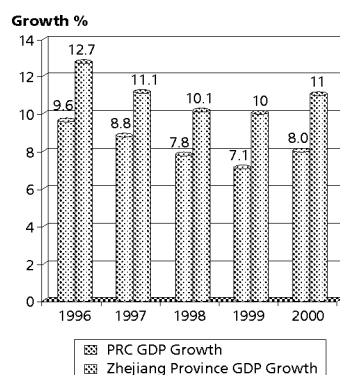


MANAGEMENT DISCUSSION AND ANALYSIS

The Operating Environment

Three years after a financial crisis had swept through Asia, the PRC economy successfully achieved a turnaround in 2000 with a GDP growth rate of 8.0%. Once again, taking advantage of its strategic location and well-diversified economic structure, Zhejiang Province outpaced the national average GDP growth rate by three percentage points, making it one of the most economically dynamic provinces in the East Coast region of the PRC.

GDP Growth Rate: PRC vs Zhejiang

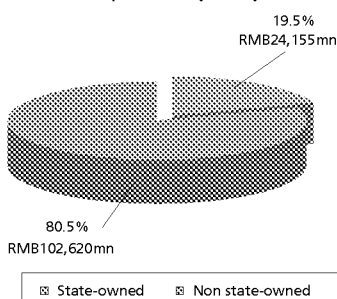


		PRC	GDP	Zhejiang
	GDP (RMB bil.)	% Growth	(RMB bil.)	Province
				% Growth
2000	8,940	8.0	603	11.0
1999	8,191	7.1	537	10.0
1998	7,835	7.8	499	10.1
1997	7,446	8.8	464	11.1
1996	6,789	9.6	415	12.7

Zhejiang Province is one of the leading provinces with the most active non state-owned primary industries in the country, most of which are small enterprises capable of adapting quickly to changing markets.

Composition of Value-added Primary Industry in Zhejiang Province

Total Output of state-owned Enterprise vs Non state-owned Enterprise in Primary Industry in 1999



Type of enterprise	Output value in 1999 (RMB million)	% of Total Output	Change from 1998
State-owned	102,620	80.5	-2.3
Non state-owned	24,155	19.5	+2.3

Economic Performance of East Coast Cities and Provinces in 2000

	GDP Total (RMB million)	% Growth	GDP Per Capita (RMB)
Shandong Province	766,210	10.1	8,673
Jiangsu Province	769,782	10.1	10,665
Shanghai	403,496	10.2	30,805
Zhejiang Province	536,489	10.0	12,037
Fujian Province	355,024	10.0	10,797
Guangdong Province	846,431	9.5	11,728

Accompanying the country's economic growth was the rapid expansion of its expressway network. Over the past five years, total mileage of expressways constructed in the PRC grew by 647% to reach approximately 16,000km, the third largest expressway network in the world after the United States and Canada. During the same period, total mileage of expressways constructed in Zhejiang Province reached approximately 627km, of which the Group operates approximately 390km.

Cumulative Mileage of Expressways in Zhejiang Province

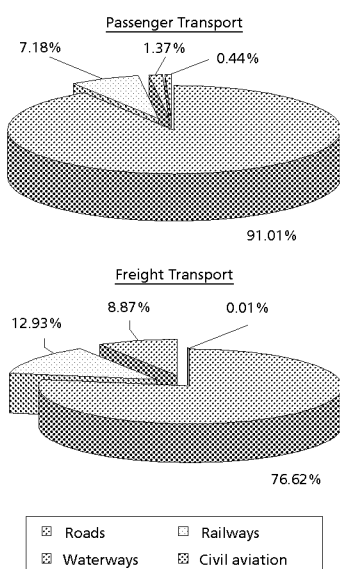
	1995	1997	1998	1999	2000	2001	2002
Mileage (km)	158	168	344	392	627	770*	1,310*

* Forecast figures

The rapid development of the expressway network in the PRC over the past five years contributed to increased proportions of passenger and freight transport carried by expressways. This in turn created even more demand for expressways, which are increasingly the preferred choice of transport by offering not only more convenient, but also faster and safer services compared to other modes of transportation.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Heavy Reliance on the Road Transportation



Proportion of Passenger and Freight Transport among Various Modes of Transportation in 1999

	Passenger	Freight
Roads	91.01%	76.62%
Railways	7.18%	12.93%
Waterways	1.37%	8.87%
Civil aviation	0.44%	0.01%
Total	100%	98.43%

In parallel with strong economic growth and an increasingly refined road network, ownership of civil vehicles including cars, buses and trucks in the PRC jumped from 11 million in 1996 to 16 million in 2000. Demand for civil vehicles in 2001 is estimated to reach 2.37 million, a substantial amount of which is expected to come from the increasing demand for private vehicle ownership.

Number of Civil Vehicles in the PRC

	1996	1997	1998	1999	2000
Number of vehicles ('000)	11,000	12,190	13,190	14,530	15,800

The combination of rapid growth in the economy and vehicle ownership, together with an increasingly refined expressway network, has created a favorable environment for the Group's core business of toll road operations.

