

Continuous Good Performance of Non-core Businesses

In 2000, whilst concentrating on its core business of toll roads, the Group also continued to expand its non-core businesses by fully utilising resources along the highways, diversifying business lines and strengthening its assessment of economic performance, resulting in satisfactory results. At the end of 2000, the Company established an operation and development company without separate legal entity status to undertake exploitation and expansion of its non-core businesses for better economic performance. The total revenue from non-core businesses of the Company in 2000 amounted to approximately RMB 237,941,000 representing an increase of approximately 49.91% over the previous year. Out of the total revenue, emergency service amounted to approximately RMB 7,038,000, the revenue from petrol sales amounted to approximately RMB 148,288,000, advertisements along highways amounted to approximately RMB 11,148,000, catering amounted to approximately RMB 61,912,000. Other maintenance service amounted to approximately RMB9,555,000.

Setting up a Perfect Maintenance System for Maintenance of High Road Quality

The Company has established a sound quality maintenance system, combing daily maintenance and maintenance on special projects. The system

focus on maintenance, repair any damages as soon as possible and reinforce the roads of poorer quality, ensuring a good condition road rate of above 95%. With a view to building up a status as demonstration highway for Nanjing-Shanghai Class 2 Highway, the Company improved the road condition in some parts of the highway of poorer condition, ensuring a good condition road rate of 90%. Recently, the Company and the relevant research institution jointly conduct researches on road maintenance technology, using new materials and technique, so as to improve the maintenance quality and acquire the necessary technology for future repair and ensure the expressways are in good condition during their estimate life.

Strengthening Road Management for Safer and More Accessible Roads

The Company adopted international state of art facilities and technology to improve and enhance toll collection, communication and surveillance systems, and set up fundamental a three-level service and maintenance network to lead the industry in the domestic market. In respect of communication, a real time telephone inquiry system for road condition has been installed, enabling drivers to be informed of the traffic conditions before starting off, and erasable bill boards along highways were better exploited to publicise and release road safety and traffic information to ensure traffic safety by managing and directing vehicles on roads.

2. Other Roads Attached to the Company

Average Daily Traffic Volume Statistics in 2000

Period	vehicles/day				
	Nanjing-Shanghai Class 2 Highway	Nanjing Section of Nanjing-Lianyungang Expressway	Guangjing Expressway	Xicheng Expressway	Jiangyin-Yangtze Bridge
1st quarter	38,241	10,864	7,288	7,766	12,675
2nd quarter	43,497	11,038	8,688	9,186	14,391
3rd quarter	44,768	10,269	9,845	9,442	14,911
4th quarter	42,891	10,413	10,064	9,448	14,659
Average for the whole year	42,357	10,644	8,977	8,963	14,162
Average Annual Increase/decrease(%)	(1.29)	3.91			

Average Toll Revenue Statistics in 2000

RMB'000/day

Period	Nanjing-Shanghai Class 2 Highway	Nanjing Section of Nanjing-Lianyungang Expressway	Guangjing Expressway	Xicheng Expressway	Jingyin-Yangtze Bridge
1st quarter	554.1	149.9	124.4	178.7	401.4
2nd quarter	650.7	151.4	147.7	213.2	465.9
3rd quarter	655.2	140.2	168.8	230.2	496.0
4th quarter	623.2	146.5	174.3	229.2	479.2
Average for the whole year	620.9	147.2	153.9	212.9	460.8
Average Annual Increase(%)	(4.08)	(2.58)			

Nanjing-Shanghai Class 2 Highway

In 2000, some improvements were achieved in the operation of Nanjing-Shanghai Class 2 Highway after a considerably large-scale maintenance in 1999 which significantly enhanced the road quality, driving safety and comfort. The average daily traffic volume for Nanjing-Shanghai Class 2 Highway in 2000 was 42,357 vehicles, representing a drop of 1.29% over the previous year, a reduction of 3.71% in the rate of decrease than that of 1999. With the steady improvement of road network in the surrounding regions along Nanjing-Shanghai Class 2 Highway and the Company's efforts in the research and implementation of the open toll system, the reduction in toll revenue for Nanjing-Shanghai Class2 Highway is expected to be under controlled to some extent.

