



Interim Results

The board of directors (the “Board of Directors”) of Zhejiang Expressway Co., Ltd. (the “Company”) announces the unaudited pro forma consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 1997, prepared in conformity with generally accepted accounting principles adopted in Hong Kong. For the six months ended 30th June, 1997, the pro forma profit after taxation and minority interests of the Group is RMB125,229,000. After deducting exceptional items, this amounts to RMB103,083,000, representing 51.54% of the profit forecast for the whole year.

The interim results has been prepared on the assumption that the structure of the Group as of 1st March, 1997 had been in existence throughout the six months ended 30th June, 1997. The Group’s unaudited pro forma consolidated results for the six months ended 30th June, 1997 are shown below:

	For the 6 months ended 30th June, 1997			
	JAN-FEB	MAR-JUN	TOTAL	
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Note 5)</i>			
Turnover	2	68,090	167,545	235,635
Operating profits		25,734	103,299	129,033
Exceptional items	3	—	26,054	26,054
Profit before taxation		25,734	129,353	155,087
Taxation	4	(3,860)	(19,403)	(23,263)
Profit after taxation		21,874	109,950	131,824
Minority interests		(1,788)	(4,807)	(6,595)

For the 6 months ended 30th June, 1997			
	JAN-FEB	MAR-JUN	TOTAL
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(Note 5)</i>			
Profit after taxation			
and minority interests	20,086	105,143	125,229
Profit attributable to			
“Provincial Investment Co.” 5	(20,086)	—	(20,086)
Profit attributable to shareholders		105,143	105,143
Interim Dividend	—	—	—
Retained profit for the period	—	105,143	105,143
Earnings per share 6			
— Including exceptional items			RMB3.05 cents
— After deduction of exceptional items			RMB2.41 cents
Pro forma earnings per share 7			
— Including exceptional items			RMB3.83 cents
— After deduction of exceptional items			RMB3.15 cents

Notes:

1. The Company was incorporated in the People's Republic of China (“PRC”) on 1st March, 1997 and therefore does not have comparative figures for the corresponding period of 1996. The Company holds a 51% equity interest of Zhejiang Yuhang Expressway Co., Ltd. (“Yuhang Co”), which owns the Yuhang section of the Shanghai-Hangzhou Expressway and a 53.44% equity interest of Zhejiang Jiaying Expressway Co. Ltd. (“Jiaying Co”), which owns the Jiaying section of Shanghai-Hangzhou Expressway. The Group is principally engaged in investing in, constructing and managing high grade roads. In addition, the Company has the right to develop and run certain ancillary services, such as automobile servicing, fuel facilities and advertising billboards along the highways.
2. Turnover
Turnover represented toll income and rentals in respect of the pipelines for telecommunication purpose within the boundaries of Zhejiang Province, China.
3. Exceptional Items
Profit on exceptional items represented interest income generated from over subscription monies during the share offer period of the H Shares.

4. Taxation

The Group did not have any taxable profits in Hong Kong, accordingly, no provision was made for profits tax in Hong Kong. According to the directive (No. 1997(27)) issued by the Zhejiang Provincial People's Government on 20th February, 1997, the Company is entitled to a refund from Zhejiang Finance Bureau of an amount equal to 18% of the Company's future taxable income in respect of Enterprise Income Tax ("EIT") paid to Zhejiang Taxation Bureau. Yuhang Co and Jiaying Co may also enjoy such tax refund pursuant to directive (No. 1997(68)) issued by the Yuhang Municipal Government on 2nd April, 1997 and directive (No. 1997(7)) issued by the Jiaying Municipal Government on 2nd April, 1997, respectively. Hence, the Group's effective rate of EIT is 15% following the listing of the H Shares. However, can be no assurance that the Group will continue to enjoy this preferential tax rate. Furthermore, pursuant to directive (No. 1997 (153)) issued by the Zhejiang Provincial People's Government on 11th August, 1997, the Company can enjoy an 18% income tax refund for the period from 1st March, 1997 to the listing date (i.e. 15th May, 1997). The pro forma results for the months of January and February 1997 are based on the EIT tax rate of 15%.

