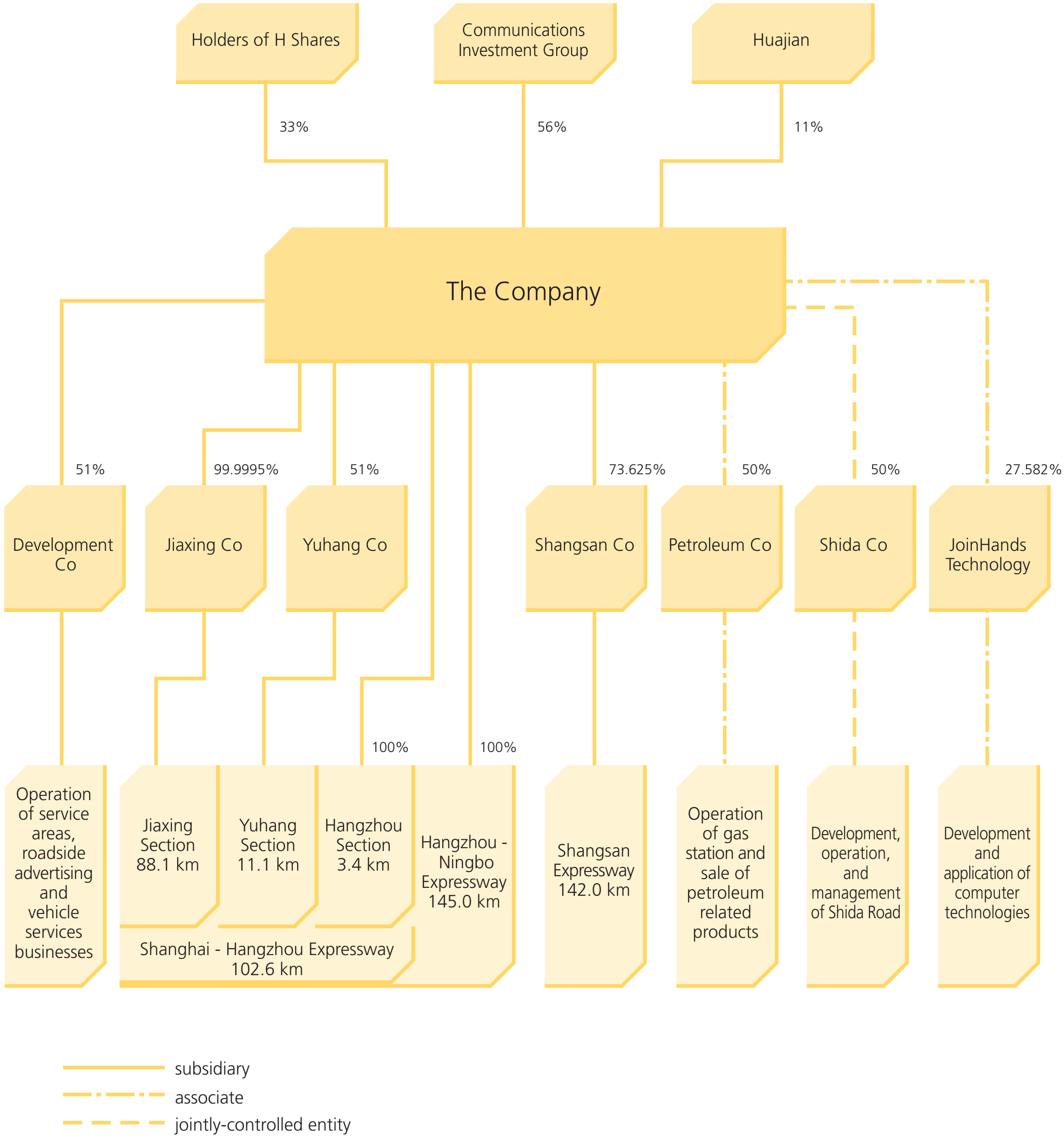
The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange in May 1997, and subsequently obtained a secondary listing on the London Stock Exchange in May 2000.

On February 14, 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as depositary, was established in the United States and became effective.

From January 24 to February 17, 2003, the Company issued Rmb1 billion of corporate bonds to institutional and public investors in the PRC for the financing of its expressway widening projects.

The Company intends to grasp any opportunities in project investments and acquisitions, with a view to achieving the Group's vision of becoming a leading company investing in and operating infrastructure businesses, with an emphasis on expressways, in the PRC by 2010.

Set out below is the corporate and business structure of the Group:



JANUARY 24, 2003

From January 24 to February 17, 2003, the Company issued corporate bonds of RMB1 billion to domestic institutions and public investors.

FEBRUARY 11, 2003

The Company convened an extraordinary general meeting at which members of the third Board of Directors and Supervisory Committee were elected for a term of three years commencing from March 1, 2003.

MARCH 1, 2003

The board of directors of Shangsan Co approved a resolution to put the Shangsan Expressway directly under the Company's unified operation and management.

MARCH 4, 2003

The Company announced its annual results for the year ended December 31, 2002 in Hong Kong.

APRIL 30, 2003

The Company convened the 2002 annual general meeting at which several resolutions were approved, including one in respect of the widening project of the Shanghai-Hangzhou-Ningbo Expressway.

MAY 8, 2003

The Company further acquired 2% of equity interests in Shangsan Co at a consideration of RMB57.6 million.

MAY 23, 2003

The Company convened the first general assembly of the first congress of staff representative at which 118 staff representatives were elected.

MAY 28, 2003

The Company established Development Co for better development of ancillary businesses relating to expressways.

JULY 29, 2003

Commencement ceremony of phase II of the expressway widening project of the Shanghai-Hangzhou-Ningbo Expressway was held in Jiaxing.

AUGUST 18, 2003

The Company announced its interim results for the six months ended June 30, 2003 in Hong Kong.

SEPTEMBER 12, 2003

The Company was awarded quality management system certificates by the United Kingdom Accreditation Service and China Classification Society Quality Assurance Ltd.

OCTOBER 9, 2003

The Company convened an extraordinary general meeting at which the proposal relating to the interim dividends for 2003 was approved.

Expressways	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	4	6	1	1998	25
– Yuhang Section	51%	11.1	4	2	0	1995 – 1998	25
– Hangzhou Section	100%	3.4	4	0	0	1995	25
Hangzhou-Ningbo Expressway							
– Hongken to Guzhu section	100%	44.0	8	4	1	1995	25
– Other sections	100%	101.0	4	8	1	1992 – 1996	24
Shangsan Expressway	73.625%	142.0	4	11	3	2000	27

RESULTS

	Year ended December 31				
	1999 Rmb'000	2000 Rmb'000	2001 Rmb'000	2002 Rmb'000	**2003** **Rmb'000**
Turnover	1,050,498	1,188,604	1,722,517	2,168,078	**2,471,805**
Profit Before Tax	706,552	879,752	1,235,540	1,394,471	**1,593,189**
Tax	(71,810)	(186,391)	(363,970)	(400,952)	**(497,166)**
Minority Interests	(86,431)	(57,360)	(110,957)	(103,067)	**(87,231)**
Net Profit From Ordinary Activities Attributable To Shareholders	548,311	636,001	760,613	890,452	**1,008,792**
Earnings Per Share (EPS)	12.62 cents	14.64 cents	17.51 cents	20.50 cents	**23.23 cents**

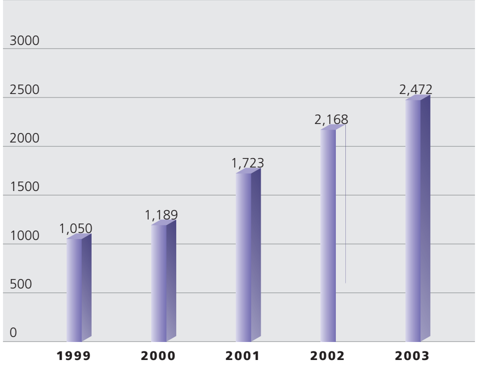
RETURN ON EQUITY (ROE)

	1999	2000	2001	2002	**2003**
ROE	6.37%	7.10%	8.19%	9.18%	**9.94%**

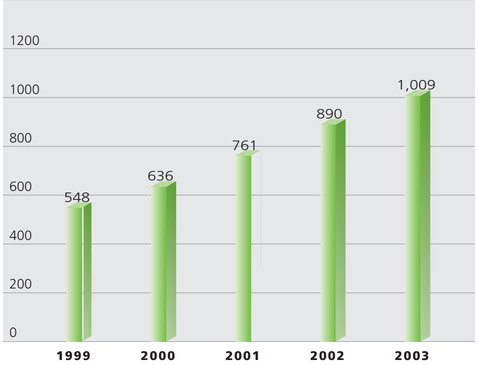
MONTHLY AVERAGE DAILY FULL TRIP TRAFFIC VOLUME

	Shanghai-Hangzhou-Ningbo Expressway			Shangsan Expressway		
	2002	**2003**	2004	2002	**2003**	2004
January	21,804	**26,036**	29,335	9,699	**14,448**	18,750
February	20,952	**23,240**	31,310	11,057	**13,613**	18,990
March	24,830	**27,286**	33,344	11,288	**14,039**	18,499
April	25,541	**27,003**		11,300	**13,963**	
May	24,900	**21,253**		11,254	**11,691**	
June	24,044	**26,471**		10,852	**13,944**	
July	24,573	**28,190**		11,282	**14,939**	
August	26,203	**29,405**		12,161	**15,815**	
September	27,471	**31,370**		12,769	**16,690**	
October	27,094	**32,198**		12,764	**17,120**	
November	26,884	**30,790**		12,773	**16,749**	
December	26,048	**31,735**		12,315	**17,020**	
Average	25,048	**27,938**		11,634	**15,011**	

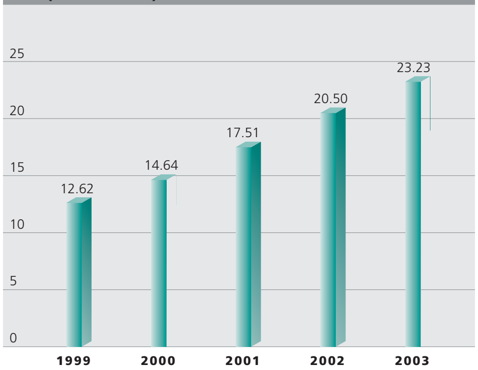
TURNOVER (RMB MILLION)



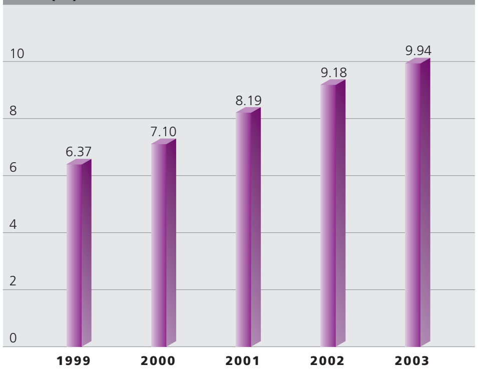
NET PROFIT (RMB MILLION)



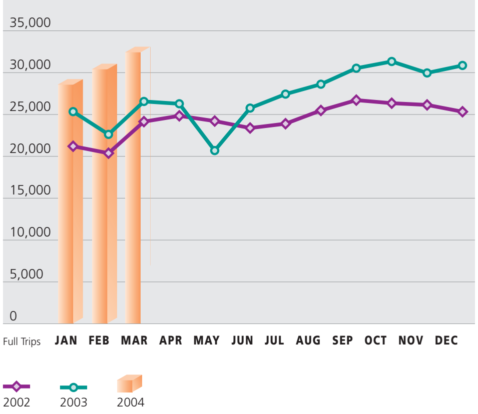
EPS (RMB CENTS)



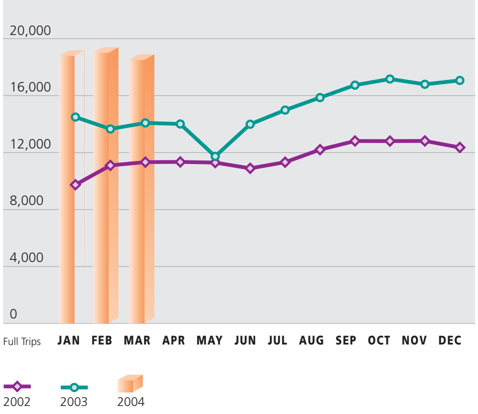
ROE (%)



MONTHLY AVERAGE DAILY FULL TRIP TRAFFIC VOLUME OF SHANGHAI-HANGZHOU-NINGBO EXPRESSWAY



MONTHLY AVERAGE DAILY FULL TRIP TRAFFIC VOLUME OF SHANGSAN EXPRESSWAY



Ever since its establishment, Zhejiang Expressway has never departed from its conviction that it operates a people business. We put relentless efforts in continuously enhancing the facilities of our expressways and their ancillary services, with a view to creating comfortable, safe and highly efficient travel conditions to our expressway users.

2003 was a year full of challenges. Nevertheless, the Group has once again achieved double-digit growth in both revenues and profits, continuing to demonstrate the strong growth momentum that has been sustained since the Company's public listing in 1997.

The challenges that the Group faced during 2003 included the outbreak of the Severe Acute Respiratory Syndrome (SARS), traffic diversion by the east section of Hangzhou City Ring Road, and efforts in accommodating construction works related to the widening project and the road surface-overlaying project on the Shanghai-

Hangzhou-Ningbo Expressway. In addition, the Group was faced with the challenge to ensure safe and smooth travel conditions under heavy traffic flow and the rampant problem of overloaded trucks. In tackling the above challenges and difficulties, the management has taken a prudent and perseverant approach, and with the committed and diligent efforts of all of our staff, achieved satisfactory operating results. On behalf of the Board of Directors, I would like to express my gratitude to all members of the management and to our staff as a whole.

In 2003, apart from achieving sound operating results, the Company was also named by *Forbes* global as one of the 200 successful companies outside of the U.S. with annual sales below USD1 billion in its "Best Under a Billion" list for 2003. It was also named by *Asiamoney* as one of the "Top Ten Best Managed Companies in the PRC", an honor that the Company has won for six consecutive years. The Company was nominated again by *Finance Asia* for the "Best Corporate Governance" awards for the China market.

The outstanding operating results and the numerous awards did not come by without a good reason. First of all, the Company has been enjoying a good operating environment as a result of the strong and healthy economic development of China in general and the Yangtze River Delta region in particular. Secondly, the Company strives to continuously improve corporate governance, including the structure of the Board of Directors, a stable management team, the Company's high degree of transparency and excellent investor relations. Thirdly, the management has implemented well the Company's strategies, focusing on shareholder value and efficiency and effectiveness of operational management.

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. This has been the case even when the Company was subject to the negative impact of the Asian Financial Crisis, when the Company raised substantially the dividend payout ratio to maintain shareholder return.

With the rapid economic development in the Yangtze River Delta region and acceleration in industrialization and urbanization in the region, the expressway network will continue to expand and vehicle consumption will rise, thereby bringing greater challenges and opportunities to the Company. To fulfill the need arising from continued rapid socio-economic developments, Zhejiang Province has laid down a long-term development plan to build an expressway network of 5,000 km in overall length by 2020. By 2010, it is expected that the province will have 3,400 km of expressways in operation. This development plan will present the Company with more investment or acquisition opportunities in the province.

