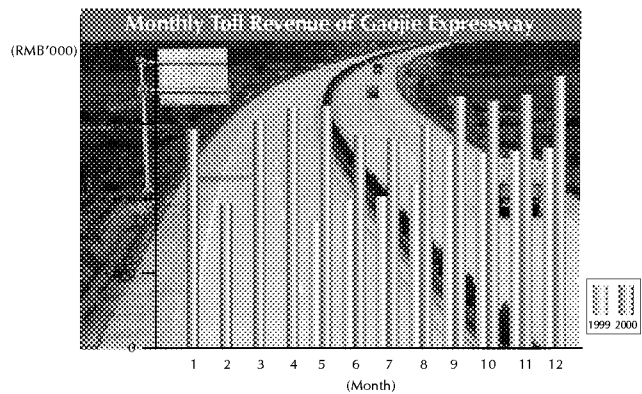
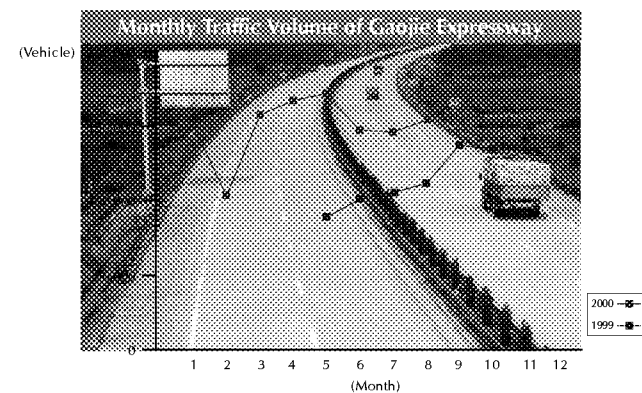


Management Discussion and Analysis (Cont'd)



Toll Revenue

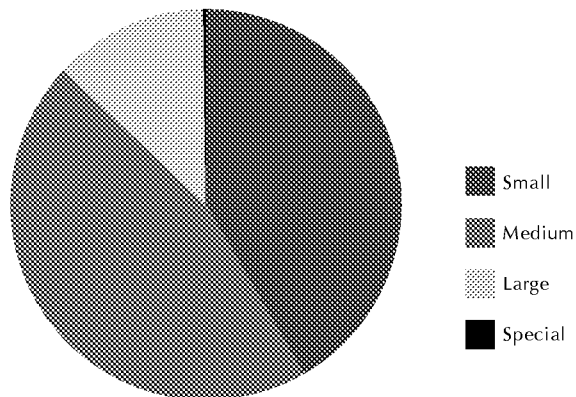
During the year, the toll revenue amounted to approximately RMB110,233,000 with an increase of 97.81% over previous year. The increase of the toll revenue was mainly due to the increase in the traffic volume.



Traffic Volume

During the year, the average volume of Gaojie Expressway was approximately 5,208 vehicles per day with an increase of 34.5% over previous year.

Type rations of vehicles of Gaojie Expressway in 2000



Toll Rates

Vehicle Classification	Toll Rates (RMB/kilometer)
Small (goods vehicles up to 2.5 tonnes, and passenger vehicles up to 20 seats)	0.40
Medium (goods vehicles between 2.5 tonnes and 7 tonnes, and passenger vehicles between 20 and 35 seats)	0.70
Large (goods vehicles between 7 tonnes and 15 tonnes, and passenger vehicles over 35 seats)	1.00
Special (goods vehicles between 15 tonnes and 40 tonnes)	1.80
Special Large (goods vehicles over 40 tonnes)	1.80

Note: Special large goods vehicles are charged RMB 10 for every 10 tonnes in excess.

5. Anhui Wantong Science & Technology Development Company Limited

On 12th May, 1999, Wantong Technology was registered and established in Anhui Hefei National New & Hi-tech Industry Garden as the first new & hi-tech enterprise stationed in the Software Garden. Wantong Technology is mainly engaged in the development of comprehensive information systems on expressways, large-scaled network system integration projects, digital monitoring products and photocommunications products. Wantong Technology is a domestic joint venture with limited liability.

