

The macroeconomic controls that had taken place in the PRC during the Period are expected to have lasting impact well into the second half of this year. In Zhejiang Province, economic growth in the second half of the year is expected to slow down from the extraordinary 15.5% GDP growth rate attained in the first half. Latest forecasts on the annual GDP growth rate for the Province, however, remains at 14.0%, a rate that should continue to create strong demand for road transport in and around the Yangtze River Delta Region.

Since June 20, 2004, concerted efforts of the relevant authorities to crack down on overloading practices by trucks are already showing encouraging results. There may be additional corresponding measures to be carried out in the second half of this year, the immediate impact of which is difficult to predict, but we are confident that the stated goal of creating a safer, more orderly road transport system will be achieved, and that such prospects should be beneficial to toll road operators such as the Company in terms of increased truck traffic and reduced damage to roads and bridges.

The ongoing Phase II of the Widening Project has been progressing as planned, with completion date remaining unchanged around the end of 2005, though recent fluctuations in the prices of construction materials have led to a small increase in construction costs for the time being. Commencement of construction for Phase III, however, has been delayed due to a slowdown by the relevant authorities in granting land use rights, though it is not expected to adversely affect the normal operation of the Shanghai-Hangzhou-Ningbo Expressway.

Slower traffic volume growth is expected for the expressways operated by the Group for the second half of the year compared to the first half due to a number of short-term factors: anticipated slowdown in economic growth; uncertainties created by the efforts to stop overloading practices by trucks; short-term interferences from the ongoing Widening Project and road maintenance projects at certain sections of Shanghai-Hangzhou-Ningbo Expressway; and a higher basis of comparison during the same period last year. Despite the above, however, prospects for continued strong business growth for both the toll road operations and the toll road-related operations of the Group remain positive, as economic fundamentals of the Yangtze River Delta Region remain strong.