

Chairman's Statement



Chairman: Mr. Wang Shui

To all shareholders,

I am pleased to present the audited annual report of Anhui Expressway Company Limited for the year ended 31st December, 2000 prepared in accordance with the International Accounting Standards, while at the same time I would like to take this opportunity to express my compliments to the shareholders.

RESULTS AND DIVIDENDS

For the year ended 31st December, 2000, the Company's turnover was approximately RMB386,825,000 and the profit after taxation was approximately RMB227,176,000, an increase of 17.07% and 10.2% respectively over the previous year. Earnings per share were approximately RMB0.1613.

The board of the Company proposes to declare a final dividend of RMB0.02 per share for the year ended 31st December, 2000 to all shareholders.

The final dividend is subject to the approval of shareholders at the Annual General Meeting on 28th April, 2001, expected to be paid on or before 14th May, 2001.

BUSINESS REVIEW

In the year 2000, China has recovered from the adverse situation caused by the Asian Financial Crises. The growth in national economy is on its way to the virtuous cycle. The Group has successively grasped that precious opportunity for development and achieved impressive results. All of the highways of the Group maintained rapid growth in terms of both traffic volumes and revenues except that the New Tianchang Section of National Highway 205 recorded a decrease in traffic volumes and revenues as a result of re-construction. Apart from focusing on its main business, the Group has diversified its operation by actively exploiting the hi-tech market. The Group's turnover and the profit after taxation reached a new historical height with an increase of 17.07% and 10.2% respectively over the previous year of the Group.

Chairman's Statement (Cont'd)

During the year, the Company has increased its shareholding in Gaojie Company by 21 per cent. Such acquisition further enlarged the profit basis of the Group.

During the year, Wantong Technology has achieved considerably in updating its products, increasing its market portion and expanding its business coverage all over China. It has been approved by the State Science & Technology Ministry as a key enterprise of national software garden and rated as a hi-tech enterprise and a scientific institute at the provincial level. The turnover and the profit after taxation of Wantong Technology have increased over previous year by 179.1% and 380.94% respectively, evidencing its potential in strong growth.

ADVANTAGES FOR DEVELOPMENT

Since the listing of the H shares of Company in Hong Kong in 1996, the Company's operation results have maintained rapid growth which fully illustrated its advantages for development. Such advantages were mainly embodied in the following four aspects: 1. Industry advantages: With the priority support of the nation, the expressway industry in which the Company is mainly engaged has been provided with characteristics of natural monopoly and stable income. As an important infrastructure facility for stimulating the national economic development, it will remain as a key area for national economic development in the next five to ten years. 2. Region Advantages: The Company is located in Anhui province, which is an important province, linking the southeast coastal regions of the PRC with the inland and the central and western part of the PRC. Anhui province also enjoys an exceptional regional advantage as the province where the two horizontal trunk highways of the Priority National Trunk Highway System run through. 3. Policy Advantages: With the undertaking given by the People's Government of Anhui province and Anhui Provincial Department of Communications have undertaken that the toll highways operated by the Company will be protected, to a considerable extent, from competition with other toll highways and Anhui Provincial Department of Communications will consider the Company when constructing other vehicular highways of Class II or above standard in Anhui in future on a preferred basis. 4. Technology Advantages: The Company is the only domestic highway company that can self-develop and maintain the expressway information system and other relevant systems and owns rich research capability and human resources.

PROSPECTS

The economic benefit of the Company is closely related to the domestic macroeconomic development. All the external factors such as the anticipated entry to WTO of China, the overall rise of the national economy, the growth trend of major economic indexes of investment and consumption, the rapid growth of export, the substantial turning of macroeconomy and especially the excellent opportunities arisen from the development of the western region are powerful drives of the development of the Company. Looking at the internal factors, the economic benefit of the Company will grow rapidly with good prospects for the reason that the existing expressways of the Company have entered the maturity stage with remarkable growth in traffic volumes and the acquisitive expressways proposed to be acquired have occupied the important strategic location with strong growth potential.

Chairman's Statement (Cont'd)

In this new century, the Company will fully utilize the favorable circumstances in sharing the rich profits resulted from the implementation of the State's strategy on developing the western region. The Company will also expand its business through the construction and acquisition of expressways so as to enhance its integrated strength and core competitive force. The Company will strive to make the hi-tech industry a new pillar of the Group by means of further accelerating the development of Wantong Technology. The Company will also invest to establish the base for photocommunications products and the research institute for information products in Tianjin. By the Company will introduce new technologies, develop new products and occupy new markets. The Company will further exploit new financing channels, improve the management structure of legal entity, upgrade the operation and management level of the Group and expand its development scope so as to realize a better organic combination of the industrial capital and the financial capital and enhance the fame and credibility of the Company.

With new opportunities coming in the new century, I am of a strongly belief that the Company has a better prospect!

ACKNOWLEDGEMENTS

May I take this opportunity to express my gratitude to the shareholders, the directors, the supervisors and the staff, without whose support, contribution and devotion, the business of the Group can never enjoy such rapid growth.

Wang Shui

Chairman

Hefei, Anhui, the PRC

12th March, 2001