On 12th May, 1999, the Company and other investors established Wantong Technology. The Original registered capital was RMB1,000,000 and the Company owned 51% equity interest in Wantong Technology. On 18th December, 2000, the shareholders of Wantong Technology agree to increase the registered capital of Wantong Technology to RMB20,000,000 by utilizing its unappropriated profit of RMB 2,000,000 and valuation surplus of technology know-how of RMB7,000,000, the remaining RMB 10,000,000 was injected by the Company in cash. After the registered capital increment, the Company owns 75.5% equity interest in Wantong Technology.

During the year, Wantong Technology has displayed its advanced technology and strong market competitiveness in expanding its business scope from single mechanical & electrical projects on expressways to large-sized integrated network system in multiple fields. Being rated as nominated products by the financial units, the serial digital monitoring products and ATM systems with the brand of Fairy Eagle have entered the experimental stage and their market occupation rate has been further enhanced. During the year, the business revenue of Wantong Technology was RMB9,428,000 with a net profit of RMB2,044,000.

During the year, Wantong Technology has been approved by the Ministry of Science & Technology as the key enterprise of the national software garden and Wantong Technology has been rated as the key scientific institute at provincial level. "The Comprehensive Information System On Expressways" is the first leading concept within China that realize the comprehensive information processing of various levels, with the operation and management over expressways as its kernel, with computer networks and communications technologies as its basis. Wantong Technology obtained project fund from The Initiative Fund of the Ministry of Science & Technology after being listed among the application projects of the National Torch Plan.

6. Projects under Letters of intent

1. In March 1997, the Company signed a letter of intent with Fuyang Municipal Transport Bureau for the purpose of construction of Jiefubeng Expressway. Jiefubeng Expressway is a network highway linking Jieshou, Fuyang and Bengbu of Anhui province, with a total length of 209.7 kilometers (of which 161.9 kilometers are within Fuyang's municipal borders). The expressway starts from Changshenggou located at the Yu-Wan border of Jieshou City and links to Hexu Expressway at its ending, being one of the key projects of the Ninth Five-year Plan of Anhui province. The expressway is situated at the place where the northwestern part, the central part and the southeast coastal regions meet, and is an important gateway for the transport of coal from the north to the south. Fuyang and Bengbu, through which it transits, are respectively an important interchange of Beijing-Kowloon Railway and a transshipment base of Beijing-

Management Discussion and Analysis (Cont'd)

Shanghai Railway and are also important industrial cities in Anhui Province. The entire project will be constructed in various phases and returns will be received in stages. Construction of Phase 1 from Sanjiaoyuan to Xipanlou had commenced at the end of 1997. Owing to the fact that the construction of the Jiefubeng Expressway has not commenced thoroughly and it is unable to connect with the existing road network, the Company believes that the acquisition conditions are not mature and further study still has to be conducted on the project.

2. In March 2000, the Company signed a letter of intent with AEHC on the cooperative construction and operation of the Anhui Section of Lianyungang to Huoerguosi Highway ("Lianhuo Highway") with a total length of 54.11 kilometers. Lianhuo Highway Anhui Section starts from Laoshankou located at the Su-Wan border, connecting the highway from Lianyungang to Xuzhou (which is planned to build), and links to the highway from Shangqiu to Kaifeng (which is planned to build) at the ending of Hongheji situated at the Wan-Yu border. It goes through Wuzhuang, Dingzhai, Wangzhai and Zhangzhuangzhai construction of the road commenced at the end of 1998 and is expected to open to traffic in July, 2002. Lianhuo Highway forms part of the Priority National Trunk Highway System planned by the Communications Ministry.

Currently, discussions on these projects carried on by the Company are only at a preliminary stage. The Company is paying close attention to the respective construction progress and actively conducting research work on the projects in order to decide whether or not to participate in the projects and to determine the amount of investment. In the event that an agreement is reached, the Company shall comply with its disclosure responsibilities in accordance with the relevant provisions of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

7. Development in science and technology

The Company strived to enhance its operation and management through. During the year, the Communications & Monitoring Center of the Company and The Comprehensive Information System On Expressways have developed in science and technology from time to time successfully put to use a highly-integrated information system which upgrades the traditional system of communications, monitoring, toll collections and power supply. The achievement has also been listed as one of the National Torch Application Plan of the Ministry of Science & Technology.

During the year, due to its outstanding contributions in adopting new & hi-tech so as to reform the traditional industries, upon the examination of The Anhui Provincial Appraisal Experts Committee On New & Hi-tech Enterprises, the Company was approved to be the new & hi-tech enterprise by Anhui Provincial Department of Science & Technology.

