



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



Pursue Excellence, Enhance Value.

2001 Interim Report

PURSUE EXCELLENCE, ENHANCE VALUE.

“Pursue Excellence, Enhance Value” has always been the Group’s operating philosophy. Whether it is for our toll road operations or other ancillary businesses, we adhere to such a motto and will never cease to improve the management of our core businesses and our corporate governance. We aim to excel in every business that we are in, so as to enhance shareholder value and to contribute our best to our customers, business partners, employees and the society.

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UNAUDITED INTERIM RESULTS

The board of directors (the "Directors") of Zhejiang Expressway Co., Ltd. (the "Company") is pleased to present the unaudited consolidated operating results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2001 (the "Period"). The interim report has been reviewed by the audit committee of the Company and approved by the Directors on 10 August 2001. The accounting information given in the interim report has not been audited.

During the Period, the Group realized a turnover of Rmb754,113,000 and a net profit attributable to shareholders of Rmb367,899,000, representing a growth of 26.0% and 16.8% respectively over the same period in 2000. Earnings per share realized were Rmb8.5 cents, representing a growth of 16.4% over the same period in 2000.

The Directors have resolved to recommend the payment of an interim dividend of Rmb3.0 cents (approximately HK\$2.8 cents, based on an exchange rate of HK\$1 to Rmb1.07 (for reference only)) per share in respect of the Period (interim dividend for 2000: Rmb2.0 cents). The recommendation is subject to approval at the extraordinary general meeting of the shareholders of the Company to be held on 28 September 2001. Please see relevant notice for details.

Results for the Six Months ended 30 June

	2001 Rmb'000	2000 Rmb'000
Turnover	754,113	598,531
Gross Profit	591,719	457,028
Profit from Operating Activities	726,199	533,533
Profit before Tax	599,761	438,673
Tax	(176,737)	(85,191)
Net Profit from Ordinary Activities Attributable to Shareholders	367,899	314,909
Dividends per share	3 cents	2 cents
Earnings per share	8.5 cents	7.3 cents

BUSINESS REVIEW AND OUTLOOK

The Group's unaudited net profit attributable to shareholders during the Period was approximately Rmb367,899,000, representing a growth of 16.8% over the same period in 2000. The growth was in line with the Directors' expectations.

Strong national and local economic performance provided a favorable business environment for the Group which achieved exceptional growth in its core business operations of toll roads and continued expansion in its non-core business operations.

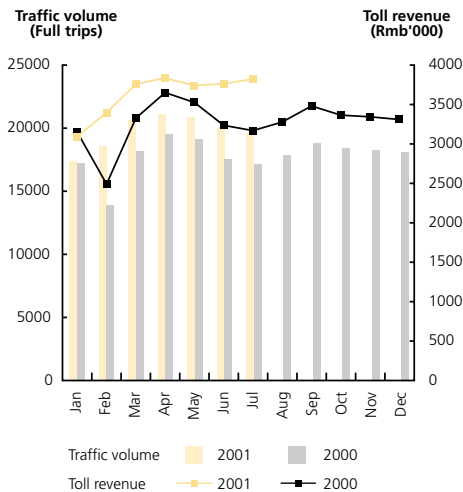
TOLL ROAD OPERATIONS

During the Period, traffic volume on the Shanghai-Hangzhou-Ningbo Expressway continued to record satisfactory growth, with average daily traffic volume growing by 12.2% over the same period in 2000 and toll income growing by 8.1% to approximately Rmb635,933,000.

