

Announcement of Results

For the year ended 31st December, 1999

The board of directors of Zhejiang Expressway Co., Ltd. (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December, 1999 (the "Period"), prepared in conformity with the accounting principles generally accepted in Hong Kong and the basis of presentation as stated in note 1 below, together with the 1998 comparative figures as follows:

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT

| | | Year ended 31st December, 1999 | Year ended 31st December, 1998 |
|--|-------|--------------------------------------|--------------------------------------|
| | Notes | RMB'000 | RMB'000 |
| TURNOVER | 2 | 1,050,498 | 655,069 |
| Operating Costs | | (298,417) | (220,537) |
| Gross Profit | | 752,081 | 434,532 |
| Other Revenue | | 167,528 | 234,573 |
| Administrative Expenses | | (60,320) | (45,611) |
| Other Operating Expenses | | (2,374) | (635) |
| PROFIT FROM OPERATING ACTIVITIES | | 856,915 | 622,859 |
| Finance Costs | | (172,922) | (94,741) |
| Share of Profit of an Associated Company | | 22,559 | 18,982 |
| PROFIT BEFORE TAX | | 706,552 | 547,100 |
| Tax | 3 | (71,810) | (73,795) |
| PROFIT BEFORE MINORITY INTERESTS | | 634,742 | 473,305 |
| Minority interests | | (86,431) | (68,914) |
| NET PROFIT FROM ORDINARY ACTIVITIES | | 548,311 | 404,391 |
| ATTRIBUTABLE TO SHAREHOLDERS | | (144,937) | (75,656) |
| Transferred to Reserves | 4 | (238,872) | (152,009) |
| Dividends | 5 | 164,502 | 176,726 |
| RETAINED PROFIT FOR THE YEAR | | 12.62 cents | 9.31 cents |
| EARNINGS PER SHARE | 6 | | |

Notes:

1. Basis of presentation

The consolidated income statement includes the audited income statements of the Company and its subsidiaries for the year ended 31st December, 1999. 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.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the board of directors.

A joint venture is a contractual arrangement whereby the Group and other third parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than those temporary in nature deemed necessary by the directors.

An associated company is an enterprise, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally, not less than 20 per cent. 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 an associated company is included in the consolidated income statement and consolidated reserves, respectively. The Group's interest in an associated company is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for permanent diminutions in values deemed necessary by the directors.

As at 31st December, 1999, the particulars of the Company's principal subsidiaries, associated company and jointly-controlled entity are as follows:

| Name | Date and place of registration | Equity interest attributable to the Company | Registered capital or registered capital to be contributed (RMB'000) | Principal business |
|--|--------------------------------|---|--|---|
| Subsidiaries | | | | |
| Zhejiang Jiaying Expressway Co., Ltd. ("Jiaying Co") | 30th June, 1994 PRC | 84.2% | 1,859,200 | Construction, operation and management of the Jiaying Section of the Shanghai-Hangzhou Expressway |
| Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co") | 7th June, 1994 PRC | 51.0% | 75,223 | Construction, operation and management of the Yuhang Section of the Shanghai-Hangzhou Expressway |
| Zhejiang Shangan Expressway Co., Ltd. ("Shangan Co") | 1st January, 1998 PRC | 55.0% | 2,400,000 | Construction, operation and management of the Shangan-Sannan Road ("Shangan Expressway") |
| Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co") | 1st June, 1998 PRC | 70.0% | 1,000 | Advertising |
| Zhejiang Gaotong Stone Development Co., Ltd. ("Gaotong Co") | 3rd November, 1997 PRC | 80.0% | 5,000 | Processing and sale of decorative stones |
| Associated company | | | | |
| Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co") | 1st July, 1998 PRC | 50.0% | 416,000 | Operation of gas stations and sale of petroleum related products |
| Jointly-controlled entity | | | | |
| Hangzhou Shida Highway Co., Ltd. ("Shida Co") | 1st September, 1999 PRC | 50.0% | 130,000 | Development and operation of the connecting road to Hangzhou "Shiqiao-Dujing" (also known as "Shida Road") with respect to the Shanghai-Hangzhou Expressway |

The consolidated income statement has been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("HKSSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This basis of accounting differs from that used in the preparation of the statutory accounts of the Group which were prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises.

