



“ The directors and management of the Company believe that it is their top priority to ensure continued growth in shareholders’ value. For this purpose, we are constantly seeking new bases for profit growth... While reinforcing our core business, the Group is also actively exploring business opportunities in industries related to toll road operations, in a move to expand the scope of our investment by leveraging the strengths of our resources. ”

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## IMPORTANT

**The board of directors of Jiangsu Expressway Company Limited confirms that there are no false representation or misleading statements contained in or material omissions from this report. The directors severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this report.**

**Mr. Shen Chang Quan, Chairman of the Board of Directors, Mr. Cheng Xiang Hui, General Manager, and Ms Liu Wei, Accountant of the Company, confirm the accuracy and completeness of the financial report in this report.**

# Company Profile

(1) Name of Company in Chinese:	江蘇寧滬高速公路股份有限公司
Name of Company in English:	Jiangsu Expressway Company Limited
Abbreviation of Chinese name:	寧滬高速
Abbreviation of English name:	Jiangsu Expressway
(2) Legal Representative:	Shen Chang Quan
(3) Secretary to the Board of Directors:	Yau Yong Jia
Telephone:	8625-4469332
Securities Officers:	Jiang Tao, Lou Qing, Bian Qing Mei
Telephone:	8625-4200999-4706, 4705
Fax :	8625-4466643
E-mail Address :	dms@jsexpressway.com
Correspondence Address :	Jiangsu Communications Building, 69 Shigu Road, Nanjing, Jiangsu, the PRC
(4) Registered Address of the Company:	Jiangsu Communications Building, 69 Shigu Road, Nanjing, Jiangsu, the PRC
Office Address of the Company:	Jiangsu Communications Building, 69 Shigu Road, Nanjing, Jiangsu, the PRC
Postcode:	210004
Website of the Company:	<a href="http://www.jsexpressway.com">http://www.jsexpressway.com</a>
E-mail Address:	nhgs@public1.ptt.js.cn

- (5) Newspapers Designated for Regular Announcements: Shanghai Securities, China Securities  
South China Morning Post, Hong Kong Economic Times
- Website Designated for Regular Announcement: <http://www.sse.com.cn>
- Regular Reports Available at: Shanghai Stock Exchange  
528 Pudong South Road, Shanghai City
- Hong Kong Registrars Limited  
19/F Hopewell Centre  
183 Queen's Road East  
Hong Kong
- Jiangsu Communications Building,  
69 Shigu Road, Nanjing, Jiangsu, the PRC
- (6) Places where the Company's Shares are Listed: Shanghai Stock Exchange  
The Stock Exchange of Hong Kong Limited  
United States
- Stock Name of A Shares : 寧滬高速
- Stock Code of A Shares : 600377
- Stock Name of H Shares : Jiangsu Expressway
- Stock Code of H Shares : 0177
- Stock Name of ADR: JEXWW
- Security United Code: 477373104
- (7) Registration Date of the Company: 1st August 1992
- City and Province where the Company was Registered: Nanjing City, Jiangsu Province
- Corporate Business License Number of Corporate Legal Representative: 3200001100976
- Registration No. of Taxation: 320003134762764

# Company Profile

## (8) Auditors:

Domestic Auditor: PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.

Office Address: 19/F Shui On Plaza  
333 Huaihai Zhong Road  
Shanghai, the PRC

International Auditor: PricewaterhouseCoopers

Office Address: 21/F Edinburgh Tower  
15 Queen's Road Central  
Landmark, Central  
Hong Kong

## (9) Legal Advisor

Domestic Legal Advisor: Jiangsu New Century Tongren Law Office

Address: 5/F, 26 Beijing West Road, Nanjing

Legal Advisor (Hong Kong): Richards Butler

Address: 20/F, Alexandra House  
16-20 Chater Road, Central, Hong Kong

## (10) Share Registrar and Transfer Office:

Domestic Share Registrar  
and Transfer Office: China Securities Depository & Clearing  
Corporation Limited, Shanghai Branch  
China Insurance Building  
166 East Lujiazui Road  
Pudong New District, Shanghai

Overseas Share Registrar and  
Transfer Office: Hong Kong Registrars Limited  
19/F, Hopewell Centre  
183 Queen's Road East  
Hong Kong

