

MANAGEMENT DISCUSSION AND ANALYSIS





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MANAGEMENT DISCUSSION AND ANALYSIS



Mr. Chen Xianghui, General Manager

(I) Summary of Results

Since Shanghai-Nanjing Expressway was open to the traffic four years ago, the Company has always been pursuing its management philosophy to conduct operation in a conservative manner by employing standardised management procedures and strict corporate governance with a focus on core businesses while developing ancillary services. During such periods, the Company transformed itself from a company of engineering construction into a company engaged in operation and management of expressways, and achieved drastic progresses as its economic performances climbed up in successive years. The number of vehicles using the Shanghai-Nanjing Expressway increased from 12,450,000 in the first year of opening to 19,950,000 in 2000, and its business expanded from management of Shanghai-Nanjing Expressway alone to operation and management of seven projects.

In 2000, the management continued to operate the Company's businesses with economic performance as the central task by strictly complying with requirements of the Board and pursuing a uniform corporate philosophy and definite objectives. The Company realised an operating revenue of RMB 1,619,637,000 for the year 2000. The revenue net of tax was approximately RMB 1,542,952,000, representing an increase of 25.04% over the previous year. The toll revenue of approximately RMB 966,312,000 from Shanghai-Nanjing Expressway accounted for 59.66% of the total

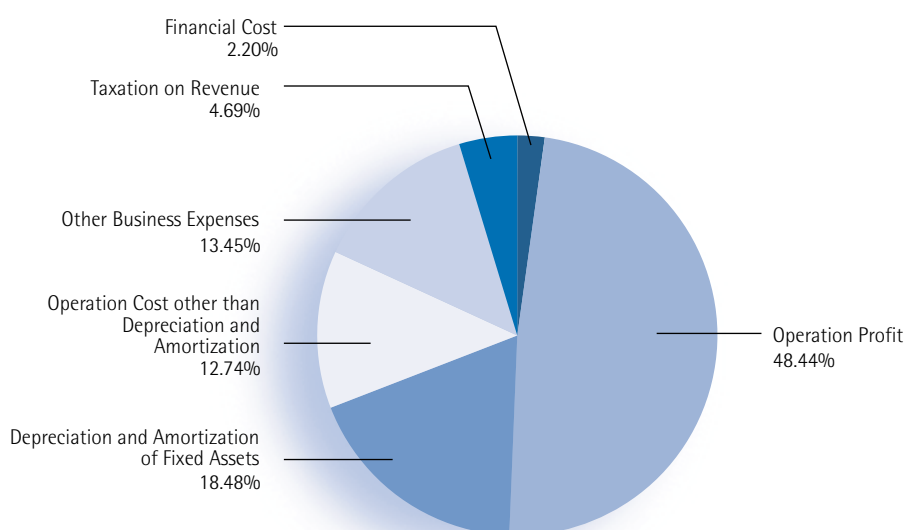
revenue. The toll revenue of approximately RMB 227,249,000 from Nanjing-Shanghai Class 2 Highway and the revenue from other businesses of approximately RMB 237,941,000 constituted approximately 14.03% and 14.69% of the gross revenue respectively. The toll revenue from Nanjing Section of Nanjing-Lianyungang Highway, Guangjing and Xicheng Expressways were approximately RMB 53,884,000, RMB 56,323,000 and RMB 77,928,000 respectively, representing approximately 3.33%, 3.48% and 4.81% of the total revenue respectively. The return on the Company's investment in Jiangsu Kuailu Express Bus Co. and Yicao Highway Co. and on other investments amounted to approximately RMB 9,305,000, RMB 11,516,800 and RMB 13,359,600 respectively. In accordance with the accounting standards adopted in the PRC, the profit after taxation was approximately RMB 691,487,000, earnings per share amounting to RMB 0.137; and according to the IAS, the profit after taxation was approximately RMB 688,306,000, earnings per share amounting to RMB 0.141.

The main reasons for the increase in profit of the Company during the period are as follows:

- (1) Steady growth in traffic volume of Shanghai-Nanjing Expressway, with the toll revenue increasing by approximately 10.8% over the previous year to approximately RMB 966,312,000;

- (2) Guangjing Expressway and Xicheng Expressway performed well in 2000 with high growth rate in traffic volume;
- (3) Nanjing Section of Nanjing-Lianyungang Highway, the newly acquired assets, a new profit contributor to the Company in 2000 with annual toll revenue of RMB 53,884,000 for the same year;
- (4) Good quality of the highways, strict and scientific management, effective control of highway maintenance expenditure and operational management costs.