Due to the adoption of the revised HKSSAP 1 during the current year, the presentation of the income statement has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

In addition, a restatement of the carrying values of the Group's and the Company's short term investments in securities to their fair value (i.e. the market price) as at 31st December, 1998 was made in accordance with the newly adopted HKSSAP 24. The restatement has retrospectively increased the Group's profit from operating activities for the year ended 31st December, 1998 by Rmb19,133,000 (net off deferred tax).

2. Turnover

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

| | 1999 RMB'000 | 1998 RMB'000 |
|----------------------------|-----------------|-----------------|
| Toll income | 1,087,672 | 658,505 |
| Advertising service | 5,859 | 2,231 |
| Road maintenance service | 6,971 | 24,843 |
| Others | 9,918 | 5,697 |
| Less: Revenue taxes (Note) | (59,922) | (36,207) |
| | 1,050,498 | 655,069 |

Note:

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

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

3. Taxation

No provision for Hong Kong profits tax has been made in the results for the Period as the Group had no taxable profit in Hong Kong during the Period.

The Group is subject to PRC Enterprise Income Tax (the "EIT") at the rate of 33 per cent. on its taxable income (based on income for financial reporting purposes prepared in accordance with the PRC laws and regulations).

According to an approval from Zhejiang Provincial Local Tax Bureau dated 14th February, 2000, Shangan Co 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, was entitled to an exemption from EIT for three years starting from 1st January, 1998.

Pursuant to a series of directives issued by Zhejiang Provincial People's Government, Municipal Governments of Yuhang and Jiaying in 1997, the Company, Yuhang Co and Jiaying Co were entitled to respective refunds from Zhejiang Finance Bureau or Municipal Finance Bureau of Yuhang and Jiaying, of an amount equal to 18% of their taxable income in respect of the EIT paid to the taxation bureau, respectively.

The tax refunded and refundable represent the financial subsidies received during the year or immediately after the year end. It is the directors' opinion that these refunds are received without recourse. Notwithstanding this, as a result of the State Council's newly released directive numbered Guo Fa [2000]2 in respect of correcting the tax refund policies adopted by local governments with effect from 1st January, 2000, the Company is seeking clarification and advice from relevant government authorities as to whether the Company and its subsidiaries may continue to enjoy the 18% tax refund in future. Should the aforementioned directive be applicable to the entitlement of the Group's existing preferential tax treatment, the Company, according to the directive and with the assistance from Zhejiang Provincial Government, will make an application to the relevant national authorities to enable the Company to continue to enjoy the relevant financial subsidies as a major transportation infrastructure investment enterprise listed abroad from Zhejiang Provincial Finance Department. However, there is no assurance that the application will be approved.

| | 1999 RMB'000 | 1998 RMB'000 |
|--|-----------------|-----------------|
| Group: | | |
| Taxation charged | 166,839 | 142,703 |
| Overprovision in prior year | (10,930) | — |
| Taxation refunded/refundable | (82,966) | (77,788) |
| | 72,943 | 64,915 |
| Deferred taxation | (2,312) | 2,616 |
| Share of tax attributable to: | | |
| An associated company | 7,443 | 6,264 |
| Overprovision in prior year of an associated company | (6,264) | — |
| | 71,810 | 73,795 |

There was no material unprovided deferred tax in respect of the year (1998: Nil).

4. Transferred to reserves

In accordance with the Company Law of the PRC and the Company's articles of association, the Company, its subsidiaries and associated company are required to allocate 10 per cent. of their profit after taxation, as determined in accordance with PRC accounting standards and regulations applicable to the Company, its subsidiaries and associated company, to the statutory surplus reserve (the "SSR") until such reserve reaches 50 per cent. of the registered capital of the Company, its subsidiaries and associated company. Subject to certain restrictions set out in the Company Law of the PRC and the Company's articles of association, part of the SSR may be capitalised.

In addition, Shangan Co and Petroleum Co were required by the relevant tax authorities to transfer the EIT waived for 1998 to their respective SSR account in 1999. The transfer has been incorporated in these financial statements.

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

For the Period, the board of directors of the Company has proposed to transfer RMB52,316,000 and RMB26,159,000 to the SSR and the PWF respectively. The aggregate amount represents 15 per cent. of the Company's profit after taxation of RMB523,165,000 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 HKSSAP and accounting principles generally accepted in Hong Kong.

As at 31st December, 1999, the Company has reserves of approximately RMB311,335,000 (1998: RMB319,056,000) available for distribution by way of cash or in kind.