In order to create value for our shareholders, customers and the community, as we have always been doing, the Company will continue to focus on our expressway operations and related businesses, and will expand the Company's earnings base through investigating opportunities to increase our investments and acquisitions. Meanwhile, the Company will further improve the Group's structure, gradually implementing professional and market-oriented management in our toll road operations, repair and maintenance and ancillary services, with a view to building the "Zhejiang Expressway" brand in service quality. We have the belief that only through providing high-quality services to satisfy our expressway users' needs will we be able to ensure continued growth of our business, thereby creating maximum value for our shareholders.

In Zhejiang Expressway, the management and staff share the same value: *Service* as our mission, *Excellence* as our standard. Together, we work toward *Creating Value* for our expressway users, our business partners, our shareholders and our community. With such value and conviction, I am confident the Company is destined for a better tomorrow.

Geng Xiaoping
Chairman

March 15, 2004

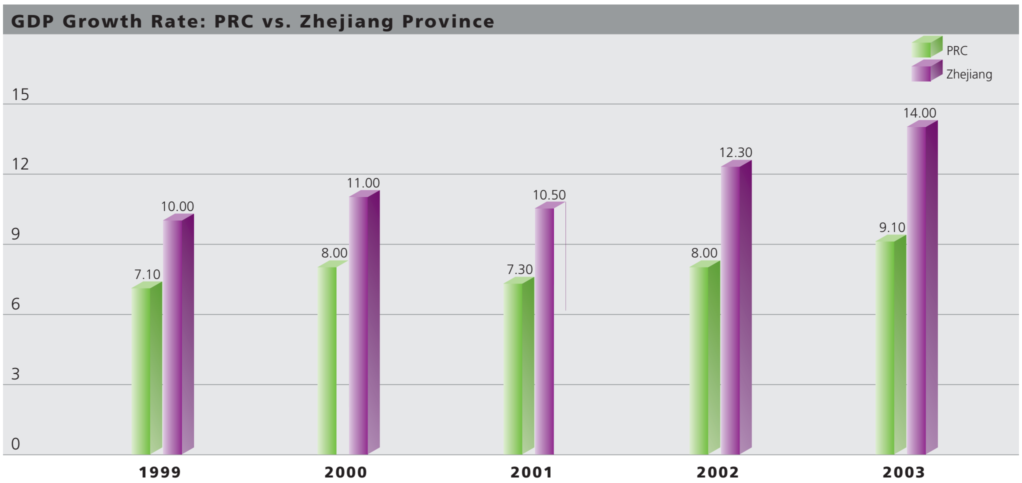
With anticipated growth in traffic on existing expressways, the Company has taken steps to increase service capacities at its service areas, in addition to continuing with its Phase II and Phase III of the Widening Project which is targeted for full completion by the end of 2007.

BUSINESS REVIEW

2003 was a special year for the Company. Traffic volume on the Shanghai-Hangzhou-Ningbo Expressway grew at a rate that was approximately half the usual rate, primarily as a result of traffic diversion by the eastern section of Hangzhou City Ring Road subsequent to its opening to traffic since the beginning of the year.

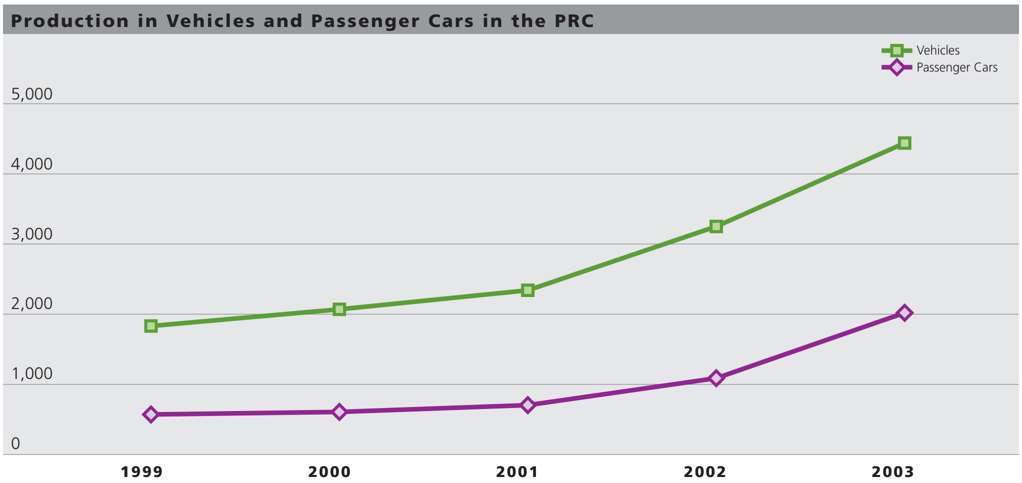
The outbreak of Severe Acute Respiratory Syndrome ("SARS") in the second quarter of the year prompted local governments to adopt stringent measures to contain the disease, further reducing traffic volumes on the roads, including expressways throughout Zhejiang and neighboring cities and provinces.

But the phenomenal growth of China's economy remained unabated in 2003, as the economy quickly recovered in the third quarter, leading to annual GDP growth rates of 9.1% for the country as a whole and 14.0% for Zhejiang Province, despite a dip in the second quarter as a result of SARS. Both of the above growth rates were the highest since the Asian Financial Crisis.



Source: China National Statistics Bureau

The strong economic growth, accompanied by exceptional growth in vehicle sales and further expansion in expressway networks, among others, resulted in continued growth in traffic volumes on the expressways operated by the Group that more than compensated the fall in traffic volumes due to local traffic diversions and temporary disruptions due to the occurrence of SARS.



Source: Media Reportings

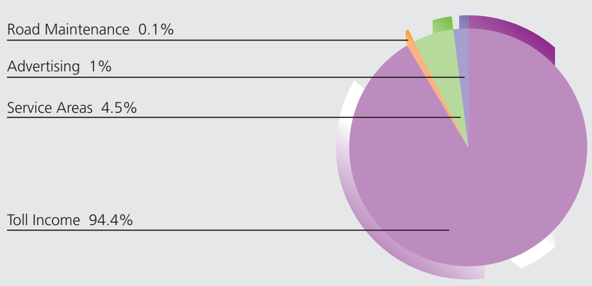
Turnover for the Group grew by 14.0% during the Period to reach Rmb2,471.8 million, details of which are as follows:

	Year ended December 31		
	2003 Rmb'000	2002 Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	**1,908,764**	1,745,931	+9.3
Shangsan Expressway	**549,962**	438,266	+25.5
Other income			
Service areas	**117,205**	73,043	+60.5
Advertising	**26,138**	27,742	-5.8
Road maintenance	**2,669**	1,704	+56.6
	2,604,738	2,286,686	+13.9
Revenue taxes	**(132,933)**	(118,608)	+12.1
Turnover	**2,471,805**	2,168,078	+14.0

TOLL ROAD OPERATIONS

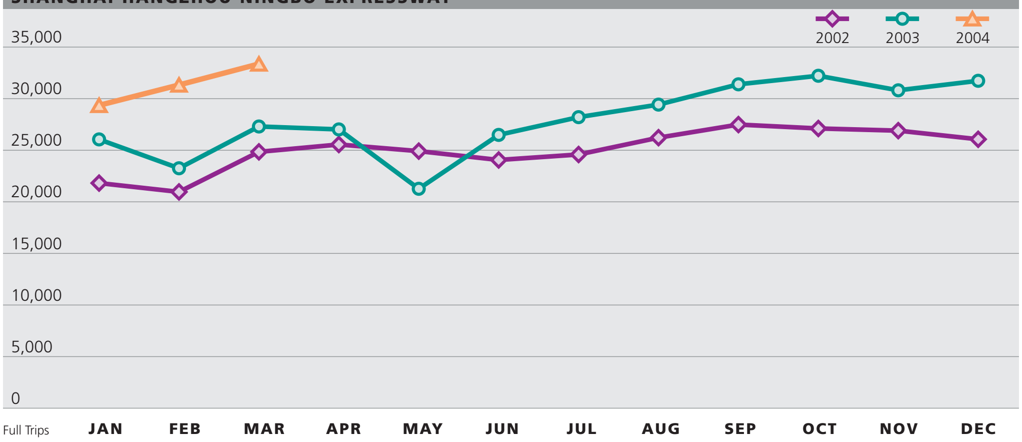
Toll road operations remained the core business operation of the Group, as toll income contributed to 94.4% of the overall income for the Group, though a slight decrease from 95.5% in 2002 due to higher rates of growth in other business operations.

BREAKDOWN OF GROUP TURNOVER IN 2003



Amongst the two major expressways operated by the Group, daily average full-trip traffic volume for the Shanghai-Hangzhou-Ningbo Expressway in 2003 was 27,938, representing an increase of 11.5% over 2002.

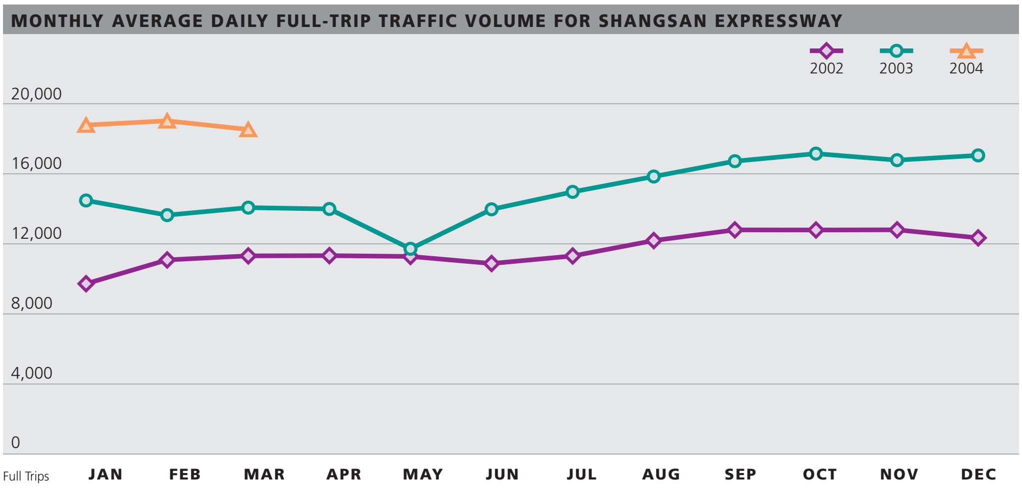
MONTHLY AVERAGE DAILY FULL-TRIP TRAFFIC VOLUME FOR SHANGHAI-HANGZHOU-NINGBO EXPRESSWAY



A slower traffic volume growth rate on the Shanghai-Hangzhou-Ningbo Expressway was attained in 2003 compared to previous years. Apart from being a more mature expressway, the expressway was also subject to direct traffic diversion by the Hangzhou City Ring Road, as well as greater impact by measures taken to contain the spread of SARS in the second quarter of the year.

Growth in traffic volume of the Shangsan Expressway in 2003 was much higher at 29.0% to reach 15,011 in daily average full-trip traffic volume.

MONTHLY AVERAGE DAILY FULL-TRIP TRAFFIC VOLUME FOR SHANGSAN EXPRESSWAY



Apart from the fact that the Shangsan Expressway, being a newer expressway, was expected to undergo a higher rate of growth in traffic volume than the Shanghai-Hangzhou-Ningbo Expressway, the fact that it is situated entirely within Zhejiang Province as well as having a higher proportion in truck traffic had led to less negative impact on traffic volume due to the outbreak of SARS as compared to the Shanghai-Hangzhou-Ningbo Expressway.

Having commenced in the second half of 2002, the road surface-overlaying project on the Shanghai-Hangzhou-Ningbo Expressway continued in 2003, with 126km renovated at a cost of Rmb159.7 million.

Since having turned profitable for the first time in 2002, the 9.45km Shida Road, owned and operated by Hangzhou Shida Highway Co., Ltd., a 50% jointly-controlled entity of the Company, underwent 78.0% growth in traffic volume and 63.9% growth in toll income, realizing a net profit of Rmb17.8 million for the jointly-controlled entity during the Period (2002: Rmb1.4 million).

OTHER BUSINESS OPERATIONS

There are six pairs of service areas in operation along the expressways operated by the Group in 2003, as compared to five in 2002. Driven by strong growth in demand for restaurants, gas stations and vehicle services offered in these service areas, revenue from the service area operations grew by 60.5% to reach Rmb117.2 million in 2003.

Income from advertising came mainly from the advertising business operated by Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co"). Facing increasing competition as well as accommodating inconveniences brought by construction works relating to the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway during the Period, Advertising Co realized a turnover of Rmb24.7 million during the Period, representing a slight decrease of 5.8% over the same period in 2002. Net profit realized was approximately Rmb5.0 million.

A separate business operation involving gas stations spanning across Zhejiang Province is conducted through Zhejiang Expressway Petroleum Development Co., Ltd., a 50% owned associate of the Company. Strong growth in retail sales during the Period helped to bring a 42.1% growth in revenue as compared to 2002, and a 30.6% growth in net profit which amounted to Rmb21.3 million.

JoinHands Technology Co., Ltd. (a 27.58% owned associate of the Company) overcame a 10.3% decrease in turnover during the Period, primarily due to the disruption from SARS as well as increasing market competition for its products, and realized a net profit of Rmb6.76 million, representing a slight decrease of 0.6% over 2002.

The Group reorganized its ancillary business operations with the establishment of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co") on May 28, 2003 and its subsidiary Services Co on July 31, 2003, with the aim of streamlining the structure for the operations of, ancillary businesses of the Group. Principal activities of Development Co include the operation of service areas, and the Group's roadside advertising as well as vehicle towing and servicing operations along expressways through its 70% owned Advertising Co and 85% owned Services Co.

PROJECT INVESTMENTS

Phase I of the project to widen Shanghai-Hangzhou-Ningbo Expressway from four lanes to eight lanes (the "Widening Project") was completed in December 2003. With a total investment of approximately Rmb550 million, Phase I covered a 44km section from Hongken to Guzhu, currently the section with the highest traffic flow. The opening to traffic of the eight-lane section substantially improved travel conditions.

Construction works on Phase II of the Widening Project commenced in July 2003, and is targeted for completion by the end of 2005. To be widened to a standard six-lane expressway from Dajing to Shenshi (approximately 17km), and a standard eight-lane expressway from Shenshi to Fengjing (approximately 79km), leading into Shanghai, the 96km section's construction works will involve a cost of approximately Rmb2,500 million.

ILLUSTRATION ON THE WIDENING PROJECT

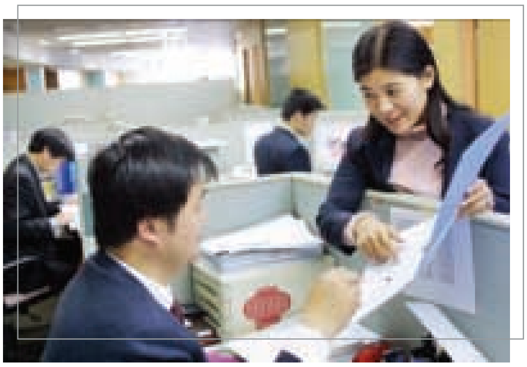
Phase III of the Widening Project is expected to commence construction in June 2004 for completion by the end of 2007. The 80km section from Guzhu to Duantang, leading into Ningbo, is also designed as a standard eight-lane expressway, with an estimated widening cost of approximately Rmb2,300 million.