Nanjing Section of Nanjing-Lianyungang Highway

At the end of 1999, the Company completed the acquisition of the toll operating rights of the Nanjing Section of Nanjing-Lianyungang Highway for thirty (30) years. The total toll revenue in 2000 for the Highway amounted to approximately RMB 53,880,000, contributing to the growth in the Company's profit. As a result of the reconstruction Nanjing-Nantong Highway to broaden the Highway and the closure of Nanjing Yangtze Second Bridge for paving, there was a low-level traffic volume on the Nanjing Section of Nanjing-Lianyungang Highway in the third quarter of 2000, with changes in vehicles composition, the aggregate toll revenue for 2000 decreased by 2.58% as compared with 1999. The traffic volume for the highway has been gradually recovering after completion of the projects. As an important road section of the cross river bridge accessing to the northern part of Jiangsu Province in Nanjing, Nanjing Section of Nanjing-Lianyungang Highway is estimated to achieve certain growth in traffic volume upon completion of Nanjing Yangtze Second Bridge and its opening to traffic by the end of March 2001.

Guangjing Expressway

Since the opening of Guangjing Expressway to traffic in September 1999, the traffic volume on the highway has been continuing to grow rapidly. In 2000, vehicles using Guangjing Expressway numbered 5.36 million with the distance weighted average daily traffic volume of 8,977, representing an increase of 20.15% over the previous year, and the average daily toll revenue amounted to RMB 153,900, representing an increase of 20.53% over the previous year. In December 2000, the whole Beijing-Shanghai National Trunk Highway opened to traffic connecting Beijing and Shanghai. As an integral section of such a major trunkway, Guangjing Expressway reached RMB 179,200 in December representing an increase of approximately 44.28% over the previous year. The rapid growth of traffic volume on Guangjing Expressway is expected to continue in 2001.

Xicheng Expressway

Since the opening of Xicheng Expressway to traffic in September 1999, the traffic volume and toll revenue of the highway has been growing. In 2000, vehicles using Xicheng Expressway numbered 6.94 million with an annual distance weighted average daily traffic volume of 8,963, and the average daily toll revenue amounted to RMB 212,900, representing an increase of approximately 14.53% over the previous year. In December 2000, the whole Beijing-Shanghai National Trunk Highway

opened to traffic. As an integral section of such a major trunkway, the average daily toll revenue of Xicheng Expressway reached RMB 234,900, representing a considerable increase of approximately 31.82% over the previous year. The considerable increase is expected to continue in 2001.

Jiangyin-Yangtze Bridge

Since the opening of Jiangyin-Yangtze Bridge to traffic in September 1999, the traffic volume of the bridge has been steadily increasing. In 2000, the average daily vehicles using Jiangyin-Yangtze Bridge numbered 14,162, and the average daily toll revenue amounted to RMB 460,800, representing an increase of 1.81% over 1999. After the Beijing-Shanghai National Trunk Highway was opened to traffic in December 2000, the traffic volume for Jiangyin-Yangtze Bridge grew rapidly by approximately 16.18% over the same period of the previous year. As "the main traffic artery along Yangtze River" in east China and an integral part of Beijing-Shanghai National Trunk Highway, Jiangyin-Yangtze Bridge is sure to have great growth potential in traffic volume for its unique position. The Standard toll of the bridge will be adjusted with an average increase of approximately 35% commencing with effect from February 2001, and it is estimated that the toll revenue from the bridge will increase substantially in 2001, which will bring new profit growth to the Company.

(III) Problems and Difficulties in Business Operation and Solutions

As the state macroeconomic regulation policies continue to favour infrastructure projects, the Company achieves steady growth in operating revenue by capitalising on its edges in

infrastructure projects and scientific and sound internal management, and has not suffered any material problems and difficulties in its operations up to now.

(IV) A Comparison between the Company's Realised Profit and Profit Forecast

In accordance with accounting standards adopted in the PRC, the Group realised a profit of RMB 691,487,000 in 2000(including financial tax refund income of RMB 122,627,000); the figure is RMB 568,859,000 if the financial tax refund is excluded,

representing 96.82% of the forecasted profit of RMB 587,521,000 prepared for purpose of A share Issue prepared by the Company.

(V) Information on investments of the Company

Acquisition of 17.83% equity interest in Jiangsu Yangtze Bridge Co., Ltd.

In accordance with to the undertaking made in the A share prospectus of the Company, the Company acquired 17.83% equity interest in Yangtze Bridge from Communications Holding for a total consideration of RMB 472,670,218 on 29th December 2000. Details of the transaction has been disclosed in the circular dated 29th April 1999 and was approved by independent shareholders at the general meeting held on 18th June 1999.

Yangtze Bridge Company was incorporated on 31st December 1992 pursuant to an approval by Jiangsu Provincial Structural Reform Commission (SuTiSheng No. 1992 142) with a total investment of RMB 3,374,000,000 and a registered capital of RMB 1,200,000,000 and is mainly engaged in construction, maintenance and management of Jiangyin-Yangtze Bridge and other traffic infrastructures. Currently, the company's share capital is 2,137,248,000 shares.