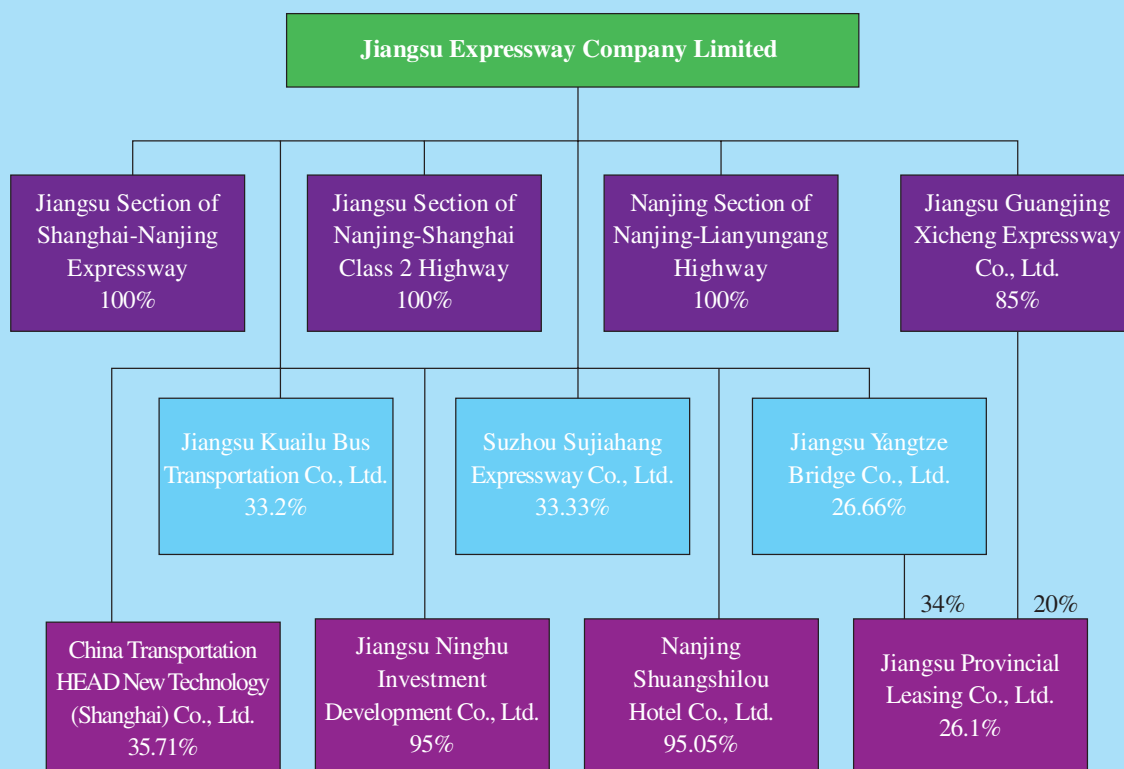
(11) The Company:

Jiangsu Expressway Company Limited (the “Company”) was incorporated as a joint stock limited company on 1st August 1992 in Jiangsu Province of the People’s Republic of China. The Company is principally engaged in the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (“Shanghai-Nanjing Express”) and related toll expressways within Jiangsu Province. It also provides passenger transport and other ancillary services along these expressways (including refueling, catering, retailing, car repair, advertising and accommodation).

The Company is the only listed company in Jiangsu’s transport and infrastructure industry. On 27th June 1997, the Company’s H shares became listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). On 16th January 2001, the Company’s A shares became listed on Shanghai Stock Exchange (“Shanghai Stock Exchange”).

The Company established Sponsored Level I American Depositary Receipt Programme (“ADR”) on 31st December 2002, trading in the over-the-counter market in the United States.

The Group’s Organisation:



The Company, Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”), Nanjing Shuangshilou Hotel Co., Ltd. (“Shuangshilou”) and Jiangsu Ninghu Investment Development Co., Limited. (“Investment Co.”) are collectively referred to as the “Group”.

# Financial Highlights

The year 2002 financial report prepared by the Company was audited by PricewaterhouseCoopers Zhong Tian CPAs and PricewaterhouseCoopers, whose audited report expressed an unqualified opinion on the financial statements.