Other than the above projects, on May 8, 2003 the Company further acquired an additional 2% ownership interest in Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), a subsidiary of the Company, from Xinchang County Transport Development Company ("Xinchang Transport") for a cash consideration of Rmb57.6 million. As a result of the acquisition, the Company's ownership interest in Shangsan Co increased from 71.625% to 73.625%, while Xinchang Transport's ownership interest decreased from 2% to zero.

HUMAN RESOURCES

During the Period, the Group's total number of employees increased by 746 to 2,744, among whom 509 were administrative staff, 393 were engineering technicians, and 1,842 were involved in toll collection, maintenance and service areas.

The increase in employees during the Period was mainly due to a change in employment policies that changed the status of many seasonal and temporary workers to long-term contract workers of the Group in response to the growing demand for personnel in servicing ever increasing traffic flows on the two expressways operated by the Group, especially in the substantially expanded service area operations.



The Company encourages competitive performance and improvement in professional skills amongst its employees through evaluation and training programs. In addition to basic salaries, overall remuneration of the employees include a bonus based on business performance of the Company, and for management team, a bonus based on share price performance of the Company. Total remuneration for the Period was Rmb89.7 million, representing an increase of 3.4% over 2002.

INVESTOR RELATIONS

In following through its commitment to maintaining a continuously open dialogue with shareholders and the investment community at large, the Company actively participated in meetings with investors and analysts through global roadshows, investor conferences, company visits and conference calls that amounted to more than 90 meetings held with more than 250 individual investors and analysts during the Period.

Through these and other dialogues, the Company was able to project a clear picture of its business operations and growth prospects to the market, resulting in wide recognition amongst the market participants for its transparency and accessibility.

FINANCIAL ANALYSIS

As at December 31, 2003, net profit attributable to shareholders was approximately Rmb1,008.8 million, representing an increase of 13.3% over 2002; earnings per share increased 13.3% to Rmb23.23 cents, while return on equity for the Period increased from 9.2% to 9.9%.

PROFITABILITY

In the past five years, the Group was able to maintain double-digit growth in earnings per share, with a compound annual growth rate of 20.1%. Details are as follows:

	Year ended December 31				
	1999	2000	2001	2002	**2003**
EPS (Rmb cents)	12.62	14.64	17.51	20.50	**23.23**
Growth rate (%)	35.6	16.0	19.6	17.1	**13.3**

To enhance shareholder's value, the Group follows a steady dividend policy with high payout ratio, while seeking continued growth in return on equity. During the Period, the Group's return on equity ("ROE") increased by 8.3% over the same period of the previous year to reach 9.9%. Details of dividends and ROEs in the past five years are as follows:

	Year ended December 31				
	1999	2000	2001	2002	**2003**
Dividends (Rmb'000)	238,871	390,880	434,311	564,604	**651,467**
Dividend payout ratio (%)	43.6	61.5	57.1	63.4	**64.6**
ROE (%)	6.4	7.1	8.2	9.2	**9.9**

The high rate of growth in earnings per share and ROE reflected the profitability, as well as potentials for further growth, of the expressways operated by the Group.

FINANCIAL RESOURCES AND LIQUIDITY

Financial Resources

As at December 31, 2003, the Group held Rmb567.2 million in cash and cash equivalents, Rmb251.6 million in time deposits and Rmb1,104.3 million in short-term investments, totaling Rmb1,923.1 million. Details are as follows:

	As at December 31	
	2003 Rmb'000	2002 Rmb'000
Cash and cash equivalent	**567,195**	666,291
Rmb	**565,251**	532,358
US$ in Rmb equivalent	**1,393**	131,744
Euro in Rmb equivalent	**59**	22
HK$ in Rmb equivalent	**492**	2,167
Time deposits	**251,600**	282,779
Rmb	**251,598**	192,824
US$ in Rmb equivalent	**—**	79,967
Euro in Rmb equivalent	**—**	—
HK$ in Rmb equivalent	**2**	9,988
Short term investments	**1,104,266**	858,114
Rmb	**1,104,266**	858,114
Total	**1,923,061**	1,807,184
Rmb	**1,921,115**	1,583,296
US$ in Rmb equivalent	**1,393**	211,711
Euro in Rmb equivalent	**59**	22
HK$ in Rmb equivalent	**494**	12,155

The steady large inflow of cash from expressway operations under the Group made it possible for the Group to hold a sizable amount in liquid assets. Due to the investment characteristics of the toll road industry, where a substantial amount of investment in cash may be needed in a short period of time, the Group chose to maintain such a sizable liquid assets as an adequate reserve for potential capital expenditures.

As part of its cash management practice and an important constituent of its financial resources, a short-term investment portfolio is maintained by the Group with the aim of maximizing returns on cash that are temporarily idle while controlling relevant investment risks by choosing investment products with relative small risks. Amongst the short-term investments held by the Group during the Period, approximately 92.1% were treasury bonds, with the remaining being mostly close-ended security investment funds.

With a total of Rmb1,923.1 million held in cash and cash equivalent, time deposits and highly liquid short-term investments, as well as an asset-liability ratio of only 26%, the Group has ample resources for debt financing.

Cash Flow and Liquidity

The Group had adequate net cash inflows from operating activities, which amounted to Rmb1,670.3 million as of the end of the Period.

A measure of the Group's cash flow is the cash to investment ratio, defined as the ratio of operating cash flows of the past five years to the sum of capital expenditure, increase in inventory and cash dividend in the past five years, was 0.77 as at December 31, 2003, an indication of the Group's substantial self-sustaining fund and strong financial flexibility.

The current assets held by the Group amounted to Rmb1,999.4 million as at December 31, 2003, amongst which account receivables, other receivables and inventories accounted for 3.8% (as at December 31, 2002: 7.4%); and the current ratio of the Group for the year ended December 31, 2003 was 1.09, representing adequate working capital held by the Group.

As a result, the Directors believe that the Group has sufficient financial resources to meet its operational needs in the foreseeable future.

BORROWINGS AND DEBT REPAYMENT ABILITY

During the Period, total interest-bearing borrowings of the Group decreased from Rmb3,038.2 million at the beginning of the year to Rmb2,720.1 million by the end of the year, amongst which Rmb975.9 million were short-term interest-bearing liabilities, representing a decrease of 48.1% over 2002, and Rmb1,744.1 million were long-term interest-bearing liabilities, representing an increase of 50.8%. Details are as follows:

Maturity Profiles

	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 year Rmb'000
Floating rates				
World Bank loan	847,526	127,950	341,191	378,385
Fixed rates				
Commercial bank loans	800,000	800,000	—	—
Government loans	72,600	48,000	24,020	580
Corporate bonds	1,000,000	—	—	1,000,000
Total as at December 31, 2003	2,720,126	975,950	365,211	1,378,965
Total as at December 31, 2002	3,038,200	1,881,553	681,064	475,583

The annual coupon rate on the Rmb1 billion corporate bonds for a term of 10 years issued by the Company at the beginning of the year was fixed at 4.29%, with interests payable annually. The floating rates of the Group's Rmb847.5 million World Bank loans, denominated in US dollars, ranged between 5.02% and 4.62% during the Period, averaging approximately 4.80%. The interest rates on other borrowings of the Group, all in Rmb, were not materially different from those in 2002.

With interest expenses at approximately Rmb142.3 million and profit before interest and tax at approximately Rmb1,735.5 million, the Group's interest cover ratio was 12.2 during the Period, representing a 28.4% increase over the same period last year.

	2003 Rmb'000	2002 Rmb'000
Profit before tax and interest	**1,735,492**	1,557,695
Interest expenses	**142,303**	163,224
Interest cover ratio	**12.2**	9.5

The Group's asset-liability ratio had decreased gradually over the past three years due to continued strong net cash inflow from its operating activities that was more than sufficient in meeting its capital expenditure needs.

Following the adjustment in the maturity profile of the Group's interest-bearing borrowings in 2003, the match between current asset with current liability, and long-term asset with long-term liability and equity were improved markedly, further enhancing the debt-repayment capability of the Group.

The Directors believe that the adjustment in the maturity profile of the Group's interest-bearing borrowings during the Period is better suited to the Group's present asset structure.

CAPITAL STRUCTURE

As at December 31, 2003, the Group's capital structure comprised Rmb10,146.0 million in shareholders' equity, Rmb1,872.6 million in fixed rate liabilities, Rmb847.5 million in floating rate liabilities and Rmb2,202.6 million in interest-free liabilities and minority interest, representing approximately 67.3%, 12.4%, 5.6% and 14.6%, respectively, of the Group's total capital.

	As at December 31, 2003		As at December 31, 2002	
	Rmb'000	**%**	Rmb'000	%
Shareholders' equity	**10,145,979**	**67.3%**	9,701,791	66.9%
Fixed rate liabilities	**1,872,600**	**12.4%**	2,147,600	14.8%
Floating rate liabilities	**847,526**	**5.6%**	890,600	6.1%
Interest-free liabilities	**2,202,582**	**14.6%**	1,765,843	12.2%
Long-term interest-bearing liabilities	**1,744,176**	**11.6%**	1,156,647	8.0%
Total	**15,068,687**	**100.0%**	14,505,834	100.0%
Gearing ratio 1	**48.5%**		49.5%	
Gearing ratio 2	**17.2%**		11.9%	
Asset-liability ratio	**26.0%**		26.4%	

Notes: *Gearing ratio 1 represents the sum of fixed rate liabilities, floating rate liabilities, interest-free liabilities and minority interest vs. the shareholders' equity; gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities vs. the shareholders' equity.*

CAPITAL EXPENDITURE COMMITMENTS AND UTILIZATION

During the Period, the capital expenditure incurred by the Group was Rmb859.9 million, with corresponding capital expenditure for the Company amounting to Rmb271.3 million. Amongst the Rmb859.9 million capital expenditure incurred by the Group, Rmb605.4 million was utilized toward the Widening Project.

As at December 31, 2003, the Group and the Company had capital expenditure commitments of Rmb5,052.7 million and Rmb2,961.4 million, respectively, for 2004 and beyond. In particular, approximately Rmb1,345.5 million capital expenditure will be spent by the Group in 2004, with approximately Rmb1,141.0 million spent on the Widening Project, Rmb50.5 million on equipment acquisition and Rmb154.0 million on expressway ancillary facilities.

	As at December 31, 2003					
	Group			Company		
	Commitments Rmb'000	Utilization Rmb'000	Balance Rmb'000	Commitments Rmb'000	Utilization Rmb'000	Balance Rmb'000
Expressway Widening Project						
From Hongken to Guzhu	553,129	447,389	105,740	553,129	447,389	105,740
From Dajing to Fengjing	2,508,190	472,660	2,035,530	—	—	—
From Guzhu to Duantang	2,300,000	—	2,300,000	2,300,000	—	2,300,000
Acquisition of additional 18.4% equity interest in Shangsan Co	485,000	—	485,000	485,000	—	485,000
Renovation of Service Area	5,893	—	5,893	4,950	—	4,950
Remaining construction works of the Shangsan Expressway	43,754	—	43,754	—	—	—
Purchase of machinery	76,197	—	76,197	65,697	—	65,697
Construction works under contract No.11 of the Shanghai-Hangzhou Expressway	52,550	51,957	593	—	—	—
Total	6,024,713	972,006	5,052,707	3,408,776	447,389	2,961,387

The Group will fund the above capital expenditures with its internal financial resources, meeting any shortfall by utilizing other funding options, with a preference for debt financing.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Other than a loan guarantee of Rmb30 million provided in favor of Hangzhou Shida Highway Co., Ltd. ("Shida Co"), a jointly controlled entity, in respect of a commercial bank loan of the same amount extended to Shida Co from September 2001 to September 2009, the Group did not have any contingent liabilities as at December 31, 2003. In addition, the Group had no pledge of assets during the Period.

FOREIGN EXCHANGE EXPOSURE

The Group has a World Bank loan of approximately Rmb847.5 million, denominated in US Dollars and borrowed for the construction of the Shanghai-Hangzhou-Ningbo Expressway. In addition, dividends for H shares payable by the Company are settled in HK dollars.

In view of the stable exchange rate between Renminbi and US dollars, the Directors do not foresee any material foreign exchange risk for the Group. However, there is no assurance that any foreign exchange exposure will not adversely affect the operating results of the Group in the future.

OUTLOOK FOR 2004

With China being on the verge of a new round of accelerated economic growth, according to many economic observers, the Yangtze River Delta region, including the city of Shanghai and the two provinces of Jiangsu and Zhejiang, will be the engine to power this next phase of economic expansion. Already a highly urbanized region, the Yangtze River Delta region will undergo further integration amongst its cities to accommodate a greater level of cooperation.

An important aspect to the integration drive is the announcement by regional governments of more ambitious transportation plans that will result in the operational mileage of expressways in Zhejiang Province to be further extended by approximately 1,000km within the next four years. The newly planned expressways are intended to serve the anticipated growth in transportation demand in the region by alleviating the excess traffic burdens forecasted in the near future on existing expressway networks, including the corridor along the Hangzhou Bay, connecting the three major cities of Shanghai, Hangzhou and Ningbo. As such, the new expressways will present far more opportunities than challenges for the Group.

Continued heavy investments in infrastructure in the region will help to sustain accelerated economic growth, which will in turn spur substantial growth in production and sales of vehicles, especially passenger cars for private consumption. Faced with a rapidly expanding expressway network that is making the transport system more easily accessible and efficient to more vehicles than ever, the prospects for continued strong traffic volume growth on the expressways operated by the Group are favorable. As more expressways are being completed and opened to traffic, and still more are being planned for Zhejiang Province, prospects for new project investment and acquisition are also improving.

With anticipated growth in traffic on existing expressways, the Company has taken steps to increase service capacities at its service areas, in addition to continuing with its Phase II and Phase III of the Widening Project which is targeted for full completion by the end of 2007.

The road surface-overlaying project on the Shanghai-Hangzhou-Ningbo Expressway will be concluded in 2004, covering approximately 47km of roadways, ramps, toll plazas and interchanges at an estimated cost of Rmb95.5 million.

Due to the growing traffic volume that has made it increasingly difficult to perform road surface-overlaying works on a large scale during a relative short period of time without adversely affecting normal traffic flow, starting from 2005, the Group will be conducting these works on a smaller scale but with higher frequency, so that while the overall impact on normal traffic flow will be minimized, the annual cost will be more evenly distributed, and the average cost expected to be slightly lower than usual as a result of reduced routine maintenance costs relating to road surface.

The Company intends to build upon its renewed emphasis on providing quality service to its customers, while in the process taking advantage of all the positive developments in the industry, creating value for its customers, employees, business partners, shareholders and the community at large.

Will the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway adversely affect the normal traffic flow?

- The Widening Project on the Shanghai-Hangzhou-Ningbo Expressway is carried out on two sides of the existing expressway. In respect of Phase I of the Widening Project already completed, being the work from Hongken to Guzhu of approximately 44 kilometers, strict on-site supervision and a comprehensive plan have been implemented, including keeping other half lanes open to traffic, breaking the works into smaller sections and scheduling as much work at night as possible. Even though the speed of traffic flow was slower in certain sections during the construction, traffic flow of the expressway was smooth during the course of the widening works, and there were no significant impact to the continued growth in traffic volumes. Moreover, travel conditions at parallel roads were even less desirable, thus unable to divert any traffic away from our expressway. We believe that the experience gained from Phase I of the Widening Project will help us to minimise the impact on the normal traffic flow brought about by the construction works during the on going Phase II of the widening project, and Phase III to be commenced in 2004.