5. Dividends

| | 1999 RMB'000 | 1998 RMB'000 |
|--|-----------------|-----------------|
| Interim dividend RMB0.015 (approximately HK\$0.014) cents per share | 65,147 | — |
| Proposed final dividend RMB0.04 (approximately HK\$0.037) (RMB0.035 (approximately HK\$0.033) in 1998) | 173,725 | 152,009 |
| Total dividend | 238,872 | 152,009 |

6. Earnings per share

The calculation of earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of RMB548,311,000 (1998: RMB404,391,000) and 4,343,114,500 shares (1998: 4,343,114,500 shares) in issue during the Period.

Diluted earnings per share for the years ended 31st December, 1999 and 1998 have not been calculated as no diluting event existed during these years.

RESULTS, FINAL DIVIDENDS AND CLOSURE OF REGISTER

During the Period, the Group's turnover was approximately RMB1,050,498,000, representing an increase of 60.4 per cent. over that of 1998. Profit after tax was approximately RMB634,742,000, representing an increase of 34.1 per cent. over 1998.

The directors of the Company (the "Directors") have recommended the payment of a final dividend of RMB0.04 (approximately HK\$0.037, based on an exchange rate of HK\$1 to RMB1.07 (for reference only)) per share in respect of the Period. The final dividend, together with the interim dividend of RMB0.015 (or approximately HK\$0.014) per share, amount to a total dividend of RMB0.055 per share, representing an increase of 57.1 per cent. over that of last year. The payment of such final dividend to its shareholders (including holders of H Shares of the Company (the "H Shares")) is subject to the approval of the Company's shareholders at the 1999 Annual General Meeting ("AGM"), which is expected to be convened on 25th May, 2000. The Company will notify its shareholders of the time and place of the 1999 Annual General Meeting and the business to be transacted at a later stage.

The register of members of the Company will be closed from 25th April, 2000 to 24th May, 2000 (both days inclusive), during which period no transfer of shares will be registered. Holders of H Shares who wish to qualify for payment of the final dividend are required to deliver their instruments of transfer together with the relevant share certificates to HKSCC Registrars Limited, the Company's registrar of H Shares, at 2/F, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong by no later than 4:00 p.m. on 20th April, 2000. The dividend for the H Shares will be paid in Hong Kong dollars based on the average of the daily exchange rate quoted by People's Bank of China in the 5 trading days immediately preceding the date of the 1999 AGM.

BUSINESS REVIEW

The Group achieved satisfactory results and rapid growth in 1999. The opening to traffic of the Jiaying Section of Shanghai-Hangzhou Expressway at the end of 1998 marked the full operation of the Shanghai-Hangzhou-Ningbo Expressway, the core asset of the Group, which links the three major cities of Shanghai, Hangzhou and Ningbo. Under the "networking effect", toll revenue surged by 65.17% from RMB658,505,000 in 1998 to RMB1,087,672,000 in 1999.

The table below sets out the 1999 toll revenue in respect of the Hangzhou-Ningbo Expressway, the Hangzhou, Yuhang, and Jiaying Sections of the Shanghai-Hangzhou Expressway, the Yuhang East Connecting Road, and the Shangan Expressway:

| | Shanghai-Hangzhou Expressway | | | Yuhang East Connecting Road | | Shangan Expressway | |
|-------------------------|------------------------------|------------------|----------------|-----------------------------|-----------------|--------------------|--|
| | Hangzhou-Ningbo Expressway | Hangzhou Section | Yuhang Section | Jiaying Section | Connecting Road | Shangan Expressway | |
| Toll revenue (RMB'000) | 556,136 | 25,874 | 81,674 | 311,203 | 12,904 | 99,881 | |
| Year on year growth | +23.66% | +30.89% | +43.35% | — | -68.5% | +9.75% | |
| % of total toll revenue | 51.13% | 2.38% | 7.51% | 28.61% | 1.19% | 9.18% | |

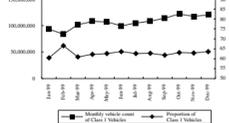
A. Shanghai-Hangzhou-Ningbo Expressway

The Shanghai-Hangzhou-Ningbo Expressway is a dual two-lane expressway, which lies along the southern tip of the Yangtze River Delta. It has a total length of 247.6 km, and became fully operational at the end of December 1998.