Composition of Gross Revenue of the Group in the year of 2000



(II) Business Review

1. Core Assets - Shanghai-Nanjing Expressway

Steady growth in traffic volume, continued increase in revenue from core businesses

In 2000, the economy of Jiangsu Province maintained rapid development. Foreign trade at provincial level also sustained high growth while social needs underwent full recovery. Compared with 1999, the gross domestic product ("GDP") of Jiangsu Province for the year 2000 grew by approximately 10.6%, imports and exports by 46% and the turnover for highway freight and passenger traffic by 6.6% and 7.3% respectively. Sustained and steady growth in the economy of the PRC and Jiangsu Province provides favourable

macroeconomic environment for Shanghai-Nanjing Expressway's two-digit increase in traffic volume even though it had been put into operation for five years. In 2000, the aggregate number of vehicles using the expressway was approximately 19,950,000. The distance weighted average daily traffic volume of the expressway in 2000 was 18,087 vehicles, representing an increase of approximately 11.4% over 1999. The aggregate toll revenue for 2000 was approximately RMB 966,312,000, with a daily toll revenue of RMB 2,640,300, representing an increase of 10.5% over the previous year. According to an analysis based on the correlation data set out in the following table, the average daily toll revenue during the period from July to December 2000 increased by

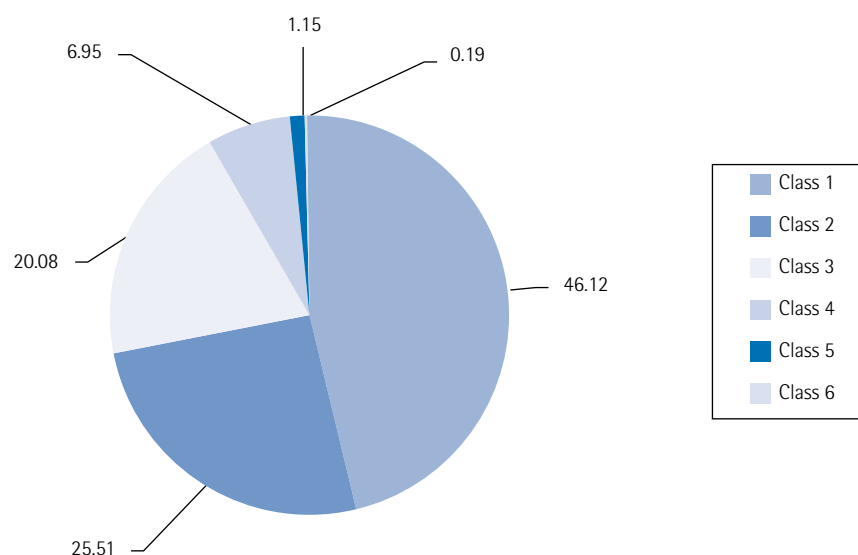
approximately 8.9% over that of the period from January to June 2000, and the second half of the year recorded a lower growth rate as compared with the first half of the year over the same period of the previous year, mainly due to the fact that Nanjing-Shanghai Class 2 Highway was under

maintenance and was partially closed down for construction during the second half of 1999. As a result, Shanghai-Nanjing Expressway experienced rapid growth in traffic volume, and consequently, the toll revenue base for the second half of 1999 was larger.

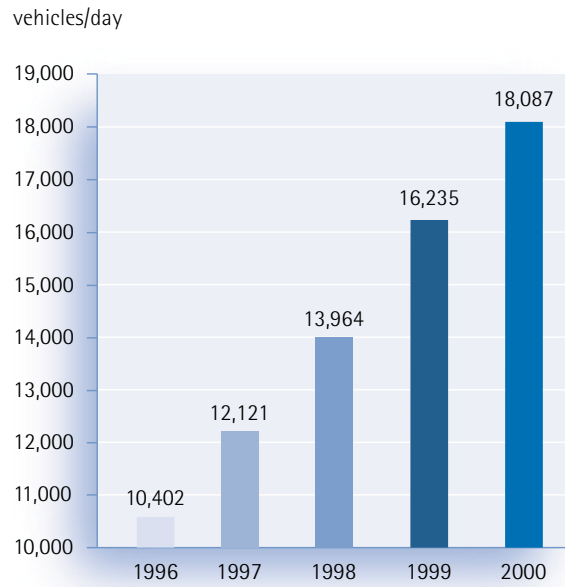
Traffic Volume and Toll Revenue Statistics for Shanghai-Nanjing Expressway in 2000

Month	Average Daily Traffic Volume (vehicles/day)	Increase/Decrease Over the Same Period in 1999 (%)	Average Daily Toll Revenue in 2000 (RMB'000/day)	Increase/Decrease over the Same Period in 1999 (%)
January	16,797	25.32	2,462.0	25.54
February	14,733	7.70	2,128.4	8.31
March	18,001	17.22	2,629.3	15.37
April	19,184	15.94	2,802.9	16.34
May	18,204	16.76	2,592.2	13.32
June	17,254	16.98	2,530.5	15.95
July	17,453	6.80	2,542.8	5.15
August	18,432	9.57	2,687.3	8.78
September	20,042	1.46	2,960.4	(1.29)
October	19,033	3.63	2,769.5	2.47
November	18,963	8.28	2,783.9	8.91
December	18,837	13.67	2,778.5	15.00
Average for the whole year	18,087	11.41	2,640.3	10.52

Composition of Average Vehicles Using Shanghai-Nanjing Expressway in 2000



Distance Weighted Average Daily Traffic Volume for Shanghai-Nanjing Expressway



Average Daily toll Revenue Statistics for Shanghai-Nanjing Expressway Since Opening

