



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



Pursue Excellence, Enhance Value.



2001 Annual Report

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Company Profile

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

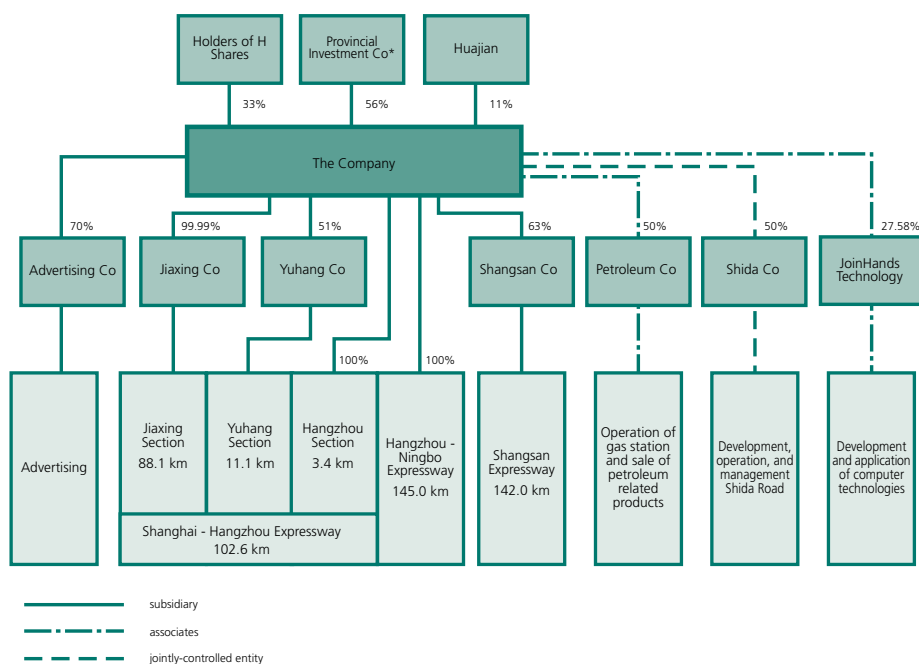
The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, constructing and operating expressways and class 1 roads in Zhejiang Province.

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

On February 14, 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as depositary, was established in the United States and became effective. Each of the ADSs evidenced by the ADRs represents 30 deposited H Shares of the Company. The ADSs are traded on the over-the-counter market in the United States. The H Shares of the Company also have a secondary listing on the Unofficial Regulated Market of the Berlin Stock Exchange.

The Company intends to take advantage of the improved investment environment resulting from the latest round of restructuring of State-owned assets. It will actively pursue potential projects to further expand its toll road portfolio within Zhejiang Province, while keeping a look out for suitable projects outside of the province.

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



* To be replaced by Communications Investment Group

Particulars of Major Road Projects



Particulars of Major Road Projects

Particulars of Major Road Projects

Project	Percentage of Ownership As at February 28, 2002	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
- Jiaxing Section	99.99%	88.1	4	6	1	1998	27
- Yuhang Section	51%	11.1	4	2	0	1995 - 1998	25
- Hangzhou Section	100%	3.4	4	0	0	1995	25
Hangzhou-Ningbo Expressway	100%	145.0	4	12	2	1992 - 1996	25
Shangsan Expressway	63%	142.0	4	11	3	2000	29

Detailed locations of these projects are shown on the map provided in the center divide.

Definition of Terms

A Shares	the domestic ordinary shares of RMB1.00 each in the share capital of the Company proposed to be offered to the public in the PRC by the Company
ADR(s)	American Depositary Receipt(s)
ADR Program	American Depositary Receipt program
ADS(s)	American Depositary Share(s)
Advertising Co	Zhejiang Expressway Advertising Co., Ltd., a 70% owned subsidiary of the Company
Board	the board of Directors
Company	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Investment Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a sole State-owned enterprise established on December 29, 2001
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huajian	Huajian Transportation Economic Development Center, a State-owned enterprise
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd., a 99.99% owned subsidiary of the Company
JoinHands Technology	JoinHands Technology Co., Ltd., a 27.58% owned associate of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Period	the period from January 1 to December 31, 2001
Petroleum Co	Zhejiang Expressway Petroleum Development Co., Ltd., a 50% owned associate of the Company
PRC	the People's Republic of China
Provincial Investment Co	Zhejiang Provincial High Class Highway Investment Co., Ltd., the former controlling shareholder of the Company, to be replaced by the Communications Investment Group
RMB	Renminbi, the lawful currency of the PRC
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd., a 63% owned subsidiary of the Company
Shida Co	Hangzhou Shida Highway Co., Ltd., a 50% jointly-controlled entity of the Company
Supervisory Committee	the supervisory committee of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd., a 51% owned subsidiary of the Company

Major Corporate Events

January 4, 2001

The China Classification Society Quality Assurance Ltd. certified the quality system of the Company in expressway management as conforming to Quality Standard GB/T19002-1994 idt ISO9002:1994.

February 27, 2001

Trading of the H Shares of the Company on the Berlin Stock Exchange commenced following a secondary listing on the Unofficial Regulated Market of the Berlin Stock Exchange.

March 5, 2001

Annual results for 2000 were announced in Hong Kong.

March 22, 2001

The Company held an extraordinary general meeting, authorizing the Company to issue not more than 300 million A Shares to the public in the PRC.

May 11, 2001

A meeting of the Chairmen of the H Share toll road companies was held in Hangzhou.

June 4, 2001

The Company acquired a 2.1% and a 1.0% interest in the capital of Jiaxing Co.

December 26, 2001

The Ministry of Foreign Trade and Economic Cooperation of the PRC approved the transfer of 476,760,000 State-owned shares of the Company from Provincial Investment Co to Huajian.

December 27, 2001

The Company acquired a 1.5% and a 1.3% interest in the capital of Jiaxing Co, and a 2% interest in the capital of Shangsang Co.

January 18, 2002

The Company further acquired a 9.9% interest in the capital of Jiaxing Co.

February 14, 2002

The United States Securities and Exchange Commission declared the registration statement in respect of the ADSs evidenced by the ADRs representing deposited H Shares of the Company effective.

Financial and Operating Highlights

Results

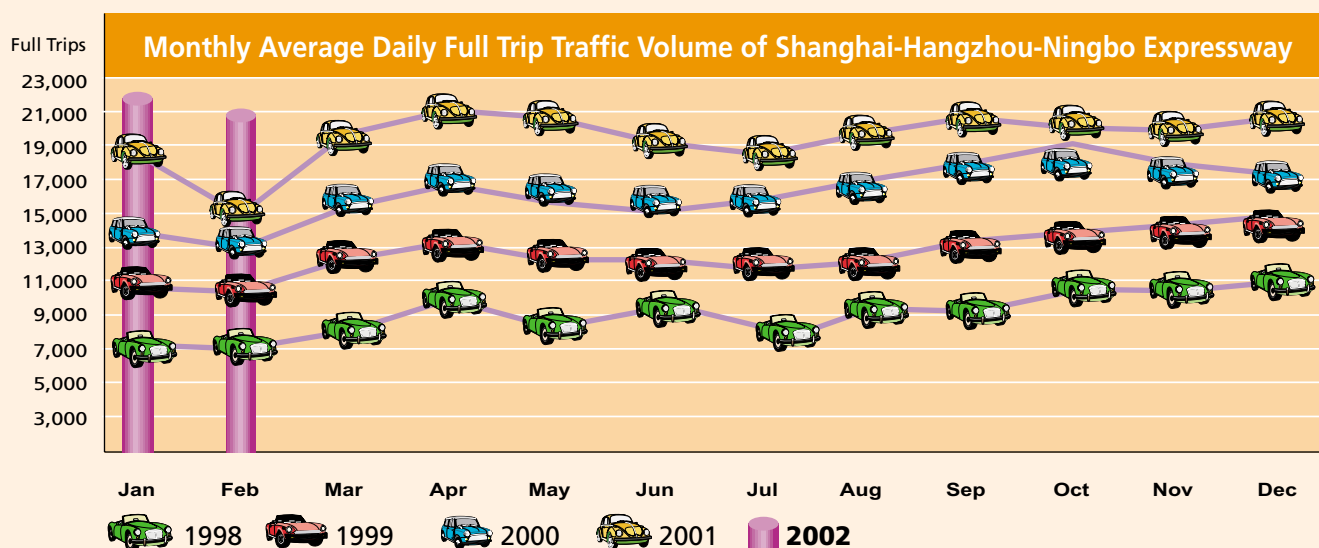
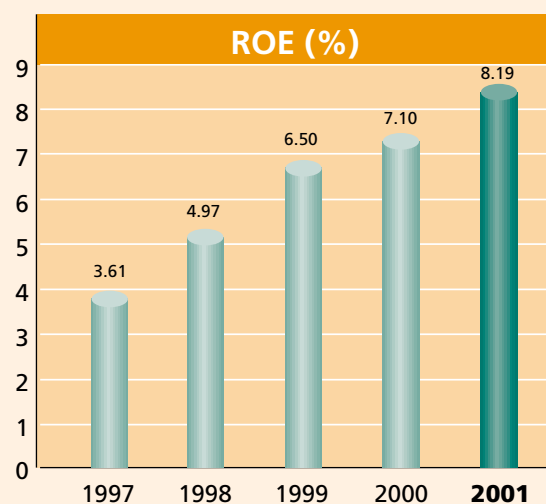
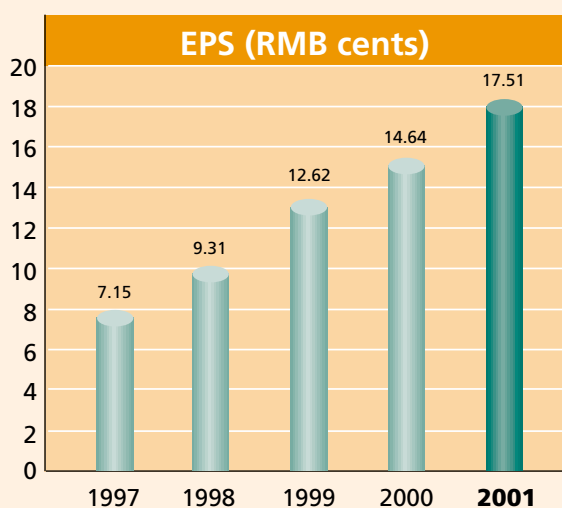
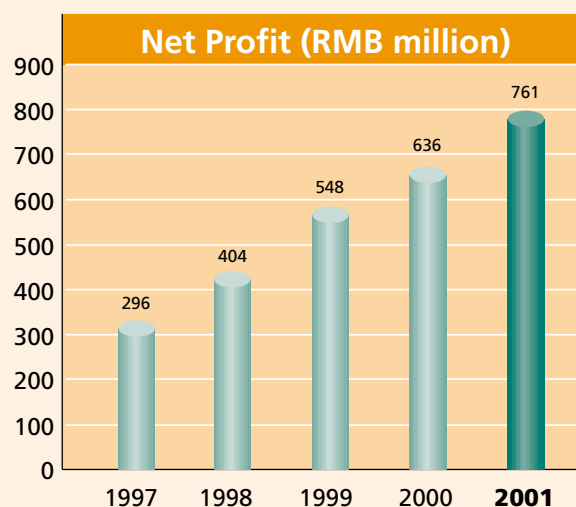
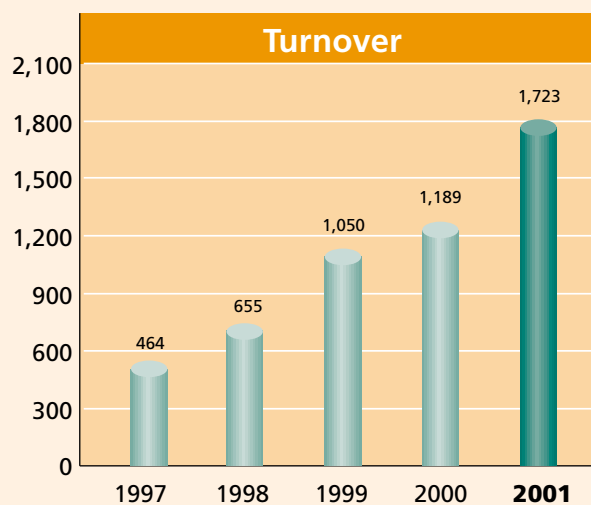
	Year ended December 31				
	1997 Rmb'000	1998 Rmb'000	1999 Rmb'000	2000 Rmb'000	2001 Rmb'000
Turnover	463,692	655,069	1,050,498	1,188,604	1,722,517
Profit Before Tax	372,226	547,100	706,552	879,752	1,235,540
Tax	(58,639)	(73,795)	(71,810)	(186,391)	(363,970)
Minority Interests	(17,255)	(68,914)	(86,431)	(57,360)	(110,957)
Net Profit From Ordinary Activities Attributable To Shareholders	296,332	404,391	548,311	636,001	760,613
Earnings Per Share (EPS)	7.15 cents	9.31 cents	12.62 cents	14.64 cents	17.51 cents

Return on Equity (ROE)

	1997	1998	1999	2000	2001
ROE	3.61%	4.97%	6.50%	7.10%	8.19%

Monthly Average Daily Full Trip Traffic Volume of Shanghai-Hangzhou-Ningbo Expressway

	1998	1999	2000	2001	2002
January	9,881	12,559	17,125	17,290	21,804
February	9,683	11,688	13,853	18,450	20,952
March	11,096	13,686	18,082	20,557	
April	12,159	15,061	19,458	20,993	
May	11,485	14,474	19,061	20,776	
June	11,264	14,066	17,496	19,962	
July	11,004	14,546	17,058	19,520	
August	11,115	15,204	17,738	21,172	
September	12,448	16,610	18,750	22,666	
October	12,710	17,012	18,300	21,887	
November	13,028	16,744	18,155	22,219	
December	13,424	16,386	17,990	21,525	





Chairman's Statement

Practicing Good Corporate Governance Pursuing Growth in Shareholder Value

2001 was a satisfactory year. By relying on profit contributions from new expressway projects and strong growth in traffic volume from existing expressways, the Company achieved a double-digit profit growth for the fifth consecutive year. In *Asiamoney's* 2001 Best Managed Companies poll, the Company was nominated as one of the top ten China companies in the categories of "Best Overall Managed Company", "Best Overall Investor Relations" and "Treatment of Minority Shareholders". It was in fact the fourth time the Company was nominated into the lists by investors. Recently, *The ASSET* magazine published the results of a survey regarding corporate governance among Asian companies, and the Company was nominated as one of the best companies in the PRC. This achievement is partly attributable to a favorable operating environment, but more importantly, attributable to a quality focused management team with clear vision and a strategy of steady growth concentrating on core businesses. While the above nominations are recognitions of our achievement, we believe that there is room for us to grow and to strive to attain even better results.

We believe that the primary duty of the Directors and management of the Company is to maintain sustained growth in shareholder value. Good corporate governance will enhance the Company's trustworthiness, sense of responsibility and transparency, thereby bringing direct benefits to both investors and the Company. As a result, over the past few years, we have actively implemented the principles of good corporate governance and view such efforts as a long-term responsibility for the Company's management.

The Company has enhanced the independence of the Board of Directors by appointing additional independent non-executive directors. The Company appointed two independent non-executive directors upon the establishment of the Company, and since March 2000, the number of independent non-executive directors of the Company has increased to three, representing one third of the members of the Board. The introduction of independent directors enables the Board to make more fair and prudent decisions. In addition, an Audit Committee, a Strategy Committee and a Nomination and Remuneration Committee have also been set up under the Board, thereby making the operation of the Board more effective.

Huajian, a subsidiary of the China Merchants Group, officially became the second largest substantial shareholder of the Company, thereby reducing the shareholding of Provincial Investment Co in the Company from 67% to 56%. We believe that an appropriate dilution of State-owned shares is conducive to the improvement of corporate governance.

Under the request of Zhejiang provincial government on the reorganisation of State-owned assets, Provincial Investment Co will be replaced by the newly established Communications Investment Group. As a result, all of the shares in the Company previously held by Provincial Investment Co will be transferred to the Communications Investment Group. Communications Investment Group is one of the State-owned asset management companies established by Zhejiang provincial government, responsible for the management of the State-owned assets of Zhejiang provincial government in the communications industry. I myself have been appointed as Managing Director of Communications Investment Group. I am confident that Communications Investment Group will provide strong support to the future development of the Company.

I have been Chairman and General Manager of the Company for the past five years. Such an arrangement was beneficial for the management and development of the Company when it was at an infant stage. Now that the Company is operating smoothly, I believe that separating the roles of Chairman and General Manager will be beneficial to the Company's long-term development. When I was re-elected as General Manager of the Company at the Board Meeting on February 28, 2000, I indicated that these positions should be separated when the time was right.

