



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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

## 2000 Annual Results Announcement

The directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2000 (the "Period"), prepared in conformity with the accounting principles generally accepted in Hong Kong and the basis of preparation as stated in note 1 below, together with the 1999 comparative figures as follows:

### FINANCIAL HIGHLIGHTS

#### CONSOLIDATED INCOME STATEMENT

		Year ended December 31, 2000	Year ended December 31, 1999
	Notes	Rmb'000	Rmb'000
TURNOVER	2	1,188,604	1,050,498
Operating costs		(248,429)	(298,417)
Gross profit		940,175	752,081
Other revenue	2	242,888	167,528
Administrative expenses		(64,978)	(60,320)
Other operating expenses		(75,317)	(2,374)
PROFIT FROM OPERATING ACTIVITIES		1,042,768	856,915
Finance costs		(197,083)	(172,922)
Share of profit of associates		40,584	22,559
Share of loss of a jointly-controlled entity		(6,517)	—
PROFIT BEFORE TAX		879,752	706,552
Tax	3	(186,391)	(71,810)
PROFIT BEFORE MINORITY INTERESTS		693,361	634,742
Minority interests		(57,360)	(86,431)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		636,001	548,311
Transferred to reserves	4	(147,187)	(144,937)
Dividends	5	(390,880)	(238,872)
RETAINED PROFIT FOR THE YEAR		97,934	164,502
EARNINGS PER SHARE	6	14.64 cents	12.62 cents

#### Notes:

##### 1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("HKSSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). They have been prepared under the historical cost convention, modified with respect to the measurement of investments in securities.

##### 2. 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:

	2000 Rmb'000	1999 Rmb'000
Toll income	1,219,672	1,087,672
Advertising income	15,878	5,859
Road maintenance income	5,130	6,971
Others	15,582	9,918
	1,256,262	1,110,420
Less: Revenue taxes	(67,658)	(59,922)
Turnover	1,188,604	1,050,498
Dividend income from unlisted equity investments	—	107
Income on short term investments in securities	153,566	77,577
Interest income	73,195	79,579
Rental income	7,098	4,893
Trailer income	6,821	4,309
Others	2,208	1,063
Other revenue	242,888	167,528
Revenue	1,431,492	1,218,026

The Group is subject to the following types of revenue taxes:

- Business Tax ("BT"), levied at 5% on toll income and 3%-5% on other services income;
- City Development Tax, levied at 1% to 7% of BT;
- Education Supplementary Tax, levied at 3.5% to 4% of BT; and
- Culture & Education Fees, levied at 3% on advertising income.

##### 3. 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 the Corporate Income Tax (the "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 People's Republic of China ("PRC").

According to approvals from Zhejiang Provincial Local Tax Bureau dated February 12, 2001 and December 11, 2000 respectively, Zhejiang Shansan Expressway Co., Ltd. ("Shansan Co.") and Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co.") were qualified for the exceptions under the category of "New enterprise providing employment opportunities to redundant workers" as defined in the relevant national tax rules, and therefore, were entitled to the exemption from CIT for three years starting from January 1, 1998 and January 1, 1999 respectively.

Pursuant to a directive issued by Zhejiang Provincial People's Government in 1997, the Company was entitled to a refund from the Zhejiang Finance Bureau, of an amount equal to 18% of its taxable income in respect of the CIT paid to the taxation bureau.

On January 11, 2000, the State Council issued a directive numbered 2000[2], in respect of correcting the finance refund policies adopted by local governments with effect from January 1, 2000.

However, a further directive numbered 2000[99] was subsequently released by the Ministry of Finance dated October 13, 2000, according to which listed companies can continue to enjoy the "33% pay first, 18% refund later" policy until December 31, 2001. Nevertheless, such beneficial treatment was not granted to subsidiaries, associates or jointly-controlled entities of listed companies.

In this regard, the tax refunded and refundable represents the financial subsidies received and receivable by the Company in respect of the year.