5. According to the Reorganization Agreement dated 24th March, 1997, Zhejiang Provincial High Class Highway Investment Company Limited ("Provincial Investment Co") was entitled to all the profits generated from the operating assets of the Hangzhou-Ningbo Expressway and the Hangzhou section of the Shanghai-Hangzhou Expressway during the period from 1st December, 1996 to 1st March, 1997, the day on which the Company was established. The pro forma consolidated profit after taxation for the period of January and February 1997, amounted to RMB20,086,000 by applying an EIT rate of 15%. However, during that period the Company was not yet established nor had it acquired the preferential tax refund. At an income tax rate of 33%, consolidated profit after taxation for the period of January and February 1997 amounting to RMB16,227,000 will be retained by the Provincial Investment Co.

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of RMB105,143,000 and 3,449,893,664 shares being the weighted average of 2,909,260,000 domestic shares and 1,433,854,500 H Shares in issued on 15th May, 1997.

7. Pro forma earnings per share

The calculation of pro forma earnings per share is based on the pro forma profit after taxation and minority interests of RMB125,229,000, which after deduction of exceptional items amounting to RMB103,083,000, and 3,273,665,011 shares being the weighted average of the 2,909,260,000 domestic shares had been issued on 1st January, 1997 and 1,433,854,500 H Shares issued on 15th May, 1997.

8. There's no retained profit being transferred to any reserves for the six months ended 30th June, 1997.

9. Foreign Exchange

All of the Group's financial records and consolidated financial statement are kept in Renminbi ("RMB"). Currently, RMB is not a freely exchangeable currency.



Interim Dividend

As disclosed in the Company's prospectus, the Board of Directors does not propose to declare any dividend for the six months ended 30th June, 1997.

Chairman's Report

According to the financial records for the first half of 1997 prepared in conformity with generally accepted accounting principles adopted in Hong Kong, the Group's unaudited pro forma profit after taxation and minority interests for the first half of the year was RMB125,229,000, which, after deduction of exceptional items amounts to RMB103,083,000 which represents 51.54% of the profit forecast for the year. The Board of Directors are satisfied with these results and hope that even better results may be achieved in the future.

Operational Review of the First Half of the Year

The Company wholly owns the Hangzhou-Ningbo Expressway (totalling 145 km) and the Hangzhou section (totalling 3.4 km) of the Shanghai-Hangzhou Expressway. In addition, the Company holds a 53.44% equity interest in Jiaxing Co, which owns the Jiaxing section of the Shanghai-Hangzhou Expressway and holds a 51% equity interest in Yuhang Co, which owns the Yuhang section of the Shanghai-Hangzhou Expressway. The Hangzhou-Ningbo Expressway together with the Zhejiang section of the Shanghai-Hangzhou Expressway is collectively referred to as the "Shanghai-Hangzhou-Ningbo Expressway", with a total length of 247.6 km.



As at 25th June, 1997, 50.97% of the scheduled construction period of the Jiaxing section had lapsed and 54.80% of the construction work has been completed. During the first half of the year operational sections of the Shanghai-Hangzhou-Ningbo Expressway had an average daily traffic volume of 9,127 vehicles. In April, the traffic volume exceeded 10,000 vehicles. In order to ease the problem of traffic congestion at the Hangzhou City junction of the Hangzhou-Ningbo Expressway, the Hangzhou Municipal Government, under the supervision of Zhejiang Provincial People's Government, earmarked Rmb200 million in June for the construction of two interchanges and elevated bridges along the section. Construction work commenced at the end of June and is expected to be completed by the end of November. The Company is not responsible for any of the construction costs of this project. Upon completion of this project, it is expected that the efficiency of the Hangzhou-Ningbo Expressway will be maximized and the traffic volume of the expressway will be enhanced. However, due to the fact that construction is being carried out along the section, it is expected that the traffic volume will be affected during the construction period which may, in turn, affect revenues expected to be generated. In this regard, the Company will attempt to reduce this effect by introducing measures intended to increase income and reduce costs by providing ancillary facilities, for example, petrol stations, advertising billboards and equipment rentals along the expressway in the later half of the year, so as to permit the Company to meet the profit forecast for the year insofar as it is possible.

Prospects For the Second Half of the Year

1997 is a critical year for the Company's operational development. After the successful listing of the Company, the Company's main task is to put the proceeds from the share offering to good use, which includes the construction of the Jiaxing section of the Shanghai-Hangzhou Expressway and the implementation of new investment projects whilst, at the same time improving



internal business administration, lowering operational costs, improving quality of roads and improving the standard of service. Profitability shall also be increased by providing ancillary facilities, for example, car maintenance and petrol stations, shops, restaurants, billboard advertising along the expressway, etc.