How much impact does price increase in raw materials such as cement and reinforcing bars have on the costs of the Widening Project?

- The expressways we operate have very high elevations, such that most of the construction works involve the build-up of foundations. Only structures such as bridges, passageways and culverts make use of cement and reinforcing bars. The amount used is relatively small. Since October 2003, prices of cement and reinforcing bars have the increased significantly, but the prices have been decreasing recently. Should prices of raw material remain high, we will allow for price adjustments in accordance with relevant contracts and regulations in order to ensure the progress as the well as the quality of construction be maintained. Even so, we do not expect such price adjustments will have any material impact on the costs of Widening Project as a whole.

Toll fees based on weight of trucks have been implemented in certain expressways in China. Will Zhejiang Expressway consider adopting this charging method?

- We have also noted this measure which aims to tackle the rampant problem of overloaded trucks and also consider it to be a more reasonable charging method as far as all parties are concerned. We will keep a close eye on the implementation of the relevant measure, though we think it is still too early to judge if the measures can be sustained. We are more in favour of banning the excessively loaded vehicles from entering own expressways, as the damage they cause to the road structures far out weigh the extra toll fees they pay.

What are the major risks that the Company will face in the future?

- Although the traffic flow on most sections of the Shanghai-Hangzhou-Ningbo Expressway has room for further growth relative to the designed carrying capacity of the eight lanes upon completion of the Widening Project, given the rapid development and increasing integration of the economy of the Yangtze River Delta region, the existing expressway network is still far from sufficient to meet the growing demand for the local traffic for quite some time in the future. To alleviate future congestions, there will be new expressways constructed and opened to traffic in Zhejiang Province by the end of 2007 in areas surrounding the Shanghai-Hangzhou-Ningbo Expressway. The newly constructed expressways will on the one hand compliment the existing road networks and assure good road infrastructure to serve the need arising from further growth of the local economy, but will on the other hand cause a certain degree of traffic diversions from the Shanghai-Hangzhou-Ningbo Expressway in the short period immediately after the opening to traffic of these new expressways. Although our parent company will be taking up stakes, including controlling stakes, in these newly planned new expressways, we are also aware of the operating risks it will bring about in the short term, and consider these risks the most significant ones that the Company will face.

The Company has spent more than RMB300 million in respect of the large-scale road surface-overlaying project during the past two years. Will similar expenditures be incurred by the Company in the near future?

- The road surface-overlaying project of the Shanghai-Hangzhou-Ningbo Expressway that commenced in the second half of 2002 will be completed in 2004. It is expected that an additional cost of approximate RMB100 million will be incurred in 2004. Applying prudent accounting principles, costs of the road surface-overlaying project are included in maintenance costs in the year incurred. In view of the rapid growth in traffic volumes on the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway, it will be difficult to implement a large-scale road surface-overlaying project a few years from now. Therefore, we will be implementing the road surface-overlaying project section by section, year by year starting from 2005, in order to minimise the impact of the construction works on traffic flow and to distribute more evenly the financial impact of related costs. According to this policy, we expect that the total expenditures on maintenance each year in the next few years will be maintained at approximately 8% of toll revenue.

When will the Company apply for adjustments to toll fees again?

- Pursuant to a concession agreement entered into between the Company and the Zhejiang government, we may apply for adjustments to toll fees in April 2005. The agreement also provides that if the increase in toll fees that the Company applies for does not exceed the accumulated annual compound growth rate of the national retail price index for the past three years, the Zhejiang government will approve the relevant application. Therefore, whether the Company will apply for a price adjustment and to what extend will we adjust the fees depends on the growth of the national retail price index for the three years prior to 2005. Any decision on fee adjustment will also be subject to the outcome of a market sensitivity study.

SHAREHOLDERS GENERAL MEETINGS

The shareholding structure of the Company remained unchanged in 2003, with Zhejiang Communications Investment Group Co., Ltd. holding 56.01% of (domestic) shares in the Company, and Huajian Transportation Economic Development Center holding 10.98% of (domestic) shares, while the remaining 33.01% were held by holders of H Shares of the Company.

One annual general meeting and two extraordinary general meetings were held in 2003, approving, among others, the election of members of the third sessions of the Board of Directors of the Company and Supervisory Committee of the Company for a term of three years starting from March 1, 2003, as well as the Widening Project on the Shanghai-Hangzhou-Ningbo Expressway.

BOARD OF DIRECTORS

The third session of the Board of Directors of the Company comprises nine members, four of whom are executive directors, while the remaining five are non-executive directors, amongst whom three are independent directors.

Three Board meetings were held by the Directors in 2003, two of which were attended by all nine members, one in the first half of the year, and the other in the second half of the year.

In conjunction with the two fully attended Board meetings held, two meetings were held by the audit committee under the Board of Directors of the Company to review, among others, the financial statements of the Group and work reports of the Company's internal audit department.

SUPERVISORY COMMITTEE

The newly elected members of the Supervisory Committee of the Company comprise five supervisors, amongst whom one acts as shareholders' representative, one as employees' representative, and the remaining three are independent supervisors.

Two meetings were held by the Supervisory Committee of the Company. In addition, the supervisors attended all Board meetings held during 2003.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As announced by the Company on March 16, 2004, the Company proposes to its shareholders to approve, in the annual general meeting to be held on May 21, 2004, certain amendments to its Articles of Association ("Articles"). The proposed amendments are made in accordance with the relevant requirements under the revised Listing Rules which came into effect on March 31, 2004. The following sets out in further details of the proposed amendments to the Articles.

Article 40 — Fees for registration of securities title transfer documents

The Listing Rules require the Articles to provide that any fees charged by the Company for the registration of transfer and other documents relating to or affecting title to any registered securities shall not exceed the maximum fees prescribed by the Stock Exchange from time to time in the Listing Rules. To reflect this requirement, the existing paragraph (1) of Article 40 is proposed to be deleted in its entirety and substituted therefor by the following:

> "(1) a fee of such amount as may be prescribed from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the registration of the transfer documents of the shares and other documents relating to or affecting the ownership of shares is paid;".

Article 48A — Rights attached to shares not impaired by failure to disclose interests

The Listing Rules require the Articles to provide that no power shall be taken to freeze or otherwise impair any rights attaching to any share of the Company by reason only that the person(s) who are interested directly or indirectly therein have failed to disclose their interests to the Company. To reflect this requirement, a new Article 48A is proposed to be inserted after the existing Article 48 and before the existing Article 49 as follows:

> "**Article 48A** The Company shall not exercise any powers to freeze or otherwise impair any of the rights attaching to any share of the Company by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company."

Article 70 — Voting by poll

The revised Listing Rules provide that, any vote of shareholders taken at a general meeting to approve (i) connected transactions; (ii) transactions that are subject to independent shareholders' approval pursuant to the Listing Rules; (iii) granting of options to a substantial shareholder or an independent non-executive director or any of their respective associates; and (iv) any other transaction in which a shareholder has a material interest and is therefore required to abstain from voting, must be taken on a poll. To reflect this new requirement, the existing first paragraph of Article 70 is proposed to be deleted in its entirety and substituted therefor by the following:

> "**Article 70** At any shareholders' general meeting a resolution shall be passed by a show of hands, subject to any requirement in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, or unless a poll is demanded by the following persons (prior to or after a show of hands):
>
> (1) chairman of the meeting;
>
> (2) at least two shareholders or proxies having the right to vote;
>
> (3) a shareholder or shareholders (including proxy or proxies) representing 10% or more of the total voting rights of all the shareholders having the right to vote at such meeting."

Article 81A — Voting restrictions

Under the revised Listing Rules, the Articles must provide that where any shareholder is subject to voting restrictions under the Listing Rules, any votes cast by or on behalf of such shareholder in contravention of such restriction shall not be counted. It is proposed that a new Article 81A be inserted after the existing Article 81 and before the existing Article 82 as follows:

> "**Article 81A** Where any shareholder of the Company is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted."

Article 91 — Notice period for appointment of Directors

In accordance with the revised Listing Rules, it is proposed that the existing second paragraph of Article 91 be deleted in its entirety and substituted therefor by the following, to specify the period for lodgment of notices for the nomination of Directors by shareholders and the acceptance of nomination by the nominated directors shall not be less than 7 days, such period to commence no earlier than the day after the despatch of the notice of the meeting appointed for the election of the nominated Directors and end no later than 7 days prior to the date of such meeting:

> "The period during which a written notice of intention to propose a person for election as director and a written notice by that person of his willingness to be elected are to be given to the Company shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is despatched and end no later than 7 days prior to the date of such meeting."

Articles 126, 127 and 133 — Disclosure of material interests by Directors etc.

It is proposed that the existing second and third paragraphs of Article 126 be deleted in their entirety and substituted therefor by the following, in accordance with the revised Listing Rules requirements, to provide that Directors, Supervisors, managers and other officers of the Company shall disclose material interests of themselves or of their associates in transactions, and that the Directors shall not vote in such transactions:

> "Unless the director, supervisor, general manager and other officers of the Company so interested has disclosed such interest to the board of directors as required in this Article and the board of directors has approved the same in a meeting in which he has not been counted in the quorum and has refrained from voting, the Company shall have the right to revoke such contract, transaction or arrangement except as against a bona fide party without notice of the breach of the duty by the director, supervisor, general manager and other officers concerned.

If any connected person or any associate (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Associate") of a director, supervisor, general manager or other officers of the Company is interested in certain contracts, transactions or arrangements, such director, supervisor, general manager or officers shall also be deemed as interested in the same."

To correspond with the proposed amendments to Article 126, it is proposed that the existing Articles 127 and 133 be deleted in their entirety and substituted therefor by the following:

"**Article 127** If, before the Company first considers the entering into of the relevant contract, transaction or arrangement, a director, supervisor, general manager and other officer of the Company gives written notice to the board of directors, stating that by reasons of the facts contained in the notice, he, or any of his Associates, is interested in such contract, transaction or arrangement to be entered into by the Company subsequently, such director, supervisor, general manager and other officers shall be deemed to have made such disclosure as stipulated in the preceding Article of this Chapter to the extent as stated in the notice."

"**Article 133** Where a director, supervisor, general manager or other officer of the Company is in breach of his obligations to the Company, the Company shall apart from the various rights and remedies provided by laws and administrative regulations be entitled to take the following measures:

(1) to demand the relevant director, supervisor, general manager or officer pay damages for the losses sustained by the Company as a result of the dereliction of duties on his part;

(2) to revoke any contract or transaction made between the Company and the relevant director, supervisor, general manager or officer, or any Associate of such persons, and a contract or transaction made between the Company and a third party (if such third party knows or should have known that the director, supervisor, general manager or officer representing the Company are in breach of the obligations to the Company);

(3) to demand the relevant director, supervisor, general manager or officer account for the profits received by him as a result of the breach of the obligations;

(4) to recover from the relevant director, supervisor, general manager or officer the monies which should have been received by the Company including, but not limited to, commission received by them;

(5) to demand the relevant director, supervisor or officer return the interest earned or that may be earned from the monies which should have been payable to the Company;

(6) through legal proceedings, to demand a verdict that the properties which the relevant director, supervisor or officer received as a result of the breach of the obligations shall be the properties of the Company."

DIRECTORS

Executive Directors

Mr. GENG Xiaoping, born in 1948, is the Chairman of the Company. Mr. Geng graduated from the East China College of Political Science and Law in 1984. From 1979 to 1991, he held various positions at the People's Procuratorate of Zhejiang Province including Secretary, Division Chief and Deputy Procurator. In 1991, he was appointed as Deputy Director of the Zhejiang Provincial Expressway Executive Commission where he was responsible for the business operation and administration of the expressway system in Zhejiang Province. Mr. Geng was the General Manager and Chairman of the Company from March 1997 to March 2002. Since December 2001, he has been appointed as a director and General Manager of the Communications Investment Group. He resigned from the office of the General Manager of the Company in March 2002.

Mr. FANG Yunti, born in 1950, is a senior engineer, an Executive Director and the General Manager of the Company responsible for the overall management of the Company. Mr. Fang graduated from Qing Hua University in 1976 with a major in automotive engineering. From 1983 to 1988, he was the Deputy General Manager of Zhejiang Province Automobile Transport Company. From 1988 to 1990, he was the Chief Engineer at the Provincial Road Transport Company. During the period from 1991 to 1996, he was the Deputy Chief and Chief of the Operating Administrative and Technical Equipment Divisions of the Zhejiang Provincial Expressway Executive Commission, where his responsibilities included operation management and equipment management in relation to the Shanghai-Hangzhou-Ningbo Expressway. Mr. Fang was an Executive Director and the Deputy General Manager of the Company from March 1997 to March 2002. Since March 2002, he has been an Executive Director and the General Manager of the Company.

Mr. ZHANG Jingzhong, born in 1963, is a senior lawyer, an Executive Director and Company Secretary of the Company. Mr. Zhang graduated from Zhejiang University (previously known as Hangzhou University) in July 1984 with a bachelor's degree in law. In 1984, he joined the Zhejiang Provincial Political Science and Law Policy Research Unit. From 1988 to 1994, he was the Associate Director of Hangzhou Municipal Foreign Economic Law Firm. In 1992, he obtained the qualifications required by the regulatory authorities in China to practise securities law. In January 1994, Mr. Zhang became a Senior Partner at T&C Law Firm in Hangzhou. Mr. Zhang has been an Executive Director of the Company since April 1997, and was the Deputy General Manager until February 2003. Since March 2003, he has been the Secretary of the Board.

Mr. XUAN Daoguang, born in 1944, is a senior engineer, an Executive Director and Deputy General Manager of the Company. Mr. Xuan graduated from Tong Ji University in 1960 with a degree in engineering, specialising in the construction and design of bridges and tunnels. Mr. Xuan has 43 years of experience in engineering maintenance and has held positions such as Section Head and Head of the Road Administrative Division of Jinhua City and Head of the Engineering Maintenance Department of the Zhejiang Provincial Expressway Executive Commission. Mr. Xuan has been an Executive Director of the Company since March 1997. He has been the Deputy General Manager of the Company since March 2000.

Non-executive Directors

Ms. ZHANG Luyun, born in 1961, is a director and Deputy General Manager of the Communications Investment Group. Ms. Zhang graduated from Zhejiang University, majoring in administration and management. From 1985 to 1997, she served as the Secretary, Deputy Chief and Chief in the Office of Hangzhou City Government. In 1997, she was the Deputy President of Hangzhou Broadcasting and TV College and received the title of the Assistant Researcher in college-teaching. She joined the Communications Investment Group in December 2001 and has been a director and Deputy General Manager of the Communications Investment Group since then.

Ms. ZHANG Yang, born in 1964, is the general assistant manager and the manager of the Securities Department of Huajian Transportation Economic Development Center. In 1987, she graduated from Lanzhou University with a bachelor's degree in economics. In 2001, she completed the postgraduate studies in economics management in the Central Party School. From 1987 to 1994, she worked for the Ministry of Aviation. Ms. Zhang is currently a non-executive director of Shenzhen Expressway Company Limited and Sichuan Expressway Company Limited.