- (1) According to the PRC Accounting Standards, the financial highlights of the Group as at 31st December 2002 are as follows:

<b>Item</b>	<b>Unit: RMB'000</b>
Gross Profit	1,235,272
Net profit	816,833
Net profit after non-recurring profits/losses	819,725
Profit from principal operations	1,272,256
Other operating income	52,109
Profit from operations	1,185,700
Investment income	42,639
Subsidy income	—
Non-operating income/expenses, net	6,933
Net cash flow from operating activities	1,301,452
Net decrease in cash and cash equivalents	(65,246)

- (2) According to the accounting principles generally accepted in Hong Kong and accounting standards issued by Hong Kong Society of Accountants (Collectively "HKGAAP"), the financial highlights of the Group as at 31st December 2002 are as follows:

<b>Item</b>	<b>Unit: RMB'000</b>
Turnover	2,272,515
Profit before taxation	1,308,949
Profit attributable to shareholders	854,445
Operating profit	1,270,605
Net cash inflow from operations	1,298,842
Net decrease in cash and cash equivalents	(63,256)

(3) Differences between the PRC Accounting Standards and Hong Kong Accounting Standards:

The differences between the statutory financial statements prepared by the Group in accordance with PRC Accounting Standards and the financial statements prepared by the Group in accordance with HKGAAP are summarised as follows:

	Net Profit		Net Asset	
	2002	2001	31st December	
	RMB '000	RMB '000	2002	2001
	RMB '000	RMB '000	RMB '000	RMB '000
As reported in PRC statutory financial statements	816,833	780,864	13,613,202	13,453,721
HKGAAP adjustments:				
– amortisation of land use right	30,462	36,920	67,382	36,920
– valuation, depreciation and amortisation of fixed assets	35,320	30,730	(1,582,832)	(1,618,152)
– housing subsidy charged to retained earnings directly under the statutory accounts	(16,838)	—	—	16,838
– loss on disposal of staff quarters	—	—	(8,237)	(8,237)
– deferred taxation	(10,877)	(14,351)	(25,228)	(14,351)
– interests accrued on held-to-maturity securities	(7,077)	7,077	—	7,077
– fair value of trading securities	9,067	—	9,067	—
– dividends proposed in subsequent period	—	—	654,907	629,718
– others	(2,445)	—	—	—
As reported in this financial statements prepared in accordance with HKGAAP	854,445	841,240	12,728,261	12,503,534

(4) Reasons for the change in accounting standard for the year 2002:

Pursuant to Article 156 of the Articles of Association of the Company, in addition to the statutory financial statement, the Group shall also prepare an account in accordance with International Accounting Standards (“IAS”) or the generally acceptable accounting principles in the place of listing.

The accounts of the Group are prepared in accordance with the HKGAAP. This represents a change in the adoption of accounting standards for the preparation of accounts from prior years when the accounts were prepared in accordance with IAS.

The directors of the Company believe that the accounts prepared in accordance with HKGAAP will result in accounts presentation more familiar to the Hong Kong based investors and be more comparable to other Hong Kong listed companies with similar operations. The directors of the Company consider that there is no significant difference in the accounting treatments between adopting IAS and HKGAAP.



# Financial Highlights

(5) According to the PRC Accounting Standards, non-recurring profit/loss comprises the followings:

(Unit: RMB'000)

Items	2002		2001	
	The Group	The Company	The Group	The Company
Non-operating income	20,059	13,131	8,529	7,297
Non-operating expenses	(13,126)	(11,683)	(14,680)	(14,299)
Refund of income tax	—	—	163,430	163,430
Amortisation of difference on long term equity investments	(11,249)	(11,249)	(6,026)	(6,026)
Effects of Income tax	1,424	3,235	4,018	4,299
Total	(2,892)	(6,566)	155,271	154,701

(6) Principal accounting data and financial indicators of the Group under the PRC Accounting Standards for the past five years:

(Unit: RMB'000)

Items	2002	2001	2000	1999	1998
Income from principal activities	2,026,238	1,625,992	1,381,696	1,138,385	1,013,037
Net profit	816,833	780,864	691,486	604,868	542,775
Total assets	15,081,793	14,914,400	15,057,227	14,519,176	14,098,258
Total liabilities	1,072,088	1,329,334	1,608,363	1,899,271	1,694,154
Minority interests	396,503	131,345	129,451	129,453	127,500
Shareholders' equity	13,613,202	13,453,721	13,319,413	12,490,452	12,276,604
Earnings per share	RMB0.16	RMB0.16	RMB0.14	RMB0.12	RMB0.11
Net asset per share	RMB2.70	RMB2.67	RMB2.64	RMB2.56	RMB2.51
Adjusted net asset per share	RMB2.70	RMB2.67	RMB2.64	RMB2.56	RMB2.51
Net cash flow per share from operating activities	RMB0.26	RMB0.22	RMB0.20	RMB0.18	RMB0.17
Return on net assets	6.0%	5.8%	5.2%	4.8%	4.4%
Weighted average return on net assets	5.9%	5.7%	5.4%	4.8%	4.4%