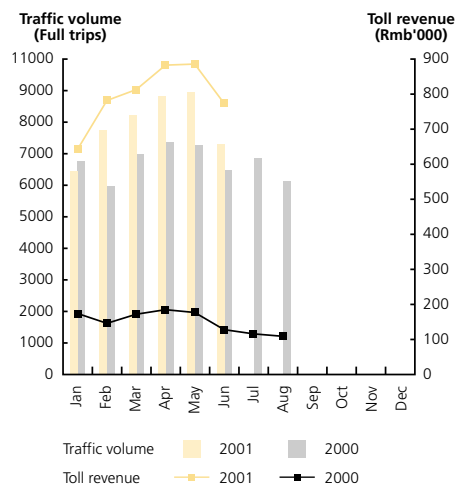
With the completion of the Shangsans Expressway in December 2000, total mileage of expressways operated by the Group increased from 248km to 390km. In addition, due to its direct linkage to the Group's main toll road, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway's opening to traffic had resulted in a "networking" effect, which contributed to continued growth in traffic volume on the Shanghai-Hangzhou-Ningbo Expressway.

With toll income contribution from the newly opened Shangsans Expressway being approximately Rmb144,189,000, total toll income of the Group grew by 26.3% over the same period in 2000 to approximately Rmb780,122,000.

Daily Traffic Volume and Toll Revenue on Shanghai-Hangzhou-Ningbo Expressway



Daily Traffic Volume and Toll Revenue on Shangsans Expressway



BUSINESS REVIEW AND OUTLOOK (cont'd)

OTHER BUSINESSES

Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co"), a subsidiary 70% owned by the Company, continued to expand its business operations in advertising along the expressways operated by the Group with sales techniques and incentives suitable to market conditions. During the Period, turnover and net profit were approximately Rmb9,444,000 and Rmb3,975,000, representing a growth of 109.3% and 65.3%, respectively, over the same period in 2000. Newly acquired businesses accounted for approximately 73% of total turnover.

Joinhands Technology Co., Ltd., an associate 30% owned by the Company, had begun to expand its technologies and instruments developed for the purpose of anti-counterfeiting and logistics management in merchandising markets beyond the provincial boundary, while continuing to improve relevant technologies for application in other fields such as the use of information collection devices in the power and telecommunication industries. During the Period, the associate realized a net profit of approximately Rmb580,000.

In response to substantially reduced wholesale businesses and rising prices of petroleum products on the global markets, Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co"), an associate 50% owned by the Company, took measures to reduce costs on the one hand, and adopted active cash management strategies on the other hand, including short-term investments. Net profit realized by Petroleum Co during the Period was approximately Rmb950,000.

INCREASED STAKE IN JIAXING CO

On 4 June 2001, the Company entered into agreements to further increase its stake in the capital of Zhejiang Jiaying Expressway Co., Ltd., a subsidiary of the Company, from approximately 84.2% to 87.3% for an aggregate consideration of Rmb93,369,024. Details of this acquisition were disclosed in the Company's announcement dated 4 June 2001.

OUTLOOK

Macro-economic growth prospects for China remain optimistic as the country prepares for its imminent accession to the WTO which is expected to occur by the end of the year.

Zhejiang province, which already boasts one of the most diverse and vibrant economies in the country, is expected to be one of the biggest beneficiaries of China's WTO accession.

In one of the published research reports compiled by a local research institution, GDP growth rate in Zhejiang province, which has been growing on average by 11% annually over the past five years, is estimated to increase by an additional 1.3% annually during the five years immediately after the WTO accession, with its garment, textile and leather industries benefiting the most from this development.

As demand for road transport continues to grow, so will the competition between different modes of transport. The Directors are confident that with the convenience and flexibility unmatched by any other mode of transport, expressway transport will continue to be the fastest growing sector in the overall transport industry.

Robust economic growth prospects in the province, together with sizable growth potential in the private ownership of passenger cars, are expected to sustain the relatively high growth rates in traffic volumes on the existing expressways operated by the Group.

While the Company intends to remain focused on its core business of toll road investment and operations and seeks to further expand its expressway portfolio in the province, it is also prepared to grasp opportunities presented by China's WTO accession.

The Company has applied to the China Securities Regulatory Commission for the issue of not more than 300 million domestic shares ("A Shares") to the public in the People's Republic of China to raise approximately Rmb1 billion for the first and second stages of construction to widen the Shanghai-Hangzhou-Ningbo Expressway. It is expected that the issue of A Shares (the "A Share Issue") will be completed before the end of the year 2001.