	2000 Rmb'000	1999 Rmb'000
Group:		
Tax charged	185,307	166,839
Overprovision in prior year	(1,474)	(10,930)
Tax refunded/refundable	(50,840)	(82,966)
Deferred	132,993	72,943
	39,775	(2,312)
Share of tax attributable to associates	6,074	7,443
Share of deferred tax attributable to an associate	6,302	—
Share of deferred tax attributable to a jointly-controlled entity	1,267	—
Overprovision in an associate in prior year	—	(6,264)
Tax charge for the year	186,391	71,810

There was no material unprovided deferred tax in respect of the year (1999: Nil).

##### 4. Transferred to reserves

In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries, associates and jointly-controlled entity (the "Entities"), the Entities are required to allocate 10% of their profit after taxation, 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 Entities' articles of association, part of the SSR may be converted to increase the Entities' share capital.

In addition, Shansan Co and Advertising Co were required by the relevant tax authorities to transfer the CIT waived for 1999 to their respective SSR account in 2000. The transfer has been incorporated in these financial statements.

In accordance with the Company Law of the PRC, the Entities are required to transfer 5% to 10% of their profit after taxation, as determined in accordance with 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 properties of the Entities.

The Directors have proposed to transfer Rmb57,063,000 and Rmb28,531,000 to the SSR and the PWF, respectively. This represents 15% of the Company's profit after taxation of Rmb570,629,000 determined in accordance with the PRC accounting standards. The transfer to the PWF is subject to shareholders' approval at the forthcoming annual general meeting.

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 GAAP.

As at December 31, 2000, the Company had reserves of approximately Rmb339,302,000 available for distribution by way of cash or in kind.

As at December 31, 2000, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,633,159,000 standing to the credit of the Company's share premium account was available for distribution by way of capitalisation issues.

##### 5. Dividends

	2000 Rmb'000	1999 Rmb'000
Interim - Rmb0.02 (approximately HK\$0.0187) per share (1999: Rmb0.015 (approximately HK\$0.014) per share)	86,862	65,147
Proposed final - Rmb0.07 (approximately HK\$0.065) per share (1999: Rmb0.04 (approximately HK\$0.037) per share)	304,018	173,725
	390,880	238,872

##### 6. 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 Rmb636,001,000 (1999: Rmb548,311,000) and the 4,343,114,500 shares (1999: 4,343,114,500 shares) in issue during the year.

Diluted earnings per share for the years ended December 31, 2000 and 1999 have not been calculated as no diluting event existed during these years.

### BUSINESS REVIEW

During the Period, the Group achieved solid growth in both turnover and net profit, which increased by 13.13% and 15.99% over those of 1999 to RMB1,188.604 million and RMB636.001 million, respectively. Income generated from the core business of toll roads operations continued to constitute the dominant share of overall revenue, whilst contributions from certain ancillary businesses such as road-side advertising demonstrated outstanding growth potential.

#### Toll Road Operations

During the Period, toll income for the Group reached approximately RMB1,219.7 million, representing an increase of approximately 12.1% over that of 1999. Contributions from the Shanghai-Hangzhou-Ningbo Expressway (comprising Jiaying Section, Yuhang Section and Hangzhou Section of the Shanghai-Hangzhou Expressway, and the Hangzhou-Ningbo Expressway) and Shansan Expressway, respectively, were as follows:

Sections	Toll income (RMB'000)	% of total toll income	% of growth over 1999
Shanghai-Hangzhou Expressway			
Jiaying Section	389,570	31.9	+25.2
Yuhang Section	101,323	8.3	+24.1
Hangzhou Section	31,090	2.5	+20.2
Hangzhou-Ningbo Expressway	659,489	54.2	+18.6
Shansan Expressway	38,200	3.1	N/A*
Total	1,219,672	100.00	—

\* For details please see the section headed "Shansan Expressway" below.