Adjustment of toll rates

Pursuant to the approval granted by Zhejiang Provincial Government, the Group increased the distance-based toll rate for Class 1 vehicles using the Shanghai-Hangzhou-Ningbo Expressway from RMB0.40/km to RMB0.45/km since 1st July, 1999.

Traffic volume

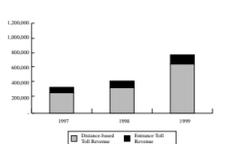


With the full operation of the Shanghai-Hangzhou-Ningbo Expressway, the average daily traffic volume surged 28.5% to 14,814 vehicles in 1999 from the previous year. In particular, in 1999, the average daily traffic volume of the Hangzhou-Ningbo Expressway and the Hangzhou and Yuhang Section of the Shanghai-Hangzhou-Ningbo Expressway were 14,483, 25,471, and 24,931 vehicles respectively, representing year-on-year increases of 29.7%, 58.4% and 55.1% respectively. The average daily traffic volume of the Jiaying Section in 1999 stood at 13,661 vehicles.

In 1999, the average distance of vehicles using the Shanghai-Hangzhou-Ningbo Expressway increased 39.9% year-on-year to approximately 65.7 km.

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Toll revenue



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In 1999, the average toll revenue per vehicle using Shanghai-Hangzhou-Ningbo Expressway was approximately RMB47.8, representing a surge of 30.6% over 1998. This was mainly due to increases in: (1) the average distance travelled by vehicles as a result of the full operation of the Shanghai-Hangzhou-Ningbo Expressway; and (2) the distance-based toll revenue following the toll rate increase in July 1999.

B. Yuhang East Connecting Road

The Yuhang East Connecting Road is owned by Yuhang Co and became operational in December 1995. With the approval from Zhejiang Provincial Government, it commenced toll collection at the same time, offsetting its maintenance costs. Prior to the opening of the Jiaying Section of the Shanghai-Hangzhou-Ningbo Expressway, Yuhang East Connecting Road served as the primary carriageway between the Yuhang Section of the Shanghai-Hangzhou-Ningbo Expressway and National Road 320. Following the opening of the Jiaying Section at the end of 1998, it merely served as a connecting road between the Shanghai-Hangzhou-Ningbo Expressway and National Road 320. In 1999, the toll revenue attributable to the Yuhang East Connecting Road was approximately RMB12,904,000. The Yuhang East Connecting Road ceased toll collection since 1 January 2000.

C. Shangan Expressway

The entire Shangan Expressway covers a total distance of approximately 143 km. Phase 1 (comprising four sections with a total length of approximately 37.5 km) of Shangan Expressway has already been opened to traffic. In 1999, there were approximately 7,274 vehicles passing in both directions daily, representing an increase of 10.0% over 1998, while the toll revenue was approximately RMB99,881,000, representing a year-on-year increase of approximately 9.75%.

Construction of Phase 2 of the Shangan Expressway is progressing smoothly and is scheduled for completion by the end of 2000. Upon completion, it will be a dual two-lane expressway with a total of ten interchanges, nine toll stations, and three service areas.

Given the current construction work of Phase 2, two existing toll stations at Shangu and Xinchang respectively ceased toll collection since 1st January, 2000. The Directors believe that subsequent work may result in a significant reduction of toll revenue of Shangan Co in 2000. However, such result is expected to be short-term. Subject to the approval by Zhejiang Provincial Government, new toll stations and toll rates will be in place when the entire Shangan Expressway becomes fully operational.

Petroleum Operations

In 1999, Petroleum Co achieved a steady growth. The number of gas stations operated by Petroleum Co increased from 33 since its establishment in July 1998 to 77 at the end of 1999. In 1999, the Group's interests in Petroleum Co's net profit after taxation was approximately RMB42,760,000.

Advertising Business

In 1999, Advertising Co realised an operating income of RMB5,859,000 and profit after taxation of approximately RMB2,990,000.

In December 1999, pursuant to a document jointly issued by the Zhejiang Provincial Department of Communication, the Zhejiang Provincial Department of Public Security, and the Zhejiang Provincial Administration of Industry and Commerce, an exclusive right of unified installation and dissemination of outdoor advertisements along the Shanghai-Hangzhou-Ningbo Expressway was granted to the Company. The Directors believe that by leveraging on the expansion and management of advertising media and clients, the business of Advertising Co will expand in 2000.