FINANCIAL REVIEW

The Group will endeavour to achieve maximum return for its shareholders while maintaining a sound and prudent investment strategy. In particular, in the medium to long-term, the Company will focus on investing in highways and other infrastructure projects while striving to maintain an appropriate level of borrowings and gearing ratio. In the short-term, the Group will continuously review its portfolio of borrowings and make any necessary adjustments in a timely manner. The continuous cash inflow generated from the Group's toll road operations will be invested in short-term investments with low risk exposure, which is in line with the Group's objective of achieving maximum return for shareholders.

BORROWINGS AND DEBT REPAYMENT ABILITY

As at 30 June 2001, the Group's interest-bearing borrowings increased slightly from 31 December 2000 to Rmb3,611,425,000 (31 December 2000: Rmb3,446,598,000), of which 59% represented short-term borrowings repayable within a year (31 December 2000: 53%), whereas the balance represented medium to long-term borrowings and corporate bonds, with details as follows:

	Total	Fixed rates	Floating rates	Percentage	Commitment
	Rmb'000	Rmb'000	Rmb'000	%	Rmb'000
Loans from World Bank(US Dollars)	1,788,570	—	1,788,570	49.53	185,784
Loans from commercial banks	1,400,000	1,400,000	—	38.77	40,000
Loans from government	222,855	222,855	—	6.17	—
Corporate bonds	200,000	200,000	—	5.53	—
Total as at 30 June 2001	3,611,425	1,822,855	1,788,570	100.00	225,784
Total as at 31 December 2000	3,446,598	1,668,069	1,778,529	—	863,564

During the Period, interest rates to which the Group's borrowings were subject did not experience any significant change compared with 2000. In particular, the annual floating rates of the World Bank loans ranged from 5.11% to 8.76%, while the annual interest rates of commercial banks were approximately 5.022%-5.643% for short-term borrowings.

The maturity profile for the Group's interest-bearing borrowings is as follows:

	Total	Within 1 year	2-5 years (inclusive)	Over 5 years
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Floating rates				
Loans from the World Bank	1,788,570	899,194	286,624	602,752
Fixed rates				
Loans from commercial banks	1,400,000	1,220,000	180,000	—
Loans from government	222,855	12,255	204,800	5,800
Corporate bonds	200,000	—	200,000	—
Total as at 30 June 2001	3,611,425	2,131,449	871,424	608,552
Total as at 31 December 2000	3,446,598	1,831,817	948,328	666,453

EARNINGS TO INTEREST MULTIPLE

Interest expense for the Period under review was about Rmb141,914,000 (six months ended 30 June 2000: Rmb 97,881,000), whilst the earnings before interest and tax was about Rmb741,675,000 (six months ended 30 June 2000: Rmb521,872,000). The Group's consolidated earnings to interest multiple for the Period was approximately 5.0 times. (six months ended 30 June 2000: 5.3 times).

LIQUIDITY RATIO

During the Period, the cash flow generated from the Group's operating activities amounted to approximately Rmb686,024,000. As a group principally engaged in toll road operations, the Group has maintained a strong cash inflow from its ordinary operating activities since its establishment.

As at 30 June 2001, of the current assets of Rmb2,351,921,000 in aggregate, prepayments to expressway contractors, accounts receivable and inventory represented only about 5% (31 December 2000: 6%). In the foreseeable future, the Directors anticipate that the Group will not experience any difficulty in liquidity.

