

BUSINESS REVIEW AND OUTLOOK

The Group's unaudited net profit attributable to shareholders during the Period was approximately Rmb367,899,000, representing a growth of 16.8% over the same period in 2000. The growth was in line with the Directors' expectations.

Strong national and local economic performance provided a favorable business environment for the Group which achieved exceptional growth in its core business operations of toll roads and continued expansion in its non-core business operations.

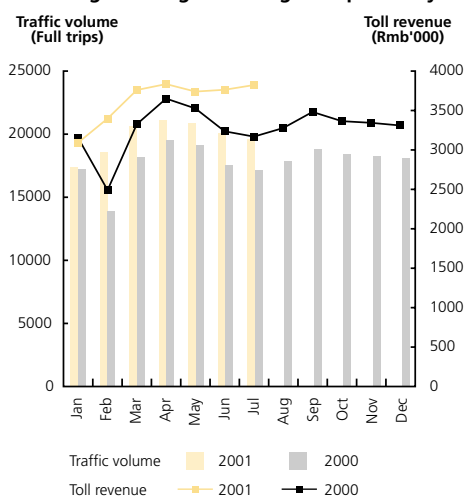
TOLL ROAD OPERATIONS

During the Period, traffic volume on the Shanghai-Hangzhou-Ningbo Expressway continued to record satisfactory growth, with average daily traffic volume growing by 12.2% over the same period in 2000 and toll income growing by 8.1% to approximately Rmb635,933,000.

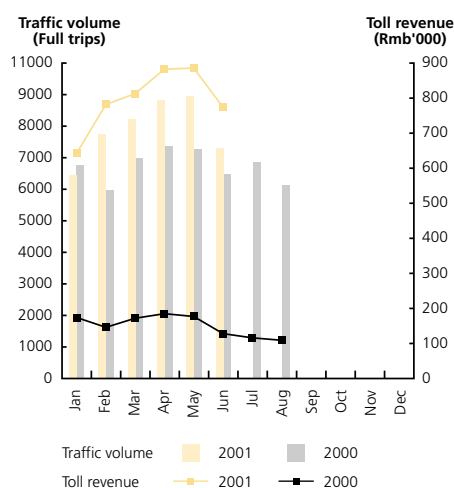
With the completion of the Shangsang Expressway in December 2000, total mileage of expressways operated by the Group increased from 248km to 390km. In addition, due to its direct linkage to the Group's main toll road, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway's opening to traffic had resulted in a "networking" effect, which contributed to continued growth in traffic volume on the Shanghai-Hangzhou-Ningbo Expressway.

With toll income contribution from the newly opened Shangsang Expressway being approximately Rmb144,189,000, total toll income of the Group grew by 26.3% over the same period in 2000 to approximately Rmb780,122,000.

Daily Traffic Volume and Toll Revenue on Shanghai-Hangzhou-Ningbo Expressway



Daily Traffic Volume and Toll Revenue on Shangsang Expressway



BUSINESS REVIEW AND OUTLOOK (cont'd)

OTHER BUSINESSES

Zhejiang Expressway Advertising Co., Ltd. ("Advertising Co"), a subsidiary 70% owned by the Company, continued to expand its business operations in advertising along the expressways operated by the Group with sales techniques and incentives suitable to market conditions. During the Period, turnover and net profit were approximately Rmb9,444,000 and Rmb3,975,000, representing a growth of 109.3% and 65.3%, respectively, over the same period in 2000. Newly acquired businesses accounted for approximately 73% of total turnover.

Joinhands Technology Co., Ltd., an associate 30% owned by the Company, had begun to expand its technologies and instruments developed for the purpose of anti-counterfeiting and logistics management in merchandising markets beyond the provincial boundary, while continuing to improve relevant technologies for application in other fields such as the use of information collection devices in the power and telecommunication industries. During the Period, the associate realized a net profit of approximately Rmb580,000.

In response to substantially reduced wholesale businesses and rising prices of petroleum products on the global markets, Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co"), an associate 50% owned by the Company, took measures to reduce costs on the one hand, and adopted active cash management strategies on the other hand, including short-term investments. Net profit realized by Petroleum Co during the Period was approximately Rmb950,000.

INCREASED STAKE IN JIAXING CO

On 4 June 2001, the Company entered into agreements to further increase its stake in the capital of Zhejiang Jiaxing Expressway Co., Ltd., a subsidiary of the Company, from approximately 84.2% to 87.3% for an aggregate consideration of Rmb93,369,024. Details of this acquisition were disclosed in the Company's announcement dated 4 June 2001.

OUTLOOK

Macro-economic growth prospects for China remain optimistic as the country prepares for its imminent accession to the WTO which is expected to occur by the end of the year.

Zhejiang province, which already boasts one of the most diverse and vibrant economies in the country, is expected to be one of the biggest beneficiaries of China's WTO accession.

In one of the published research reports compiled by a local research institution, GDP growth rate in Zhejiang province, which has been growing on average by 11% annually over the past five years, is estimated to increase by an additional 1.3% annually during the five years immediately after the WTO accession, with its garment, textile and leather industries benefiting the most from this development.

As demand for road transport continues to grow, so will the competition between different modes of transport. The Directors are confident that with the convenience and flexibility unmatched by any other mode of transport, expressway transport will continue to be the fastest growing sector in the overall transport industry.

Robust economic growth prospects in the province, together with sizable growth potential in the private ownership of passenger cars, are expected to sustain the relatively high growth rates in traffic volumes on the existing expressways operated by the Group.

While the Company intends to remain focused on its core business of toll road investment and operations and seeks to further expand its expressway portfolio in the province, it is also prepared to grasp opportunities presented by China's WTO accession.

The Company has applied to the China Securities Regulatory Commission for the issue of not more than 300 million domestic shares ("A Shares") to the public in the People's Republic of China to raise approximately Rmb1 billion for the first and second stages of construction to widen the Shanghai-Hangzhou-Ningbo Expressway. It is expected that the issue of A Shares (the "A Share Issue") will be completed before the end of the year 2001.