Shida Road

On 20th August, 1999, the Company and Hangzhou Highway Development Co., Ltd. entered into an agreement ("Shida JV Contract") to establish a jointly-controlled entity, Shida Co, for the development and operation of Shida Road project with respect to the Shanghai-Hangzhou Expressway. Pursuant to the Shida JV Contract, the Company acquired a 50% interest in Shida Co for a cash consideration of RMB65,000,000.

Shida Road covers a total length of approximately 9.45 km and is a connecting road of the Shanghai-Hangzhou Expressway which provides access to urban Hangzhou. An approximate 2 km section linking the Shanghai-Hangzhou Expressway will form part of Hangzhou Ring Road. The construction cost of Shida Road is approximately 367 million. Shida Road is an improved connecting road of the Shanghai-Hangzhou-Ningbo Expressway network and also serves as the second access to urban Hangzhou, attracting more vehicles onto the Shanghai-Hangzhou-Ningbo Expressway to access urban Hangzhou.

USE OF IPO PROCEEDS

The net proceeds of the initial public offering of the H Shares of the Company (the "IPO") in 1997 amounted to approximately RMB3,524 million. Details of the applications of such proceeds as at 31st December, 1999 are set out below:

- Approximately RMB534.45 million was applied as capital contribution to Jiaying Co for completing construction works of the Jiaying Section of the Hangzhou-Ningbo Expressway
- Approximately RMB5.34 million was used in relation to Contract No. 8 (the contract relating to the upgrading the toll collection system and the introduction of traffic monitoring, communications and lighting systems on the Hangzhou-Ningbo Expressway)
- Approximately RMB637.48 million was used towards repayment of loans and payment of interest
- Approximately RMB 29.4 million was used to purchase approximately 2.44 per cent. of the registered capital of Jiaying Co
- At the time of the Company's listing, approximately RMB900 million was reserved for the potential investment in the Huzhou Section of the Hangzhou-Nanjing Expressway. However, in November 1998, the Company, with the approval from its shareholders, applied this portion of the IPO proceeds to pay for the consideration for the acquisition of an approximately 30.748 per cent. interest in the capital of Jiaying Co (the "Acquisition"). The total consideration in relation to the Acquisition was approximately RMB914.7 million, and was funded entirely by the IPO proceeds. Half of the Acquisition consideration was paid in December, 1998 and the balance was paid in March 1999
- Approximately RMB 1048.05 million was used as capital contribution to Shangan Co. The balance of the capital contribution in the sum of approximately RMB175.95 million will be paid in 2000
- Approximately RMB38 million was used as capital contribution to Petroleum Co

As at 31st December, 1999, the Company used approximately RMB3,207.42 million, or approximately 91% of its IPO proceeds. The balance of approximately RMB316.58 million was deposited in commercial banks in the PRC and invested in listed liquidable state bonds.

EFFECTS OF RECENT ECONOMIC DEVELOPMENTS ON THE COMPANY

Given the dwindling impact of Asian financial turmoil, coupled with the economic recovery in the regional countries, there was a marked improvement in the overall operating environment in 1999.

In 1999, the PRC economy continued to grow rapidly and the provinces neighbouring Zhejiang Province were economically active. In particular, Zhejiang Province was one of the fastest growing provinces in the PRC with an outstanding economic performance. The economic growth in the neighbouring provinces also provided momentum to the Company's toll road operations.

At the end of October 1999, the PRC Highway Law was amended pursuant to which, the State will levy taxes instead of imposing road construction and maintenance fees in order to raise capital for road construction and maintenance. The Directors believe that the amended Highway Law, generally beneficial to the highway business, will not only facilitate the standardisation and legalisation of highway operating rights, but will also be conducive to the investment environment. Furthermore, the Directors expect that the imminent abolition of such charges and other vehicle-related fees will stimulate automobile consumption, which will, in turn, boost the traffic volume of the Group's roads.

The PRC and the US signed a bilateral agreement on 15th November, 1999 whereby the PRC is likely to join the WTO sometime in 2000. In the long term, the PRC's WTO membership will be conducive to the PRC's economy. The PRC enterprises will be required to enhance their competitiveness. This will accordingly increase the economic efficiency and give impetus to the continued economic growth, all of which should bring increased traffic volume onto the expressways.

Prospects

Since the second half of 1999, the senior management, the Board of Directors, and external management consultants of the Company have reviewed and discussed the Company's future strategies and prospects. After a thorough study of the road industry, its operating environment and the Company's resources, the Company aims to become a leading infrastructure investment company in the PRC by the end of 2010