FINANCIAL REVIEW (cont'd)

CAPITAL EXPENDITURE COMMITMENTS AND FINANCIAL RESOURCES

As at 30 June 2001, the capital expenditure commitments planned for the Group amounted to Rmb3,331,985,000, with details as follows:

	As at 30 June 2001 Unaudited Rmb'000	As at 31 December 2000 Audited Rmb'000
Contracted, but not provided for:		
– Construction of expressways	579,651	622,684
– Proposed investments in Shangsang Co	485,000	485,000
– Others	—	1,886
Authorised, but not contracted for:		
– Construction of expressways	2,267,334	2,500,980
	3,331,985	3,610,550

Among the total capital commitments, Rmb1,209,129,000 for the widening project of Hangzhou-Ningbo Expressway will be financed by the net proceeds arising from the A Share Issue. The remaining capital commitments, comprising mainly the residual construction work of the Shangsang Expressway, and the proposed further investment in Shangsang Co will be financed by cash generated from operating activities, any profits generated from short term investments and, if necessary, commercial bank loans.

CAPITAL STRUCTURE

Compared to 31 December 2000, there was no significant change in the capital structure of the Group as at 30 June 2001.

	As at 30 June 2001		As at 31 December 2000	
	Total Rmb'000	Percentage %	Total Rmb'000	Percentage %
Shareholders' equity	9,026,016	61.1	8,658,117	59.4
Fixed interest - bearing liabilities	1,822,855	12.4	1,668,069	11.4
Floating interest - bearing liabilities	1,788,570	12.1	1,778,529	12.2
Zero coupon liabilities	2,132,591	14.4	2,481,705	17.0
Total	14,770,032	100.0	14,586,420	100.0
Gearing 1	63.6%		68.5%	
Gearing 2	16.5%		18.7%	

Notes: Gearing 1 = Fixed interest-bearing liabilities + Floating interest-bearing liabilities + zero coupon liabilities / Shareholders' equity

Gearing 2 = Total long term liabilities / Shareholders' equity

The Directors are of the view that the current gearing ratio is relatively low, thus providing more room for obtaining debt financing for the future development of the Company.

FINANCIAL REVIEW (cont'd)

CASH AND LIABILITIES MANAGEMENT

As at 30 June 2001, the Group had in possession cash and cash equivalents, fixed deposits and short-term investments in the amount of Rmb2,014,842,000, with details as follows:

	As at 30 June 2001 Group Rmb'000	As at 31 December 2000 Group Rmb'000
Cash and cash equivalents		
Renminbi	446,847	390,449
US dollar equivalent	992,285	932,337
HK dollar equivalent	5,201	727
EURO equivalent	23,790	—
Fixed deposits		
Renminbi	137,997	273,764
US dollar equivalent	—	111,754
HK dollar equivalent	6,582	5,303
Short term investments		
Renminbi	402,140	377,965
Total		
Renminbi	986,984	1,042,178
US dollar equivalent	992,285	1,044,091
HK dollar equivalent	11,783	6,030
EURO equivalent	23,790	—
Borrowings		
Renminbi	1,822,855	1,668,069
US dollar equivalent	1,788,570	1,778,529

CASH AND BANK DEPOSIT RATES

The average interest rates during the Period for bank deposits in US dollars, Euro, Hong Kong dollars and Renminbi were 5.1%, 9.0%, 4.5% and 1.3% respectively.

SHORT TERM INVESTMENTS

The short-term investments made by the Group principally comprised convertible bonds and closed-end equity funds as follows:

	As at 30 June 2001 unaudited Rmb'000	As at 31 December 2000 audited Rmb'000
Government bonds	62,246	156,525
Convertible bonds	220,025	99,485
Closed-end equity funds	119,869	121,955
	<hr/>	<hr/>
Total	402,140	377,965
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During the Period, profit before taxation derived from short-term investments was approximately Rmb74,819,000 (six months ended 30 June 2000: Rmb67,806,000), and the corresponding average rate of return on investments was approximately 11% (six months ended 30 June 2000: 9.8%).

EXCHANGE RATE EXPOSURE

As at 30 June 2001, the interest-bearing borrowings and cash deposits denominated in US dollars of the Group were US\$216,097,000 and US\$119,869,000, respectively. Upon the completion of the aforesaid early repayment of the World Bank loan in the amount of US\$91,636,000 at the end of July 2001, the interest-bearing borrowings and cash deposits of the Group denominated in US dollars decreased to approximately US\$124,461,000 and US\$28,233,000 respectively.