#### Shanghai-Hangzhou-Ningbo Expressway

The Shanghai-Hangzhou-Ningbo Expressway (Zhejiang section), totaling 248km in length, became fully operational in December 1998. With 20 toll stations and three service areas, it is the only expressway directly linking the three major cities of Shanghai, Hangzhou and Ningbo along the East Coast of China, forming part of the twelve "National Trunk Roads" planned by the central government.

While the overall traffic volume along the expressway grew by approximately 20% on average over that of 1999, the growth was not evenly distributed throughout the Period, with a higher-than-average growth rate during the first half of the year mainly due to the temporary closure of certain sections of parallel national roads for maintenance and renovations during the period which diverted additional traffic to the expressway.

Of the RMB1,181,472,000 toll income collected on the Shanghai-Hangzhou-Ningbo Expressway in 2000, 14.5% was attributable to entrance fees.

#### Shansan Expressway

The Shansan Expressway (formerly known as the Shangyu-Sanmen Road) is a 142km four-lane expressway connecting the Hangzhou-Ningbo Expressway and the Ningbo-Taizhou-Wenzhou Expressway, with a total of 11 toll stations and three service areas situated in between.

The construction of the Shansan Expressway was divided into two phases. Phase 1, consisting of four short sections in Shangyu, Shenzhou, Xinchang and Tiantai with a total length of 37.5km, has been operational since February 1997 whilst the construction of Phase 2 commenced in February 1998.

Due to the construction of Phase 2, Phase 1 had been only partially operational since January 2000, until the entire Phase 1 ceased toll collection in August 2000. Average

daily traffic volume in full trips during the period of partial operation was 6,699 vehicles, representing a decrease of 7.9% over the average in 1999. The entire Shansan Expressway was completed and formally opened to traffic and started toll collection on December 26, 2000.

The operation of, and the toll collection on, the Shansan Expressway is carried out by Shansan Co. which will also be responsible for routine maintenance. Major overhauls will be put out to tender.

The audited net asset value of Shansan Co, as prepared in accordance with the generally accepted accounting practice in the PRC as of December 31, 2000 is approximately RMB2.58 billion.

#### Shida Road

Shida Road is a 9.45km connecting road operated by Hangzhou Shida Highway Co., Ltd. ("Shida Co"). Its main function is to provide an additional route for traffic flow between the Shanghai-Hangzhou-Ningbo Expressway and the city of Hangzhou. Average daily traffic volume in 2000 grew by 60% over that of 1999 to reach approximately 4,104 vehicles, and toll income in 2000 grew by 82% over that of 1999 to reach approximately RMB11,033,000.

Although interest payments on commercial loans continued to outweigh operating profit, and Shida Co recorded a loss of approximately RMB15,568,000 during the year, the operation of Shida Road nevertheless enhanced the overall accessibility of the Shanghai-Hangzhou-Ningbo Expressway. The Directors anticipate that the profitability of Shida Co will improve as more vehicles are expected to use Shida Road for access to the Shanghai-Hangzhou-Ningbo Expressway.

#### Other Businesses

##### Petroleum Co

The global rise in crude oil and product prices during the Period did not have a significant impact on the business performance of Petroleum Co. However, due to changes in the PRC distribution system of petroleum products, which took place in late 1999, Petroleum Co's wholesale business in petroleum products was reduced by approximately 50% compared with that of 1999. In response to this latest development, Petroleum Co reduced its registered capital by RMB200 million, and refocused its business operations on retail sales of petroleum products. Petroleum Co's net profit contribution to the Group in 2000 was approximately RMB28,130,000, representing a return on capital of approximately 26%.

##### Advertising Co

Advertising Co, which operates billboard advertising along expressways operated by the Group, was successful in reaching out to a wider market through extensive use of intermediate advertising agents. Turnover for the year was approximately RMB14,155,000, and net profit was approximately RMB12,735,000, representing increases of 175% and 326% over that of 1999, respectively.