Chairman's Statement (Cont'd)

The time has now arrived. On the one hand, a solid operating mechanism and a sound corporate culture are now in place to ensure that the Company will continue to operate on the right track and will be adaptable to changes. On the other hand, the emerging corporate governance practice, both domestically and overseas, requires the separation of the roles of Chairman and General Manager. I believe that the separation of the two roles will enhance the demarcation of the different duties of these two positions, thereby serving to clearly distinguish the duties between the board of directors and management.

I have resigned as General Manager of the Company, but will continue to serve as Chairman. I believe that in this way I will be able to devote more time to focus on the planning of the long-term development of the Company. I shall continue to provide direction at the Board of the Company and to give my best efforts to enhance shareholder value.

I am very pleased to inform you that the position of General Manager of the Company will be taken up by Mr. Fang Yunti. Mr. Fang has many years of experience in the management of expressway and transportation operations, and participated in the establishment of the Company. He has been a Director and Deputy General Manager of the Company for the past five years, and is fully acquainted with the overall business operations of the Company. I believe that under the leadership of the Board, the new management will be able to deliver further growth and realize even better returns to shareholders, customers and staff.

Finally, I would like to express my sincerest gratitude to all of our staff and stakeholders for their support and assistance during my office as General Manager.

Geng Xiaoping

Chairman

March 13, 2002





Management Discussion and Analysis

Business Review

The Operating Environment

In the face of a global economic slowdown in 2001, the economies in the PRC in general and Zhejiang Province in particular were able to sustain high growth rates, albeit at a slower pace than in the previous year. In 2001, national and provincial GDP grew by 7.3% and 10.5% respectively, compared to 8.0% and 11.0% in 2000.

GDP Growth Rate: The PRC Vs Zhejiang Province

	The PRC GDP		Zhejiang Province GDP	
	(RMB bil.)	% growth	(RMB bil.)	% growth
2001	9,593	7.3	670	10.5
2000	8,940	8.0	603	11.0
1999	8,191	7.1	537	10.0
1998	7,835	7.8	499	10.1
1997	7,446	8.8	464	11.1

Source: China Statistical Year Book and Periodical Announcements

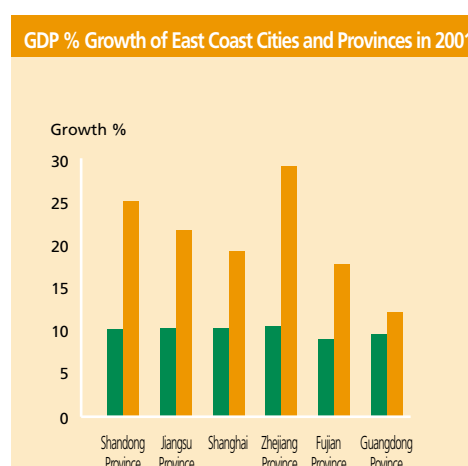
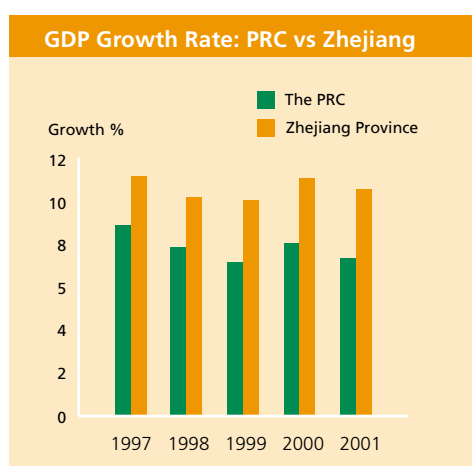
The unrivaled growth was most evident in the cities and provinces situated along the east coast of the PRC. Once again, leading the cities and provinces in economic performance was Zhejiang Province where all of the Company's business operations are carried out.

Economic Performance of East Coast Cities and Provinces in 2001

	GDP Total (RMB mil.)	% growth	Total Export (USD mil.)	% growth
Shandong Province	943,830	10.1	18,478	14.8
Jiangsu Province	951,460	10.2	29,388	11.4
Shanghai	495,084	10.2	26,865	9.0
Zhejiang Province	670,000	10.5	24,261	18.5
Fujian Province	425,800	9.0	14,790	8.6
Guangdong Province	1,055,600	9.5	95,829	2.6

Source: China Statistical Year Book and Media Reportings

A major contributing factor to economic growth was the growth in imported and exported goods. During the Period, total imported and exported goods attributable to Zhejiang Province was valued at US\$32.8 billion, a growth of 17.8% over 2000, compared with the national growth of 7.5%. The province's export growth rate of 18.5% was the highest among the east coast cities and provinces for the third consecutive year.



Management Discussion and Analysis (Cont'd)

Reflecting the robust economic environment was the sale of motor vehicles in the PRC, which had another record year of growth in 2001, especially with regard to sales to private consumers. It was reported that, in 2001, the total number of vehicles manufactured by the 103 major car manufacturers in China was 2.33 million, and the number of vehicles sold was 2.36 million, representing increases of approximately 12.8% and 13.3% over the previous year respectively. Half of these vehicles were sold to private consumers. The number of sedans manufactured and sold was 703,500 and 721,500, respectively, representing year-on-year growth of 16.4% and 18.3% respectively.

To properly serve an increasing number of motor vehicles is a constant challenge for the country's road system. In 2001, the total mileage of operational expressways in the PRC increased by 3,017km to approximately 19,000km, with another 2,500km earmarked to be operational by the end of 2002.

Having a more direct impact on the Company's business environment was the increasing enhancement of the expressway network within Zhejiang Province, which saw its total mileage of operational expressways extend from 627km to 770km during the year.

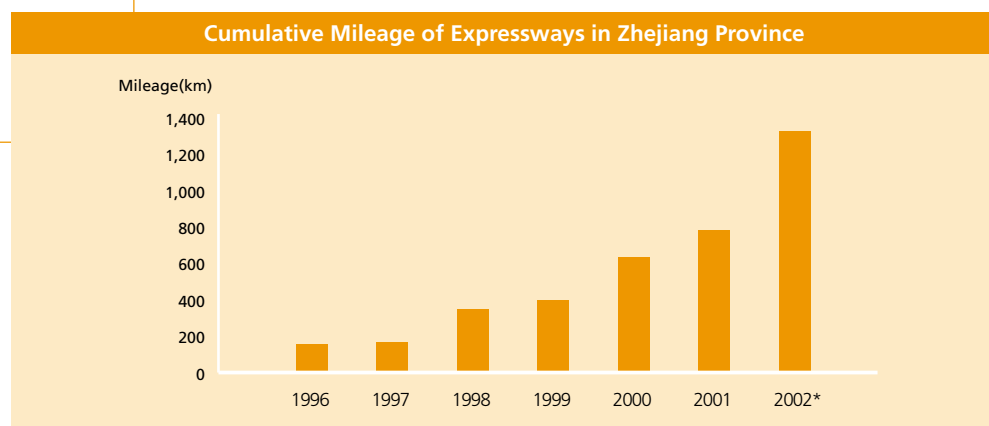
More mileage of expressways is expected to be completed in the province by the end of 2002 as a result of increased investments in infrastructure.

Cumulative Mileage of Expressways in Zhejiang Province

	1996	1997	1998	1999	2000	2001	2002
Mileage (km)	158	168	344	392	627	770	1,310*

* Forecast figure

The combination of growth in the national and provincial economies, together with growth in the number of motor vehicles and the length of operational expressways, provided an all-round favorable business environment for the Group's business operations.



* forecast

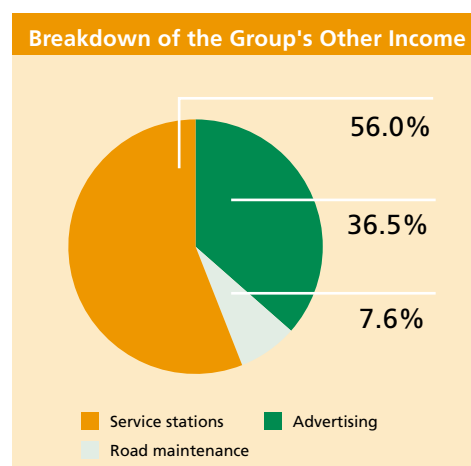
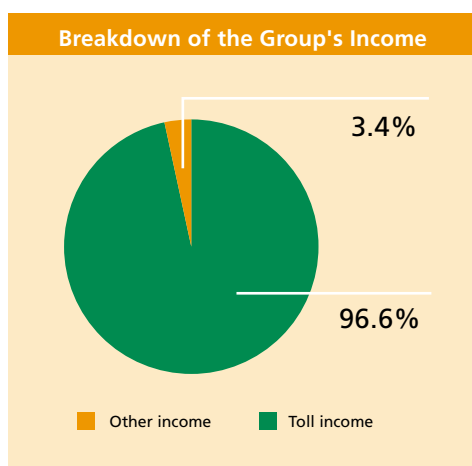
Analysis of Business Operations

During the Period, the Group recorded a turnover of RMB1,722.5 million, representing an increase of 44.9% over 2000. Net profit attributable to shareholders was RMB760.6 million, representing an increase of 19.6% over 2000.

The core business operation of toll roads continued to dominate the Group's turnover. Of the total turnover of RMB1,722.5 million for the Period, RMB1,663.4 million or 96.6% was from toll road operations, with the remainder mainly from advertising along expressways, road maintenance works provided to third parties and services provided at service stations along the expressways.

	2001 RMB'000	2000 RMB'000	% Change
Toll income	1,756,265	1,219,672	44.0
Other incomes			
Advertising	22,462	15,878	41.5
Road maintenance	4,649	5,130	-9.4
Service stations, etc	34,465	15,582	121.2
	1,817,841	1,256,262	
Revenue taxes	(95,324)	(67,658)	40.9
Turnover	1,722,517	1,188,604	44.9

For further analysis on the business segments, please refer to Note 5 to the financial statements.



Toll Road Operations

Following Shangsang Expressway's completion and opening to traffic on December 26, 2000, toll income for the Group during the Period grew strongly by 44.0% over the same period last year to reach RMB1,756.3 million.

Toll Income Contribution by Expressway/Section

	Toll Income RMB'000	% of Total Toll Income	% of Growth Over 2000
Shanghai-Hangzhou Expressway			
Jiaxing section	506,463	28.8%	30.0%
Yuhang section	115,560	6.6%	14.1%
Hangzhou section	36,062	2.1%	16.0%
Hangzhou-Ningbo Expressway	780,106	44.4%	18.3%
Shangsang Expressway	318,074	18.1%	732.7%
Total	1,756,265	100.0%	44.0%



The significant growth in toll income was also attributable to the adoption of a new vehicle classification policy, which started on June 13, 2001. This effectively decreased the percentage of the smaller class 1 vehicles by 9.0%, while increasing the percentage of the larger class 2 and 3 vehicles by 6.7% and 1.9% respectively on the Shanghai-Hangzhou-Ningbo Expressway.

Vehicle Makeup on Shanghai-Hangzhou-Ningbo Expressway in 2001

Class Vehicles	% Before June	% After June	Change in %
1 Passenger vehicles with up to 20 seats; Trucks with tonnage of 2 tons or below	69.9	60.9	-9.0
2 Passenger vehicles with seats above 20 and below 40 (inclusive); Trucks with tonnage of above 2 tons and below 5 tons (inclusive)	19.8	26.5	6.7
3 Passenger vehicles with seats above 40; Trucks with tonnage of above 5 tons and below 10 tons (inclusive)	9.0	10.8	1.9
4 Trucks with tonnage above 10 tons and below 20 tons (inclusive)	1.3	1.7	0.4
5 Trucks with tonnage above 20 tons and below 50 tons (inclusive)	0.1	0.1	0.0

Due to higher fees charged for larger vehicles, the new vehicle classification policy directly increased the average toll collected per vehicle by approximately 9.5% on the Shanghai-Hangzhou-Ningbo Expressway, and by approximately 9.0% on the Shangsang Expressway.

With increasing mileage of expressways completed and opened to traffic within Zhejiang Province, a province-wide integrated toll collection system came into effect on December 25, 2001. The Shanghai-Hangzhou-Ningbo Expressway and the Shangsang Expressway were incorporated into this toll collection system.

The new toll collection system, managed by the Provincial Integrated Toll Collection Center (省聯網收費中心) under the Provincial Roadway Authority (浙江省公路管理局), aims to integrate the toll collection and distribution of all expressways in the province into one centralized system. With the integrated toll collection system, expressway users who travel across different but inter-connected expressways, which are independently operated, need only stop and pay the usage fees once, upon leaving the expressway system.

Management Discussion and Analysis (Cont'd)

Shanghai-Hangzhou-Ningbo Expressway

Toll income on the Shanghai-Hangzhou-Ningbo Expressway grew by 21.7% during the Period as compared with 2000 to reach RMB1,438.2 million, representing approximately 81.9% of the Group's total revenue. The corresponding average daily full trip traffic volume grew by 15.9% over 2000, details of which are set out below:

Monthly Average Daily Full Trip Traffic Volume in 2001

Mileage (km) Month	Shanghai-Hangzhou Expressway						Hangzhou-Ningbo Expressway	
	Hangzhou section (3.4km)		Yuhang section (11.1km)		Jiaxing section (88.1km)		Expressway (145.0km)	
	vehicles per day	YoY %	vehicles per day	YoY %	vehicles per day	YoY %	vehicles per day	YoY %
January	29,915	2.68	29,092	2.19	16,964	10.23	16,274	-4.41
February	33,606	50.15	32,485	48.71	17,915	40.28	17,329	26.55
March	37,262	18.75	36,257	18.74	20,491	23.57	18,982	7.13
April	37,264	9.88	36,389	10.28	21,277	16.54	19,237	2.32
May	36,504	10.57	35,682	10.83	21,232	16.83	18,965	3.90
June	34,123	11.68	33,382	12.48	20,467	23.15	18,273	8.90
July	33,347	10.13	32,553	10.63	20,198	22.04	17,761	10.34
August	36,344	14.07	35,536	14.72	22,398	28.65	18,942	14.27
September	39,446	13.87	38,519	14.82	24,061	35.88	20,179	12.96
October	37,865	14.41	36,950	14.63	23,070	30.49	19,609	13.68
November	38,290	15.40	37,186	15.03	22,940	30.03	20,230	18.90
December	37,038	12.08	35,716	11.19	21,796	24.73	19,790	17.42
Average	35,917	15.31	34,979	15.35	21,067	25.20	18,798	11.00



An issue of concern for the Company during the year was to maintain a relatively high level of service for expressway users, while accommodating the growing traffic volume. In addition to putting increased efforts into the maintenance of road surfaces and bridges, a number of measures were taken by the Company to improve the quality of operational management.

The computer main board used in toll collection was upgraded to reduce processing time at toll stations, as a result of which incidents of road congestion were reduced by approximately 21% through streamlining the traffic monitoring and control system on the expressway.

A further development welcomed by expressway users was the May 2001 launch of the rechargeable non-contact prepaid IC card used in paying toll charges. The new card offers further flexibility and convenience to frequent users, in addition to reducing error rates as well as improving the level of reliability of the collection system and safeguarding of toll income.

The unusual surge in traffic volume on the Jiaxing section during the second half of the year was due in part to traffic diversions from the parallel section of Nation Road 320 which was partially closed off for repairs and renovation during that time. The effect is considered to be temporary, and is not expected to last into 2002.

Shangsan Expressway

2001 was the first year of operation since the expressway was fully completed and opened to traffic in December 2000. Daily full trip traffic volume grew steadily from an average of 7,901 during the first half of the year to 8,695 during the second half of the year. Daily average full trip traffic volume for the year was 8,301.

With toll income contribution of approximately RMB318 million in 2001, representing 18.1% of the Group's total toll income, Shangsan Expressway has become a significant contributor to the Group in both revenue and net profit.

The performance in traffic volume and toll income was generally in line with the latest forecast conducted by the Company's traffic consultant. This was despite a higher occurrence of partial road closure due to expressway traffic accidents as well as adverse weather conditions during the Expressway's first year of full operation.

Shida Road

Traffic volume on Shida Road benefitted from an increasingly enhanced expressway network, as well as persistent efforts by Shida Co in promoting the use of Shida Road through traffic radio broadcastings and installation of road signs. Average daily traffic volume on Shida Road grew by 65% to reach 6,767 vehicles, while toll income grew by 74.3% to reach RMB19.2 million.

Management Discussion and Analysis (Cont'd)

Despite its toll income growth, Shida Co nevertheless recorded a loss of RMB5.0 million due to substantial interest payments and depreciation charges. The loss for the year was reduced by 67.9% as compared to the loss of approximately RMB15.6 million during the same period in 2000. The company is expected to break even by the end of 2002.