DISCLOSURE OF INTERESTS AND OTHER MATTERS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

SHAREHOLDINGS OF DIRECTORS AND SUPERVISORS

As at 30 June 2001, none of the Directors, chief executive or supervisors of the Company or their respective associates had any interest in the share capital of the Company or any of its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance")) according to the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the Period, neither the Company nor any of its subsidiaries had made any arrangements which would enable the Directors, chief executive or supervisors of the Company or their respective spouses or children under the age of 18 to subscribe for equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance). No rights to subscribe for equity or debt securities of the Company had been granted to any person during the Period.

SIMULATED SHARE OPTION SCHEME

The Directors have approved, and will recommend to the general meeting of shareholders of the Company for approval, a simulated share option scheme which will be valid for a period of ten years. The scheme is aimed to link part of the remuneration of the management of the Company with the performance of the Company's shares, including H Shares and the proposed A Shares. Details of the scheme have been set out in the Company's announcement dated 4 June, 2001. The Directors believe the adoption of the scheme is beneficial to the Company's long-term development, as it will provide management with a Company performance related incentive.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

APPRECIATION

I would like to take this opportunity to thank Mr. Zhang Jingzhong, who discharged his duties with distinction in his role as the Company Secretary. I am pleased to note that having resigned from his post as the Company Secretary, Mr. Zhang will continue to serve as a Director of the Company.

By Order of the Board

Geng Xiaoping

Chairman

Hangzhou, Zhejiang Province, the PRC

10 August 2001

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months ended 30 June 2001

		For the six months ended 30 June	
		2001	2000
		Unaudited	Unaudited
		Rmb'000	Rmb'000
	Notes		
TURNOVER	2	754,113	598,531
Operating cost		(162,394)	(141,503)
Gross profit		591,719	457,028
Other revenue	3	170,439	111,608
Administrative expenses		(25,981)	(28,700)
Other operating expenses		(9,978)	(6,403)
PROFIT FROM OPERATING ACTIVITIES	2, 4	726,199	533,533
Finance costs		(141,914)	(97,881)
Share of profit of associates		16,627	5,390
Share of loss of a jointly-controlled entity		(1,151)	(2,369)
PROFIT BEFORE TAX		599,761	438,673
Tax	5	(176,737)	(85,191)
PROFIT BEFORE MINORITY INTERESTS		423,024	353,482
Minority interests		(55,125)	(38,573)
NET PROFIT FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS		367,899	314,909
Transferred to reserves	10	(2,424)	—
Dividends	6	—	(86,862)
RETAINED PROFIT FOR THE PERIOD		365,475	228,047
EARNINGS PER SHARE	7	8.5 cents	7.3 cents

Other than the net profit from ordinary activities for the Period, the Group had no recognised gains and losses. Accordingly, a statement of recognised gains and losses is not presented in the financial statements.

The notes on pages 18 to 25 form an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2001

	Notes	30 June 2001 Unaudited Rmb'000	31 December 2000 Audited Rmb'000
NON-CURRENT ASSETS			
Fixed assets		11,897,032	11,681,806
Interest in a jointly-controlled entity		54,749	57,126
Interests in associates		161,346	167,316
Expressway operating rights		227,695	232,045
Long term investments		32,867	32,867
Long term receivables		20,740	6,450
Goodwill		23,682	—
		12,418,111	12,177,610
CURRENT ASSETS			
Short term investments		402,140	377,965
Inventories		1,894	718
Trade receivables	8	10,350	19,202
Other receivables		324,835	296,591
Cash, cash equivalents and time deposits		1,612,702	1,714,334
		2,351,921	2,408,810

The notes on pages 18 to 25 form an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)

