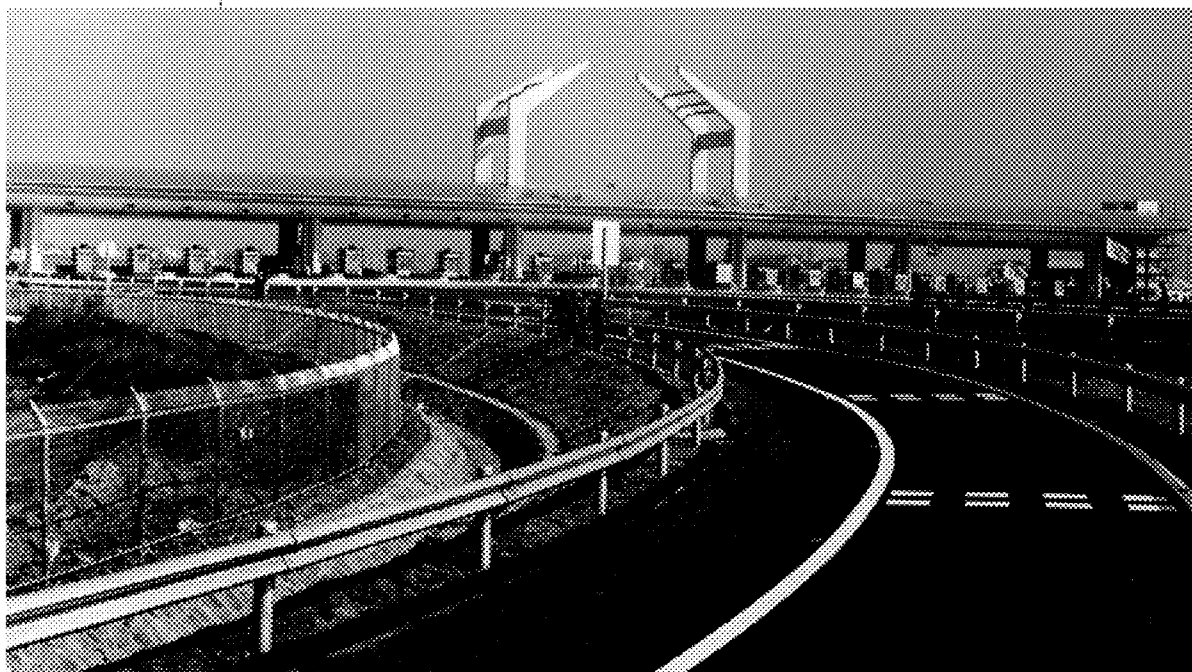


## REPORT OF THE DIRECTORS



### Segmented information

During the year, the entire turnover and contribution to profit from operating activities of the Group was derived from Zhejiang Province, in the PRC. Accordingly, a further analysis of the turnover and contribution to profit from operating activities by geographical area is not presented. However, an analysis of the Group's turnover and contribution to profit from operating activities by principal activity for the year ended December 31, 2000 is as follows:

	Turnover Rmb'000	Contribution to profit from operating activities Rmb'000
By activity:		
Toll income	1,157,098	1,024,432
Advertising income	14,535	11,261
Road maintenance income	4,853	3,409
Others	12,118	3,666
	<u>1,188,604</u>	<u>1,042,768</u>

## Results and dividends

The Group's profit for the year ended December 31, 2000 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 58, 60, 61, 64 and 65.

An interim dividend of Rmb0.02 per share (approximately HK\$0.0187) was paid on October 31, 2000. The Directors recommend the payment of a final dividend of Rmb0.07 per share (approximately HK\$0.065) in respect of the year, to shareholders on the register of members on March 27, 2001. This recommendation has been incorporated into the financial statements.

## Summary of financial information

The following is a summary of the consolidated results, and of the assets and liabilities of the Group prepared on the basis set out in the notes below:

	Year ended December 31				
	2000	1999	1998	1997	1996
Results	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Turnover	<b>1,188,604</b>	1,050,498	655,069	463,692	273,843
Operating costs	<b>(248,429)</b>	(298,417)	(220,537)	(146,046)	(33,867)
Gross profit	<b>940,175</b>	752,081	434,532	317,646	239,976
Other revenue	<b>242,888</b>	167,528	234,573	197,034	40,928
Administrative expenses	<b>(64,978)</b>	(60,320)	(45,611)	(31,126)	(57,716)
Other operating expenses	<b>(75,317)</b>	(2,374)	(635)	(978)	(243)