Other Businesses

In addition to carrying out advertising business along expressways through a subsidiary, the Group is also involved in the retail sale of petroleum products, as well as the design and marketing of logistics management and anti-counterfeiting systems through two associates, details of which are set out below.

Advertising Co

During the Period, Advertising Co further expanded advertising along the expressways operated by the Group through flexible pricing and incentive marketing strategies. Turnover from Advertising Co was approximately RMB21.2 million, representing an increase of approximately 46.2% over 2000.

Net profit realized by Advertising Co during the Period was approximately RMB7.3 million, representing a reduction of 43.0% over 2000. The reduction was due to the first time levy of enterprise income tax, from which the company has been exempted for the past two years.

Petroleum Co

With a new emphasis on retail sales of petroleum products, Petroleum Co was able to record a 21% growth in retail sales amid increasing retail competition and substantially reduced wholesale business.

However, mainly due to a revocation in corporate income tax exemptions which the Company had enjoyed over the past two years, Petroleum Co suffered a loss of approximately RMB10.4 million for the Period.



JoinHands Technology

Following the completion of a successful trial phase in Zhejiang Province, JoinHands Technology has begun to market its core-technology in logistics management and anti-counterfeiting systems in a number of other provinces with an aim of becoming a leading player in the market.

Turnover realized during the Period was approximately RMB24.9 million, while net profit was approximately RMB6.9 million, compared to RMB6.25 million and RMB0.25 million respectively in 2000.

Human Resources

As at December 31, 2001, the Group had a total of 1,959 employees, of whom 342 were administrative staff, 136 were engineering technicians, and 1,481 were toll collection and maintenance staff.

The Company has consistently strived to improve the overall quality of staff through active human resource management. The objective is reflected in its selective training courses organized for existing employees, as well as in its hiring practices.

Considering the need for well-rounded management staff, the Company will be conducting periodic rotations in management posts in 2002 to provide different exposures offered by the various positions.

Remuneration to staff is devised on a competitive basis, with dual emphasis on job performance and work experience. In addition, the Company has set up an incentive policy under which a portion of the bonus paid to middle and senior management relates to the price performance of the Company's shares.



Project Acquisition

In light of the favorable economic growth prospects and the potential growth in expressway traffic in Zhejiang Province, the Company remains focused in its development strategy of acquiring toll road projects within Zhejiang Province, with a preference for operational projects.

Through arm's length negotiations with relevant parties, the Company was able to successfully increase its stake in Jiaxing Co, which is the holding company of the Jiaxing section of the Shanghai-Hangzhou Expressway, details of which are set out below:

- On June 4, 2001, the Company entered into agreements to acquire a 2.1% and a 1.0% interest in the capital of Jiaxing Co from Jiaxing Xiuzhou Yitong Development Company (嘉興市秀洲區益通開發公司) and Jiashan County Yintong Company Limited (嘉善縣銀通有限公司) for a consideration of RMB63,249,984 and RMB30,119,040, respectively.
- Subsequently, on December 27, 2001, the Company entered into agreements to acquire a 1.5% and a 1.3% interest in the capital of Jiaxing Co from Haining Hengtong Development Company (海寧恒通開發公司) and Tongxiang Huatong Company (桐鄉市華通總公司) for a consideration of RMB44,620,800 and RMB38,671,400, respectively.
- And finally on January 18, 2002, the Company entered into an agreement to further acquire 9.9% interest in the capital of Jiaxing Co from Jiaxing Road and Bridge Construction and Development Company (嘉興市路橋建設開發公司) for a consideration of RMB303,700,000.

In addition to the above, the Company entered into an agreement on December 27, 2001 to acquire a 2% equity interest in Shangsang Co from Shengzhou Shangsang Development Company Limited (嵊州市上三發展有限公司) for a consideration of RMB57,600,000.

Through the above-mentioned transactions, the Company increased its stake in Jiaxing Co from 84.19% to 99.99% in aggregate, and in Shangsang Co from 61% to 63%, for a total consideration of RMB537,961,224.

Project under Construction

Construction work to expand a 44km section of the Shanghai-Hangzhou-Ningbo Expressway between Hongken and Guzhu from four lanes to six lanes progressed in accordance with the work schedule. During the Period, soft soil ground treatment and most of the roadbed buildup works were completed along the expansion route.

The Company took extensive measures to minimize inconveniences to road users brought on by the construction. As a result, the overall effect on the flow of traffic on existing lanes was not significant.

Financial Analysis

The Group adopts a financial policy characterized by being both proactive and prudent. The Directors and senior management review the Group's liability portfolio from time to time, and make adjustments whenever they deem necessary, to establish an effective and stable capital structure. In view of the Group's future profitability, the Directors and senior management also make prudent investment decisions from time to time with an aim to achieve long-term stable growth for the Group.

Return on Equity

The return on equity for the period (before charging the distributable dividends) is 8.2% (2000: 7.1%) representing an increase of 15.5% over the previous period:

	2001 RMB mil.	2000 RMB mil.
Net profit attributable to shareholders	760.6	636.0
Shareholders' equity (proposed final dividend not deducted)	9,289.1	8,962.1
Return on equity	8.2%	7.1%

The growth in return on equity is mainly due to:

1. the opening of Shangsang Expressway to traffic;
2. the natural growth in vehicle flow on the Shanghai-Hangzhou-Ningbo Expressway;
3. the favourable classification policy for vehicles; and
4. a one-off net gain arising from the advance repayment of the World Bank loan amounting to RMB27.8 million.

Liquidity

As the Group is principally engaged in toll road operations, the Group generates strong and steady cash inflows from its ordinary operations.

	2001 RMB mil.	2000 RMB mil.	% Increase
Daily average toll fee revenue	4.8	3.3	45.5%
Net cash inflow from operations	1,603	1,040	54.1%

The amount of trade receivables, other receivables and inventories of the Group is small. As at December 31, 2001, of the current assets of RMB1,950,483,000 in aggregate, trade receivables, other receivables and inventories represented approximately 6% (December 31, 2000: 6%).

The Company plans to raise approximately RMB1 billion by issuing not more than 300,000,000 A shares in the PRC.

As a result of these factors, in the opinion of the Board, the Group should not experience any liquidity problems in the foreseeable future.

Capital Expenditure Commitments

In 2001, the capital expenditure of the Group was approximately RMB560,000,000 of which the capital expenditure of the Company was approximately RMB210,000,000.

As at December 31, 2001, the Group and the Company planned that in 2002 and thereafter, there would be capital expenditure commitments of RMB2,589,625,000 and RMB2,068,945,000 respectively.

Details of Expenditure Commitments

	Group RMB mil.	Company RMB mil.
1st stage of the project to widen the Shanghai-Hangzhou-Ningbo Expressway (Hongken to Guzhu section)	273.6	273.6
2nd stage of the project to widen the Shanghai-Hangzhou-Ningbo Expressway (Shenshi to Hongken section)	860.0	860.0
Acquisition of additional 18.4% equity interest in Shangsang Co.	485.0	485.0
Remaining construction works of the Shangsang Expressway	485.3	—
Construction works under Contract No. 11 of the Shanghai-Hangzhou Expressway	35.4	—
Acquisition of additional stake in Shangsang Co	57.6	57.6
Acquisition of additional stake in Jiaying Co	387.0	387.0
Others	5.7	5.7
Total	2,589.6	2,068.9

In particular, capital expenditure marked for 2002 and 2003 are RMB1,055.3 million and RMB350.0 million respectively for the Group.

The above capital expenditure will firstly be financed by the Group's internal financial resources, and any shortfall will be financed by new equity issue, bank loans and other appropriate means.

Capital Structure

The Group's capital structure as at December 31, 2001, and the comparative figures for the corresponding period in 2000 are as follows:

	2001		2000	
	RMB'000	%	RMB'000	%
Shareholders' equity	9,289,081	64.2%	8,962,135	61.4%
Fixed rate liabilities	2,093,569	14.5%	1,668,069	11.4%
Floating rate liabilities	935,440	6.5%	1,778,529	12.3%
Interest-free liabilities	2,159,448	14.9%	2,177,687	14.9%
Total	14,477,538	100.0%	14,586,420	100.0%
Gearing ratio 1		55.9%		62.8%
Gearing ratio 2		15.3%		18.0%

Note: Gearing ratio 1 represents the sum of fixed rate liabilities, floating rate liabilities and interest-free liabilities vs. the equity; gearing ratio 2 represents the total amount of the long-term liabilities vs. the equity.

The Directors believe that the current gearing ratio is relatively low, thus allowing room for obtaining debt financing for the future development of the Group.



Management Discussion and Analysis (Cont'd)

Financial Resources and Financing Arrangements

As at December 31, 2001 the Group held RMB1,831,212,000 in cash and cash equivalents, time deposits and other short-term investments, details of which are set out below:

	December 31	
	2001	2000
	RMB'000	RMB'000
Cash and cash equivalent	434,771	1,323,513
RMB	365,110	390,449
US\$ in RMB equivalent	7,393	932,337
Euro in RMB equivalent	56,991	0
HK\$ in RMB equivalent	5,277	727
Time deposits	384,255	390,821
RMB	260,579	273,764
US\$ in RMB equivalent	92,731	111,754
Euro in RMB equivalent	24,259	0
HK\$ in RMB equivalent	6,686	5,303
Short term investments	1,012,186	377,965
RMB	1,012,186	377,965
Total	1,831,212	2,092,299
RMB	1,637,875	1,042,178
US\$ in RMB equivalent	100,124	1,044,091
Euro in RMB equivalent	81,250	0
HK\$ in RMB equivalent	11,963	6,030

The average interest rates during the period for bank deposits in Renminbi, US dollars, Euro and Hong Kong dollars were approximately 1.5%, 4.0%, 4.1% and 3.6% respectively.

Short-term Investments

Short-term investments in low risk marketable securities were carried out by the Group as part of its treasury management to maximize returns on funds temporarily idle while limiting investment risks.

As at December 31, 2001, the market value of the remaining short-term investments for the Group was RMB1,012,186,000. The distribution of investments is summarized as follows:

	December 31	
	2001	2000
	RMB'000	RMB'000
Government bonds	733,724	156,525
Convertible bonds	160,614	99,485
Close-end equity investment funds	97,810	121,955
Open-end equity investment funds	20,038	—
Total	1,012,186	377,965

In 2001, profit before taxation derived from short-term investments was approximately RMB105,522,000 (2000: RMB153,566,000), and the corresponding average rate of return on investments was approximately 10% (2000: 12%).

Borrowings

As at December 31, 2001, the interest-bearing borrowings profile of the Group are summarized as follows:

	Maturity Profiles			
	Gross Amount	Within 1 year	2-5 years Inclusive	Beyond 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Floating rates				
World Bank loan	935,440	77,809	296,692	560,939
Fixed rates				
Commercial bank loans	1,655,500	1,510,500	145,000	—
Policy loans	238,069	32,469	200,800	4,800
Corporate bonds	200,000	—	200,000	—
Total as at December 31, 2001	3,029,009	1,620,778	842,492	565,739
Total as at December 31, 2001	3,446,598	1,831,817	948,328	666,453

During the Period, the interest rates of all borrowings of the Group were not materially different to those in 2000. In particular, the floating rate of World Bank loans in US dollars ranged between 5.11% and 8.76%; the interest rate of commercial bank loans in Renminbi ranged between 5.022% and 5.643%, with the average interest rate of approximately 5.22%. The interest rate of policy loans in Renminbi ranged between 3% and 5.5% and the interest rate of corporate bonds was 3.78%. The average interest rate of all borrowings of the Group was approximately 5.23% in 2001.

Ratio of Gains to Interests

The interest expenses for the Period was RMB218,045,000 (2000: RMB224,318,000) while the profit before tax but before interests was approximately RMB1,038,429,000 (2000: RMB849,659,000). The ratio of profit to interests was 4.8 (2000: 3.8).

	2001 RMB'000	2000 RMB'000
Profit before tax	1,038,429	849,659
Interest expenses	218,045	224,318
Ratio of profit to interests	4.8	3.8

Foreign Exchange Exposure

With the Company's advance repayment of the World Bank loan denominated in US dollars during 2001, as at December 31, 2001, the Group's liabilities in foreign currency mainly represent a World Bank loan borrowed for the construction of Shanghai-Hangzhou Expressway of approximately US\$113 million.

In addition, the Company's dividends for H Shares are settled in HK dollars.

Currently, the exchange rate of RMB is stable and the Directors do not anticipate any material foreign exchange exposure to the Group. However, there can be no assurance that the foreign exchange exposure will not affect the operating results of the Group.

Contingent Liability

Other than a loan guarantee provided to a jointly-controlled entity, namely, Shida Co, of RMB30 million, the Group does not have any contingent liability as at December 31, 2001.

Pledges and Guarantees of Assets

As at December 31, 2001, the details of pledged and guaranteed assets of the Company are set out below:

The Company provided a guarantee of RMB200 million in respect of corporate bonds issued by Shangsan Co in November 2000. The maturity of the bonds is 3 years with an annual interest rate of 3.78%. The principal and the interest have to be paid in a lump sum when they fall due.

The Company has provided a guarantee of RMB565 million in respect of bank loans to Shangsan Co from February 2001 to July 2004, and has provided a guarantee of RMB30 million in respect of bank loans to Shida Co from September 2001 to September 2007 .

Shangsan Co has provided a guarantee of RMB280 million in respect of bank loans to the Company from February 2001 to February 2002.

Other than the guarantees above, the Company does not have any other guarantees and pledges of assets.

Restructuring of State-owned Shares

The transfer of 476,760,000 State-owned shares of the Company, representing approximately 11% of the issued share capital of the Company, from Provincial Investment Co to Huajian on December 28, 2000 was approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC on December 26, 2001. Accordingly, Provincial Investment Co's interest in the issued capital of the Company is reduced from approximately 67% to 56%, while the remaining approximate 33% interest held by overseas investors remains unchanged.

Pursuant to a notice (Zhe Zheng Fa [2001] No. 42) issued by Zhejiang provincial government dated July 2, 2001, Provincial Investment Co will be replaced by Communications Investment Group, a newly formed State-owned enterprise under the provincial asset management authority, as the parent company holding approximately 56% of the issued share capital of the Company. The replacement of Provincial Investment Co by Communications Investment Group is subject to the approval of and registration with the relevant government authorities.

The change in the Company's parent company is part of a province-wide restructuring of State-owned assets by the Zhejiang provincial government aimed at improving the effectiveness in the management of designated State-owned assets. Details of the change were set out in the Company's announcement dated January 21, 2002.

The Hong Kong Securities and Futures Commission has confirmed that Communications Investment Group will not be obliged to make a general offer for all the issued shares of the Company upon the completion of the proposed change.

Level-I ADR Program

The Board authorized the establishment of a Level-I ADR program sponsored by the Company on October 30, 2001, with the aim of enhancing the liquidity of the Company's H Shares as well as broadening the Company's investor base.

The Company's sponsored Level-I ADR program is maintained by The Bank of New York, as depositary, pursuant to a deposit agreement dated February 14, 2002, among the Company, The Bank of New York, as depositary, and all owners and beneficial owners of ADRs representing deposited H Shares of the Company. No new shares of the Company will be issued in connection with the Level-I ADR program.

The Registration Statement in respect of the ADSs evidenced by the ADRs was declared effective by the U.S. Securities and Exchange Commission on February 14, 2002. The ADSs are traded on the over-the-counter market in the United States. Investors who wish to participate in the Company's ADR program are advised to consult with their professional advisors.

Proposed Issue of A Shares

The volatility of the Chinese stock market during the second half of 2001 resulted in the postponement of the Company's plan to issue not more than 300 million A Shares for the funding of the 1st and 2nd stages of the project to widen the Shanghai-Hangzhou-Ningbo Expressway.

The Board has resolved to seek a further approval from the shareholders of the Company for the plan in the upcoming annual general meeting scheduled to be held on April 30, 2002.

Outlook for 2002

2001 was an eventful year for China, capped with its successful entry into the World Trade Organization in November, a development that has been anticipated with both excitement and anxiety across the country.

Nowhere was the news more welcomed than in Zhejiang Province, where the economy is dominated by small to medium-sized non-State-owned enterprises eager to join the global competition.

While the forecast GDP growth rate for Zhejiang Province is slightly lower in 2002 when compared to the past few years, the growth rate in traffic volume on expressways operated by the Group overall is expected to be higher than the regional GDP growth rate.

With approximately 540km of expressways expected to be completed and opened to traffic in Zhejiang Province in 2002, more kilometers than any other single year before, the need for coordination and cooperation between the various independent expressway operators is stronger than ever.

The newly implemented integrated toll collection system, though not without problems and challenges such as the standardization of toll collection procedures among the different participants during its early stage of operation, is nevertheless expected to enhance further growth in traffic volume on the expressways by providing seamless transition for users who travel across different expressways.