(7) Principal accounting data and financial indicators of the Group under the HK GAAP for past five years:

(Unit: RMB'000)

Items	2002	2001	2000	1999	1998
Revenue, net	2,272,515	1,829,552	1,542,952	1,233,924	1,052,975
Net profit	854,445	841,240	688,306	630,683	566,363
Total Assets	13,566,108	13,334,684	13,400,108	12,844,327	12,397,693
Total Liabilities	441,344	452,305	940,466	1,296,469	1,318,721
Minority interests	396,503	378,845	343,951	343,953	212,485
Shareholders' equity	12,728,261	12,503,534	12,115,691	11,203,905	10,866,487
Earnings per share	0.1696	0.1670	0.1407	0.1290	0.1159
Net assets per share	2.53	2.48	2.41	2.29	2.16
Net cash flow per share from operating activities	1,298,842	1,092,958	916,085	855,419	726,814

(8) Change of shareholders' equity in accordance with the PRC Accounting Standards during the reporting period:

(Unit: RMB)

Items	At the beginning of period	Increase for the period	Decrease for the period	At the end of period	Reasons for change
Share capital	5,037,747,500	—	—	5,037,747,500	—
Capital reserve	7,484,538,998	—	—	7,484,538,998	—
Statutory surplus reserve	462,621,126	139,826,950	—	602,448,076	(i)
Including:					
Statutory public welfare fund	154,207,041	46,608,983	—	200,816,024	(i)
Unrealized loss on investments	—	(2,445,239)	—	(2,445,239)	(ii)
Retained earning	468,813,520	816,833,308	(794,734,125)	490,912,703	(iii)
Shareholders' equity	13,453,721,144	954,215,019	(794,734,125)	13,613,202,038	

The reasons for the changes in the shareholders' equity:

- (i) Statutory surplus reserve increased due to the profit appropriation.
- (ii) The unrealized loss on investments was unrecognized loss on an investment in a subsidiary, which was of negative shareholders' equity, according to the PRC Accounting Standards.
- (iii) Changes in retained earnings for the period due to current year's profit and profit appropriations, including profit appropriations to statutory reserves and dividends.

(9) Profit statement in accordance with the PRC Accounting Standards:

	Rate of return on net asset		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit for the reporting period				
Profit from principal operations	9.35%	9.18%	0.25	0.25
Operating profit	8.71%	8.55%	0.24	0.24
Net profit	6.00%	5.89%	0.162	0.162
Net profit after non-recurring profit/loss	6.02%	5.91%	0.163	0.163

# Chairman's Statement



## Capitalising on Opportunities Securing

“Year 2002 was a gratifying year. It saw the Group securing growth in its operating results six years in a row on the back of increasing traffic flow registered by its road and bridge assets as the Group continued to capitalise on various business opportunities.”



# Continued Growth



Jiangsu Expressway Company Limited



# Chairman's Statement



**Mr. Shen Chang Quan**  
Chairman

## Dear Shareholders,

Year 2002 was a gratifying year. It saw the Group securing growth in its operating results six years in a row on the back of increasing traffic flow registered by its road and bridge assets as the Group continued to capitalise on various business opportunities. Net operating revenues for the year amounted to RMB2,272,515, profit after tax amounted to RMB816,833,308 and earnings per share was RMB0.162 under PRC Accounting Standards, an increase of 4.58% over the previous year. According to HKGAAP, profit after taxation amounted to RMB854,445,000 and earnings per share was RMB0.1696, both an increase of 1.57% over the previous year.

The directors and management of the Company believe that it is their top priority to ensure continued growth in shareholders' value. For this purpose, we are constantly seeking new bases for profit growth, and the successful acquisition of Sujiahang Expressway underscores another positive

expansion of the Company's assets. The decision of the directors and management to acquire this asset has been vindicated by the rapid growth in traffic flow on the expressway since it became operational.

While reinforcing our core business, the Group is also actively exploring business opportunities in industries related to toll road operations, in a move to expand the scope of our investment by leveraging the strengths of our resources. During the year, the Group set up an investment company to invest in China Transportation HEAD New technology (Shanghai) Co. Ltd. ("HEAD") and Jiangsu Provincial Leasing Company Limited, which were expected to enhance the growth prospects of the Group.