30 June 2001

		30 June 2001 Unaudited Rmb'000	31 December 2000 Audited Rmb'000
	Notes		
CURRENT LIABILITIES			
Trade payables	9	173,112	204,559
Profits tax payable		132,554	103,022
Other taxes payable		9,840	17,003
Other payables and accruals		271,960	617,522
Interest-bearing bank and other borrowings		2,131,449	1,831,817
		2,718,915	2,773,923
NET CURRENT LIABILITIES			
		(366,994)	(365,113)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		12,051,117	11,812,497
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowing		1,279,976	1,414,781
Long term bonds		200,000	200,000
Other long term liabilities		4,914	1,134
Deferred tax		89,338	43,101
Minority interests		1,450,873	1,495,364
NET ASSETS			
		9,026,016	8,658,117
CAPITAL AND RESERVES			
Issued capital		4,343,115	4,343,115
Reserves	10	4,682,901	4,315,002
		9,026,016	8,658,117

Geng Xiaoping

Director

Fang Yunti

Director

The notes on pages 18 to 25 form an integral part of the financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Six Months ended 30 June 2001

	30 June 2001 Unaudited Rmb'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	686,024
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(405,108)
TAX PAID	(120,588)
INVESTING ACTIVITIES	(180,544)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(20,216)
NET CASH INFLOW FROM FINANCING ACTIVITIES	164,827
INCREASE IN CASH AND CASH EQUIVALENTS	144,611
Cash and cash equivalents at beginning of period	1,323,513
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,468,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	377,227
Time deposits with original maturity of less than three months when acquired	1,090,897
	1,468,124

The notes on pages 18 to 25 form an integral part of the financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” and the relevant disclosure requirements as stipulated in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Other than the goodwill arising from further acquisition of equity interests in subsidiaries, which are stated as assets and amortized on a straight-line basis over 10 years in accordance with the SSAP30 “Business Combination” which was issued in January 2001 (however, no retrospective adjustment was made), the accounting policies and basis of preparation used in preparing the interim financial statements are the same as those used in preparing the financial statements for the year ended 31 December 2000.

2. SEGMENT INFORMATION

There has been no change in the Group’s principal activities during the Period. The results of operations by principal activity are summarised as follows:

By activity:

	Toll	Advertising	Others	Total
	Unaudited	Unaudited	Unaudited	Unaudited
	Rmb’000	Rmb’000	Rmb’000	Rmb’000
Six months ended 30 June 2001				
— Turnover	740,122	9,444	4,547	754,113
— Contribution to profit from operating activities	720,278	5,826	95	726,199
	<u>720,278</u>	<u>5,826</u>	<u>95</u>	<u>726,199</u>
Six months ended 30 June 2000				
— Turnover	583,760	4,540	10,231	598,531
— Contribution to profit from operating activities	527,118	3,590	2,825	533,533
	<u>527,118</u>	<u>3,590</u>	<u>2,825</u>	<u>533,533</u>

During the Period, the entire turnover and contribution to profit from operating activities of the Group was derived from Zhejiang Province, the PRC. Accordingly, a further analysis of the turnover and contribution to profit from operating activities by geographical area is not presented.

3. OTHER REVENUE

	For the six months ended 30 June	
	2001	2000
	Unaudited Rmb'000	Unaudited Rmb'000
Income on short term investments in securities	74,819	67,806
Interest income	29,848	38,427
Rental income	1,809	1,477
Trailer income	4,039	3,595
Exchange gain	53,172	—
Others	6,752	303
	<u>170,439</u>	<u>111,608</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2001	2000
	Unaudited Rmb'000	Unaudited Rmb'000
Depreciation	96,879	68,742
Amortisation of expressway operating rights	4,350	4,350
Amortisation of goodwill	1,246	—
Interest on borrowings	141,914	97,881
	<u>141,914</u>	<u>97,881</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS (cont'd)

5. TAX

According to the relevant national tax rules, Zhejiang Shangsang Expressway Co., Ltd. ("Shangsang Co"), a 61% owned subsidiary of the Company, was qualified for the exemptions under the category of "New enterprise providing employment opportunities to redundant workers", and therefore was entitled to an exemption from Corporate Income Tax ("CIT") for three years starting from 1 January 1998. During the Period, however, as the three years exemption was no longer applicable to Shangsang Co, it was subject to the CIT levied at a rate of 33%.