Independent non-executive Directors

Mr. TUNG Chee Chen, born in 1942, is the Chairman of Orient Overseas (International) Limited, an independent non-executive Director and the Chairman of the Audit Committee and the Nomination and Remuneration Committee of the Company. Mr. Tung was educated at the University of Liverpool, England, where he received his bachelor's degree in science. He later obtained a master's degree in mechanical engineering at the Massachusetts Institute of Technology in the United States. He is currently a registered Professional Engineer in the State of California. Mr. Tung has been an independent non-executive Director of the Company since March 1997.

Mr. ZHANG Junsheng, born in 1936, is a professor, an independent non-executive Director and a member of the Audit Committee of the Company. Mr. Zhang graduated from Zhejiang University in 1958, and was a lecturer, an associate professor, and an advising professor at Zhejiang University. He was also a professor concurrently at, amongst other universities, Zhongshan University. In 1980, he became the Deputy General Secretary of Zhejiang University. In 1983, Mr. Zhang served as the Deputy General Secretary in the Hangzhou City Government. In 1985, he began to work for the Xinhua News Agency, Hong Kong Branch, and became its Deputy Director in 1987. Since September 1998, Mr. Zhang has taken up the position of General Secretary of Zhejiang University. In addition, Mr. Zhang is currently a Special Advisor to the Zhejiang Provincial Government, a Director to the Zhejiang Province Enconomic Development Consultation Committee and an Honorary Doctor of Science of the City University of Hong Kong. Mr. Zhang has been an independent non-executive Director of the Company since March 2000.

Mr. ZHANG Liping, born in 1958, is an executive director and the general manager of Pacific Concord Holdings Limited. He obtained a master's degree in international affairs and international laws from St. John's University. After joining Merrill Lynch & Co., Inc. in 1989, he engaged in the business of investment banking and was a director of the investment banking division of Merrill Lynch Co. & Inc. From 1996 he took up the post of Chairman, director and General Manager of Seapower Corporate Finance Limited and was an executive director in Seapower Holdings Ltd. In 1998, he moved to Dresdner Kleinwort Benson and assumed the post of Chairman, director, and General Manager of the Greater China region. He was also a member of the Asia Executive Committee of Dresdner Kleinwort Benson. He is currently an independent non-executive director of Anhui Expressway Co., Ltd.

SUPERVISORS

Supervisor representing shareholders

Mr. MA Kehua, born in 1952, is a senior economist, the Chairman and non-executive member of the Supervisory Committee. Mr. Ma graduated from Shanghai Railway Institute in 1977, after which he worked as an engineer at Shanghai Railway Bureau No. 1 Construction Company and the Plumbing and Electricity Section of Shanghai Railway Bureau, Hangzhou Branch. Mr. Ma was in charge of the Planning and Finance Division at the Zhejiang Local Railway Company, and in 1993 became the Deputy Division Chief and Division Chief of Zhejiang Jinwen Railway Executive Commission responsible for materials supply. Mr. Ma took up the post of Deputy General Secretary of Zhejiang Construction and Investment Company in March 1999, and is currently the Assistant General Manager of the Communications Investment Group.

Supervisor representing employees

Mr. FANG Zhexing, born in 1965, is a senior engineer, the director of the internal audit department and the manager of the human resources department of the Company. He is also the chairman of Hangzhou Shida Expressway Co., Ltd. Mr. Fang graduated from Zhejiang University in engineering where he received a master's degree. From 1986 to 1988 he was the assistant engineer in the project management office of the Electric Power and Water Conservancy Bureau in Taizhou. From 1991 until 1997, he was the engineer in the project management office of Zhejiang Provincial Expressway Executive Commission, where he participated in the project management of Shanghai-Hangzhou-Ningbo Expressway. Since March 1997, he has served as the deputy manager, the manager of the planning and development department and the manager of the project-development department of the Company.

Independent supervisors

Mr. ZHENG Qihua, born in 1963, is a senior accountant and an independent non-executive member of the Supervisory Committee. He is a guest professor at the Zhejiang Finance and Economics Institute. Mr. Zheng was among the first batch of Chinese registered accountants who obtained qualifications required for practising accountancy involving securities in 1992. He has working and training experience in Hong Kong and Singapore, and he worked with the Listing Division of the China Securities Regulatory Commission during 1997 and 1998. He is currently the Deputy General Manager of Zhejiang Pan-China Certified Public Accountants.

Mr. SUN Xiaoxia, born in 1963, is a professor and an independent non-executive member of the Supervisory Committee. Mr. Sun graduated from China Academy of Social Sciences with a doctor's degree in law. He worked as Assistant Lecturer, Lecturer, Assistant Professor, Professor and Tutor for graduate students at School of Law, Hangzhou University. Mr. Sun is currently the Deputy Dean of the School of Law and the Dean of the Department of Law, Zhejiang University. In addition, Mr. Sun is a lawyer with Zhejiang Zheda Law Firm, a standing member of China Jurisprudence Research Society, a standing member of China WTO Legal Research Society, a member of the International Society for Philosophy of Law and Social Philosophy ("IVR"), and a member of the IVR's China Branch.

Mr. JIANG Shaozhong, born in 1946, is a professor. Mr. Jiang graduated from the Management Department of Zhejiang University with a master's degree. From 1982 he worked in the Management Department of Zhejiang University as Lecturer, Assistant Professor, Professor, Dean of research office and Deputy Dean of the Department. From 1984 to 1985 he was a visiting scholar in Stanford University. From 1991 to 1998 he was the Deputy General Economist, the Chief of the Financial Division, the Chief of the Teaching Division and the Deputy Manager of the Management Department of Zhejiang University. He is currently the Deputy General Accountant of Zhejiang University.

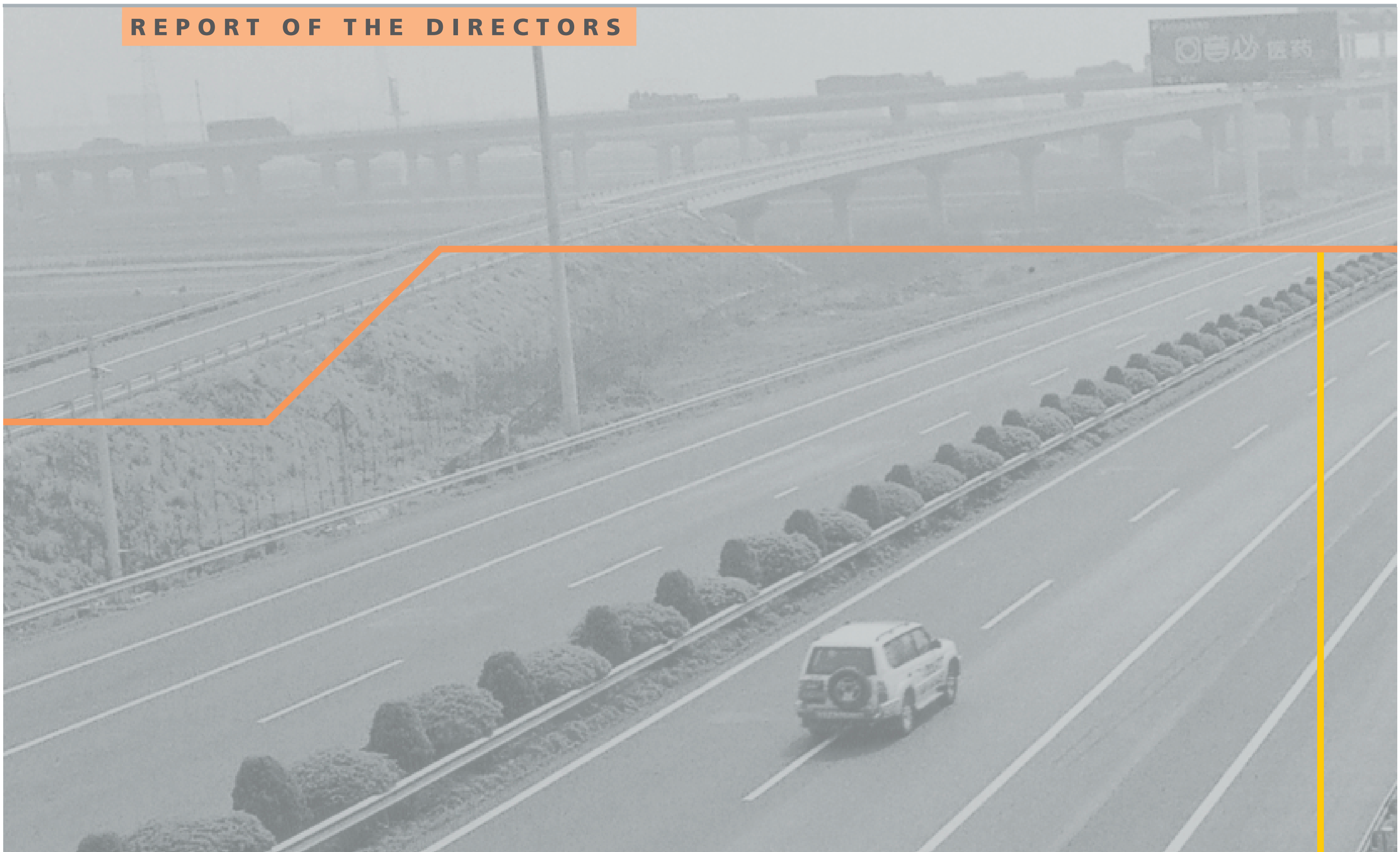
OTHER SENIOR MANAGEMENT MEMBERS

Mr. JIANG Wenyao, born in 1966, an engineer, and is the Deputy General Manager of the Company. Mr. Jiang graduated from Zhejiang University, majoring in industrial automation and manufacturing mechanics, and obtained a Master degree in engineering. From March, 1991 to February, 1997, he worked in the Engineering Division, and Planning and Finance Division of the Zhejiang Provincial Expressway Executive Commission. He joined the Company since March, 1997, and has served as Deputy Manager of the General Department, Manager of the Equipment Department, Manager of the Operation Department, Assistant of the General Manager and Secretary of the Board.

Ms. HUANG Qiuxia, born in 1956, an economist, and is the Deputy General Manager of the Company. Ms. Huang graduated from Hangzhou Technology University in 1988. From 1976 to 1991, she was the Deputy Chief of Labor Division of Hangzhou Clock and Watch Factory. She joined the Zhejiang Provincial Expressway Executive Commission in August, 1991, and was involved in matters related to labor wages, personnel, external affairs etc. During the period from March, 1997 to February, 2003, she has been the Deputy Manager and Manager of General Department of the Company.

Mr. PAN Jiaxiang, born in 1951, an engineer, and is the Deputy General Manager of the Company. Mr. Pan graduated from Hangzhou University, majoring in economic management. From 1987 to 1992, he was the Deputy Director of the Office of Shangyu City People's Government, and at the same time served as the Director of the Executive Commission of the Shanghai-Hangzhou-Ningbo Expressway (Shangyu Section). From January, 1993 to April, 1996, he was the Director and the Secretary of Party Committee of Shangyu City Communications Bureau. He has worked in the Company since April, 1997, and served as Deputy Manager of Maintenance Department, Assistant of the General Manager and Director and Chief Supervisory Engineer of Widening Project Office, and General Manager of Shangsan Co.

Mr. WU Junyi, born in 1969, a holder of master degree in accounting, and is the Chief Financial Officer of the Company. Mr. Wu graduated from Xi’an Communications University in 1996. From 1996 to 1997, he was with the China Investment Bank, Hangzhou Branch. He joined the Company in May, 1997, and has served as Manager of Securities Investment Department and Manager of Planning and Finance Department.



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:

	Year ended December 31				
Results	**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 indeminities, 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 Wenyao, 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

Dear shareholders:

In compliance with the Company Law of the PRC, the Company's Articles of Association and Regulations of the Supervisory Committee, the Supervisory Committee duly performed its supervisory duties, and safeguarded the legitimate interests of the shareholders and the Company. Main tasks undertaken by the Supervisory Committee during 2003 were to assess and supervise the legality and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of site visits, attendance of meetings of the Board, as well as participation in major corporate events. The Supervisory Committee carefully examined the operating results and financial standing of the Company, and discussed and reviewed the financial statements and dividend distribution proposals to be submitted by the Board to the general meeting.

The Supervisory Committee concluded that the Directors, General Manager and other senior management of the Company have continued to adopt a steady operating strategy in 2003. Alongside with an emphasis on its principal operations, efforts were also put into developing ancillary business, with remarkable results achieved. Growth was again recorded for the operating results of the Company, providing attractive returns to shareholders. Efforts made by the Board of Directors and the management in the corporate governance have received recognition and affirmation from the investors, which consolidated its reputation in the domestic and overseas markets.

The Supervisory Committee has reviewed the financial statements of the Company for 2003 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2003, and complied with the relevant laws, regulations and the Company's Articles of Association. In 2003, the Company maintained a high dividend yield, providing satisfactory return in cash to the shareholders.

During the course of the Company's business operations, the members of the Board, General Manager and other senior management of the Company have complied with their fiduciary duties and worked in good faith while exercising their powers when discharging their duties. There were no incidents of abuse of power or infringement of the interests of shareholders and employees.

The Supervisory Committee is satisfied with the various results obtained by the Board and the management of the Company.