Management Discussion and Analysis (Cont'd)

The long awaited fuel tax may be implemented later in 2002. The move is structured to reduce government red tape by substituting the numerous administrative fees levied on vehicle owners with a flat surcharge on fuel consumption. This, combined with the immediate reduction in prices of both domestic and imported cars following China's accession to the World Trade Organization, will make owning a private car in China much more affordable than before, serving to boost traffic volume growth on the expressways.

The plan to build a new bridge across the Hangzhou Bay, linking the two major port cities of Shanghai and Ningbo, is reportedly to have obtained the central government's approval. Though no immediate impact is foreseen in the short-term on the expressways operated by the Group, the new bridge does have the potential to compete to a certain extent with the Shanghai-Hangzhou-Ningbo Expressway for traffic flow upon its completion.

The Company intends to take advantage of the improved investment environment resulting from the latest round of restructuring of State-owned assets. The Company will actively pursue potential projects to further expand its toll road portfolio within Zhejiang Province, while keeping a look out for suitable projects outside of the province.





From left to right: Tony H. Zheng, Assistant Company Secretary; Xuan Daoguang, Deputy General Manager; Geng Xiaoping, Chairman; Wen Xinran, Chairman of Communications Investment Group; Fang Yunti, General Manager; Jiang Wenyao, Company Secretary

Frequently Asked Questions

Q: What impact does China's WTO accession have on the Company's business prospects?

A: While the WTO accession presents both opportunities and challenges for China as a whole, Zhejiang Province is poised to be one of the biggest beneficiaries of this development among the provinces due to its well-diversified economy, which is dominated by medium to small enterprises competitive on the world stage. The growth of the economy is expected to increase demand on the expressway networks in the province, thereby benefitting the toll road operations of the Company within Zhejiang Province.

Q: What is the Company's strategy for project acquisitions and what are the assessment criteria?

A: The Company remains focused on toll road projects, with a preference for completed and operational projects, located within Zhejiang Province and in other regions where there is good potential for growth in traffic volume.

The main criteria for any investment decision in the toll road sector would be the internal rate of return offered by the project. The exact rate is based on the Company's weighted average cost of capital as calculated from time to time.

Q: How does the Company manage its debt and cash, especially its short-term investment portfolios?

A: Due to the nature of investment in toll road projects as well as the need for a healthy gearing ratio, the Company maintains both a sizeable position in cash or cash equivalents, supported by its stable cash inflow from its business operations, and short-term borrowings.

As an integral part of its cash management strategy, the Company invests part of its cash in fully liquid short-term investments such as government bonds, corporate bonds, and equity investment funds. While the Company actively manages its short-term investments with prudence, the overriding factor is always to manage the risk of these investments.

Q: What is the Company's dividend policy?

A: The Company intends to distribute both interim dividends and final dividends every year, the actual amount of which will be determined each year. In general, the overall payment in dividends is expected to be around 40-60% of net profit attributable to shareholders.

Q: Does the Company have stock option plans or other share price-linked incentive schemes for its management?

A: At present, the Company does not have stock option plans for its management due to regulatory limitations. But the Company has set an incentive policy whereby a portion of the management's bonus can be linked with share price performance so that shareholders' interests can be more directly reflected.

Q: Who are the Communications Investment Group?

A: Communications Investment Group is a State-owned enterprise formed by the Zhejiang provincial government. As part of State-owned assets restructuring by the Zhejiang provincial government aimed at improving the effectiveness of management of designated State-owned assets, it is charged specifically to manage State-owned assets in the communications sector within Zhejiang Province.

In addition to holding stakes in numerous expressways, the Communications Investment Group also has interests in coastal and transoceanic transport as well as construction of transport facilities.



Corporate Governance

Pursuant to the “PRC Company Law” and other prevailing laws and regulations, the Company has adopted a dual system corporate governance structure. Under this structure, the Board of Directors is the decision making body of the Company, and with the assistance of management, manages the operations entrusted by the shareholders at the general meetings of the Company. The Supervisory Committee is the Company’s supervisory body, whose duty is to determine whether the conduct of the Directors and the General Manager as well as other senior management members of the Company is in compliance with the laws and regulations and in the interests of the Company.

Board of Directors

The Board of Directors is the decision making body of the Company, and is accountable to the shareholders at the Company’s general meetings. The Directors are elected by the shareholders, and their remuneration is also decided upon by the shareholders.

The Board of Directors of the Company comprise nine Directors, four of whom are Executive Directors, and five are Non-executive Directors. Among the five Non-executive Directors, three are Independent Non-executive Directors, representing one third of the Board of Directors. Independent Non-executive Directors do not take up any positions in the Company, and have no connections with shareholders. Accordingly, we believe that the existence of Independent Non-executive Directors is beneficial for maintaining the independence of the Board of Directors and shareholders vis-à-vis the management, and for ensuring that the Board of Directors can make prudent decisions.

There are also three specialized committees under the Board of Directors, namely, the Audit Committee, the Strategy Committee and the Nomination and Remuneration Committee which assist the Board of Directors in exercising its authorities and duties.

— **Audit Committee**

The Audit Committee comprises Non-executive Directors, the majority of whom are Independent Directors. The committee members hold meetings at least twice annually to review the completeness, accuracy and fairness of the Company's financial reports, and to discuss with the external auditors the nature and scope of the audit work before commencement of audit as well as to review the effectiveness of the internal control system of the Company.

— **Strategy Committee**

The Strategy Committee comprises Executive Directors. The principal duties of the Strategy Committee are to appraise the Company's medium to long-term development objectives, plans and strategies; to ensure that the plans and strategies are in compliance with the long-term interest of the shareholders, customers and staff of the Company and the community. For plans of significance and plans involving mergers and acquisitions, connected transactions or investments in new sectors, the committee will first review such plans before submission to the Board of Directors for decision making to ensure that the Board of Directors has sufficient information to make prudent decisions. The Strategy Committee is also responsible for the appraisal of the implementation of such plans and strategies.

— **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee comprises three Independent Directors, whose principal duties are:

- (1) To study the criteria and procedures in the selection of directors, general manager and other senior management, and to make proposals;
- (2) To search for qualified candidates for the positions of directors, general manager and other senior management;
- (3) To assess the suitability of candidates for the positions of directors, general manager and other senior management, and to make proposals;

- (4) To review and supervise the salary and welfare schemes of the Company and the remuneration system for senior management members; to make recommendations to the Board of Directors on the principles of the Company's salary and welfare schemes, the service agreements and the remuneration system for the Company's executive Directors, General Manager and other senior management members; and to review and discuss the Share Option Plan, Retirement Plan and Long Service Bonus Plan of the Company.

Supervisory Committee

The Supervisory Committee is responsible to all shareholders for the supervision of the Company's finance, and the discharge of duties by the Company's Directors, General Manager and other senior management members to ensure compliance with the laws and regulations, and to safeguard the lawful interests of the Company and its shareholders. The Supervisory Committee comprises one shareholder representative, one staff representative and three independent supervisors, so as to ensure that the Supervisory Committee can exercise its duties independently and effectively.

The principal duties of the Supervisory Committee are to examine the Company's financial matters; to supervise the discharge of duties of the Company's Directors, General Manager and other senior management and to determine whether such discharge of duties is in violation of the laws and regulations or the Company's Articles of Association, and in the event that the actions of such personnel are harmful to the Company's interests, to request remedial actions; to audit financial information such as financial reports, operating reports and profit distribution which the Directors intend to submit to the shareholders at general meetings, and in the event of any reservations, to entrust a registered accountant or certified public auditor in the name of the Company to assist in re-auditing; to propose the convening of a shareholders' extraordinary general meeting, and to negotiate with the Directors or commence litigation against the Directors on behalf of the Company.

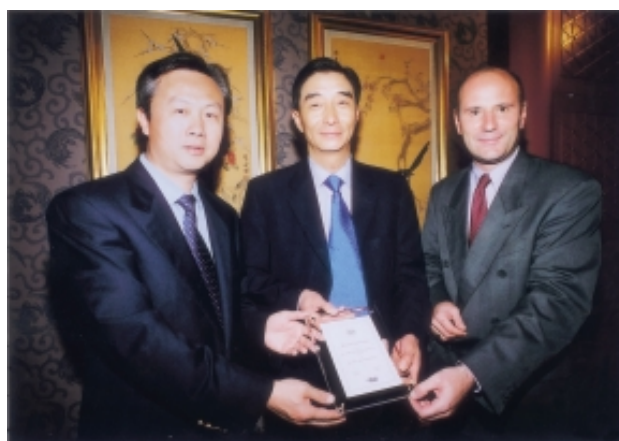
Shareholder

Being holders of shares in the Company, shareholders enjoy the rights conferred to them under relevant laws and regulations. The Company treats all shareholders equally, and encourages shareholders to participate in corporate governance. Shareholders have the right to access the relevant information and the right to participate in decision making on major issues of the Company.

Each shareholder has the right of speech and the right to vote at the shareholders' general meetings of the Company, except that on approving connected transactions, interested shareholders have to abstain from voting at the shareholders' general meetings.

The powers and duties of shareholders principally include :

- (1) To decide on the operating directions and investment plans of the Company;
- (2) To elect and remove Directors and Supervisors who are shareholders representatives, and to decide on remuneration in relation to Directors and Supervisors;
- (3) To consider and approve the Report of the Board of Directors and the Report of the Supervisory Committee;
- (4) To consider and approve the annual financial budget, the final accounts, the profit appropriation plans and the loss compensation plans;
- (5) To make resolutions on the increase or reduction of the registered capital, mergers, separation, dissolution and winding up of the Company;
- (6) To make resolutions on the Company's issue of bonds;
- (7) To amend the Articles of Association;
- (8) To consider resolutions proposed by shareholders representing shares with voting rights of 5% or over; and
- (9) To make resolutions on the retention or termination of the Company's auditors.



Over the years, the Company has received various international accolades for its achievements in corporate governance.

Directors, Supervisors and Senior Management Profiles

Executive Directors



Mr. GENG Xiaoping, aged 53, is the Chairman of the Company. Mr. Geng graduated from the East China College of Political Science and Law in 1984. From 1979 to 1991, he held various positions at the People's Procuratorate of Zhejiang Province including Secretary, Division Chief and Deputy Procurator. In 1991, he was appointed Deputy Director of the Zhejiang Provincial Expressway Executive Commission, responsible for the business operation and administration of the expressway system in Zhejiang Province. Mr. Geng was the General Manager of the Company from March 1997 to March 2002, and has been Chairman since March 1997.



Mr. FANG Yunti, aged 52, senior engineer, is an Executive Director and the General Manager of the Company responsible for the overall management of the Company. Mr. Fang graduated from Qing Hua University and majored in automotive engineering in 1976. From 1983 to 1988, he was the Deputy General Manager of Zhejiang Province Automobile Transport Company. From 1988 to 1990, he was the Chief Engineer at the Provincial Road Transport Company. During the period from 1991 to 1996, he was the Deputy Chief and Chief of the Operating Administrative and Technical Equipment Divisions of the Zhejiang Provincial Expressway Executive Commission where his responsibilities included operation management and equipment management for the Shanghai-Hangzhou-Ningbo Expressway. Mr. Fang was the Deputy General Manager of the Company from March 1997 to March 2002. Mr. Fang has been a Director of the Company since 1997.



Mr. ZHANG Jingzhong, aged 38, senior lawyer, is an Executive Director and Deputy General Manager of the Company. Mr. Zhang graduated from Hangzhou University in July 1984 obtaining a Bachelor's degree in law. In 1984, he joined the Zhejiang Provincial Political Science and Law Policy Research Unit. From 1988 to 1994, he was the Associate Director of Hangzhou Municipal Foreign Economic Law Firm. In 1992, he obtained the qualifications required by the regulatory authorities in China to practice securities law. In January 1994, Mr. Zhang became Senior Partner at T&C Law Firm in Hangzhou. Mr. Zhang has been a Director since April 1997, and Secretary to the Board from April 1997 to June 2001.



Mr. XUAN Daoguang, aged 57, senior engineer, is an Executive Director and Deputy General Manager of the Company. Mr. Xuan graduated from Tong Ji University in 1967 with a degree in engineering, and majored in the construction and design of bridges and tunnels. Mr. Xuan has 31 years of experience in engineering maintenance with the Road Administration Division and has held positions such as Section Head and Head of the Road Administrative Division of Jinhua City. He has worked for the Zhejiang Provincial Expressway Executive Commission and was responsible for the administration of engineering work within Zhejiang Province, including repair and maintenance on the completed sections of the Shanghai-Hangzhou-Ningbo Expressway. Mr. Xuan has been a Director of the Company since March 1997.

Non-executive Directors



Mr. XIA Linzhang, aged 58, senior engineer, is a non-executive Director and member of the Audit Committee. Mr. Xia graduated from Jiao Zou Mining College. He was the head of Suichang Coal Mine, Standing Deputy Head and Head of Suichang County, Zhejiang Province. Mr. Xia was appointed Chief of the Planning and Finance Division of the Zhejiang Provincial Expressway Executive Commission and the Deputy General Manager and Financial Manager of Provincial Investment Co. Mr. Xia was the Chairman of the Supervisory Committee from March 1997 to February 2000.



Ms. ZHANG Chunming, aged 37, senior lawyer, is a non-executive Director and member of the Audit Committee. Ms. Zhang graduated from the East China College of Political Science and Law in Shanghai with a Bachelor's degree in law in 1986. From 1987 to 1994, she practiced as a lawyer with the Zhejiang Provincial Economics Law Firm in Hangzhou where her practice included financial, securities and property matters. Ms Zhang has also obtained the qualifications required by the regulatory authorities in China to practice securities law and, in 1994, she spent six months undergoing training in Hong Kong. Since 1994 she has been a Partner and Director of Zhejiang Shield Law Office. Ms. Zhang has been a Director of the Company since March 1997.

Independent Non-executive Directors



Dr. HU Hung Lick, Henry G.B.S. O.B.E. Ph.D. J.P., aged 82, is an independent non-executive Director and a member of the Audit Committee. Dr. Hu has been practicing as a barrister for over 45 years and is currently the President of Shue Yan College in Hong Kong, a member of the Standing Committee of the Chinese People's Political Consultative Congress and the China International Economic and Trade Arbitration Commission. Dr. Hu is also an adviser to the China Research Committee of Juvenile Delinquency. Dr. Hu has been an independent non-executive Director since March 1997.



Mr. TUNG Chee Chen, aged 59, Chairman of Orient Overseas (International) Limited, is an independent non-executive Director and the Chairman of the Audit Committee. Mr. Tung was educated at the University of Liverpool, England, where he received his Bachelor of Science degree. He later acquired a Master's degree in mechanical engineering at the Massachusetts Institute of Technology in the United States. He is currently a registered Professional Engineer in the State of California. Mr. Tung has been an independent non-executive Director since March 1997.



Mr. ZHANG Junsheng, aged 65, professor, is a member of the Audit Committee. Mr. Zhang graduated from Zhejiang University in 1958, and was a lecturer, an associate professor, an advising professor at the Zhejiang University, and a professor concurrently at, amongst other universities, the Zhongshan University. In 1980, he became the Deputy General Secretary of Zhejiang University. In 1983, Mr. Zhang served as Deputy General Secretary of the Hangzhou City Government. In 1985, he began to work for the Xinhua News Agency, Hong Kong Branch, and became its Deputy Director in 1987. Mr. Zhang took up the post of General Secretary of Zhejiang University in September 1998. In addition, Mr. Zhang is currently a Special Advisor to the Zhejiang Provincial Government, an Advisor to the Sichuan Provincial Government, and a Senior Advisor to the Shenzhen City Government. Mr. Zhang has been an independent non-executive Director of the Company since March 2000.

Supervisors



Mr. MA Kehua, aged 49, senior economist, is the Chairman and non-executive member of the Supervisory Committee. Mr. Ma graduated from Shanghai Railway Institute in 1977, after which he worked as an engineer at Shanghai Railway Bureau No. 1 Construction Company and the Plumbing and Electricity Section of Shanghai Railway Bureau, Hangzhou Branch. Mr. Ma was in charge of the Planning and Finance Division at the Zhejiang Local Railway Company, and became Deputy Division Chief and Division Chief of Zhejiang Jinwen Railway Executive Commission responsible for material supply since 1993. Mr. Ma took up the post of Deputy General Secretary of Zhejiang Construction and Investment Company in March 1999, and is currently the Deputy General Secretary of Provincial Investment Co.