##### JoinHands Technology

JoinHands Technology Co., Ltd. ("JoinHands Technology") is a start-up company principally engaged in the application of computer technologies in the areas of anti-counterfeiting and modern logistics management networks. Since the Company's investment in April 2000, JoinHands Technology made a breakthrough in opening up markets with the introduction of its technology to the local merchandising market. Various degrees of headway in marketing were also made in areas such as agricultural products, finance, pharmaceuticals, publishing, taxation receipts and legal certificates. Turnover in 2000 was approximately RMB6,250,000, and a net profit of approximately RMB250,000 was realized for the first time.

##### Project Development

During the Period, the Company actively pursued a number of potential investment projects, two of which came to fruition with acquisition costs amounting to RMB191.3 million.

In April 2000, the Company invested an aggregate of RMB18.5 million to acquire a 30% equity interest in JoinHands Technology. Details of this acquisition were disclosed in the Company's announcement dated April 7, 2000.

In September 2000, the Company further acquired a 6% equity interest in Shansan Co through two separate acquisitions for a total consideration of RMB172.8 million, details of which were disclosed in the Company's announcement dated September 25, 2000.

### OUTLOOK FOR 2001

Economic outlook in 2001 for Zhejiang Province and its neighboring cities and provinces continues to be optimistic. The provincial government recently announced a 9% annual gross domestic product growth target for the next five years from 2001 to 2005, as well as plans to accelerate the urbanization process already underway in many parts of Zhejiang Province. With the pending accession of the PRC to the World Trade Organization, Zhejiang Province is well positioned both geographically and economically to enter a new stage of rapid economic growth.

Steady growth in personal wealth and decrease in passenger car prices over the past few years have created a sizeable demand in private vehicle ownership, especially in the economically dynamic East Coast region of the PRC. The Directors believe that this potential demand would likely lead to a surge in road traffic, benefiting toll road operators such as the Company.

The Shansan Expressway was successfully opened to traffic before the end of 2000, bringing the Group's toll road mileage from approximately 285km to approximately 390km. Toll income from the newly opened Shansan Expressway will become a major revenue contributor to the Group in 2001, in addition to the network effect created by its direct linkage with the Shanghai-Hangzhou-Ningbo Expressway. The Company is confident about the continued growth in traffic volume on these expressways in 2001.

The Company intends to apply to the China Securities Regulatory Commission and the Shanghai Stock Exchange of the PRC for the issue by way of public offer and placement of not more than 300 million A shares in 2001. Details of the proposed application and proposed use of proceeds were disclosed in the Company's announcements dated January 10, 2001 and February 2, 2001, respectively.

The Company will strive to seize the moment to further expand its business operations in the toll road sector, while continuing to seek investment opportunities in other infrastructure sectors with maximizing shareholders' value as the ultimate objective.

### DISCLOSURE OF INTERESTS AND OTHER MATTERS

#### Change of Shareholding

On December 28, 2000, Zhejiang Provincial High Class Highway Investment Co., Ltd. ("Provincial Investment Co") and Huajian Transportation Economic Development Centre ("Huajian") entered into a State-owned share transfer agreement whereby 476,760,000 shares of RMB1.00 each in the share capital of the Company, representing approximately 11% of the total issued share capital of the Company, will be transferred to Huajian.

Upon completion of the share transfer, the shareholding of Provincial Investment Co in the Company will be reduced from approximately 67% to approximately 56% of the total issued share capital of the Company, and Huajian will hold approximately 11% of the total issued share capital of the Company.

#### Impact of Housing Reform Policies

On September 6, 2000, the Ministry of Finance of the PRC issued a directive (the "Directive") numbered Caiqi [2000] 295 in respect of accounting policies in relation to the national enterprise housing reform. The Company has examined the relevant issues, and has concluded that the Directive does not have any significant impact on the results and financial standing of the Group for the Period.