The Company will continue to closely monitor the construction progress and quality of the Jiaxing section of the Shanghai-Hangzhou Expressway so as to ensure that the section will be opened by the end of 1998.

The Company is now actively reviewing the feasibility of investment in the two projects namely the Hangzhou-Nanjing Expressway (Huzhou section) and the Shangyu-Sanmen Road, as disclosed in the prospectus. The Company has appointed Wilbur Smith Associates Limited as traffic and engineering consultants to conduct a study on the traffic flow and construction costs of the projects. If the result of the study shows an internal rate of return of 20% or above, presuming that the Zhejiang Provincial Government will provide certain preferential treatments, the Company will consider implementing the proposed investment in the second half of 1997.

Use of Proceeds from Share Offer

The Company raised a total of approximately RMB3.524 billion (after deduction of issue and listing expenses) by way of the H Share Offer. During the period ended 30th June, 1997, apart from approximately RMB270 million in respect of repayment of principal and interest on bank loans (interest rates varying from 10.98% to 13.5% p.a.), the balance was placed on short-term deposit in the bank or invested in Treasury bonds and the redemption of Treasury bonds. The Company's capital utilization plan shall be implemented step-by-step as disclosed in the prospectus.



Shareholdings of Company Directors and Supervisors

On 30th June, 1997, pursuant to the register kept in compliance with Section 29 of the Securities (Disclosure of Interests) Ordinance, no Directors or Supervisors of the Company is recorded to have any interests in the share capital or debt securities of the Company or its associated companies.

Restrictions on Directors Purchase of Shares or Bonds

Throughout the six months ended 30th June, 1997, the Company has not granted the right to any Director, Supervisor or General Manager, or their spouses or children under the age of 18 to subscribe for the Company's share capital or debt securities.

Substantial Shareholders

As at 30th June, 1997, the following shareholders held more than 10% of the share capital of the Company:

Name	No. of share Held	Category	Percentage of Holding
Zhejiang Provincial High Class Highway Investment Company Limited	2,909,260,000	Domestic Shares	67.0%
HKSCC Nominees Limited	1,413,388,500	H Shares	32.5%



Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30th June, 1997, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

Neither the Company's Articles of Association nor the laws of the People's Republic of China stipulate that the Company should grant pre-emptive rights to existing shareholders.

Code of Best Practice

The Directors are of the opinion that the Company had been in compliance with the "Code of Best Practice" set out in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited since the listing of its shares on 15 May, 1997.

On behalf of the Board of Directors, I would like to take this opportunity to thank the Company's staff for the dedication and diligence which they have contributed to the Group's great success, and the shareholders for their great support.

By Order of the Board

Geng Xiaoping

Chairman

Hangzhou, Zhejiang, China
15th August, 1997



Corporate Information

Executive Directors

Geng Xiaoping
Ying Shudeng
Fang Yunti
Xu Yikuang
Zhang Jingzhong
Zhang Chunming
Xuan Daoguang

Independent Non-executive Directors

Hu Hung Lick, Henry
Tung Chee Chen

Supervisors

Xia Linzhang
Ge Ailian
Jiang Wenyaoyao

Legal Advisers

As to Hong Kong law:
Herbert Smith
17th Floor, Edinburgh Tower
15 Queen's Road Central
Hong Kong

As to PRC Law:
T & C Law Firm
9th Floor, Block 2
484 Yan An Road
Hangzhou, Zhejiang
PRC

Auditors and Reporting Accountants

Ernst & Young
Certified Public Accountants
15th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

Sponsor

BZW Asia Limited
42nd Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

Company Secretary

Mr. Zhang Jingzhong

Authorised Representatives

Mr. Geng Xiaoping
Mr. Zhang Jingzhong

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H Share Registrar and Transfer Office

HKSCC Registrars Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road, Central
Hong Kong

Principal Bankers

Bank of China, Hong Kong Branch
China Investment Bank, Zhejiang Branch
Industrial & Commercial Bank of China,
Zhejiang Branch
Construction Bank of China, Zhejiang Branch

Listing Information

H Shares
The Stock Exchange of Hong Kong Limited
Code: 0576