Mr. NI Ciyun, aged 51, senior economist, is a member of the Supervisory Committee representing the staff and workers. Mr. Ni graduated from Tianjin University in 1976 majoring in mechanical manufacturing. He was a Deputy Manager and Manager at Zhejiang Jiaxing Shipping Company since 1981, Deputy Director of Jiaxing Communications Bureau in 1989, Director of Zhapu Port Executive Commission in 1990, Director of Jiaxing Zhapu Port Authority in 1992, and Deputy Director of Shanghai-Hangzhou-Ningbo Expressway Jiaxing Construction Executive Commission in 1993. Mr. Ni is currently the Chief Administrator of the Jiaxing Section of the Shanghai-Hangzhou-Ningbo-Expressway.



Mr. LU Fan, aged 46, senior economist, is an independent non-executive member of the Supervisory Committee. Mr. Lu has a Master's degree in economics and was an assistant researcher at the World Economy Research Institute of Zhejiang Social Science Academy. He became the Vice-Director of Zhejiang Asia-Pacific Research Institute in 1991. Mr. Lu joined Zhejiang Securities Co., Ltd. in 1994. He was the General Manager of the Investment Banking Division and is currently the Vice President of Zhejiang Securities Co., Ltd.



Mr. SUN Xiaoxia, aged 39, professor, is an independent non-executive member of the Supervisory Committee. Mr. Sun graduated from China Academy of Social Sciences (中國社會科學院) with a Doctor's degree in law. He worked as Assistant Lecturer, Lecturer, Assistant Professor, Professor and Tutor for graduate students at Hangzhou University, School of Law. Mr. Sun is currently Deputy Dean at the School of Law and Dean of the Department of Law, Zhejiang University. In addition, Mr. Sun is a lawyer with Zhejiang Zheda Law Firm, a standing member of China Jurisprudence Research Society, a standing member of China WTO Legal Research Society, a member of the International Society for Philosophy of Law and Social Philosophy ("IVR"), and a member of the IVR's China Branch.



Mr. ZHENG Qihua, aged 39, senior accountant, is an independent non-executive member of the Supervisory Committee. He is currently the Deputy General Manager of Zhejiang Pan-China Certified Public Accountants, and a guest professor at the Zhejiang Finance and Economics Institute. Mr. Zheng was among the first batch of Chinese registered accountants to obtain qualifications required for practicing accountancy involving securities in 1992. He has working and training experience in Hong Kong and Singapore, and he spent approximately six months working with the Listing Division of the China Securities Regulatory Commission during 1997 and 1998.



Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended December 31, 2001.

Principal Activities

The principal activities of the Group comprise the design, construction, operation and management of high grade roads, as well as the development and operation of certain ancillary services, such as automobile servicing and fuel facilities. There were no changes in the nature of the Group's principal activities during the period.

Segment Information

During the period, the entire turnover and contribution to profit from operating activities of the Group was derived from Zhejiang Province in the PRC. Accordingly, a further analysis of the turnover and contribution to profit from operating activities by geographical area is not presented. However, an analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year ended December 31, 2001 is set out in note 4 to the financial statements.

Results and Dividends

The Group's profit for the year ended December 31, 2001 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 59 to 105.

An interim dividend of RMB0.03 per share (approximately HK\$0.0283) was paid on October 24, 2001. The Directors recommend the payment of a final dividend of RMB0.07 per share (approximately HK\$0.0660) in respect of the year, to shareholders in the register of members on April 8, 2002. This recommendation has been incorporated into the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

Summary Financial Information

The following is a summary of the published consolidated results, and of the assets and liabilities of the Group prepared on the basis set out in the notes below. The amounts for each of the 4 years ended December 31, 2000 in the summary have been adjusted for the effect of the retrospective changes in accounting policy affecting dividends, as detailed in note 2 to the financial statements.

Summary of the Group's Five Years Consolidated Results

Results	Year ended December 31				
	2001 RMB'000	2000 RMB'000	1999 RMB'000	1998 RMB'000	1997 RMB'000
Turnover	1,722,517	1,188,604	1,050,498	655,069	463,692
Operating costs	(392,535)	(248,429)	(298,417)	(220,537)	(146,046)
Gross profit	1,329,982	940,175	752,081	434,532	317,646
Other revenue	216,690	242,888	167,528	234,573	197,034
Administrative expenses	(88,487)	(64,978)	(60,320)	(45,611)	(31,126)
Other operating expenses	(18,236)	(75,317)	(2,374)	(635)	(978)
Profit from operating activities	1,439,949	1,042,768	856,915	622,859	482,576
Finance costs	(215,346)	(197,083)	(172,922)	(94,741)	(110,350)
Share of profits of associates	12,396	40,584	22,559	18,982	—
Share of loss of a jointly-controlled entity	(1,459)	(6,517)	—	—	—
Profit before tax	1,235,540	879,752	706,552	547,100	372,226
Tax	(363,970)	(186,391)	(71,810)	(73,795)	(58,639)
Profit before minority interests	871,570	693,361	634,742	473,305	313,587
Minority interests	(110,957)	(57,360)	(86,431)	(68,914)	(17,255)
Net profit from ordinary activities attributable to shareholders	760,613	636,001	548,311	404,391	296,332
Earnings per share	17.51 cents	14.64 cents	12.62 cents	9.31 cents	7.77 cents

Summary of the Group's Five Years Assets and Liabilities

Assets and liabilities	Year ended December 31				
	2001 RMB'000	2000 RMB'000	1999 RMB'000	1998 RMB'000	1997 RMB'000
Total assets	14,477,538	14,586,420	13,925,688	12,993,990	11,466,377
Total liabilities	3,685,828	4,128,921	3,868,691	3,457,029	2,529,105
Minority interests	1,502,629	1,495,364	1,449,432	1,245,782	667,714
Net assets	9,289,081	8,962,135	8,607,565	8,291,179	8,269,558

Notes:

1. The consolidated results of the Group for the three years ended December 31, 2000, together with the pro forma consolidated results of the Group for the year ended December 31, 1997 have been extracted from the Company's 2000 annual report dated March 5, 2001, while those of the year ended December 31, 2001 were prepared based on the consolidated income statement as set out on page 60 of the financial statements.
2. The 2001 earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year ended December 31, 2001 of RMB760,613,000 (2000: RMB636,001,000) and the 4,343,114,500 shares (2000: 4,343,114,500 shares) in issue during the period.

Major Customers and Suppliers

The five largest customers and suppliers contributed less than 30% of the total toll revenue and purchases, respectively, of the Group during the period. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

Connected Transactions

Details of the connected transactions of the Group (the "Connected Transactions") carried out during the period, for which the Hong Kong Stock Exchange has granted a waiver from compliance with Chapter 14 of the Listing Rules pursuant to its letter of March 10, 2000, are disclosed in note 39 to the financial statements.

The independent non-executive Directors have reviewed the Connected Transactions and confirmed that, during the period from January 1, 2001 to December 31, 2001, such transactions were:

- (i) carried out in accordance with the terms of the agreements governing each respective transaction in question;

- (ii) entered into in the usual and ordinary course of business of the Company; and
- (iii) entered into on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Ernst & Young, the auditors of the Company (as required by the Stock Exchange in its letter of March 10, 2000), have also reviewed the said transactions and have confirmed that the independent non-executive Directors have given their approval of these transactions and that they were carried out by the Company in accordance with the terms of the agreements governing each respective transaction during the period from January 1, 2001 to December 31, 2001.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group are set out in note 14 to the financial statements.

Capital Commitments

Details of the capital commitments of the Company and the Group as at December 31, 2001 are set out in note 36 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the period are set out in note 34 to the financial statements.

Distributable Reserves

As at December 31, 2001, the Company's reserves available for distribution by way of cash or in kind, calculated in accordance with relevant rules and regulations, amounted to RMB634,528,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately RMB3,638,229,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalisation issues.

Substantial Shareholders

As at December 31, 2001, the following shareholders held 10% or more of the share capital of the Company according to the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance"):

The Group's Substantial Shareholders

Name	Number of shares	Percentage
Provincial Investment Co*	2,432,500,000 (domestic shares)	56.01%
Huajian	476,760,000 (domestic shares)	10.98%
HKSCC Nominees Limited	1,397,795,499 (H Shares)	32.18%

* To be replaced by Communications Investment Group

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

Trust Deposits

As at December 31, 2001, the Company did not have any trust deposits, nor any time deposits with any financial institution in the PRC. Other than the deposit of HK\$4,956,000 (equivalent to RMB5,257,000 approximately) placed in a non-bank financial institution in Hong Kong, all of the Company's deposits have been placed with commercial banks in the PRC. The Company has not encountered any difficulty in the withdrawal of funds.

Directors

The Directors of the Company during the period were:

Executive Directors

Mr. Geng Xiaoping
Mr. Fang Yunti
Mr. Zhang Jingzhong
Mr. Xuan Daoguang

Non-executive Directors

Mr. Xia Linzhang
Ms. Zhang Chunming

Independent Non-executive Directors

Dr. Hu Hung Lick, Henry
Mr. Tung Chee Chen
Mr. Zhang Junsheng

Change in Directors and Senior Management

At the meeting of the Directors held on March 13, 2002, the Directors resolved to accept the proposal by Mr. Xia Linzhang to resign from his current directorship, and submit his proposal for approval by the shareholders of the Company at the upcoming annual general meeting; the Directors also resolved to accept the proposal to elect Ms. Zhang Yang to be a non-executive (external) director of the Company, and to submit the proposal for approval by the shareholders of the Company at the upcoming annual general meeting.

At the same board meeting, the Directors resolved to accept Mr. Geng Xiaoping's proposal to resign from the post of General Manager of the Company, and resolved to appoint Mr. Fang Yunti as General Manager of the Company, and Mr. Zhang Jingzhong as Deputy General Manager of the Company. The terms of office for Mr. Fang and Ms. Zhang is from March 14, 2002 to February 28, 2003. Mr. Geng continues to serve as Chairman of the Company.

Directors' and Supervisors' Service Contracts

Each of the Executive Directors and one supervisor of the Company has entered into a service agreement with the Company, with effect from February 28, 2000, for a term of three years.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and Supervisors' Interests in Contracts

None of the Directors or Supervisors had any material interest, whether direct or indirect, in any contract of significance to which the Company, or any of its subsidiaries, fellow subsidiaries or its holding company was a party, at the end of the year or at any time during the year.

Directors' and Supervisors' Interests in Shares

As at December 31, 2001, none of the Directors, Supervisors or their associates had any personal, family, corporate or other interests in any equity or debt securities of the Company or any associated corporations (as defined in the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Directors' and Supervisors' Rights to Subscribe for Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, jointly-controlled entities, associates or fellow subsidiaries or its holding company a party to any arrangement enabling any Directors or Supervisors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. No rights to subscribe for shares in, or debentures of the Company have been granted by the Company to, nor have any such rights been exercised by, any person during the year and up to the date of this report.

Pension Scheme

As required by the state regulations of the PRC, the Group participates in a defined contribution pension scheme organised by local social security authorities. Under the scheme, all employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. The Group is

required to make contributions to local social security authorities at rates ranging from 20% to 22.5% of the average basic salaries of the previous year within the geographical area where the employees are under employment with the Group. The Group has no obligation for the payment of pension benefits beyond such annual contributions to the registered insurance companies. When an employee leaves the scheme, the Group is not entitled to forfeit any amount of the contributions that it has previously made. Hence, no forfeited contribution was used by the Group to reduce the level of its contributions during the period. During the period, contributions to registered insurance companies made by the Group under the defined contribution retirement scheme amounted to RMB6,900,000 (2000: RMB4,358,000).

Pre-emptive Rights

There is no provision for pre-emptive rights in the Company's articles of association or the laws of the PRC, which would require the Company to offer new shares on a pro rata basis to existing shareholders.

Taxation of the United Kingdom

An individual holder of H Shares who is resident and domiciled in the UK will, in general, be liable to UK income tax on dividends received from the Company. Where such an individual receives dividends from the Company without deduction of tax the amount included as income for the purposes of computing his or her UK tax liability is the gross amount of the dividend and this is taxed at the appropriate marginal rate (currently 10% in the case of a basic rate or lower rate taxpayer and 32.5% in the case of a higher rate taxpayer). Where tax is withheld from the dividend, credit will be given against UK income tax for any tax withheld from the dividend up to the amount of the UK income tax liability. The Company would assume responsibility for withholding tax at source within the PRC if such a withholding is required. The current UK-Chinese Double Taxation Agreement provides that the maximum withholding tax on dividends from Chinese resident companies paid to UK residents is 10% of the gross dividend.

UK resident holders of H Shares who are individuals not domiciled within the UK will only be liable to income tax on a dividend from the Company to the extent that it is remitted to the UK.

A holder of H Shares which is a UK tax resident company will, in general, be liable to UK corporation tax on dividends received from the Company, with double tax relief available for withholding tax suffered. In certain cases (not discussed here), a holder of H Shares which is a UK tax resident company may be entitled to relief for "underlying" tax paid by the Company or its subsidiaries.

Accommodation Benefits for Employees

According to the relevant rules and regulations in the PRC, the Group and its employees are each required to make contributions to an accommodation fund to local social security authorities, which are in proportion to the salaries and wages of the employees at an average rate of 7%. There are no further obligations beyond the contribution to the accommodation fund organised by local social security authorities. In 1998, in addition to the contributions made to the accommodation fund, the Company purchased apartments for a sum of RMB19 million and made a provision of RMB15.3 million in that year for the estimated loss on their disposal. As at December 31, 2001, all the apartments have been disposed and cumulative proceeds of RMB4.3 million have been received from its employees.

Save as disclosed above, the Company did not own any staff quarters nor dispose of any staff quarters during the period.

Subsequent Events

Details of the significant subsequent events of the Group are set out in note 40 to the financial statements.

Compliance with the Code of Best Practice

Only one full board meeting of the Directors was held by the Company during the year as opposed to no less than one such meetings every six months recommended by paragraph 1 of the Code of Best Practice set out in Appendix 14 to the Listing Rules (the "Code"). Except for the above, the Directors are of the opinion that the Company has complied with the Code throughout the accounting period covered by the annual report.

Audit Committee

The Company has an audit committee which was established in accordance with the requirement of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive Directors and two non-executive Directors.

Auditors

Ernst & Young will retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

Gratitude

The Board would like to take this opportunity to express its gratitude to Mr. Geng Xiaoping who served as General Manager until March 13, 2002 for his contribution to the Company.

ON BEHALF OF THE BOARD

Geng Xiaoping

Chairman

Hangzhou, Zhejiang Province, the PRC
March 13, 2002



Report of the Supervisory Committee

In compliance with the Company Law of the PRC, the Company's Articles of Association and the Regulations of the Supervisory Committee, the five-member committee earnestly discharged its statutory supervisory duties, safeguarding the lawful interests of the shareholders of the Company. The main tasks of the Committee in 2001 included, among others, attending board meetings; advising on important issues such as the Company's investment decisions and dividend policies; participating in major functions of the Company, and through other means, understanding and monitoring the conduct of the Directors, General Manager and other senior officers in business management; carefully reviewing the financial position of the Company, discussing and reviewing the financial statements and dividend distribution proposal to be submitted by the Board to the annual general meeting.

The Committee concludes that the Directors, General Manager and other senior officers of the Company have adopted steady development strategies in 2001, focusing on the principal business operations, obtaining sustained growth in operating results and providing good returns to shareholders, and have expanded the influence of the Company in the international capital market through the establishment of the Level-I ADR program. The efforts of the Board and management in corporate governance have obtained recognition and approval from investors, and this has consolidated the positive corporate image of the Company in both domestic and overseas capital markets.

The Committee has examined the financial statements of the Company for 2001 prepared to be submitted by the Board to the annual general meeting, and concluded that the statements accurately reflected the Company's operating results and asset position in 2001 and were in compliance with relevant laws and regulations and the Company's Articles of Association. Although the dividend payout ratio in 2001 was lower than that of the previous year, the ratio is still relatively high, providing appropriate cash return to shareholders. We, therefore, endorse this profit distribution proposal, and recommend shareholders to approve the proposal at the forthcoming annual general meeting.

The Committee reviewed the Report of the Directors to be submitted to the annual general meeting, and consider it to be a fair representation of the Company's actual situation. In the course of the Company's business operations, the members of the Board, General Manager and other senior officers of the Company observed their fiduciary duties and worked diligently while exercising their rights or discharging their duties. We did not find any abuse of power or infringement of the interests of shareholders and employees.

The Committee is satisfied with the accomplishments attained by the Company in its various tasks.

By the Order of the Supervisory Committee

Ma Kehua

Chairman of the Supervisory Committee

March 12, 2002



Report of the International Auditors



To the shareholders

Zhejiang Expressway Co., Ltd.