By the order of the Supervisory Committee

Ma Kehua
Chairman of the Supervisory Committee

March 12, 2004

To the members
Zhejiang Expressway Co., Ltd.
(Established in the People's Republic of China with limited liability)

We have audited the financial statements on pages 52 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2003 and of the profit and cash flows of the Group for the year then ended in accordance with the accounting principles generally accepted in Hong Kong and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
March 15, 2004

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2003

	Notes	2003 Rmb'000	2002 Rmb'000
TURNOVER	5	**2,471,805**	2,168,078
Operating costs		**(731,451)**	(561,918)
Gross profit		**1,740,354**	1,606,160
Other revenue	5	**127,285**	66,457
Administrative expenses		**(114,629)**	(95,209)
Other operating expenses		**(54,243)**	(33,109)
PROFIT FROM OPERATING ACTIVITIES	6	**1,698,767**	1,544,299
Finance costs	7	**(132,801)**	(163,224)
Share of profits of associates		**17,394**	11,719
Share of profit of a jointly-controlled entity		**9,829**	1,677
PROFIT BEFORE TAX		**1,593,189**	1,394,471
Tax	8	**(497,166)**	(400,952)
PROFIT BEFORE MINORITY INTERESTS		**1,096,023**	993,519
Minority interests		**(87,231)**	(103,067)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	**1,008,792**	890,452
DIVIDENDS	12		
Interim		**(173,724)**	(173,724)
Proposed final		**(477,743)**	(390,880)
		(651,467)	(564,604)
EARNINGS PER SHARE	13	**23.23 cents**	20.50 cents

CONSOLIDATED BALANCE SHEET

December 31, 2003

	Notes	2003 Rmb'000	2002 Rmb'000
NON-CURRENT ASSETS			
Fixed assets	14	**12,537,616**	12,014,986
Interest in a jointly-controlled entity	16	**62,554**	54,464
Interests in associates	17	**164,498**	159,829
Expressway operating rights	18	**205,945**	214,645
Long term investments	19	**1,000**	2,867
Goodwill	20	**97,717**	106,798
		13,069,330	12,553,589
CURRENT ASSETS			
Short term investments	19	**1,104,266**	858,114
Inventories		**3,056**	2,022
Accounts receivable	21	**21,771**	14,367
Other receivables	22	**51,469**	128,672
Cash and cash equivalents	23	**818,795**	949,070
		1,999,357	1,952,245
CURRENT LIABILITIES			
Accounts payable	24	**367,521**	207,166
Profits tax payable		**189,848**	109,289
Other taxes payable		**27,946**	15,724
Other payables and accruals	25	**260,077**	214,955
Interest-bearing bank and other loans	26	**975,950**	1,681,553
Long-term bonds repayable within one year	27	**—**	200,000
Dividend payable		**19,070**	—
		1,840,412	2,428,687
NET CURRENT ASSETS/(LIABILITIES)		**158,945**	(476,442)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,228,275**	12,077,147
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	**744,176**	1,156,647
Long term bonds	29	**1,000,000**	—
Deferred tax liabilities	32	**325,703**	240,920
		2,069,879	1,397,567
MINORITY INTERESTS		**1,012,417**	977,789
		10,145,979	9,701,791

December 31, 2003

	Notes	2003 Rmb'000	2002 Rmb'000
CAPITAL AND RESERVES			
Issued capital	33	**4,343,115**	4,343,115
Reserves	34	**5,325,121**	4,967,796
Proposed final dividend	12	**477,743**	390,880
		10,145,979	9,701,791

Geng Xiaoping
Director

Fang Yunti
Director

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2003

TOTAL EQUITY

	2003 **Rmb'000**	2002 Rmb'000
Balance at beginning of year	**9,701,791**	9,289,081
Net profit from ordinary activities attributable to shareholders	**1,008,792**	890,452
Dividends paid on ordinary shares	**(564,604)**	(477,742)
Balance at end of year	**10,145,979**	9,701,791

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2003

	Notes	2003 Rmb'000	2002 Rmb'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	35(a)	**1,670,344**	1,536,309
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**12,593**	14,483
Additions to fixed assets		**(37,537)**	(29,574)
Additions to construction in progress		**(622,532)**	(286,935)
Acquisition of additional interests in existing subsidiaries		**(58,042)**	(689,813)
Winding-up of a subsidiary	35(b)	**—**	(145)
Dividends from an associate		**7,851**	8,339
Proceeds from disposal of fixed assets		**686**	2,641
Proceeds from disposal of long term investment		**2,800**	—
(Increase)/decrease in time deposits		**31,179**	(203,679)
(Increase)/decrease in investments		**(247,411)**	82,812
Net cash outflow from investing activities		**(910,413)**	(1,101,871)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		**(545,534)**	(477,742)
Dividends paid to minority interests		**(38,101)**	(40,643)
New bank and other loans		**2,490,000**	4,070,361
Issue of bonds		**1,000,000**	—
Repayment of bank and other loans		**(3,605,792)**	(4,060,049)
Repayment of bonds		**(200,000)**	—
Capital contribution by minority shareholders		**40,400**	—
Net cash outflow from financing activities		**(859,027)**	(508,073)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(99,096)**	(73,635)
Cash and cash equivalents at beginning of year		**666,291**	739,926
CASH AND CASH EQUIVALENTS AT END OF YEAR		**567,195**	666,291
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**527,814**	562,463
Time deposits with original maturity of less than three months when acquired	23	**39,381**	103,828
		567,195	666,291

BALANCE SHEET

As at December 31, 2003

	Notes	2003 Rmb'000	2002 Rmb'000
NON-CURRENT ASSETS			
Fixed assets	14	**5,263,165**	5,208,083
Interests in subsidiaries	15	**4,177,381**	4,127,294
Interest in a jointly-controlled entity	16	**63,251**	64,055
Interests in associates	17	**127,375**	126,500
Expressway operating rights	18	**161,776**	168,710
		9,792,948	9,694,642
CURRENT ASSETS			
Short term investments	19	**1,049,372**	569,787
Inventories		**1,140**	844
Accounts receivable	21	**9,579**	7,891
Other receivables	22	**22,493**	43,024
Cash and cash equivalents	23	**276,575**	357,959
		1,359,159	979,505
CURRENT LIABILITIES			
Accounts payable	24	**213,448**	162,641
Profits tax payable		**49,832**	32,849
Other taxes payable		**9,149**	6,752
Other payables and accruals	25	**157,291**	121,862
Interest-bearing bank and other loans	26	**250,000**	895,000
Dividend payable		**19,070**	—
		698,790	1,219,104
NET CURRENT ASSETS/(LIABILITIES)		**660,369**	(239,599)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,453,317**	9,455,043
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	**—**	330,000
Long term bonds	29	**1,000,000**	—
Deferred tax liabilities	32	**154,203**	117,320
		1,154,203	447,320
		9,299,114	9,007,723
CAPITAL AND RESERVES			
Issued capital	33	**4,343,115**	4,343,115
Reserves	34	**4,478,256**	4,273,728
Proposed final dividend	12	**477,743**	390,880
		9,299,114	9,007,723

Geng Xiaoping
Director

Fang Yunti
Director

1. CORPORATE INFORMATION

Zhejiang Expressway Co., Ltd. (the "Company") was established on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the People's Republic of China (the "PRC"), the Company changed its business registration into a Sino-foreign joint stock limited company.

On February 27, 2001, the trading of the H Shares of the Company on the Berlin Stock Exchange commenced following a secondary listing on the Unofficial Regulated Market of the exchange.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by the ADRs representing the deposited H Shares of the Company effective.

The registered office of the Company is located at 19/F, Zhejiang World Trade Centre, 122 Shuguang Road, Hangzhou, Zhejiang Province, the PRC. During the year, the Group was involved in the following principal activities:

(a) the design, construction, operation, maintenance and management of high grade roads; and

(b) the development and provision of certain ancillary services such as technical consultation, advertising, automobile servicing and fuel facilities.

In the opinion of the Directors, the ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Investment Group"), a State-owned enterprise established in the PRC.

2. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS")

The following recently revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 12 (Revised): "Income taxes"

This SSAP prescribes new accounting measurement and disclosure practices. The major effects of adopting this SSAP on the Group's accounting policies and on the disclosures in the financial statements are summarised as follows:

SSAP 12 prescribes the accounting treatment for current income taxes payable or recoverable, arising from the taxable profit or loss for the current period; and deferred income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses.

2. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") (Continued)

SSAP 12 (Revised): "Income taxes" (Continued)

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;
- deferred tax assets and liabilities have been recognised upon the restatement of short term investments at fair value on the basis of their quoted market prices at the balance sheet date; and

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 8 and 32 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Details of these changes are included in the accounting policy for income tax in note 3 and in note 32 to the financial statements.

SSAP 35: "Accounting for government grants and disclosure of government assistance"

SSAP 35 prescribes the accounting for government grants and other forms of government assistance. The adoption of this SSAP has had no significant impact for these financial statements on the amounts recorded for government grants and disclosure of government assistance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, modified with respect to the measurement of investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended December 31, 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Investments in subsidiaries are stated at cost less any impairment losses.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a joint-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price, costs transferred from construction in progress and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that fixed asset.

Depreciation of expressway and bridge construction costs is calculated to write off the cost thereof over their estimated useful lives using a method whereby the aggregate annual depreciation amounts, compounded at average rates ranging from 6.11% to 8.77% per annum, up to the expiry of the underlying 30-year expressway concession period, will be equal to the total construction costs of the expressways and bridges. The aforementioned average rates are based on the traffic volumes and forecast annual growth rates of the traffic volume over the 30-year expressway concession period. This method is more commonly referred to as the "unit-of-usage" method.

Amortisation of land is provided on a straight-line basis to write off the cost of the land use rights over the underlying 30-year expressway concession period.

Depreciation of fixed assets, other than expressways, bridges and land, is provided on a straight-line basis to write off the cost of the assets, less their estimated residual values, being 3% of the cost, over their estimated useful lives. The principal annual rates used for this purpose are as follows:

	Estimated useful life	Annual depreciation rate
Toll stations and ancillary facilities	30 years	3.2%
Communications and signalling equipment	10 years	9.7%
Motor vehicles	8 years	12.1%
Machinery and equipment	5-8 years	12.1-19.4%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

Construction in progress represents costs incurred in the construction of expressways and bridges, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds, during the period of construction, installation and testing. Construction in progress is reclassified as fixed assets when completed and ready for use.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment losses is accounted for in accordance with the relevant accounting policy for that revalued asset.

Expressway operating rights

Expressway operating rights represent the rights to operate the expressways and are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is provided on a straight-line basis over the periods of the expressway operating rights granted to the Company and its subsidiaries.

Long term investments

Long term investments are non-trading investments in listed and unlisted securities intended to be held on a long term basis.

Unlisted equity securities are stated at cost, less any provisions for impairment losses on an individual investment basis. The provision is recognised as an expense immediately. The profit or loss on disposal of an unlisted security is accounted for in the period in which the disposal occurs and is the difference between the net sales proceeds and the carrying amount of the security.

Short term investments

Short term investments are investments in securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement for the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Held-to-maturity securities

Held-to-maturity securities are stated at cost plus or minus the cumulative amortisation of the difference between the purchase price and the maturity amount, less any provision for impairment losses on an individual investment basis. The provision is recognised as an expense immediately. The profit or loss on disposal of a held-to-maturity security is accounted for in the period in which the disposal occurs and is the difference between the net sales proceeds and the carrying amount of the security.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) toll revenue, net of any applicable revenue taxes, when received;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from the rendering of services, based on the percentage of completion basis, provided that the revenue and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(f) dividend income, when the shareholders' right to receive payment has been established; and

(g) subsidy income, when there is reasonable assurance that the income will be received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currency transactions

The financial records of the Company and its subsidiaries are maintained and the financial statements are stated in Renminbi (“Rmb”).

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalisation of borrowing costs

Borrowing costs directly attributable to the construction of expressways, tunnels and bridges are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs expected to be incurred to completion and disposal.

Dividends

Interim and final dividends proposed by the Directors are classified as a separate allocation of retained profits within the capital and reserves section in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

For the purpose of balance sheet classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined to use business segments as its primary segment reporting format. During the year, the entire turnover and contribution to profit from operating activities of the Group were derived from the Zhejiang Province in the PRC. Accordingly, no further by geographical segment information is presented.

Business segments

The Group's operating businesses are organised and managed separately, according to the nature of services provided, with each segment representing a strategic business unit that serves different markets:

- Toll operation represents the design, construction, operation and management of high grade roads and the collection of the expressway tolls.

- Service area businesses mainly represent the sale of food, restaurant servicing, automobile servicing, as well as the operation of oil stations.

- Advertising business represents the design and rental of advertising billboards along the expressways.

- Road maintenance represents the maintenance of expressways and roads, including the cleaning of the road surface, minor repairs to the lanes, the cleaning of the gutters and sewers, grass mowing, afforestation and the maintenance of buildings, equipment and facilities provided to third parties.

4. SEGMENT INFORMATION (Continued)

Group

	Toll operation		Service area businesses		Advertising		Road maintenance		Consolidated	
	2003 Rmb'000	2002 Rmb'000	2003 Rmb'000	2002 Rmb'000	2003 Rmb'000	2002 Rmb'000	2003 Rmb'000	2002 Rmb'000	2003 Rmb'000	2002 Rmb'000
Segment revenue:										
Turnover, net of revenue taxes	**2,330,122**	2,069,060	**114,343**	71,131	**24,687**	26,217	**2,653**	1,670	**2,471,805**	2,168,078
Other revenue	**110,931**	57,623	**14,207**	3,505	**1,611**	2,955	**536**	2,374	**127,285**	66,457
Total revenue	**2,441,053**	2,126,683	**128,550**	74,636	**26,298**	29,172	**3,189**	4,044	**2,599,090**	2,234,535
Segment results	**1,663,748**	1,518,584	**29,463**	14,457	**7,833**	11,941	**(2,277)**	(683)	**1,698,767**	1,544,299
Finance costs									**(132,801)**	(163,224)
Share of profits of associates	**—**	—	**17,394**	11,719	**—**	—	**—**	—	**17,394**	11,719
Share of profit of a jointly-controlled entity	**9,829**	1,677	**—**	—	**—**	—	**—**	—	**9,829**	1,677
Profit before tax									**1,593,189**	1,394,471
Tax									**(497,166)**	(400,952)
Profit before minority interests									**1,096,023**	993,519
Minority interests									**(87,231)**	(103,067)
Net profit from ordinary activities attributable to shareholders									**1,008,792**	890,452
Segment assets	**14,532,875**	14,039,204	**115,681**	73,862	**45,287**	25,717	**50,075**	45,960	**14,743,918**	14,184,743
Interests in associates	**—**	—	**164,498**	159,829	**—**	—	**—**	—	**164,498**	159,829
Interest in a jointly- controlled entity	**62,554**	54,464	**—**	—	**—**	—	**—**	—	**62,554**	54,464
Goodwill	**97,717**	106,798	**—**	—	**—**	—	**—**	—	**97,717**	106,798
Total assets	**14,693,146**	14,200,466	**280,179**	233,691	**45,287**	25,717	**50,075**	45,960	**15,068,687**	14,505,834
Segment liabilities	**3,509,014**	3,537,924	**42,667**	32,205	**19,188**	4,590	**13,719**	10,615	**3,584,588**	3,585,334
Deferred tax	**325,703**	240,920	**—**	—	**—**	—	**—**	—	**325,703**	240,920
Total liabilities	**3,834,717**	3,778,844	**42,667**	32,205	**19,188**	4,590	**13,719**	10,615	**3,910,291**	3,826,254
Other segment information:										
Capital expenditure	**786,016**	200,014	**5,461**	1,455	**7,007**	7,884	**3,417**	2,336	**801,901**	211,689
Depreciation and amortisation	**268,219**	239,282	**2,351**	2,706	**2,961**	2,240	**5,207**	3,832	**278,738**	248,060
Write-off of bad debts	**537**	794	**—**	—	**—**	—	**—**	—	**537**	794
Loss on disposal of fixed assets	**13,935**	1,040	**6,833**	—	**—**	—	**—**	—	**20,768**	1,040

5. TURNOVER AND REVENUE

Turnover mainly represents toll income from the operation of expressways, the value of advertising services rendered, and the value of road maintenance services rendered, net of relevant revenue taxes.

An analysis of turnover and revenue is as follows:

	2003 **Rmb'000**	2002 Rmb'000
Toll income	**2,458,726**	2,184,197
Services area income	**117,205**	73,043
Advertising income	**26,138**	27,742
Road maintenance income	**2,669**	1,704
	2,604,738	2,286,686
Less: Revenue taxes	**(132,933)**	(118,608)
Turnover	**2,471,805**	2,168,078
Income on investments	**53,838**	18,448
Interest income	**12,593**	17,063
Rental income	**21,343**	14,457
Trailer income	**11,162**	10,192
Exchange gains, net	**2,282**	1,121
Subsidy income	**17,394**	—
Others	**8,673**	5,176
Other revenue	**127,285**	66,457
	2,599,090	2,234,535

The Company and its subsidiaries are subject to the business tax, levied at 5% on toll income and 3% to 5% on other services income. In addition, the subsidiaries are subject to the following types of revenue taxes and surcharge:

— city development tax, levied at 1% to 7% of business tax;

— education supplementary tax, levied at 3.5% to 4% of business tax; and

— culture and education fees, levied at 3% on advertising income.