#### Purchase, Sale and Redemption of the Company's Shares

Neither the Company nor its subsidiaries has purchased, sold, redeemed or cancelled any of the Company's shares during the year under review.

By order of the Board  
Geng Xiaoping  
Chairman and General Manager

Hong Kong, March 5, 2001

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be subsequently published on the Stock Exchange's website at <http://www.hkex.com.hk> in due course.

### Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting for the year ended December 31, 2000 ("AGM") of Zhejiang Expressway Co., Ltd. (the "Company") will be held at 10:00a.m. on April 26, 2001 at 18th Floor, Zhejiang World Trade Center, 15 Shuguang Road, Hangzhou 310007, the People's Republic of China (the "PRC") for the conduct of the following business:

1. To consider and approve the report of the directors of the Company for the year ended December 31, 2000;
2. To consider and approve the report of the supervisory committee of the Company for the year ended December 31, 2000;
3. To consider and approve the audited financial statements of the Company for the year ended December 31, 2000;
4. To consider and approve the proposed distribution of profits and the final dividend of the Company for the year ended December 31, 2000;
5. To consider and approve the budget plan of the Company for the year ending December 31, 2001; and
6. To consider and approve the re-appointment of Ernst & Young as the international auditors of the Company and Zhejiang Pan-China Certified Public Accountants as the PRC auditors of the Company and to authorize the board of directors of the Company to fix their respective remuneration.

By Order of the Board  
Zhang Jingzhong  
Company Secretary

Hong Kong, March 5, 2001

#### Notes:

##### 1. Eligibility for attending the AGM

Holders of H shares of the Company ("H Shares") who intend to attend the AGM must deliver all transfer instruments and the relevant shares certificates to the share registrar for H Shares, Hong Kong Registrars Limited (which address is set out in paragraph 5 below), at or before 4:00p.m. on March 26, 2001.

##### 2. Registration procedures for attending the AGM

- (1) Holders of H Shares and domestic shares of the Company ("Domestic Shares") intending to attend the AGM should return the reply slip for attending the AGM to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 5 below) such that the same shall be received by the Company on or before April 6, 2001.
- (2) A shareholder or his/her/its proxy should produce proof of identity when attending the meeting. If a corporate shareholder appoints a legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative at the meeting.

##### 3. Proxy

- (1) A shareholder eligible to attend and vote at the AGM is entitled to appoint, in written form, one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a member.
- (2) A proxy should be appointed by a written instrument signed by the appointor or his/her/its attorney. If the appointor is a corporation, the same shall be affixed with its common seal or signed by its director(s) or duly authorized representative(s). If the form of proxy is signed by the attorney of the appointor, the power of attorney or other authorization document(s) of such attorney should be notarised.
- (3) To be valid, the power of attorney or any other authorization document(s) (which have been notarised) together with the completed form of proxy must be delivered, in the

case of holders of Domestic Shares, to the Company at the address shown in paragraph 5 below and, in the case of holders of H Shares, to Hong Kong Registrars Limited at the address shown in paragraph 5 below, not less than 24 hours before the time designated for the holding of the AGM.

- (4) A proxy may exercise the right to vote by a show of hands or by poll. However, if more than one proxy is appointed by a shareholder, such proxies shall only exercise the right to vote on a poll.

##### 4. Closure of Register of Members

The register of members of H Shares will be closed from March 27, 2001 to April 25, 2001 (both days inclusive), during which no transfer of shares will be registered.

##### 5. Miscellaneous

- (1) The AGM will not last for more than one day. Shareholders who attend shall bear their own travelling and accommodation expenses.
- (2) The address of the share registrar for H Shares, Hong Kong Registrars Limited is at: 2/F, Viewwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- (3) The address of the Company is at: 19th Floor, Zhejiang World Trade Center, 15 Shuguang Road, Hangzhou 310007, People's Republic of China. Telephone No.: (+86)-571-7987700. Facsimile No.: (+86)-571-7950329.