



BUSINESS REVIEW

During the period under review, the economy of the PRC grew steadily after the turnaround last year. Despite the slowdown of the global economy, in particular the recession in the United States, Japan and Europe, the gross domestic product (“GDP”) of the PRC grew by 7.9%. Investment in the fixed assets had been increasing in a rapid pace and total consumption continued to grow steadily in the PRC. As a result of the active fiscal policies and prudent monetary policies being implemented by the PRC government, foreign investments were benefited from the recovery of the economy in the PRC. During the period under review, the GDP of Anhui Province grew by 8.9%, which was above the average GDP figure of the country. Benefited from the prosperous demand in the PRC, the traffic volume for the highways of the Group increased substantially, except for 205 Tianchang Section, which was affected by the reconstruction. During the period under review, the turnover of the Group was RMB 268,594,000, representing an increase of 39.73% compared with that of the corresponding period last year. Unaudited profit attributable to shareholders was RMB 134,205,000, representing an increase of 2.26% compared with that of the corresponding period last year. Earnings per Share was RMB 0.0953, representing an increase of 2.26% compared with that of the corresponding period last year.

A brief introduction of the business of the Group is presented as follows:

Toll roads

1. Hening Expressway

During the first six months of this year, the average daily traffic volume on Hening Expressway was 15,595 vehicles, representing an increase of 16.86% compared with that of the corresponding period last year. Toll income amounted to RMB 161,683,315, representing an increase of 14.88% compared with that of the corresponding period last year.

2. 205 Tianchang Section

During the first six months of this year, the average daily traffic volume on 205 Tianchang Section was 9,959 vehicles, representing a decrease of 19.04% compared with that of the corresponding period last year. This was mainly attributable to an overhaul of certain sections of 205 Tianchang Section. Toll income amounted to RMB 24,805,745, representing a decrease of 17.52% compared with that of the corresponding period last year.



3. Xuanguang Expressway

During the first six months of this year, the average daily traffic volume on Xuanguang Expressway was 2,607 vehicles, representing an increase of 21.05% compared with that of the corresponding period last year. Toll income amounted to RMB 35,092,033, representing an increase of 21.55% compared with that of the corresponding period last year.

4. Gaojie Expressway

During the first six months of this year, the average daily traffic volume on Gaojie Expressway was 6,044 vehicles, representing an increase of 22.45% compared with that of the corresponding period last year. Toll income amounted to RMB 63,457,515, representing an increase of 22.69% compared with that of the corresponding period last year.

Hi-tech business

During the period under review, Anhui Wantong Science & Technology Development Company Limited (“Wantong Science & Technology”) made its first step to involve in optical communications industry through the establishment of Tianjin Cyberport Jiazi Science & Technology Development Company Limited and Tianjin Jinfei Boguang Communication Company Limited, thus further expanded its business scope. With respect to product development, Shendiao Digital Interactive Multimedia Teaching System and Expressway Digitally-Monitored Solution was newly developed and the technology of Shendiao Digitally-Monitored ATM was further improved. During the period under review, the turnover of Wantong Science & Technology was RMB 3,222,288 and its net profit was RMB 194,703, representing an decrease of 4.83% and 88.66% respectively compared with that of the corresponding period last year.

FINANCIAL ANALYSIS

During the period under review, the operating results of the Group was favourable. The net operating income of the Group was RMB 268,594,000, representing an increase of 39.73% compared with that of the corresponding period last year. Gross operating profit was RMB 182,576,000, representing an increase of 32.27% compared with that of the corresponding period last year. Profit after tax and minority interest was RMB 134,205,000, representing an increase of 2.26% compared with that of the corresponding period last year.



During the period under review, earnings per share was RMB 0.0953, representing an increase of 2.26% compared with that of the corresponding period last year.

As at 30th June 2001, the total assets and total liabilities of the Group were RMB 5,062,071,000 and RMB 1,720,628,000 respectively. Shareholders' equity of the Group amounted to RMB 3,341,443,000, and the return of shareholders' equity of the Group was 4.02%, representing an decrease of 3.83% compared with that of the corresponding period last year.

As at 30th June 2001, cash and bank deposits amounted to RMB 392,735,000, whilst bank loans was RMB 100,000,000. Liquidity ratio was 1.32, illustrating the Group's high repayment capability.

PROSPECTS OF THE COMPANY IN THE LATTER HALF OF 2001

According to the forecast issued by the State Statistic Bureau, the growth in investment and consumption in the PRC will sustain. The strong domestic demand will facilitate the growth of the economy. The hosting of the 2008 Olympic Games and the imminent entry into the World Trade Organization will generate massive investment from within and outside the PRC. This will in turn produce substantial impact on the economic and social development of the PRC. According to the forecast of the State Statistic Bureau, the hosting of the 2008 Olympics Games will increase the GDP growth in the PRC by 0.3% per annum. The entry into the World Trade Organization will also increase the GDP growth in the PRC by nearly 3% and is expected to create about ten million job vacancies. The core business of the Group, in particular the toll roads, will directly and continuously benefit from such growth. It is expected that the traffic volume of the Group's expressways will continue to grow in the latter half of this year. At the same time, Wantong Science & Technology will further increase the market share of its existing products and speed up its pace of research and development for new products.