Jiangyin-Yangtze Bridge is a long span steel suspension bridge over the Yangtze River, with main span of approximately 1,385 meters, the longest in China and the fourth longest in the world, south and north ramp bridges of approximately 168 meters and 1,518 meters respectively, and its total

length upon completion is approximately 3,071 meters. As a dual six-lane toll bridge, it has a design speed of vehicle of 100 km/h, design traffic volume of approximately 60,000 vehicles per day. The bridge was completed and opened to traffic on 28th September 1999.

Jiangyin-Yangtze Bridge is the common access to Beijing-Shanghai Expressway and other major highways. Yangtze Bridge will gain material benefit from flourishing traffic development as a result of tremendous traffic potential of Jiangyin-Yangtze Bridge for its unique position. Equity participation into Yangtze Bridge will bring considerable investment return. Completion and opening to traffic of the bridge will significantly boost the traffic volume on Wuxi to Shanghai section of Shanghai-Nanjing Expressway as well as those of Xicheng Expressway and Guangjing Expressway.

As at 1st January 2001, the Company became the third largest shareholder of Yangtze Bridge, holding 381,185,660 shares, i.e. 17.83% interest of such company.

(VI) Business Development Plan for the New Year

In 2001, the Company's management will conduct a comprehensive review of its over four years' performance, adjust and improve the Company's management system and operation mechanism, so as to perfect the Company's operation policies and management systems, standardise its daily operations and enhance its efficiency.

With Economic Efficiency as the Core, Strengthen Management on Toll Collection

In 2001, the international economic environment will continue to be favourable, and domestic macroeconomy will achieve sustained growth. Upon the PRC's entry into the WTO, and the subsequent expected increase in import/export trade volumes, coupled by improved accessibility of provincial expressway networks, there will be a significant growth in the traffic volume on the various expressways and highways of the Company. The Company shall seize every opportunity to promote economic efficiency by enhancing management and inspection, conducting studies and taking effective measures to tackle problems arising from the toll collection, and to ensure a stable revenue growth from the core businesses through toll rate adjustment in 2001.

Persistence in Research, Continued Injection of Quality Assets

Negotiation will be held with the vendor with a view to acquire additional shareholding in Jiangsu Yangtze Bridge Company. Feasibility study on relevant projects, and continue to participate in or acquire traffic infrastructure and toll road projects in Jiangsu Province, open new sources for profit growth to inject new blood for development of the Company and further expand its asset scale. Recently, the Company plans to acquire Suzhou-Jiading-Hangzhou Expressway and is conducting research on the project.

Exploit Existing Resources and Expand Non-core Businesses

The Company has founded an operation and development company without separate legal entity

status to engage in exploring and developing non-core businesses of the Company. Such company will, on the basis of feasibility study and investment efficiency analysis, expand the existing advertising and catering businesses; exploit the abundant resources in regions along the highways and continue to develop non-core businesses to enhance the profitability of the Company; capitalise on the resource superiority, existing hi-tech of the three systems and optical fibers installed along the central partition areas of the highways, and to actively participate in the investment in transportation industry related hi-tech projects; and take full advantages of the two financing channels of both domestic and international capital markets providing strong support to the future development of the Company.

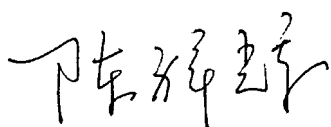
Reinforce Road Maintenance and Management for High Road Quality

The Company continues its guideline of taking road quality as the key consideration. With the maintenance policy of "precautions coupled by services", the Company will further improve its various maintenance and management systems, develop maintenance technology research, fully promote its maintenance supervision mechanism, and strengthen dynamic management of project conservation. From now on, the Company will emphasise maintenance of road surface and bridge structures, improve maintenance level and reduce maintenance costs by leveraging on technology progress and scientific management so as to sustain high road quality and provide vehicles with favourable driving conditions.

Standardising the Company's Internal Management, Enhancing Its Governing System under Legal Person

In order to improve the Company's competitive edge, in 2001, the Company will further its reform, set up sound corporate management structure of legal person governance, promote system innovation, management and technology innovation, strengthen the Company's internal

management, exercise strict control over income and expenses budget, reinforce financial management and audit supervision, establish employment system, personnel system and distribution system within the Company in compliance with modern enterprise system, fully motivate the initiatives of the management and employees and recruit more professionals.

A handwritten signature in black ink, consisting of stylized Chinese characters, likely representing the name Chen Xianghui.

Chen Xianghui
General Manager

Nanjing, the PRC
12th April 2001