(Established in the People's Republic of China with limited liability)

We have audited the financial statements on pages 59 to 105 which have been prepared in accordance with accounting principles generally accepted in Hong Kong. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

March 13, 2002

Consolidated Income Statement

Year ended December 31, 2001

	Notes	2001 RMB'000	2000 RMB'000 (Restated)
TURNOVER	5	1,722,517	1,188,604
Operating costs		(392,535)	(248,429)
Gross profit		1,329,982	940,175
Other revenue	5	216,690	242,888
Administrative expenses		(88,487)	(64,978)
Other operating expenses		(18,236)	(75,317)
PROFIT FROM OPERATING ACTIVITIES	6	1,439,949	1,042,768
Finance costs	7	(215,346)	(197,083)
Share of profits of associates		12,396	40,584
Share of loss of a jointly-controlled entity		(1,459)	(6,517)
PROFIT BEFORE TAX		1,235,540	879,752
Tax	8	(363,970)	(186,391)
PROFIT BEFORE MINORITY INTERESTS		871,570	693,361
Minority interests		(110,957)	(57,360)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	760,613	636,001
DIVIDENDS	12		
Interim		(130,293)	(86,862)
Proposed final		(304,018)	(304,018)
		(434,311)	(390,880)
EARNINGS PER SHARE	13	17.51 cents	14.64 cents

Consolidated Statement of Recognised Gains and Losses

Year ended December 31, 2001			
	Notes	2001 RMB'000	2000 RMB'000
Net profit from ordinary activities attributable to shareholders		760,613	636,001
Total recognised gains and losses		760,613	636,001
Goodwill eliminated directly against reserves	34	—	(20,844)
		760,613	615,157

Consolidated Balance Sheet

December 31, 2001

	Notes	2001 RMB'000	2000 RMB'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	12,031,012	11,681,806
Interest in a jointly-controlled entity	16	54,082	57,126
Interests in associates	17	156,909	167,316
Expressway operating rights	18	223,345	232,045
Long term investments	19	32,867	32,867
Long term receivables	20	9,030	6,450
Goodwill	21	19,810	—
		12,527,055	12,177,610
CURRENT ASSETS			
Short term investments	19	1,012,186	377,965
Inventories		1,274	718
Trade receivables	22	54,219	19,202
Other receivables	23	63,778	296,591
Cash and cash equivalents	24	819,026	1,714,334
		1,950,483	2,408,810
CURRENT LIABILITIES			
Trade payables	25	240,818	204,559
Profits tax payable		95,229	103,022
Other taxes payable		23,219	17,003
Other payables and accruals	26	157,326	313,504
Interest-bearing bank and other borrowings	27	1,620,778	1,831,817
		2,137,370	2,469,905
NET CURRENT LIABILITIES		(186,887)	(61,095)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,340,168	12,116,515
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	1,208,231	1,414,781
Long term bonds	29	200,000	200,000
Other long term liabilities		8,694	1,134
Deferred tax	32	131,533	43,101
		1,548,458	1,659,016
Minority interests		1,502,629	1,495,364
		9,289,081	8,962,135
CAPITAL AND RESERVES			
Issued capital	33	4,343,115	4,343,115
Reserves	34	4,641,948	4,315,002
Proposed final dividend	12	304,018	304,018
		9,289,081	8,962,135

Geng Xiaoping
Director

Fang Yunti
Director

Consolidated Cash Flow Statement

Year ended December 31, 2001

	Notes	2001 RMB'000	2000 RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	35(a)	1,603,180	1,040,303
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		59,869	67,253
Interest paid		(260,878)	(254,312)
Dividends paid		(434,311)	(260,587)
Dividends paid to minority interests		(31,177)	(33,324)
Dividends from an associate		6,620	8,302
Exchange gains realised arising on the advance repayment of the World Bank loan		53,172	—
Net cash outflow from returns on investments and servicing of finance		(606,705)	(472,668)
TAX			
Taxes paid and refunded, net		(276,904)	(99,805)
INVESTING ACTIVITIES			
Proceeds from disposal of fixed assets		1,400	—
Additions to fixed assets		(29,471)	(72,469)
Additions to construction in progress		(441,630)	(1,126,911)
Decrease in time deposits		311,721	27,131
Decrease/(increase) in short term investments		(634,221)	705,429
Acquisition of additional interests in existing subsidiaries		(93,368)	(172,800)
Acquisition of an associate		—	(18,500)
Decrease in investment in an associate		—	100,000
Net cash outflow from investing activities		(885,569)	(558,120)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(165,998)	(90,290)
FINANCING ACTIVITIES	35(b)		
New bank and other loans		3,113,850	2,732,281
Repayment of bank and other loans		(3,531,439)	(2,645,580)
Minority interests		—	176,381
Issue of bonds		—	200,000
Net cash inflow/(outflow) from financing activities		(417,589)	463,082
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(583,587)	372,792
Cash and cash equivalents at beginning of year		1,323,513	950,721
CASH AND CASH EQUIVALENTS AT END OF YEAR		739,926	1,323,513
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		434,771	320,304
Time deposits with original maturity of less than three months when acquired		305,155	1,003,209
		739,926	1,323,513

Balance Sheet

December 31, 2001

	Notes	2001 RMB'000	2000 RMB'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	14	5,202,986	5,095,680
Interests in subsidiaries	15	3,617,048	3,549,568
Interest in a jointly-controlled entity	16	64,359	64,910
Interests in associates	17	126,500	126,500
Expressway operating rights	18	175,644	182,578
Long term investments	19	30,000	30,000
Long term receivables	20	9,030	6,450
		9,225,567	9,055,686
CURRENT ASSETS			
Short term investments	19	715,876	180,294
Inventories		610	454
Trade receivables	22	54,196	19,202
Other receivables	23	58,640	190,234
Cash and cash equivalents	24	333,420	1,340,260
		1,162,742	1,730,444
CURRENT LIABILITIES			
Trade payables	25	84,269	13,118
Profits tax payable		50,429	23,020
Other taxes payable		10,225	4,353
Other payables and accruals	26	89,288	224,104
Interest-bearing bank and other borrowings	27	990,500	1,320,376
		1,224,711	1,584,971
NET CURRENT ASSETS/(LIABILITIES)		(61,969)	145,473
TOTAL ASSETS LESS CURRENT LIABILITIES		9,163,598	9,201,159
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	28	100,000	288,526
Deferred tax	32	62,261	21,655
		162,261	310,181
		9,001,337	8,890,978
CAPITAL AND RESERVES			
Issued capital	33	4,343,115	4,343,115
Reserves	34	4,354,204	4,243,845
Proposed final dividend	12	304,018	304,018
		9,001,337	8,890,978

Geng Xiaoping
Director

Fang Yunti
Director

Notes to Financial Statements

December 31, 2001

1. Corporate Information

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

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

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

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

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

The registered office of the Company is located at 19/F, Zhejiang World Trade Centre, 15 Shuguang Road, Hangzhou, Zhejiang Province, the PRC. During the year, the Group was involved in the following principal activities:

- (a) the design, construction, operation, maintenance and management of high grade roads; and
- (b) the development and operation of certain ancillary services such as technical consultation, automobile servicing and fuel facilities.

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

Zhejiang Provincial High Class Highway Investment Co., Ltd. (the "Provincial Investment Co") was replaced by the Communications Investment Group as part of the restructuring of the Zhejiang Government. The Communications Investment Group was incorporated on December 29, 2001. As such, the Communications Investment Group was considered by the Directors of the Company as the ultimate holding company of the Company, which owns approximately 56% of the shares of the Company.

2. Impact of New/Revised Statements of Standard Accounting Practice (“SSAPs”)

The following SSAPs and related interpretations have been adopted for the first time in the preparation of the current year’s consolidated financial statements:

- | | |
|---------------------|--|
| • SSAP 9 (Revised) | Events after the balance sheet date |
| • SSAP 14 (Revised) | Leases |
| • SSAP 18 (Revised) | Revenue |
| • SSAP 26 | Segment reporting |
| • SSAP 28 | Provisions, contingent liabilities and contingent assets |
| • SSAP 29 | Intangible assets |
| • SSAP 30 | Business combinations |
| • SSAP 31 | Impairment of assets |
| • SSAP 32 | Consolidated financial statements and accounting for investment in subsidiaries |
| • Interpretation 12 | Business combinations — subsequent adjustment of fair values and goodwill initially reported |
| • Interpretation 13 | Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves |

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have also been made to the previous accounting treatments, which may be accounted for retrospectively or prospectively in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company’s own financial statements for the year. The adoption of the SSAP has no material impact on these financial statements.

2. Impact of New/Revised Statements of Standard Accounting Practice (“SSAPs”) (Continued)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires management to assess whether the Group’s predominant risks or returns are based on business segments or geographical segments and determine one of these bases to be the primary reporting format, with the other as the secondary segment information reporting format. The impact of the SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to these financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures. These amendments do not have a material impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets be aggregated with the accumulated amortisation, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determine the fair value of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill on future acquisitions in the non-current assets section of the balance sheet, and that such goodwill is amortised to the income statement over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisition in previous years which remains eliminated against reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 21 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

2. Impact of New/Revised Statements of Standard Accounting Practice ("SSAPs") (Continued)

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets be aggregated with accumulated depreciation in note 14 to the financial statements, whereas previously they were deducted from the cost of the relevant assets in the balance sheet. The minor revisions to SSAP 10 and SSAP 21 have no material impact on these financial statements.

3. Summary of Significant Accounting Policies

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended December 31, 2001. 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.

3. Summary of Significant Accounting Policies (Continued)

Subsidiaries

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

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

Jointly-controlled entities

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

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

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

Associates

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

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

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

3. Summary of Significant Accounting Policies (Continued)

Goodwill

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

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

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to January 1, 2001, to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

3. Summary of Significant Accounting Policies (Continued)

Fixed assets and depreciation

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

Depreciation of expressways and bridges is provided by using the sinking fund method whereby the aggregate annual depreciation amounts, compounded at average rates ranging from 6.11% to 8.77% per annum, up to the expiry of the underlying 30-year expressway concession period, will be equal to the total cost of the expressways and bridges.

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

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

	Estimated useful life	Annual depreciation rate
Toll stations and ancillary facilities	30 years	3.2%
Communications and signalling equipment	10 years	9.7%
Motor vehicles	8 years	12%
Machinery and equipment	5-8 years	12-19.4%

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

3. Summary of Significant Accounting Policies (Continued)

Construction in progress

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

Impairment of assets

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

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

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

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

Expressway operating rights

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

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

3. Summary of Significant Accounting Policies (Continued)

Long term investments

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

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

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

Short term investments

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

3. Summary of Significant Accounting Policies (Continued)

Revenue recognition

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

- (a) from toll revenue, net of any applicable revenue taxes, when received;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (c) from the rendering of services, based on the percentage of completion basis, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;
- (d) rental income, on a time proportion basis over the lease terms;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (f) dividends, when the shareholders' right to receive payment is established.

Tax

PRC income tax is provided at rates applicable to enterprises in the PRC on income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, based on existing PRC income tax legislation, practices and interpretations thereof.

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

The financial records of the Company and its subsidiaries are maintained and the financial statements are stated in Renminbi ("RMB").

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement unless such exchange differences relate to funds borrowed specifically for the financing of construction of expressways and bridges, in which case they are capitalised to the extent that they can be regarded as an adjustment to interest costs.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the construction of expressways, tunnels and bridges are capitalised as part of the cost of those assets when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

The amount of borrowing costs capitalised is determined by reference to the actual borrowing costs incurred on funds borrowed specifically for the construction of expressways, tunnels and bridges during the period, less any investment income arising from the temporary investment of those borrowings.

Capitalisation of borrowing costs on funds borrowed specifically for the construction of expressway sections ceases when the construction of such expressway sections is substantially completed and are capable of commencing toll operations.

Operating leases

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

3. Summary of Significant Accounting Policies (Continued)

Inventories

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

Dividends

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

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised), have given rise to prior year adjustments in the Group's financial statements, further details of which are included in note 12 to the financial statements.

Related parties

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

Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. Segment Information

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format. During the year, the entire turnover and contribution to profit from operating activities of the Group was derived from Zhejiang Province in the PRC. Accordingly, a further analysis of the turnover and contribution to profit from operating activities by geographical area is not presented.

Business segments

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

- Toll operation represents the design, construction, operation and management of high grade roads and collecting the expressway tolls.
- Advertising business represents the design and rental of advertising billboards along the expressways.
- Road maintenance represents the maintenance of expressways and roads, including cleaning of the road surface, minor repairs to the lanes, cleaning of the gutters and sewers, grass mowing, afforestation and maintenance of buildings, equipment and facilities provided to third parties.
- Ancillary businesses mainly represent sales of foods, restaurant servicing, automobile servicing, as well as oil stations.

Notes to Financial Statements (Cont'd)

4. Segment Information (Continued)

Group	Tolls		Advertising		Road maintenance		Ancillary businesses		Consolidated	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Segment revenue:										
Turnover - third parties	1,663,362	1,157,098	21,190	14,535	4,617	4,853	33,348	12,118	1,722,517	1,188,604
Other revenue - third parties	209,319	228,950	72	23	3,511	1,083	3,788	12,832	216,690	242,888
Total revenue	1,872,681	1,386,048	21,262	14,558	8,128	5,936	37,136	24,950	1,939,207	1,431,492
Segment results	1,425,341	1,024,432	11,084	11,261	(976)	3,409	4,500	3,666	1,439,949	1,042,768
Finance costs	—	—	—	—	—	—	—	—	(215,346)	(197,083)
Share of profits of associates	—	—	—	—	—	—	12,396	40,584	12,396	40,584
Share of loss of a jointly-controlled entity	(1,459)	(6,517)	—	—	—	—	—	—	(1,459)	(6,517)
Profit before tax									1,235,540	879,752
Tax									(363,970)	(186,391)
Profit before minority interests									871,570	693,361
Minority interests									(110,957)	(57,360)
Net profit from ordinary activities attributable to shareholders									760,613	636,001
Segment assets	14,089,709	14,209,868	24,947	19,086	42,225	47,360	89,856	85,664	14,246,737	14,361,978
Interests in associates	—	—	—	—	—	—	156,909	167,316	156,909	167,316
Interest in a jointly-controlled entity	54,082	57,126	—	—	—	—	—	—	54,082	57,126
Goodwill	19,810	—	—	—	—	—	—	—	19,810	—
Total assets	14,163,601	14,266,994	24,947	19,086	42,225	47,360	246,765	252,980	14,477,538	14,586,420
Segment liabilities	3,514,937	4,038,430	5,416	3,626	6,132	12,371	27,810	31,393	3,554,295	4,085,820
Deferred tax	131,533	43,101	—	—	—	—	—	—	131,533	43,101
Total liabilities	3,646,470	4,081,531	5,416	3,626	6,132	12,371	27,810	31,393	3,685,828	4,128,921
Other segment information										
Capital expenditure	546,401	1,228,007	7,975	8,014	1,190	446	187	13,383	555,753	1,249,850
Depreciation and amortisation	207,099	144,275	1,692	1,207	4,398	3,304	1,093	1,994	214,282	150,780
Impairment loss recognised in the income statement	—	42,239	—	—	—	—	—	—	—	42,239
Write-off of bad debts	7,500	—	—	—	—	—	—	—	7,500	—

5. Turnover and Revenue

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

An analysis of turnover and revenue is as follows:

	2001 RMB'000	2000 RMB'000
Toll income - third parties	1,756,265	1,219,672
Advertising income - third parties	22,462	15,878
Road maintenance income - third parties	4,649	5,130
Others - third parties	34,465	15,582
	1,817,841	1,256,262
Less: Revenue taxes	(95,324)	(67,658)
Turnover	1,722,517	1,188,604
Income on short term investments	105,522	153,566
Interest income	41,503	73,195
Rental income	6,726	7,098
Trailer income	8,278	6,821
Exchange gains	53,172	—
Others	1,489	2,208
Other revenue	216,690	242,888
	1,939,207	1,431,492

The Company and its subsidiaries are subject to Business Tax ("BT"), levied at 5% on toll income and 3%-5% on other services income. In addition, the subsidiaries are subject to the following types of revenue taxes:

- City Development Tax, levied at 1% to 7% of BT;
- Education Supplementary Tax, levied at 3.5% to 4% of BT; and
- Culture and Education Fees, levied at 3% on advertising income.