Advertising Co a 70% owned subsidiary of the Company, was no longer entitled to the CIT exemption under the directive numbered Cai Shui (94)001 since 1 January 2001. Accordingly, Advertising Co was subject to the CIT levied at a rate of 33%.

Save as above, the tax rate of other group companies and the preferential tax treatment that certain companies are entitled to remained unchanged as those used to prepare the financial statements for the year ended 31 December 2000.

For the six months ended 30 June

	2001 Unaudited Rmb'000	2000 Unaudited Rmb'000
Group:		
Tax charged	150,122	117,515
Tax refunded/refundable	(36,115)	(33,723)
	114,007	83,792
Deferred	46,236	(380)
Share of tax attributable to associates	13,983	1,779
Share of deferred tax attributable to an associate	1,994	—
Share of deferred tax attributable to a jointly-controlled entity	517	—
Tax charge for the Period	176,737	85,191

There was no material unprovided deferred tax in respect of the Period (six months ended 30 June 2000: Nil).

6. DIVIDENDS

The Directors recommend the payment of an interim dividend of Rmb3.0 cents (approximately HK\$2.8 cents) per share (2000 interim: Rmb2.0 cents (approximately HK\$1.87 cents per share)). The recommendation was not incorporated into these financial statements.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of Rmb367,899,000 (six months ended 30 June 2000: Rmb314,909,000) and the 4,343,114,500 shares (30 June 2000: 4,343,114,500 shares) in issue during the Period.

Diluted earnings per share for the periods ended 30 June 2001 and 2000 have not been calculated as no diluting event existed during these periods.

8. Trade Receivables

The aging analysis of trade receivables as at 30 June 2001 and the comparative figures of 31 December 2000 are as follows:

	As at 30 June 2001 Unaudited Rmb'000	As at 31 December 2000 Audited Rmb'000
Within 1 year	10,110	18,162
1 to 2 years	—	208
2 to 3 years	240	832
Total	10,350	19,202

The Group allows an average credit period of approximately 180 days to its trade customers.

NOTES TO CONDENSED FINANCIAL STATEMENTS (cont'd)

9. Trade Payables

The aging analysis of trade payables as at 30 June 2001 and the comparative figures of 31 December 2000 are as follows:

	As at 30 June 2001 Unaudited Rmb'000	As at 31 December 2000 Audited Rmb'000
Within 1 year	53,853	200,761
1 to 2 years	118,820	3,798
2 to 3 years	439	—
	<hr/>	<hr/>
Total	173,112	204,559
	<hr/> <hr/>	<hr/> <hr/>

10. RESERVES

	Share premium account Rmb'000	Capital/ (goodwill) reserve Rmb'000	Statutory surplus reserve Rmb'000	Public welfare fund Rmb'000	Retained profits Rmb'000	Total Rmb'000
At 1 January 2001	3,645,082	(352,860)	285,031	128,002	609,747	4,315,002
Net profit for the Period	—	—	—	—	367,899	367,899
Transfer from/(to) reserves	—	—	2,424	—	(2,424)	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2001	3,645,082	(352,860)	287,455	128,002	975,222	4,682,901
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11. Commitments

a) Capital commitments

	As at 30 June 2001 Unaudited Rmb'000	As at 31 December 2000 Audited Rmb'000
Contracted, but not provided for:		
— Construction of expressways	579,651	622,684
— Proposed investments in Shangsang Co	485,000	485,000
— Others	—	1,886
Authorised, but not contracted for:		
— Construction of expressways	2,267,334	2,500,980
	3,331,985	3,610,550

b) Commitments under operating leases

At 30 June 2001, the group had commitments under non-cancelable operating leases to make payments in the following years as follows:

	30 June 2001 Unaudited Rmb'000	31 December 2000 Audited Rmb'000
Land and buildings		
— expiring within 1 year:	30,720	—
	30,720	—

NOTES TO CONDENSED FINANCIAL STATEMENTS (cont'd)

12. Related Party Transactions

The following is a summary of significant related party transactions carried out in the ordinary course of business between the Company, its subsidiaries and certain government bodies in the six months ended 30 June 2001.