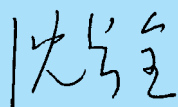
The establishment of the Level-1 ADR programme marked the Company's entry into the US capital market, following its listing in Hong Kong and China stock markets. It also means that the Company would henceforth be governed by the US as well as Hong Kong and China securities regulatory authorities. Building on ongoing efforts to regulate its operations, the Company is prepared to meet more demanding regulatory standards with a view to gearing up itself for developing into a major international corporation so as to capitalise on any future business opportunities in the international arena.

The Company is developing towards a sophisticated and comprehensive system of corporate governance after years of deliberate efforts. The introduction of Independent Directors has further ensured fair and prudent decision-making at the board level, while the establishment of special committees under the Board of Directors has enhanced the rationalised and effective operation of the Board. I am sure that the new Board of Directors to be elected in 2003 will be able to take the Company to a new high and ensure even greater return for both shareholders and employees.

A sound operating system and regulated corporate governance ensure adaptability in face of an ever-changing environment and help keep the Company on-track in achieving its goals. This year, the Company was included in the “Top 50 Companies Listed in Shanghai/Shenzhen” named by the Shanghai Stock Exchange with an overall 10th ranking. We ranked 14th in the “Best 100 Asia Pacific Companies — 2002” named by *CFO Asia* magazine and third among all Chinese companies included in this category. Such honours are a tribute to our dutiful Board members, dedicated management team and not the least, our employees who have devoted the best of their efforts.

In future, we shall work even harder to grow into a successful company with continued expansion in operations, strong growth in profitability, incessant enhancement in efficiency and stable growth in shareholder return.

By Order of the Board



**Shen Chang Quan**

*Chairman*

Nanjing, the PRC  
20th March 2003

# Report of the Directors

## (1) The Company's Investments

### 1. Acquisition of equity interests in Suzhou-Jiading-Hangzhou Expressway Co., Ltd. ("Sujiahang")

At the ninth session of the third Board of Directors meeting held on 8th April 2002, the "Agreement for the Sale and Purchase of 33.33% interests in Sujiahang, which concerns the purchase of an approximately 33.33% stake in Sujiahang from Jiangsu Communications Holdings Ltd for a consideration of RMB315,400,000 was approved. The acquisition was implemented after being reviewed and approved at the 2001 Annual General Meeting held on 28th May 2002. The consideration was funded by the Company's own resources in cash.

Sujiahang Expressway is an important split-flow of the trunk line of Tong Jiang Sanya National Highway and a major constituent of the expressway network planned by Jiangsu Province, serving as a traffic hub between Jiangsu and Zhejiang Provinces. Sujiahang Expressway intersects with the Jiangsu Section of Shanghai-Nanjing Expressway at Suzhou, where vehicles from Northern Jiangsu Province, Zhejiang Province, Shanghai and Nanjing are directed to Shanghai-Nanjing Expressway, thus increasing the traffic flow of the Jiangsu Section of Shanghai-Nanjing Expressway, the Company's major operating asset. As such, the acquisition is set to bring significant enhancement to the Company's profitability and expanding the Company's existing assets, both of which align with the Company's business development focus.

### 2. Incorporation of the Jiangsu Ninghu Investment Development Co., Ltd. ("Investment Company")

At the eighth session of the third Board of Directors meeting of the Company, the establishment of an investment company in the form of a joint venture with Suzhou Investment Company was reviewed and approved. The Investment Company completed business registration on 23rd September 2002 with a registered capital of RMB100 million. Its legal representative is Mr Chen Xianghui (Director and General Manager of the Company). The Company contributed RMB95 million in capital with its internal resources for a 95% stake, while Suzhou Investment Company contributed RMB5 million or 5% of the registered capital.

The Investment Company shall be involved mainly in investments in infrastructure projects and various industries. The Investment Company will conduct research on traffic-related industries as well as other industries after its incorporation, and will make opportune investments in incubation projects, with a view to bringing profit contribution to the Group in the long term.

### 3. Investment in China Transportation HEAD New Technology (Shanghai) Co., Ltd. ("HEAD Technology")

The eighth session of the third Board of Directors meeting of the Company passed a resolution to form Haide Technology in the form of a joint venture with other partners. During the period, the incorporation of HEAD Technology with the Company as one of its sponsors was approved by the Shanghai Municipal Government on 30th May 2002 pursuant to the approval document Hu Fu Ti Gai Shen (2002) No. 008.