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2003 Rmb'000	2002 Rmb'000
Depreciation	**257,817**	223,748
Operating lease rentals on		
land and buildings	**643**	902
Auditors' remuneration	**3,115**	1,975
Staff costs:		
Wages and salaries	**89,681**	86,733
Pension scheme contributions	**13,880**	6,534
Amortisation of expressway operating rights*	**8,700**	8,700
Amortisation of goodwill**	**12,221**	15,612
Write-off of bad debts	**537**	794
Impairment of a long term unlisted investment	**—**	574
Loss on winding-up of a subsidiary	**—**	205
Loss on disposal of fixed assets	**20,768**	1,040
Unrealised loss on revaluation of short term listed investments	**1,259**	9,571
Net rental income	**(21,343)**	(14,457)
Exchange gains, net	**(2,282)**	(1,121)
Interest income	**(12,593)**	(17,063)
Income from investments	**(55,097)**	(28,019)

* The amortisation of expressway operating rights for the year is included as administrative expenses in the consolidated income statement.

** The amortisation of goodwill for the year is included as other operating expenses in the consolidated income statement.

7. FINANCE COSTS

	2003 Rmb'000	2002 Rmb'000
Interest on bank loans and other loans wholly repayable within five years	**68,977**	129,860
Interest on other loans	**17,700**	26,279
Interest on bonds	**46,626**	7,560
Other borrowing costs	**9,000**	—
Total interest	**142,303**	163,699
Less: Interest capitalised	**(9,502)**	(475)
	132,801	163,224

8. TAX

No Hong Kong profits tax has been provided as the Group had no taxable profits in Hong Kong during the year.

The Group was subject to corporate income tax ("CIT") 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.

	2003 **Rmb'000**	2002 Rmb'000
Group:		
Tax charged	**439,812**	367,997
Tax refunded	**(33,249)**	(79,133)
	406,563	288,864
Deferred - note 32	**84,783**	109,387
	491,346	398,251
Share of tax attributable to associates	**5,791**	5,004
Share of deferred tax attributable to an associate	**(906)**	(3,294)
Share of deferred tax attributable to a jointly-controlled entity	**935**	991
Tax charge for the year	**497,166**	400,952

During the year, according to an approval from the Zhejiang Provincial Local Tax Bureau, Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), one of the Company's subsidiaries, was entitled to a 50% CIT exemption for the year ended December 13, 2002 amounting to Rmb33,249,000 (2002: 50% CIT exemption for the year ended December 31, 2001 amounting to Rmb16,749,000) under the category of "Enterprise providing employment opportunities to redundant city and country workers" as defined in the relevant national tax rules.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the PRC in which the Company and its subsidiaries, jointly-controlled entity and associates are domiciled to the tax expense at the effective tax rates is as follows:

	2003 **Rmb'000**	2002 Rmb'000
Group		
Profit before tax	**1,593,189**	1,394,471
Tax at the statutory tax rate	**525,752**	460,175
Tax refunded	**(33,249)**	(79,133)
Income not subject to tax	**(10,451)**	(12,047)
Expenses not deductible for tax	**15,114**	18,118
Write-off of non-refundable tax	**—**	13,839
Tax charge at the Group's effective rate	**497,166**	400,952

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended December 31, 2003 dealt with in the financial statements of the Company was Rmb855,995,000 (2002: Rmb484,128,000) (note 34).

10. DIRECTORS AND SUPERVISORS' REMUNERATION

Directors' and Supervisors' remuneration for the year disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 Rmb'000	2002 Rmb'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	**1,725**	1,784
Bonuses paid and payable	**588**	608
Pension scheme contributions	**39**	9
	2,352	2,401

Salaries, allowances and benefits in kind include HK$150,000 (2002: HK$152,000), HK$150,000 (2002: HK$150,000) and Rmb30,000 (2002: Rmb36,000) payable to the three (2002: three) independent non-executive Directors respectively. There were no other emoluments payable to the independent non-executive Directors during the year (2002: Nil).

The number of Directors and Supervisors whose remuneration fell within the following band is as follows:

	Number of Directors and Supervisors	
	2003	2002
Nil to HK$1,000,000	**11**	10

There was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

	2003 Rmb'000	2002 Rmb'000
Salaries, allowances and benefits in kind	**1,712**	1,614
Bonuses paid and payable	**734**	662
Pension scheme contributions	**49**	11
	2,495	2,287

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are set out in note 10 above, as well as a non-director employee, whose remuneration for the year was less than HK$1,000,000.

12. DIVIDENDS

Company

	2003	2002	2003	2002
	Per ordinary share			
	Rmb	Rmb	Rmb'000	Rmb'000
Interim	**0.04**	0.04	**173,724**	173,724
Proposed final	**0.11**	0.09	**477,743**	390,880
	0.15	0.13	**651,467**	564,604

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year 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.

Diluted earnings per share amounts for the years ended December 31, 2003 and 2002 have not been calculated as no diluting event existed during these years.

14. FIXED ASSETS

	Land Rmb'000	Expressways and bridges Rmb'000	Toll stations and ancillary facilities Rmb'000	Communi-cations and signalling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
Group								
Cost:								
At beginning of year	531,810	11,160,953	409,544	202,676	95,752	104,387	347,424	12,852,546
Additions	—	26,332	1,725	12,019	11,850	34,290	715,685	801,901
Transfers	—	482,859	1,912	—	—	21,136	(505,907)	—
Reclassifications	—	16,405	(47,192)	(429)	1,015	30,201	—	—
Disposals	—	—	(8,561)	(755)	(784)	(154)	(13,935)	(24,189)
At December 31, 2003	531,810	11,686,549	357,428	213,511	107,833	189,860	543,267	13,630,258
Accumulated depreciation:								
At beginning of year	88,533	561,044	39,321	62,281	44,539	41,842	—	837,560
Depreciation provided during the year	16,931	156,601	20,038	25,560	14,724	23,963	—	257,817
Reclassifications	—	2,078	(3,966)	(336)	100	2,124	—	—
Disposals	—	—	(1,598)	(363)	(685)	(89)	—	(2,735)
At December 31, 2003	105,464	719,723	53,795	87,142	58,678	67,840	—	1,092,642
Net book value:								
At December 31, 2003	426,346	10,966,826	303,633	126,369	49,155	122,020	543,267	12,537,616
At December 31, 2002	443,277	10,599,909	370,223	140,395	51,213	62,545	347,424	12,014,986
Company								
Cost:								
At beginning of year	350,384	4,712,616	146,994	120,765	54,189	55,410	297,751	5,738,109
Additions	—	—	—	5,563	9,026	5,225	187,668	207,482
Transfers	—	450,340	729	—	—	2,453	(453,522)	—
Transfers to subsidiaries	(1,954)	—	(9,491)	—	(5,836)	(607)	—	(17,888)
Disposals	—	—	(8,065)	—	(784)	(59)	(13,935)	(22,843)
At December 31, 2003	348,430	5,162,956	130,167	126,328	56,595	62,422	17,962	5,904,860
Accumulated depreciation:								
At beginning of year	64,665	338,748	17,353	49,464	33,187	26,609	—	530,026
Provided during the year	11,636	72,856	4,955	15,678	7,032	6,807	—	118,964
Transfers to subsidiaries	(388)	—	(1,670)	—	(2,686)	(244)	—	(4,988)
Disposals	—	—	(1,573)	—	(685)	(49)	—	(2,307)
At December 31, 2003	75,913	411,604	19,065	65,142	36,848	33,123	—	641,695
Net book value:								
At December 31, 2003	272,517	4,751,352	111,102	61,186	19,747	29,299	17,962	5,263,165
At December 31, 2002	285,719	4,373,868	129,641	71,301	21,002	28,801	297,751	5,208,083

The fixed assets are mainly located in the PRC.

The Group's land included above is held under a long term lease.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	Rmb'000	Rmb'000
Unlisted shares, at cost	**4,436,627**	4,338,486
Due from subsidiaries	**105,226**	4,587
Due to subsidiaries	**(364,472)**	(215,779)
	4,177,381	4,127,294

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries, all of which are directly held, are as follows:

Names of subsidiaries	Date and place of registration	Registered capital Rmb	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co")	Note 1	75,223,000	51	—	Construction and management of the Yuhang Section of the Shanghai-Hangzhou Expressway
Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	Note 2	1,859,200,000	99.999454	—	Construction and management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	Note 3	2,400,000,000	73.625	—	Construction and management of the Shangsan Expressway
Zhejiang Expressway Investment Development Co., Ltd. ("Development Co")	Note 4	80,000,000	51	—	Operation of service areas as well as roadside advertising along the expressways operated by the Group
Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co")	Note 5	5,000,000	—	*35.7	Provision of advertising services
Zhejiang Expressway Vehicle Towing and Rescue Service Co., Ltd. ("Service Co")	Note 6	8,000,000	—	*43.35	Provision of vehicle towing, repair and emergency rescue service.

15. INTERESTS IN SUBSIDIARIES (Continued)

* These two companies are subsidiaries of Development Co, a non wholly-owned subsidiary of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Development Co was established on May 28, 2003 in the PRC as a limited liability company.

Note 5: Advertising Co was established on June 1, 1998 in the PRC as a limited liability company.

Note 6: Service Co was established on July 31, 2003 in the PRC as a limited liability company.

All of the Company's subsidiaries are operating in the PRC.

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Unlisted shares, at cost	**—**	—	**65,000**	65,000
Share of net assets other than goodwill	**64,303**	55,409	**—**	—
Amount due to a jointly-controlled entity	**(1,749)**	(945)	**(1,749)**	(945)
	62,554	54,464	**63,251**	64,055

The amount due to a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity, which is directly held by the Company, are as follows:

Name	Business structure	Place of registration and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Hangzhou Shida Expressway Co., Ltd.	Corporate	The PRC	50	50	50	Construction and operation of Shiqiao-Dajing Road

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2003 **Rmb'000**	2002 Rmb'000	**2003** **Rmb'000**	2002 Rmb'000
Unlisted shares, at cost	**—**	—	**126,500**	126,500
Share of net assets other than goodwill	**164,487**	159,829	**—**	—
Amount due from an associate	**11**	—	**875**	—
	164,498	159,829	**127,375**	126,500

The amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

The Group's share of the post-acquisition accumulated reserves of the associates as at December 31, 2003 was Rmb37,987,000 (2002: Rmb33,329,000).

Particulars of the associates, which are directly held by the Company, are as follows:

Name	**Business structure**	**Place of registration and operations**	**Percentage of equity attributable to the Group**		**Principal activities**
			2003	**2002**	
Zhejiang Expressway Petroleum Development Co., Ltd.	Corporate	The PRC	50	50	Construction and operation of gas stations and the sale of petroleum products
JoinHands Technology Co., Ltd.	Corporate	The PRC	27.58	27.58	Providing logistic management and anti-counterfeiting systems in the PRC

The financial statements of the above associates are coterminous with those of the Group. The consolidated financial statements have been adjusted for material transactions between the associates and Group companies.

18. EXPRESSWAY OPERATING RIGHTS

	Group Rmb'000	**Company** Rmb'000
Cost:		
At January 1, 2003 and December 31, 2003	261,000	208,000
Accumulated amortisation:		
At January 1, 2003	46,355	39,290
Provided during the year	8,700	6,934
At December 31, 2003	55,055	46,224
Net book value:		
At December 31, 2003	205,945	161,776
At December 31, 2002	214,645	168,710

18. EXPRESSWAY OPERATING RIGHTS (Continued)

The above expressway operating rights were granted by the Zhejiang Provincial Government to the Group for a period of 30 years. During the 30-year expressway concession period, the Group has the rights of construction and management of Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway and the toll-collection rights thereof. The Group is required to construct, maintain and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities.

19. INVESTMENTS

Long term investments

	Gruop	
	2003 **Rmb'000**	2002 Rmb'000
Unlisted equity investments, at cost	**1,000**	3,644
Provision for impairment of unlisted equity investments	**—**	(777)
	1,000	2,867

Short term investments

	Group		Company	
	2003 **Rmb'000**	2002 Rmb'000	**2003** **Rmb'000**	2002 Rmb'000
Listed in the PRC, at amortised cost				
- Held-to-maturity securities	**—**	30,000	**—**	30,000
Listed in the PRC, at market value				
- Government bonds	**1,016,510**	726,764	**1,011,510**	504,104
- Close-end equity funds	**62,229**	51,754	**16,973**	18,169
- Enterprise bonds	**—**	10,000	**—**	—
- Equity interests	**25,527**	39,596	**20,889**	17,514
	1,104,266	828,114	**1,049,372**	539,787
	1,104,266	858,114	**1,049,372**	569,787

The market values of the Group's and the Company's short term investments at the date of approval of these financial statements were approximately Rmb1,093,216,000 and Rmb1,036,303,000, respectively.

20. GOODWILL

The amounts of the goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group Rmb'000
Cost:	
At January 1, 2003	123,453
Acquisition of additional interests in subsidiaries during the year	3,140
At December 31, 2003	126,593
Accumulated amortisation:	
At January 1, 2003	16,655
Provided during the year	12,221
At December 31, 2003	28,876
Net book value:	
At December 31, 2003	97,717
At December 31, 2002	106,798

The Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of SSAP 30 to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries, was Rmb352,860,000 as at December 31, 2003 (2002: Rmb352,860,000). Such goodwill, which arose prior to the adoption of SSAP 30, is stated at cost.

21. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Within 1 year	**19,116**	11,720	**6,978**	5,244
1 to 2 years	**54**	2,647	**—**	2,647
Over 2 years	**2,601**	—	**2,601**	—
	21,771	14,367	**9,579**	7,891

22. OTHER RECEIVABLES

	Group		Company	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Prepayments	**26,810**	1,830	**287**	294
Deposits and other debtors	**24,659**	126,842	**22,206**	42,730
	51,469	128,672	**22,493**	43,024

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Cash and bank balances	**527,814**	562,463	**208,192**	182,830
Time deposits with original maturity of less than three months when acquired	**39,381**	103,828	**381**	43,742
Time deposits with original maturity over three months when acquired	**251,600**	282,779	**68,002**	131,387
	818,795	949,070	**276,575**	357,959

24. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group		Company	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Within 1 year	**318,116**	200,181	**202,554**	158,859
1 to 2 years	**44,844**	4,863	**10,498**	2,778
2 to 3 years	**2,218**	1,901	**365**	1,004
Over 3 years	**2,343**	221	**31**	—
	367,521	207,166	**213,448**	162,641

25. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	**2003**	2002	**2003**	2002
		Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Accruals		**82,640**	58,510	**54,144**	12,735
Other liabilities		**162,687**	141,695	**90,996**	96,976
Amounts due to related parties	30	**12,151**	12,151	**12,151**	12,151
Amount due to the holding company	31	**2,599**	2,599	**—**	—
		260,077	214,955	**157,291**	121,862

26. INTEREST-BEARING BANK AND OTHER LOANS

		Group		Company	
	Note	**2003 Rmb'000**	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Current portion of bank and other loans	28	**975,950**	1,681,553	**250,000**	895,000

27. LONG TERM BONDS PAYABLE WITHIN ONE YEAR

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Long term bonds	**—**	200,000	**—**	—

28. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Bank loans, unsecured	**800,000**	1,875,000	**250,000**	1,075,000
Bank loans, secured	**—**	—	**—**	150,000
Other loans, unsecured	**920,126**	963,200	**—**	—
	1,720,126	2,838,200	**250,000**	1,225,000
Bank loans repayable:				
Within one year	**800,000**	1,545,000	**250,000**	895,000
In the third to fifth years, inclusive	**—**	330,000	**—**	330,000
	800,000	1,875,000	**250,000**	1,225,000
Other loans repayable:				
Within one year	**175,950**	136,553	**—**	—
In the second year	**88,567**	82,441	**—**	—
In the third to fifth years, inclusive	**276,644**	268,623	**—**	—
Beyond five years	**378,965**	475,583	**—**	—
	920,126	963,200	**—**	—
	1,720,126	2,838,200	**250,000**	1,225,000
Portion classified as current liabilities - note 26	**(975,950)**	(1,681,553)	**(250,000)**	(895,000)
Long term portion	**744,176**	1,156,647	**—**	330,000

The bank loans are unsecured and bear interest at rates ranging from 4.536% to 4.779% per annum.