Under reorganisation agreement, Zhejiang Provincial High Class Highway Investment Company Limited ("Provincial Investment Co") 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.

The World Bank provided financing for the construction of the Hangzhou-Ningbo Expressway through the Ministry of Finance and the Zhejiang Provincial Expressway Executive Commission (the "Executive Commission"), which was responsible for the control of the construction and the management of the Hangzhou-Ningbo Expressway. The repayment responsibility for the financing provided for the Hangzhou-Ningbo Expressway which amounted to US\$92,587,832 as at 30 June 2001 was assumed by the Company.

Pursuant to a supplemental agreement dated 18 April 1997, the Company, Provincial Investment Co and the Executive Commission have agreed that the Company will take over the repayment responsibilities under the reorganisation agreement in respect of the World Bank financing. An appropriate agreement was entered into between the Company and the Executive Commission, pursuant to which the Company will be charged the same rate of interest as that charged to the Executive Commission.

A contract between the Company and the Executive Commission was reached dated 24 March 1997 whereby the Executive Commission will enter into a number of contracts relating to Contract No. 8 of the Hangzhou-Ningbo Expressway on behalf of the Company, for the purpose of upgrading the Operating Systems (as defined in the section "Operation of the Expressway" of the prospectus dated 5 May 1997) of the Hangzhou-Ningbo Expressway. The Company has to take the benefit of these contracts and assume the repayment obligations for any drawdown on the World Bank funding in respect of Contract No. 8. Accordingly, the Company has included fixed assets of Rmb108,524,000, liabilities of Rmb9,937,000 and the repayment obligation on the World Bank funding of US\$6,042,000 (equivalent to Rmb50,010,000 approximately) as at 30 June 2001, respectively, in these financial statements.

13. Subsequent Events

On 31 July 2001, with the approval from the Ministry of Finance, the Company repaid its World Bank loan of US\$91,636,418, equivalent to Rmb760 million. Accordingly, both the interest bearing bank and other borrowings and the cash and cash equivalents of the Company decreased by Rmb760 million, respectively. The World Bank loan has a term of 20 years from 19 June 1992 (including a 5 year grace period), the advance repayment resulted in a interest penalty of US\$3,061,439, equivalent to RMB25 million approximately, in addition, an exchange gain of US\$6,424,300, equivalent to RMB53 million approximately was allocated by the World Bank. The interest penalty and the exchange gain have been adjusted in these financial statements.

14. Contingent Liabilities/Pledged Assets

At at 30 June 2001, other than the loan guarantee of Rmb30 million provided to Hangzhou Shida Highway Co., Ltd., a 50% owned jointly-controlled company of the Company, ther directors are not aware of any other contingent liabilities or any pledged assets of the Group.

15. Approval of Financial Statements

The financial statements were approved by the board of Directors on 10 August 2001.

CORPORATE INFORMATION

Executive Directors

Geng Xiaoping
Fang Yunti
Zhang Jingzhong
Xuan Daoguang

Non-executive Directors

Xia Lingzhang
Zhang Chunming

Independent non-executive Directors

Hu Hung Lick, Henry
Tung Chee Chen
Zhang Junsheng

Supervisors

Ma Kehua
Ni Ciyun
Lu Fan
Sun Xiaoxia
Zheng Qihua

Authorised Representatives

Geng Xiaoping
Zhang Jingzhong

Company Secretary

Jiang Wenyaoyao

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London Stock Exchange plc
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