Analysis of Business Operations

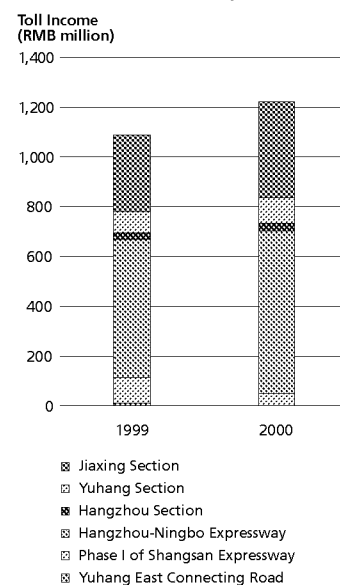
Toll Road Operations

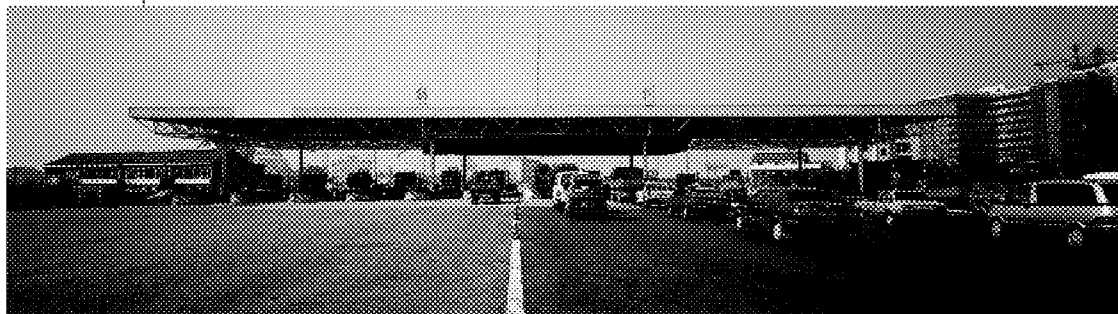
During the year under review, toll income for the Group reached approximately RMB1,219.7 million, representing an increase of approximately 12.1% over that of 1999. Contributions from Shanghai-Hangzhou-Ningbo Expressway (comprising Jiaxing Section, Yuhang Section and Hangzhou Section of the Shanghai-Hangzhou Expressway, and the Hangzhou-Ningbo Expressway) and Shangsang Expressway respectively, were as follows:

Expressways	Toll Income (RMB'000)	% of Total Toll Income	% of Growth over 1999
Shanghai-Hangzhou Expressway			
Jiaxing Section	389,570	31.9	+25.2
Yuhang Section	101,323	8.3	+24.1
Hangzhou Section	31,090	2.5	+20.2
Hangzhou-Ningbo Expressway	659,489	54.2	+18.6
Shangsang Expressway	38,200	3.1	N/A*
Total	1,219,672	100.00	—

* For details please see the section headed "Shangsang Expressway" below.

Growth in Toll Road Operations





Shanghai-Hangzhou-Ningbo Expressway

The Shanghai-Hangzhou-Ningbo Expressway (Zhejiang section), totaling 248km in length, became fully operational in December 1998. With 20 toll stations and three service areas, it is the only expressway directly linking the three major cities of Shanghai, Hangzhou and Ningbo along the East Coast of China, forming part of the twelve "National Trunk Roads" planned by the central government.

Since the completion of the entire Shanghai-Hangzhou-Ningbo Expressway, the economic significance of the expressway to the surrounding region has become increasingly apparent. During the first ten months of 2000, contracted foreign investment in the cities and counties along the expressway amounted to 89% of the total contracted foreign investment in Zhejiang Province during the same period.

The importance of the Shanghai-Hangzhou-Ningbo Expressway in Zhejiang Province is further reflected by the outstanding growth of its traffic volume during 2000, which grew by approximately 20% on average over that of 1999, details of which are shown below:



Monthly Average Daily Full Trip Traffic Volume in 2000

Month	Shanghai-Hangzhou Expressway						Hangzhou-Ningbo Expressway	
	Hangzhou Section (3.6km)		Yuhang Section (31.1km)		Jiaxing Section (88.1km)		Expressway (143.0km)	
	Vehicles		Vehicles		Vehicles		Vehicles	
	Per Day	YoY%	Per Day	YoY%	Per Day	YoY%	Per Day	YoY%
January	29,133	37.04	28,469	33.92	15,389	51.60	17,025	28.87
February	22,382	19.17	21,845	18.42	12,771	20.61	13,693	17.18
March	31,378	28.03	30,534	28.22	16,583	36.13	17,719	30.34
April	33,914	26.59	32,996	26.31	18,258	31.56	18,801	28.31
May	33,013	29.44	32,196	29.09	18,173	35.40	18,254	29.96
June	30,554	27.08	29,677	26.45	16,619	27.77	16,779	22.04
July	30,279	23.81	29,426	23.12	16,550	19.18	16,096	15.07
August	31,861	24.60	30,977	23.89	17,410	19.89	16,576	13.43
September	34,640	23.48	33,548	22.41	17,708	13.56	17,864	10.81
October	33,096	12.61	32,233	11.60	17,679	9.35	17,249	5.72
November	33,180	14.94	32,326	13.86	17,642	14.45	17,014	3.94
December	33,045	18.12	32,123	16.59	17,474	17.50	16,854	4.20
Average	31,403	23.29	30,559	22.57	16,869	23.48	17,005	17.41

The growth trend in traffic volume throughout the year was fairly consistent with those of previous years. However, the percentage of growth during the second half of the year was substantially less than average. This was mainly due to the temporary closure of certain sections of parallel national roads for maintenance and renovations during the second half of 1999, which continued into the first half of 2000.

The temporary closure diverted additional traffic onto parallel sections of the Shanghai-Hangzhou-Ningbo Expressway, resulting in a higher basis of comparison in traffic volume for the second half of 2000. In addition, the occurrence of heavy fog in the fourth quarter of the year forced the expressway to be closed on several occasions, further curbing traffic volume growth.

Daily Traffic Volume of Shanghai-Hangzhou-Ningbo Expressway