Management Discussion and Analysis (Cont'd)

PROSPECTS IN 2001

2001 is the first year of the new century and the execution of the Tenth-Five Plan. In the coming year, the Company will focus on:

- researching on the application of new & hi-tech technology on expressway management and increasing the science and technology contents in daily operations;
- thoroughly upgrading the enterprise value by means of exploiting the social market and the service domain;
- continuously enlarging the asset scale of the Company through investment-equity-financing-reinvestment;
- further enhancing the administration of the Company and faithfully maintaining the interests of minority shareholders;
- accelerating the development of Wantong Technology and establishing of the base of photocommunications products and the research institute of information products in Tianjin.

FINANCIAL REVIEW

The Company recorded a profit before taxation and minority interests of RMB293,353,000 in 2000, representing an increase of approximately RMB49,207,000 or approximately 20.15% over 1999. Profit attributable to shareholders grew by approximately 10.2% to approximately RMB227,176,000.

Return on shareholders' equity

	2000 RMB'000	1999 RMB'000 (As restated)
Profit attributable to shareholders	227,176	206,156
Shareholders' equity	3,235,410	3,064,578
Return on shareholders' equity	7.02%	6.73%

The shareholders' equity was increased by 5.57% when compared with that of 1999 and the return on shareholders' equity was increased by 4.31% from 6.73% in 1999 to 7.02% in 2000.

Earnings per share

	2000	1999 (As restated)
Outstanding shares (Thousand shares)	1,408,610	1,408,610
Profit attributable to shareholders (RMB'000)	227,176	206,156
Basic earnings per share (RMB)	0.1613	0.1464

Earnings per share grew RMB1.49 cents to RMB16.13 cents in 2000, representing an increase of 10.18% compared with that of RMB14.64 cents in 1999. The increase was due to the growth of 10.2% in its profit attributable to shareholders.

Management Discussion and Analysis (Cont'd)

Assets

Assets	2000 RMB'000	1999 RMB'000 (As restated)	Fluctuation RMB'000	Fluctuation %
Current assets				
Accounts receivable and prepayments	47,666	67,510	(19,844)	(29.39)
Inventories	3,997	3,087	910	29.48
Profits tax refundable	32,429	30,380	2,049	6.74
Bank balances and cash	286,781	300,757	(13,976)	(4.65)
Short term investments	0	0	—	—
Total current assets	370,873	401,734	(30,861)	(7.68)
Fixed assets, net (including land use rights)	4,502,532	2,722,883	(1,779,649)	65.36
Interests in an associated company	—	434,851	(434,851)	(100)
Intangible assets	7,920	—	7,920	—
Total assets	4,881,325	3,559,468	1,321,839	37.14

Total current assets decreased by approximately RMB30,861,000 or approximately 7.68%.

As of 31st December, 2000, due to the acquisition of Gaojie Expressway, the total assets of the Group was approximately RMB4,881,325,000, representing an increase of approximately 37.14% compared with that of 1999.

Liabilities

Liabilities	2000 RMB'000	1999 RMB'000 (As restated)	Fluctuation RMB'000	Fluctuation %
Current liabilities				
Account payable and accrued charges	110,666	73,592	37,074	50.38
Short-term loans	0	0	—	—
Total current liabilities	110,666	73,592	37,074	50.38
Long term liabilities				
Long term bank loans	0	0	—	—
Long term amount payable to minority shareholders	1,251,310	317,011	934,299	294.72
Deferred taxation	95,509	68,369	27,140	39.70
Others	630	—	630	—
Total long term liabilities	1,347,449	385,380	962,069	249.64
Minority interests	187,800	35,918	151,882	422.86
Total liabilities	1,645,915	494,890	1,151,025	232.58

Management Discussion and Analysis (Cont'd)

The total liabilities increase from approximately RMB494,890,000 at the financial year end of 1999 to approximately RMB1,645,915,000 at the financial year end of 2000, representing an increase of 232.58%.

CAPITAL COMMITMENTS

The capital commitments of the Company and the Group as at 31st December, 2000 are set out in note 25 to the financial statements.

Zhang Hui

Director and General Manager

Hefei, Anhui, the PRC

12th March, 2001