6. Profit from Operating Activities

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

	2001 RMB'000	2000 RMB'000
Depreciation	205,582	142,080
Operating lease rentals on land and buildings	1,364	930
Auditors' remuneration	3,709	2,267
Staff costs:		
Wages and salaries	75,773	51,593
Pension contributions	6,900	4,358
Impairment loss on the termination of toll collection in a connection road	—	42,239
Amortisation of expressway operating rights	8,700	8,700
Amortisation of goodwill	1,043	—
Write-off of bad debts	7,500	—
Loss on disposal of fixed assets	4,313	5,595
Provision for impairment of long term investments	—	5,783
Net rental income	(6,726)	(7,098)
Exchange (gains)/losses, net	(53,172)	35
Interest income	(41,503)	(73,195)
Income on short term investments	(105,522)	(153,566)

7. Finance Costs

	2001 RMB'000	2000 RMB'000
Interest on bank loans and other loans wholly repayable within five years	188,400	184,969
Interest on other loans	29,645	39,349
Total finance costs	218,045	224,318
Interest capitalised	(2,699)	(27,235)
	215,346	197,083

8. Tax

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

The Group was subject to 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 PRC.

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 Zhejiang tax bureau. According to a directive of the State Council, the Company was entitled to the tax refund until December 31, 2001. Such beneficial treatment was not granted to subsidiaries, associates or jointly-controlled entities of the Company.

As Huajian Transportation Economic Development Center (“Huajian”), a state-owned enterprise under the China Merchants Group, became a major shareholder of the Company, the CIT that the Company paid has been divided into the national portion and the Zhejiang portion. The national portion of the total CIT paid, being Huajian’s portion of the total domestic shares (i.e. 16.39%) according to relevant regulations issued by the Ministry of Finance, is no longer entitled to the 18% refund granted by Zhejiang Provincial People’s Government.

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

	2001 RMB'000	2000 RMB'000
Group:		
Tax charged	327,718	185,307
Overprovision in prior year	—	(1,474)
Tax refunded/refundable	(68,791)	(50,840)
	258,927	132,993
Deferred - note 32	88,432	39,755
Share of tax attributable to associates	17,528	6,074
Share of deferred tax attributable to an associate	(1,951)	6,302
Share of deferred tax attributable to a jointly-controlled entity	1,034	1,267
Tax charge for the year	363,970	186,391

There was no material unprovided deferred tax in respect of the year (2000: Nil).

9. Net Profit from Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is RMB544,670,000 (2000: RMB504,441,000).

10. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2001 RMB'000	2000 RMB'000
Fees	—	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,641	1,440
Bonuses paid and payable	552	477
	2,193	1,917

Salaries, allowances and benefits in kind include HK\$150,000 (2000: HK\$145,000) payable to each of two independent non-executive directors and RMB20,000 (2000: RMB5,000) payable to another independent non-executive director. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following band:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	9	11

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

11. Five Highest Paid Employees

The five highest paid employees during the year included four (2000: five) directors, details of whose remuneration are set out in note 10 above, as well as a non-director employee, whose remuneration for the year was less than HK\$1,000,000.

12. Dividends

Company

	2001	2000	2001	2000
	Per ordinary share			
	RMB	RMB	RMB'000	RMB'000
Interim	0.03	0.02	130,293	86,862
Proposed final	0.07	0.07	304,018	304,018
	0.10	0.09	434,311	390,880

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

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date". To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended December 31, 2000, of RMB304,018,000, which was recognised as a liability in the prior year, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce the Group's and the Company's current liabilities and increase the reserves previously reported as at December 31, 2000, by RMB304,018,000.

The effect of this change in accounting policy as at December 31, 2001, is that the current year's proposed final dividend of RMB304,018,000, was included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of RMB760,613,000 (2000: RMB636,001,000) and the 4,343,114,500 shares (2000: 4,343,114,500 shares) in issue during the year.

Diluted earnings per share for the years ended December 31, 2001 and 2000 have not been calculated as no diluting event existed during these years.

14. Fixed Assets

	Land RMB'000	Expressways and bridges RMB'000	Toll stations and ancillary facilities RMB'000	Communi- cations and signalling equipment RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Group								
Cost								
At beginning of year:								
As previously reported	527,628	11,029,432	212,761	9,881	53,008	205,162	53,346	12,091,218
Reclassified to accumulated depreciation and impairment (Note)	—	44,160	—	—	—	—	—	44,160
As restated	527,628	11,073,592	212,761	9,881	53,008	205,162	53,346	12,135,378
Reclassification	—	(842)	(12,344)	118,654	19,552	(125,020)	—	—
Additions	—	277	5,720	7,944	4,927	6,050	530,835	555,753
Transfers	—	109,603	165,461	3,309	778	7,566	(287,214)	(497)
Disposals	—	—	—	—	(334)	(396)	—	(730)
At December 31, 2001	527,628	11,182,630	371,598	139,788	77,931	93,362	296,967	12,689,904
Accumulated depreciation and impairment:								
At beginning of year:								
As previously reported	53,404	277,760	13,501	5,544	13,130	46,073	—	409,412
Reclassified from cost (Note)	—	44,160	—	—	—	—	—	44,160
As restated	53,404	321,920	13,501	5,544	13,130	46,073	—	453,572
Reclassification	—	164	(1,465)	18,293	11,031	(28,023)	—	—
Provided during the year	17,525	140,550	14,269	12,601	8,668	11,969	—	205,582
Disposals	—	—	—	—	(40)	(222)	—	(262)
At December 31, 2001	70,929	462,634	26,305	36,438	32,789	29,797	—	658,892
Net book value:								
At December 31, 2001	456,699	10,719,996	345,293	103,350	45,142	63,565	296,967	12,031,012
At December 31, 2000	474,224	10,751,672	199,260	4,337	39,878	159,089	53,346	11,681,806

Note: Accumulated impairment losses are aggregated with accumulated depreciation under the revised disclosure requirements of SSAP17, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

14. Fixed Assets (Continued)

	Land RMB'000	Expressways and bridges RMB'000	Toll stations and ancillary facilities RMB'000	Communi- cations and signalling equipment RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Company								
Cost:								
At January 1, 2001	350,384	4,712,616	95,847	9,868	28,532	174,798	37,063	5,409,108
Reclassification	—	—	(159)	105,986	19,221	(125,048)	—	—
Additions	—	—	4,471	3,298	3,846	3,282	196,988	211,885
Transfers	—	—	9,858	325	—	766	(10,949)	—
Disposals	—	—	—	—	(24)	(150)	—	(174)
At December 31, 2001	350,384	4,712,616	110,017	119,477	51,575	53,648	223,102	5,620,819
Accumulated depreciation:								
At January 1, 2001	41,330	206,672	9,045	5,538	10,496	40,347	—	313,428
Reclassification	—	170	(153)	16,981	11,025	(28,023)	—	—
Provided during the year	11,668	63,816	3,631	12,351	5,833	7,181	—	104,480
Disposals	—	—	—	—	(2)	(73)	—	(75)
At December 31, 2001	52,998	270,658	12,523	34,870	27,352	19,432	—	417,833
Net book value:								
At December 31, 2001	297,386	4,441,958	97,494	84,607	24,223	34,216	223,102	5,202,986
At December 31, 2000	309,054	4,505,944	86,802	4,330	18,036	134,451	37,063	5,095,680

All fixed assets are located in the PRC.

15. Interests in Subsidiaries

	Company	
	2001 RMB'000	2000 RMB'000
Unlisted shares, at cost	3,648,673	3,555,304
Due from subsidiaries	2,375	4,099
Due to subsidiaries	(34,000)	(9,835)
	3,617,048	3,549,568

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

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

Names of subsidiaries	Date and place of registration	Registered capital RMB	Percentage of equity attributable to the Company	Principal activities
Zhejiang Yuhang Expressway Co., Ltd. ("Yuhang Co")	Note 1	75,223,000	51	Construction and management of the Yuhang Section of the Shanghai - Hangzhou Expressway
Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	Note 2	1,859,200,000	87.29	Construction and management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Zhejiang Gaotong Stone Development Co., Ltd. ("Gaotong")	Note 3	5,000,000	80	Manufacturing, designing and selling of stone and quarry materials
Zhejiang Shangsang Expressway Co., Ltd. ("Shangsang Co")	Note 4	2,400,000,000	61	Construction and management of the Shangsang Expressway
Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co")	Note 5	1,000,000	70	Advertising

15. Interests in Subsidiaries (Continued)

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

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

Note 3. Gaotong Co was established on November 3, 1997 in the PRC as a limited liability company. Gaotong Co is in the process of liquidation.

Note 4. Shangsang Co was established on January 1, 1998 in the PRC as a limited liability company.

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

16. Interest in a Jointly-Controlled Entity

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Unlisted shares, at cost	—	—	65,000	65,000
Share of net assets other than goodwill	54,723	57,216	—	—
Amount due to a jointly-controlled entity	(641)	(90)	(641)	(90)
	54,082	57,126	64,359	64,910

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

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

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

17. Interests in Associates

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Unlisted shares, at cost	—	—	126,500	126,500
Share of net assets other than goodwill	158,159	167,316	—	—
Amount due to an associate	(1,250)	—	—	—
	156,909	167,316	126,500	126,500

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

The Group's share of post-acquisition accumulated reserves of the associates at December 31, 2001 was RMB31,659,000 (2000: RMB40,816,000).

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

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group		Principal activities
			2001	2000	
Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co")	Corporate	The PRC	50	50	Construction and operation of gas stations and the sale of petroleum products
JoinHands Technology Co., Ltd ("JoinHands Co")	Corporate	The PRC	27.58	30	Providing logistic management and anti-counterfeiting system in the PRC

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

18. Expressway Operating Rights

	Group RMB'000	Company RMB'000
Cost:		
At January 1, 2001 and December 31, 2001	261,000	208,000
Accumulated amortization:		
At January 1, 2001	28,955	25,422
Provided during the year	8,700	6,934
At December 31, 2001	37,655	32,356
Net book value:		
At December 31, 2001	223,345	175,644
At December 31, 2000	232,045	182,578

19. Investments

Long term investments

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Held-to-maturity securities	30,000	30,000	30,000	30,000
Unlisted equity investments, at cost	8,650	8,650	—	—
	38,650	38,650	30,000	30,000
Provisions for impairment of unlisted equity investments	(5,783)	(5,783)	—	—
	32,867	32,867	30,000	30,000

19. Investments (Continued)**Short term investments**

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Listed in the PRC, at market value				
— Government bonds	733,724	156,525	562,848	—
— Convertible bonds	160,614	99,485	101,078	99,486
— Close-end equity funds	97,810	121,955	51,950	80,808
— Open-ended equity funds	20,038	—	—	—
	1,012,186	377,965	715,876	180,294

The market value of the Group's short term investments at the date of approval of these financial statements was approximately RMB1,022,210,000 (2000: RMB393,704,000).

20. Long Term Receivables

	Group and Company	
	2001 RMB'000	2000 RMB'000
Interest receivable in respect of the held-to-maturity securities	9,030	6,450

The interest receivable will be settled upon the maturity of the held-to-maturity securities.

21. Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill capitalised as an asset or recognised in the balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group RMB'000
Cost:	
Acquisition of additional interests in a subsidiary and balance at December 31, 2001	20,853
Accumulated amortisation:	
Provided during the year and balance at December 31, 2001	1,043
Net book value:	
At December 31, 2001	19,810
At December 31, 2000	—

As detailed in note 2 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to January 1, 2001, to remain eliminated against reserves or credited to the capital reserve, respectively.

The amounts of goodwill remaining in reserves, arising from the acquisition of subsidiaries, is RMB352,860,000, as at December 31, 2001. The amount of goodwill is stated at cost which arose in prior years.

22. Trade Receivables

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

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Within 1 year	44,918	18,162	44,895	18,162
1 to 2 years	9,301	208	9,301	208
2 to 3 years	—	832	—	832
	54,219	19,202	54,196	19,202

23. Other Receivables

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Prepayments	30,808	45,214	30,028	3,637
Deposits and other debtors	10,225	238,817	5,867	174,037
Profits tax refundable	22,745	12,560	22,745	12,560
	63,778	296,591	58,640	190,234

24. Cash and Cash Equivalents

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Cash and bank balances	434,771	320,304	137,556	161,078
Time deposits	384,255	1,394,030	195,864	1,179,182
	819,026	1,714,334	333,420	1,340,260

25. Trade Payables

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

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Within 1 year	113,793	200,761	82,711	12,113
1 to 2 years	126,796	3,798	1,550	1,005
2 to 3 years	229	—	8	—
	240,818	204,559	84,269	13,118

26. Other Payables and Accruals

	Notes	Group		Company	
		2001 RMB'000	2000 RMB'000 Restated	2001 RMB'000	2000 RMB'000 Restated
Accruals		42,566	89,943	10,814	42,769
Other liabilities		100,010	126,448	66,323	84,222
Amounts due to related parties	30	12,151	92,304	12,151	92,304
Amount due to the holding company	31	2,599	4,809	—	4,809
		157,326	313,504	89,288	224,104

27. Interest-Bearing Bank and Other Borrowings

	Notes	Group		Company	
		2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Current portion of bank and other borrowings	28	1,620,778	1,831,817	990,500	1,320,376

28. Interest-Bearing Bank and Other Loans

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Bank loans, unsecured	1,655,500	1,230,000	1,090,500	800,000
Other loans, unsecured	1,173,509	2,016,598	—	808,902
	2,829,009	3,246,598	1,090,500	1,608,902
Bank loans repayable:				
Within one year	1,510,500	970,000	990,500	540,000
In the second year	130,000	160,000	100,000	160,000
In the third to fifth years, inclusive	15,000	100,000	—	100,000
	1,655,500	1,230,000	1,090,500	800,000
Other loans repayable:				
Within one year	110,278	861,817	—	780,376
In the second year	76,524	80,646	—	9,487
In the third to fifth years, inclusive	420,968	407,682	—	—
Beyond five years	565,739	666,453	—	19,039
	1,173,509	2,016,598	—	808,902
	2,829,009	3,246,598	1,090,500	1,068,902
Portion classified as current liabilities - note 27	(1,620,778)	(1,831,817)	(990,500)	(1,320,376)
Long term portion	1,208,231	1,414,781	100,000	288,526

(a) The bank loans are unsecured and bear interest at rates ranging from 5.022% to 5.643% per annum.

(b) The other loans are unsecured and bear interest at rates ranging from 3% to 5.5% per annum.

29. Long Term Bonds

	Group	
	2001 RMB'000	2000 RMB'000
Long term bonds	200,000	200,000

The bonds are unsecured, bear interest at 3.78% per annum and are repayable in 2003 upon maturity.

30. Amounts Due to Related Parties

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

31. Amount Due to the Holding Company

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

32. Deferred Tax

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
At January 1,	43,101	3,346	21,655	3,346
Charge for the year - note 8	88,432	39,755	40,606	18,309
At December 31,	131,533	43,101	62,261	21,655

The deferred tax of the Group and the Company arose from differences in accounting profit of these financial statements prepared under HK SSAP, and the taxable income based on income for financial reporting purposes prepared in accordance with the laws and regulations in the PRC.

33. Share Capital

	2001 Number of shares	2000 Number of shares	2001 RMB'000	2000 RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each	2,909,260,000	2,909,260,000	2,909,260	2,909,260
H shares of RMB1.00 each	1,433,854,500	1,433,854,500	1,433,855	1,433,855
	4,343,114,500	4,343,114,500	4,343,115	4,343,115

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

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

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

On February 14, 2002, the United States Securities and Exchange Commission, following approval by the board of directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by the ADRs effective.

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

34. Reserves

	Share premium account RMB'000	Goodwill reserve RMB'000	Statutory surplus reserve RMB'000	Public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
Group						
At January 1, 2000	3,645,082	(332,016)	182,990	82,856	511,813	4,090,725
Goodwill arising on acquisition of additional interest in a subsidiary	—	(18,315)	—	—	—	(18,315)
Goodwill arising on acquisition of additional interest in an associate	—	(2,529)	—	—	—	(2,529)
Interim dividend - note 12	—	—	—	—	(86,862)	(86,862)
Net profit for the year	—	—	—	—	636,001	636,001
Transfer from/(to) reserves	—	—	102,041	45,146	(147,187)	—
Proposed final dividend - note 12	—	—	—	—	(304,018)	(304,018)
At December 31, 2000 and beginning of year	3,645,082	(352,860)	285,031	128,002	609,747	4,315,002
Share premium shared from an associate	644	—	—	—	—	644
Interim dividend - note 12	—	—	—	—	(130,293)	(130,293)
Net profit for the year	—	—	—	—	760,613	760,613
Transfer from/(to) reserves	—	—	130,267	62,762	(193,029)	—
Proposed final dividend - note 12	—	—	—	—	(304,018)	(304,018)
At December 31, 2001	3,645,726	(352,860)	415,298	190,764	743,020	4,641,948

34. Reserves (Continued)

	Share premium account RMB'000	Goodwill reserve RMB'000	Statutory surplus reserve RMB'000	Public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
Company						
Balance at						
January 1, 2000	3,645,082	—	115,911	57,956	311,335	4,130,284
Interim dividend						
- note 12	—	—	—	—	(86,862)	(86,862)
Net profit for the year	—	—	—	—	504,441	504,441
Transfer from/(to)						
reserves	—	—	57,063	28,531	(85,594)	—
Proposed final						
dividend - note 12	—	—	—	—	(304,018)	(304,018)
At December 31, 2000 and beginning of year	3,645,082	-	172,974	86,487	339,302	4,243,845
Interim dividend						
- note 12	—	—	—	—	(130,293)	(130,293)
Net profit for the year	—	—	—	—	544,670	544,670
Transfer from/(to)						
reserves	—	—	79,434	39,717	(119,151)	—
Proposed final						
dividend - note 12	—	—	—	—	(304,018)	(304,018)
At December 31, 2001	3,645,082	—	252,408	126,204	330,510	4,354,204

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

34. Reserves (Continued)

In addition, Shangsang Co was required by the relevant tax authorities to transfer the CIT waived for 2000 to its SSR account in 2001. 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 tax, 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 of the Company have proposed to transfer RMB79,434,000 (2000: RMB57,063,000) and RMB39,717,000 (2000: RMB28,531,000) to the SSR and the PWF, respectively. This represents 10% (2000: 10%) and 5% (2000: 5%), respectively, of the Company’s profit after tax of RMB794,343,000 (2000: RMB570,629,000) determined in accordance with the PRC accounting standards.