The other loans are unsecured and bear interest at rates ranging from 3.00% to 4.56% per annum.

29. LONG TERM BONDS

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	**2003 Rmb'000**	2002 Rmb'000
Long term bonds	**1,000,000**	200,000	**1,000,000**	—
Classified as current liabilities - note 27	**—**	(200,000)	**—**	—
	1,000,000	—	**1,000,000**	—

The bonds are unsecured, bear interest at a rate of 4.29% per annum and are repayable in 2012 upon maturity.

30. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

31. AMOUNT DUE TO THE HOLDING COMPANY

The amount due to the holding company (i.e. the Communications Investment Group) is unsecured, interest-free and has no fixed terms of repayment.

32. DEFERRED TAX

The movement in deferred tax liabilities during the year is as follows:

Deferred tax liabilities:

	Restatement of short term investments Rmb'000	**Straight-line method tax depreciation** Rmb'000	**Total** Rmb'000
Group			
At January 1, 2002	4,144	127,389	131,533
Deferred tax charged/(credited) to the income statement during the year - note 8	(986)	110,373	109,387
At December 31, 2002	3,158	237,762	240,920
Deferred tax charged to the income statement during the year - note 8	5,241	79,542	84,783
At December 31, 2003	8,399	317,304	325,703

	Restatement of short term investments Rmb'000	**Straight-line method tax depreciation** Rmb'000	**Total** Rmb'000
Company			
At January 1, 2002	3,789	58,472	62,261
Deferred tax charged to the income statement during the year	460	54,599	55,059
At December 31, 2002	4,249	113,071	117,320
Deferred tax charged to the income statement during the year	3,005	33,878	36,883
At December 31, 2003	7,254	146,949	154,203

32. DEFERRED TAX (Continued)

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

As at December 31, 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates and a jointly-controlled entity as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

	2003 Number of shares	2002 Number of shares	**2003 Rmb'000**	2002 Rmb'000
Registered, issued and fully paid:				
Domestic shares of Rmb1.00 each	**2,909,260,000**	2,909,260,000	**2,909,260**	2,909,260
H Shares of Rmb1.00 each	**1,433,854,500**	1,433,854,500	**1,433,855**	1,433,855
	4,343,114,500	4,343,114,500	**4,343,115**	4,343,115

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997, and were admitted to the Official List on May 5, 2000. Dealings in the H Shares on the London Stock Exchange commenced on the same day.

On February 27, 2001, the trading of the H Shares of the Company commenced on the Berlin Stock Exchange following a secondary listing on the Unofficial Regulated Market of the exchange.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by ADRs representing the deposited H Shares of the Company effective.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

34. 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
Group						
At January 1, 2002	3,645,726	(352,860)	415,298	190,764	743,020	4,641,948
Interim dividend - note 12	—	—	—	—	(173,724)	(173,724)
Net profit for the year	—	—	—	—	890,452	890,452
Transfer from/(to) reserves	—	—	118,517	61,116	(179,633)	—
Proposed final dividend - note 12	—	—	—	—	(390,880)	(390,880)
At December 31, 2002 and beginning of year	3,645,726	(352,860)	533,815	251,880	889,235	4,967,796
Interim dividend - note 12	—	—	—	—	(173,724)	(173,724)
Net profit for the year	—	—	—	—	1,008,792	1,008,792
Transfer from/(to) reserves	—	—	176,682	88,341	(265,023)	—
Proposed final dividend - note 12	—	—	—	—	(477,743)	(477,743)
At December 31, 2003	3,645,726	(352,860)	710,497	340,221	981,537	5,325,121
Reserves retained by:						
Company and subsidiaries	3,645,082	(350,331)	699,425	334,685	958,970	5,287,831
Jointly-controlled entity	—	—	—	—	(697)	(697)
Associates	644	(2,529)	11,072	5,536	23,264	37,987
At December 31, 2003	3,645,726	(352,860)	710,497	340,221	981,537	5,325,121
Company and subsidiaries	3,645,082	(350,331)	524,041	246,993	878,273	4,944,058
Jointly-controlled entity	—	—	—	—	(9,591)	(9,591)
Associates	644	(2,529)	9,774	4,887	20,553	33,329
At December 31, 2002	3,645,726	(352,860)	533,815	251,880	889,235	4,967,796
Company						
At January 1, 2002	3,645,082	—	252,408	126,204	330,510	4,354,204
Interim dividend - note 12	—	—	—	—	(173,724)	(173,724)
Net profit for the year	—	—	—	—	484,128	484,128
Transfer from/(to) reserves	—	—	93,498	46,749	(140,247)	—
Proposed final dividend - note 12	—	—	—	—	(390,880)	(390,880)
At December 31, 2002 and beginning of year	3,645,082	—	345,906	172,953	109,787	4,273,728
Interim dividend - note 12	—	—	—	—	(173,724)	(173,724)
Net profit for the year	—	—	—	—	855,995	855,995
Transfer from/(to) reserves	—	—	100,634	50,317	(150,951)	—
Proposed final dividend - note 12	—	—	—	—	(477,743)	(477,743)
At December 31, 2003	3,645,082	—	446,540	223,270	163,364	4,478,256

34. RESERVES (Continued)

In accordance with the Company Law of the PRC and the companies' articles of association, the Company, its subsidiaries, its associates and its jointly-controlled entity (collectively, the "Entities") are required to allocate 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the SSR may be converted to increase the Entities' share capital.

In accordance with the Company Law of the PRC, the Entities are required to transfer 5% to 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory public welfare fund (the "PWF"), which is a non-distributable reserve other than in the event of the liquidation of the Entities. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain as the properties of the Entities.

The Directors of the Company have proposed to transfer Rmb100,634,000 (2002: Rmb93,498,000) and Rmb50,317,000 (2002: Rmb46,749,000) to the SSR and the PWF, respectively. These represent 10% (2002: 10%) and 5% (2002: 5%), respectively, of the Company's profit after tax of Rmb1,006,342,000 (2002: Rmb934,980,000) determined in accordance with the PRC accounting standards.

According to the relevant regulations in the PRC, the amount of profit available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under the generally accepted accounting principles in Hong Kong.

As at December 31, 2003, before the proposed final dividend, the Company had reserves of approximately Rmb641,107,000 (2002: Rmb500,667,000) available for distribution by way of cash or in kind.

As at December 31, 2003, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,640,000,000 (2002: Rmb3,638,229,000) standing to the credit of the Company's share premium account was available for distribution by way of capitalisation issues.

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities:

	Notes	**2003 Rmb'000**	2002 Rmb'000
Profit before tax		**1,593,189**	1,394,471
Share of profits of a jointly-controlled entity		**(9,829)**	(1,677)
Share of profits of associates		**(17,394)**	(11,719)
Depreciation	6	**257,817**	223,748
Amortisation of expressway operating rights	6	**8,700**	8,700
Amortisation of goodwill	6	**12,221**	15,612
Write-off of bad debts	6	**537**	794
Interest income	5	**(12,593)**	(17,063)
Interest expense	7	**132,801**	163,224
Unrealised loss on revaluation of short term listed investments	6	**1,259**	9,571
Exchange gains, net	5	**(2,282)**	(1,121)
Loss on disposal of fixed assets	6	**20,768**	1,040
Gain on disposal of long term investment		**(933)**	—
Loss on winding-up of a subsidiary	6	**—**	205
Increase in inventories		**(1,034)**	(966)
(Increase)/decrease in accounts receivables		**(7,941)**	39,058
(Increase)/decrease in other receivables		**69,927**	(15,526)
Increase in an amount due from an associate		**(11)**	(1,250)
Increase in accounts payables		**25,763**	101,643
Increase/(decrease) in other taxes payable		**12,222**	(7,495)
Increase in other liabilities		**23,141**	43,264
Increase in accruals		**3,155**	9,998
Increase in an amount due to a jointly-controlled entity		**804**	304
Interest paid		**(113,939)**	(166,447)
Profits tax paid		**(326,004)**	(252,059)
Net cash inflow from operating activities		**1,670,344**	1,536,309

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Winding-up of a subsidiary

	2003 Rmb'000	2002 Rmb'000
Net assets disposed of:		
Fixed assets	—	286
Cash and bank balances	—	145
Inventories	—	218
Other receivables	—	1,186
Other payables	—	(1,579)
Minority interests	—	(51)
Loss on winding-up of a subsidiary	—	205

36. COMMITMENTS

(a) On March 15, 2004, the Board of Directors approved an expense for the road surface-overlaying project in the amount of Rmb95,500,000 (2002: Rmb141,400,000) for the year ending December 31, 2004.

(b) Capital commitments

	Group		Company	
	2003 Rmb'000	2002 Rmb'000	2003 Rmb'000	2002 Rmb'000
Contracted, but not provided for:				
- Construction of expressways	1,098,777	177,730	2,371	63,775
- Purchase of machinery	5,697	37,423	5,697	10,719
- Proposed investments in Shangsan Co	485,000	485,000	485,000	485,000
- Renovation of a service area	5,893	14,000	4,950	14,000
	1,595,367	714,153	498,018	573,494
Authorised, but not contracted for:				
- Purchase of machinery	70,500	—	60,000	—
- Construction of expressways	3,386,840	4,739,237	2,403,369	4,419,367
	5,052,707	5,453,390	2,961,387	4,992,861

37. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Guarantees provided in favor of the holders of the corporate bonds issued by a subsidiary	**—**	—	**—**	216,254
Guarantees provided to banks in connection with facilities granted to:				
- A subsidiary	**—**	—	**550,000**	650,000
- A jointly-controlled entity	**30,000**	30,000	**30,000**	30,000
	30,000	30,000	**580,000**	896,254

38. OPERATING LEASE ARRANGEMETS

The Group and the Company lease their oil stations and cables under operating lease arrangements, with leases negotiated for terms ranging from five to twenty five years.

As at December 31, 2003, the Group and the Company had total future minimum lease rental receivables under non-cancelable operating leases falling due as follows:

	Group		Company	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
Within one year	**8,833**	8,159	**1,233**	5,660
In the second to fifth years, inclusive	**18,419**	25,674	**5,769**	19,424
Beyond five years	**31,819**	33,397	**31,819**	33,397
	59,071	67,230	**38,821**	58,481

39. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER PRC AND HONG KONG ACCOUNTING STANDARDS

	Net profit before minority interests		Net assets as at 31 December	
	2003	2002	**2003**	2002
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
As reported in statutory accounts (restated)	**1,103,632**	1,070,902	**10,436,426**	9,992,136
HK SSAP adjustments:				
(a) Goodwill	**33,722**	30,995	**(145,568)**	(179,290)
(b) Depreciation provided, net of deferred tax	**(43,907)**	(70,811)	**(175,143)**	(137,004)
(c) Difference in share premium account during establishment	**—**	—	**11,923**	11,923
(d) Profits tax refundable	**—**	(22,745)	**(3,686)**	(3,686)
(e) Restatement of short term investments in securities at market value, net of deferred tax	**458**	(1,971)	**18,772**	16,440
(f) General provision on trade receivables and other debts	**561**	(1,439)	**310**	922
(g) Impairment loss, net of deferred tax	**(556)**	(12,076)	**—**	284
(h) Provision for impairment of an unlisted equity investment	**1,351**	(574)	**689**	(689)
(j) Others	**762**	1,238	**2,256**	755
As restated in the financial statements	**1,096,023**	993,519	**10,145,979**	9,701,791

40. RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the ordinary course of business between the Company, its subsidiaries and certain government bodies in the year:

a) Under the reorganisation agreement, Zhejiang Provincial High Class Highway Investment Company Limited (the name has been changed as "Zhejiang Communications Investment Group Co., Ltd") gave a number of undertakings to the Company, including a non-competition undertaking, a tax indemnity and an indemnity against losses incurred, which were not expressly transferred to the Company pursuant to the reorganisation and general indemnity provisions against any breach of representation warranty and undertakings contained in the agreement.

b) On May 20, 2003, the Company entered into the Development Co Investment Agreement with 11 individuals as nominees of 155 key employees of the Group (including 22 connected persons and 133 independent third parties) for the establishment of Development Co in the PRC, whereby the Company invests in 51% of and the 11 individuals invest in an aggregate of 49% of Development Co's registered capital of Rmb80,000,000.

40. RELATED PARTY TRANSACTIONS (Continued)

c) On May 30, 2003, Development Co entered into several acquisition agreements with the Company, Jiaxing Co and Shangsan Co, respectively, to acquire the assets and liabilities in respect of the service area businesses and the equity interest in Advertising Co (the "Acquired Assets"). The total consideration of the transactions was Rmb84,404,000, being the valuation amount of the Acquired Assets of Rmb87,794,000 as at December 31, 2002, plus the operating results of the Acquired Assets of Rmb13,935,000 for the five-month period ended May 31, 2003, and minus the net cash drawings from the Acquired Assets of Rmb17,325,000 during the said period.

d) On July 24, 2003, Development Co entered into the Service Co Investment Agreement with one individual as nominee of 27 key employees of Services Co (including 4 connected persons and 23 independent third parties) for the establishment of Service Co, whereby Development Co invests in 85% of and the individual invests in 15% of Service Co's registered capital of Rmb8,000,000.

e) On August 26, 2003, Service Co entered into acquisition agreements with the Company and Shangsan Co, respectively, to acquire the assets and liabilities in respect of the vehicle services business at a total consideration of Rmb3,321,000.

f) In 2003, 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 six oil stations to Petroleum Co. In 2003, the Group recorded a total rental income of Rmb7,496,000 from Petroleum Co (2002: Rmb6,550,000). The rental income was based on negotiations between the Group and Petroleum Co with reference to the market prices.

Since the total consideration of the respective transactions (b) to (f) as above-mentioned represent less than 3% of the book value of the net tangible assets of the Company as disclosed in its latest published audited accounts, no shareholders' approval is required under the Listing Rules.

41. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 15, 2004.

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Xuan Daoguang

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Zhang Luyun
Zhang Yang

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Zhang Junsheng
Zhang Liping

SUPERVISORS
Ma Kehua
Fang Zhexing
Sun Xiaoxia
Zheng Qihua
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H SHARES LISTING INFORMATION
The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange plc
Code: ZHEH

ADRS INFORMATION
US Exchange: OTC
Symbol: ZHEXY
CUSIP: 98951A100
ADR: H Shares 1:30

LOCATION MAP OF EXPRESSWAYS OPERATED BY THE GROUP