## REPORT OF THE DIRECTORS (Cont'd)

Results	Year ended December 31				
	2000	1999	1998	1997	1996
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Profit from operating activities	<b>1,042,768</b>	856,915	622,859	482,576	222,945
Finance costs	<b>(197,083)</b>	(172,922)	(94,741)	(110,350)	(62,981)
Share of profit in associates	<b>40,584</b>	22,559	18,982	—	—
Share of loss in a jointly-controlled entity	<b>(6,517)</b>	—	—	—	—
Profit before tax	<b>879,752</b>	706,552	547,100	372,226	159,964
Tax	<b>(186,391)</b>	(71,810)	(73,795)	(58,639)	(60,296)
Profit before minority interests	<b>693,361</b>	634,742	473,305	313,587	99,668
Minority interests	<b>(57,360)</b>	(86,431)	(68,914)	(17,255)	186
Net profit from ordinary activities attributable to shareholders	<b>636,001</b>	548,311	404,391	296,332	99,854
Earnings per share	<b>14.64 cents</b>	12.62 cents	9.31 cents	7.77 cents	3.43 cents

Assets and liabilities	Year ended December 31				
	2000	1999	1998	1997	1996
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Total assets	<b>14,586,420</b>	13,925,688	12,993,990	11,466,377	6,222,082
Total liabilities	<b>4,432,939</b>	4,042,416	3,609,038	2,598,595	3,013,678
Minority interests	<b>1,495,364</b>	1,449,432	1,245,782	667,714	435,073
Net assets	<b>8,658,117</b>	8,433,840	8,139,170	8,200,068	2,773,331

*Notes:*

1. The consolidated results of the Group for the year ended December 31, 1999 and 1998, together with the pro forma consolidated results of the Group for the two years ended December 31, 1997 have been extracted from the Company's 1999 annual report dated February 22, 2000, while those of the year ended December 31, 2000 were prepared based on the consolidated income statement as set out on page 58 of the financial statements.
2. The 2000 earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year ended December 31, 2000 of Rmb636,001,000 (1999: Rmb548,311,000) and the 4,343,114,500 shares (1999: 4,343,114,500 shares) in issue during the year.

### Major customers and suppliers

The five largest customers and suppliers contributed less than 30% of the total toll revenue and purchases, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented. None of the Directors, Supervisors or their associates, or any shareholder (which to the knowledge of the Directors and Supervisors own more than 5% of the Company's share capital) have any interest in the five largest customers and suppliers of the Group.

## REPORT OF THE DIRECTORS (Cont'd)

### Connected transactions

Details of the connected transactions of the Group (the "Connected Transactions") carried out in the year, which the Hong Kong Stock Exchange has granted a waiver (for compliance with Chapter 14 of the Listing Rules pursuant to its letter of March 10, 2000), are disclosed in note 36 to the financial statements.

The independent non-executive Directors have reviewed the Connected Transactions and confirmed that, during the period from January 1, 2000 to December 31, 2000, such transactions were:

- (i) carried out in accordance with the terms of the agreements governing each respective transaction in question;
- (ii) entered into in the usual and ordinary course of business of the Company; and
- (iii) entered into on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

Ernst & Young, the auditors of the Company, (as required by the Hong Kong Stock Exchange in its letter of March 10, 2000) have also reviewed the said transactions and have confirmed that the independent non-executive Directors have given their approval of these transactions and that they were carried out by the Company in accordance with the terms of the agreements governing each respective transaction during the period from January 1, 2000 to December 31, 2000.

### Fixed assets

Details of movements in the fixed assets of the Company and the Group are set out in note 12 to the financial statements.

### Capital commitments

Details of the capital commitments of the Company and the Group as at December 31, 2000 are set out in note 33 to the financial statements.

## **Subsidiaries**

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

## **Jointly-controlled entity and associates**

Particulars of the Company's and the Group's interests in a jointly-controlled entity and associates are set out in notes 14 and 15 to the financial statements, respectively.

## **Interest capitalised**

During the year, interest capitalised as part of the costs of construction in progress amounted to approximately Rmb27,235,000 (1999: Rmb14,843,000).

## **Reserves**

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

## **Distributable reserves**

As at December 31, 2000, the Company's reserves available for distribution by way of cash or in kind, calculated in accordance with relevant rules and regulations, amounted to Rmb339,302,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,633,159,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalisation issues.