



## Staff

Providing a superb working environment, good career training and satisfactory remunerations and benefits...as the Company is growing, our staff also grow with the Company.

# Frequently Asked Questions

## **WHAT KIND OF IMPACT DID TOLL RATE REDUCTIONS FOR HEAVY TRUCKS HAVE UPON THE COMPANY SINCE JANUARY 1, 2005?**

- Assuming the percentages of five classes of vehicles remain the same as in 2004, toll rate reductions for trucks of above 10 tons would have resulted in a decrease in toll revenue by 2.5%~3% for the two expressways operated by the Group.

However, the percentages of the five classes of vehicles have been changing noticeably since June 2004, when the relevant authorities initiated coordinated efforts to crack down on truck overloading practices. As a result, more trucks would be needed to transport the same amount of cargo without overloading.

With the relative percentage of trucks above 10 tons nearly doubled in the first quarter of 2005 compared to the same period in 2004, toll revenues have been growing at a rate higher than the rate of traffic volume growth by approximately 3.8 percentage points.

More importantly, less overloading practices have created a safer traveling environment, as well as leading to reduced maintenance costs over the long run. This is exactly what the crackdown measure was intended for in the first place.

## **ARE THERE ANY PLANS TO CHANGE THE TOLL FEE CHARGING BASIS FOR EXPRESSWAYS OPERATED BY THE GROUP FROM CARRYING CAPACITIES TO ACTUAL WEIGHTS IN ZHEJIANG PROVINCE?**

- A number of provinces in the PRC have switched the basis for charging trucks from carrying capacities to actual weights over the past few years in an effort to tackle the problem of truck overloading practices. The relevant transport authorities in Zhejiang Province have been studying the issue very closely, but no decision has been made so far.

The question that has yet to be answered definitively is whether the shift from a system based on carrying capacity to a system based on actual weight has been effective in stopping the truck overloading practices. For toll road operators, a further question that needs to be answered is whether it is economically beneficial to charge extra fees for overloaded trucks when the damage these trucks do to the roads and bridges remain difficult to assess.

The above uncertainties and other issues, as well as the recent success of the government measures in cracking down on truck overloading practices, make it unlikely that Zhejiang Province would switch from a carrying capacity based system to an actual weight based system in the near future.

#### **HOW HAS THE CONSTRUCTION WORKS TO WIDEN THE SHANGHAI-HANGZHOU-NINGBO EXPRESSWAY AFFECTED THE NORMAL TRAFFIC FLOW ON THE EXPRESSWAY?**

- Construction works to widen the Shanghai-Hangzhou-Ningbo Expressway from four lanes to eight lanes has been underway since October 2000, with final completion targeted by the end of 2007.

Extensive measures were taken to minimize the impact to the normal traffic flow on the expressway, including breaking down the works into smaller segments, limiting the works off the traveled lanes to the two sides, and when the job requires the closure of one side of the traveled lanes, works will be carried out overnight to minimize congestions.

At times, the travel speed along the affected sections had to be slowed down for safety concerns, but over the entire period of the past four and a half years, all four lanes of the Shanghai-Hangzhou-Ningbo Expressway were closed for once only, and only for 17 hours, due to the widening works.

Thanks to the extensive measures taken and the cooperation from expressway users, the Shanghai-Hangzhou-Ningbo Expressway was kept open for almost the entire construction period, with the impact upon normal traffic flow reduced to negligible.

Experience gained over the past four and a half years is expected to enable the management to carry out the remaining works on the Shanghai-Hangzhou-Ningbo Expressway with minimum impact upon normal traffic flow until full completion by the end of 2007.

#### **WHAT CAN BE EXPECTED TO HAPPEN TO THE COMPANY'S SHORT-TERM INVESTMENTS?**

- As part of its cash management measures, the Company has always set aside a substantial amount of funds in the form of short-term investments as a means to accommodate any unforeseen capital need on short notice.

However, faced with growing capital expenditure needs as well as poor forecasted returns for short-term investments in 2004, the Company reduced its holdings in short-term investments from Rmb1,104.3 million at the beginning of the year to Rmb676.4 million by the end of the year, amongst which 91.3% were treasury bonds, with the remaining balance being close-ended security investment funds.

Due to continued strong demand on capital expenditure needs in the next few years, the overall size of the Company's short-term investments can be expected to be further reduced, depending on the maturity profiles of the treasury bonds held and the prevailing market conditions.

### WHAT WILL THE GROUP'S CAPITAL EXPENDITURES BE LIKE IN THE NEXT FEW YEARS?

- While the Group had capital commitments that amounted to Rmb5,377.1 million as at December 31, 2004, major capital expenditures for the next three years starting from 2005 are as follows:

Projects	Capital expenditures in Rmb millions		
	2005	2006	2007
Widening project	1,470	920	500
Jiaxing-Shaoxing Expressway*	330	330	330

- \* Due to uncertainties associated with the timetable on the construction of the project, the above figures given are estimates only.

### HOW WILL THE COMPANY FUND ITS FUTURE ACQUISITIONS/INVESTMENTS?

- Due to its relatively low gearing ratio, standing at 23.6% as at December 31, 2004 in terms of total liability over total assets, the Company intends to take every opportunity in future acquisitions and/or investments to increase its gearing ratio with a preference for debt financing over equity financing, including bank borrowings and/or bond issues, etc. when circumstances permit. A more desirable gearing ratio for the Company would be 50%~60%.

### WHAT IS THE COMPANY'S DIVIDEND POLICY?

- Over the years, the Company has formulated a long-term dividend policy that amounts to annual dividend payout ratio of approximately 60%~70% of net profit attributable to shareholders, to be paid out in interim and final dividends, each and every year unless changes in circumstances demand otherwise.