According to the relevant regulations in the PRC, the amount of profit available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under the HKGAAP.

As at December 31, 2001, the Company had reserves of approximately RMB634,528,000 (2000 restated: RMB643,320,000) available for distribution by way of cash or in kind.

As at December 31, 2001, in accordance with the Company Law of the PRC, the amount of approximately RMB3,638,229,000 (2000: RMB3,633,159,000) standing to the credit of the Company’s share premium account was available for distribution by way of capitalisation issues.

35. Notes to the Cash Flow Statement

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

	2001 RMB'000	2000 RMB'000
Profit from operating activities	1,439,949	1,042,768
Depreciation	205,582	142,080
Amortisation of expressway operating rights	8,700	8,700
Amortisation of goodwill	1,043	—
Write-off of bad debts	7,500	—
Interest income	(41,503)	(73,195)
Arising on advance repayment of World Bank loan	(53,172)	—
Loss on disposal of fixed assets	4,313	5,595
Impairment loss	—	42,239
Provision for impairment of long term investments	—	5,783
Decrease/(increase) in inventories	(556)	331
Increase in trade receivables	(35,017)	(14,453)
Decrease/(increase) in deposits and other debtors	164,981	(105,859)
Decrease in trade payables	(874)	(12,027)
Increase in amount due from the holding company	(2,210)	(31,838)
Decrease in amounts due to related parties	(80,153)	—
Increase in other taxes payable	6,216	5,268
Increase/(decrease) in other liabilities	(26,438)	31,624
Increase/(decrease) in accruals	3,018	(6,803)
Increase in amount due to an associate	1,250	—
Increase in amount due to a jointly-controlled entity	551	90
Net cash inflow from operating activities	1,603,180	1,040,303

35. Notes to the Cash Flow Statement (Continued)

(b) Analysis of changes in financing during the year:

	Long term bonds RMB'000	Bank and other loans RMB'000	Minority interests RMB'000
Balance at January 1, 2000	—	3,159,897	1,449,432
Cash inflow from financing	200,000	86,701	176,381
Arising from dilution of minority interests	—	—	(154,485)
Dividends paid to minority shareholders	—	—	(33,324)
Profit attributable to minority shareholders	—	—	57,360
Balance at December 31, 2000 and January 1, 2001	200,000	3,246,598	1,495,364
Cash outflow from financing	—	(417,589)	—
Arising from dilution of minority interests	—	—	(72,515)
Dividends paid to minority interests	—	—	(31,177)
Profit attributable to minority interests	—	—	110,957
Balance at December 31, 2001	200,000	2,829,009	1,502,629

36. Commitments

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Capital commitments				
Contracted, but not provided for:				
— Construction of expressways	344,127	622,684	188,041	356,012
— Addition of machinery	35,446	—	—	—
— Proposed investments in Shangsang Co.	542,600	485,000	542,600	485,000
— Proposed investments in Jiabin Co.	386,992	—	386,992	—
— Purchase of a new building	5,720	—	5,720	—
— Others	—	1,886	—	1,886
	1,314,885	1,109,570	1,123,353	842,898
Authorised, but not contracted for:				
— Construction of expressways	1,274,740	2,500,980	945,592	898,182
	2,589,625	3,610,550	2,068,945	1,741,080

37. Contingent Liabilities

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

	Group		Company	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Guarantees provided in connection with corporate bonds granted to				
— A subsidiary	—	—	208,694	201,134
Guarantees provided to banks in connection with facilities granted to:				
— A subsidiary	—	—	565,000	—
— A jointly-controlled entity	30,000	30,000	30,000	30,000
	30,000	30,000	803,694	231,134

38. Differences in Financial Statements Prepared under PRC and Hong Kong Accounting Standards

	Profit after tax		Net assets as at December 31	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
As reported in statutory accounts	928,132	642,023	9,218,047	8,881,679
HK SSAP adjustments:				
(a) Goodwill	37,170	35,885	(214,452)	(251,622)
(b) Provision for deficit arising on the disposal of staff quarters	4,626	—	—	(15,300)
(c) Interest on subscription monies, of subscription, net of deferred tax	760	(2,484)	—	4,310
(d) Depreciation provided, net of deferred tax	(77,039)	(26,241)	(74,656)	(14,733)
(e) Difference in share premium during establishment	—	—	11,923	11,923
(f) Profits tax refundable	10,186	12,560	19,059	8,873
(g) Restatement of short term investments in securities at market value, net of deferred tax	(20,224)	38,868	18,287	36,967
(h) Recognition of tax exemption	—	17,805	—	6,964
(i) General provision on trade receivables and other debts	(738)	5,548	2,187	3,450
(j) Impairment loss, net of deferred tax	(1,307)	(28,300)	6,443	(14,433)
(k) CIT payment which was waived in prior years	(10,064)	—	—	—
(l) Proposed final dividend	—	—	304,018	304,018
(m) Others	68	(2,303)	(1,775)	39
As restated in the financial statements	871,570	693,361	9,289,081	8,962,135

39. Related Party Transactions

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

Under the reorganisation agreement, the 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.

Pursuant to a supplemental agreement dated April 18, 1997, the Company, the 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.

During the year, the Company repaid all the outstanding principal of the World Bank loan in advance, amounting to US\$91,636,418 through the Executive Commission. The additional interest charges and exchange gains arising from the advance repayment charged to the Company were the same as those charged to the Executive Commission.

40. Post Balance Sheet Events

The Company has entered into agreements (the “Agreements”) with the minority shareholders of Jiaxing Co and Shangsang Co to further acquire a 12.7% equity interest and a 2% equity interest in Jiaxing Co and Shangsang Co, respectively. The details are as follows:

Date of agreement	Minority shareholder	%	Cash consideration RMB'000	Date of acquisition
Jiaxing Co				
December 27, 2001	Tongxiang Huatong Co., Ltd.	1.3%	38,671	January 1 2002
December 27, 2001	Haining Hengtong Development Co., Ltd.	1.5%	44,621	January 1 2002
January 18, 2002	Jiaxing Luqiao Construction Development Co., Ltd.	9.9%	303,700	January 18 2002
Total		12.7%	386,992	
Shangsang Co				
December 27, 2001	Shenzhou Shangsang Development Co., Ltd.	2%	57,600	January 1 2002

41. Comparative Amounts

As explained in note 2 to the financial statements, due to the adoption of new/revised SSAPs during the current year, the presentation of the income statement, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation. The changes made are explained in note 2 to the financial statements.

42. Approval of Financial Statements

The financial statements were approved by the board of directors on March 13, 2002.

Notice of 2001 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2001 Annual General Meeting ("AGM") of Zhejiang Expressway Co., Ltd. (the "Company") will be held at 10:00 a.m. on Tuesday, April 30, 2002 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:

A. To pass the following matters as ordinary resolutions:

1. To consider and approve the report of the directors of the Company for the year 2001;
2. To consider and approve the report of the supervisory committee of the Company for the year 2001;
3. To consider and approve the audited financial statements of the Company for the year 2001;
4. To consider and approve the proposed distribution of profits and the final dividend of the Company for the year 2001;
5. To consider and approve the budget plan of the Company for the year 2002;
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 (浙江天健會計師事務所) as the PRC auditors of the Company and to authorize the board of directors of the Company to fix their remuneration;
7. To consider and approve the resignation of Mr. Xia Linzhang as an external director of the Company and to consider and approve the appointment of Ms. Zhang Yang (see Appendix I) as an external director of the Company.

B. To consider and, if thought fit, pass the following as special resolutions:

1. To amend paragraph 3 in article 1 of the Articles of Association of the Company as follows:

"The promoter of the Company was Zhejiang Provincial High Class Highway Investment Company Limited(浙江省高等級公路投資有限公司). Pursuant to the document Zhe Zheng Fa [2001] No. 42, Zhejiang Provincial High Class Highway Investment Company Limited was replaced by Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司) upon reorganization."
2. To amend the article 11 of the Articles of Association of the Company as follows:

"The scope of business of the Company shall be that as approved by the competent authority in charge of the Company's registration.

The scope of business of the Company is the construction, design, toll collection, maintenance, and management of and the provision of technical consultation and ancillary services to high-grade roads; ancillary services for high-grade roads such as gas station along the road, car rescue, car wash, warehousing, food and beverage, advertising (subject to the approval of the relevant department)."

3. To amend the article 18 of the Articles of Association as follows:

“As approved by the examination and approval authority authorised by the State Council, the Company has issued a total of 4,343,114,500 ordinary shares. Upon the establishment of the Company, 2,909,260,000 domestic invested shares were issued to the promoter, Zhejiang Provincial High Class Highway Investment Company Limited (浙江省高等級公路投資有限公司) (subsequently reorganised as Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司)), representing approximately 67% of the total ordinary shares issued by the Company.”

4. To amend the article 19 of the Article of Association as follows:

“After the establishment of the Company, 4,343,114,500 ordinary shares were issued of which 1,433,854,500 were issued as overseas listed foreign invested shares representing approximately 33% of the total number of ordinary shares which were issued by the Company. The shareholding structure of the Company comprises 4,343,114,500 ordinary shares of which 2,432,500,000 domestic invested shares are held by the promoter, Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), 476,760,000 domestic invested shares are held by Huajian Transportation Economic Development Center (華建交通經濟開發中心), and 1,433,854,500 overseas listed foreign invested shares are held by holders of overseas listed foreign invested shares.”

5. To authorize the board of directors of the Company (the “Board”) to issue additional shares not exceeding 20 per cent. of each of the existing issued domestic shares and overseas listed foreign shares of the Company.

“THAT:

- (1) Subject to paragraphs (2) & (3) below, the exercise by the Board during the Relevant Period (as defined in paragraph (5) hereunder) of all the powers of the Company to allot, issue or otherwise deal with, either separately or concurrently, each of the existing issued domestic shares (“Domestic Shares”) and overseas listed foreign shares (“H Shares”) in the capital of the Company be and is hereby approved;
- (2) Subject to the approval as required under paragraph (1) above, the Board shall be authorised to allot or issue Domestic Share and/or H Shares, either separately or concurrently, of not more than 20 per cent. of each of the existing issued Domestic Shares and H Shares in the capital of the Company as at the date of passing this resolution;
- (3) Approval as required in paragraph (1) above is subject to the granting of approval from the China Securities Regulatory Commission;
- (4) Approval of paragraph (1) above includes the authorization of the Board to deal with the matters concerning the issue of A shares to the public (“A Share Issue”) in accordance with the resolutions in relation to the A Share Issue passed at the extraordinary general meeting of the Company held on March 22, 2001, including:
 - (a) To determine the basic offer price, the price range of the issue, methods of the issue and the final issue price and the final number of shares to be issued;

Notice of 2001 Annual General Meeting (Cont'd)

- (b) To execute any material contracts in connection with the investment projects in relation to the A Share Issue;
 - (c) To deal with other matters relating to the A Share Issue.
- (5) For the purpose of this resolution, "Relevant Period" means the period from the date upon which this resolution is passed until whichever is the earliest of:-
- (a) from the passing of this special resolution, until conclusion of the Company's next annual general meeting;
 - (b) the expiry of the twelve month period from the date of the passing of this resolution; or
 - (c) the date of revocation or variation of the authority given under this resolution by a special resolution of the Company in general meeting.
- (6) The Board be authorised to make appropriate amendments to the relevant articles of the Articles of the Association of the Company after the completion of the allotment or issuance as provided in paragraph (1) above, to increase the share capital of the Company and reflect the new share capital structure of the Company, and to complete the related registration formalities at the relevant regulatory authorities of the government."

By Order of the Board
Jiang Wenyao
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 13, 2002

Notes:

1. Eligibility for attending the Annual General Meeting

Holders of H Shares who intend to attend the Annual General Meeting must deliver all transfer instruments and the relevant share certificates to the share registrar for H Shares, Hong Kong Registrars Limited (the address of which is set out in paragraph 5 below), at or before 4:00 p.m. on March 30, 2002.

2. Registration procedures for attending the Annual General Meeting

- (1) Holders of H Shares and Domestic Shares intending to attend the Annual General Meeting should return the reply slip for attending the Annual General Meeting 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 10, 2002.
- (2) A shareholder ("Shareholder") or his/her/its proxy should produce proof of identity when attending the meeting. If a 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 Annual General Meeting 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 Shareholder.
- (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 Annual General Meeting.
- (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 31, 2002 to April 29, 2002 (both days inclusive).

5. Miscellaneous

- (1) The Annual General Meeting 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, Vicwood 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
PRC

Telephone No.: (86)-571-87987700
Facsimile No.: (86)-571-87950329

Appendix I — Biography of Proposed Director

Ms. ZHANG Yang (張楊), aged 38, proposed director of the Company, is currently the assistant general manager and manager at the securities management department of Huajian Transportation Economic Development Centre. Ms. Zhang graduated from Lanzhou University (蘭州大學) in 1987 with a bachelor of science degree in economics. She worked at various posts at the Ministry of Aerospace Industries (航天工業部) from 1987 to 1994 when she joined Huajian. Ms. Zhang also serves as a director of Shenzhen Expressway Company Limited and Sichuan Expressway Company Limited.

Corporate Information

Executive directors

Geng Xiaoping
Fang Yunti
Zhang Jingzhong
Xuan Daoguang

Non-executive directors

Xia Linzhang
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

Company secretary

Jiang Wen Yao

Authorised representatives

Geng Xiaoping
Zhang Jingzhong

Statutory address

19/F, Zhejiang World Trade Centre
15 Shuguang Road
Hangzhou City, Zhejiang Province
PRC 310007

Tel: 86-571-8798 5588
Fax: 86-571-8798 5599

Representative office in Hong Kong

Suite 2910
29/F, Bank of America Tower
12 Harcourt Road
Hong Kong

Tel: 852-2537 4295
Fax: 852-2537 4293

Legal advisers

As to Hong Kong law:

Herbert Smith
23rd Floor, Gloucester Tower
11 Pedder Street, Central
Hong Kong

As to English and US law:

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS
United Kingdom

As to PRC law:

T & C Law Firm
18/F, Block A
100 Moganshan Road
Yaojiang International Building
Hangzhou, Zhejiang
PRC

Auditors and reporting accountants

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

Financial advisor

Credit Agricole Indosuez
44th Floor
One Exchange Square, Central
Hong Kong

Corporate broker in the United Kingdom

Cazenove & Co. Ltd
12 Tokenhouse Yard
London EC2R 7AN
United Kingdom

Investor relations consultant

Rikes Communications Limited
Room 701, Wanchai Central Building
89 Lockhart Road, Wanchai
Hong Kong

Tel: 852-2520 2201

Fax: 852-2520 2241

Paying agent for London listing

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex
BN99 6DA
United Kingdom

Principal bankers

Bank of China, Zhejiang Branch
Industrial and Commercial Bank of China,
Zhejiang Branch
Agriculture Bank of China, Zhejiang Branch
Shanghai Pudong Development Bank,
Hangzhou Branch

H Share registrar and transfer office

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

H Shares listing information

The Stock Exchange of Hong Kong Limited

Code: 0576

London Stock Exchange plc

Code: ZHEH

ADRs information

US Exchange: OTC
Symbol: ZHEXY
CUSIP: 98951A100
DR: H Shares 1:30

Location Map of Expressways Operated by The Group



Shangsang Expressway Panlongling Tunnel No.1 & No.2



Shangsang Expressway



Shanghai-Hangzhou Expressway Jiaying Section



Shanghai-Hangzhou-Ningbo Expressway
Qianjiang er Qiao