HEAD Technology shall continue to reinforce its market position in its existing business of engineering design and project management software, while embarking on extensive joint ventures with foreign as well as domestic partners to explore opportunities in highway resource management and consultant services on intelligent traffic tools such as GIS and GPS applications. The Company, holding a 35.71% stake in HEAD Technology with a capital contribution of RMB7.50 million to its total registered capital of RMB21 million, is the largest shareholder of HEAD Technology together with China Communications No. 1 Highway Prospecting Design and Research Institute.

The incorporation of HEAD Technology represents a pro-active attempt in exploring new frontiers for investment and identifying new bases for profit growth, leveraging on the Company's existing resources to form joint ventures with enterprises of complementary strengths, which was consistent with the Company's business development strategy.

#### 4. Investment in Jiangsu Provincial Leasing Co., Ltd. ("Jiangsu Leasing")

At the 11th session of the third Board of Directors meeting, the investment of RMB100 million by Guangjing Xicheng, a subsidiary of the Company, for an approximately 20% stake in the enlarged registered share capital of Jiangsu Leasing was reviewed and approved. Yangtze Bridge Company, an associated company of the Company, will also invest RMB170 million in Jiangsu Leasing for an approximately 34% of the enlarged registered capital of Jiangsu Leasing. Following the completion of the investment, the Company would be indirectly interested in 26.1% of Jiangsu Leasing.

Jiangsu Leasing is the only company in Jiangsu Province and the 12th company throughout the nation which engages in the leasing business. Through the share capital expansion, the registered capital of Jiangsu Leasing was increased to RMB500 million, further enhancing its tangible assets and the capacity of the leasing business. In 2002, Jiangsu Leasing booked gross revenues of RMB19.04 million.

#### (2) Profit Distribution Scheme

The Board of Directors has proposed a profit distribution scheme for 2002 as follows:

##### In accordance with PRC accounting standards

	RMB'000
Gross profit	1,235,272
Less: Profit tax	(400,500)
Minority interests	(20,384)
Unrealized loss on investments	2,445
Net profit	816,833
Plus: Retained earnings, beginning	468,814
Profit available for distribution	1,285,647
Less: Appropriation of statutory surplus reserve fund	(93,218)
Appropriation of statutory public welfare fund	(46,609)
Profit available for distribution to shareholders	1,145,820
Less: Appropriation of dividend	(654,907)
Retained earnings, ending	490,913
Earnings per share	RMB0.162



# Report of the Directors

## In accordance with HKGAAP

	RMB'000
Profit before tax	1,308,949
Taxation	(434,120)
Minority interests	(20,384)
Profit attributable to shareholders	854,445
Profit appropriation:	
Statutory surplus reserve fund	(107,851)
Statutory public welfare fund	(53,925)
Profit available for distribution to shareholders for the year	692,669
Retained earnings, beginning	1,294,661
Dividends for 2001	(629,718)
Retained earnings, ending	1,357,612
Proposed dividends for 2002	(654,907)
Earnings per share	RMB0.1696

Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, the Company's financial statements shall be prepared according to both the PRC accounting standards and the HKGAAP. The profit available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under HKGAAP. As audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (domestic auditor), the net profit of the Company was RMB816,833,308 in 2002. After deducting the appropriation of 10% as statutory reserve fund and 5% as statutory public welfare fund and adding the retained earnings at the beginning of the year of RMB468,813,520, the total amount of profit available for distribution was RMB1,145,819,878. The Board of Directors has proposed to pay a final dividend of RMB1.3 (tax inclusive) for every ten shares to all shareholders, based on a total share capital of 5,037,747,500 shares.

The aforesaid profit distribution scheme proposed by the Board of Directors shall be submitted to the 2002 Annual General Meeting for consideration and approval. The date and procedure of the final dividend payment will be announced separately.

Holders of H Shares whose names appear on the register of members of the Company on 16th April 2003 are entitled to receive the final dividend. The register of members of the Company will be closed for transfer of H Shares from 16th April 2003 to 15th May 2003. The method and timing of the dividend payment and registration of shareholdings in respect of the holders of A Shares will be announced separately.

Holders of H Shares who wish to receive the final dividend should lodge their instrument of transfer together with the relevant share certificates to the Registrar of shares of the Company, Hong Kong Registrars Limited, 19/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, for registration of share transfer no later than 4:00 p.m. on Tuesday, 15th April 2003.

Payment of final dividend in respect of A Shares and H Shares is subject to the approval of the 2002 Annual General Meeting to be held on 15th May 2003. The date and procedure of payment of final dividend will be announced separately.

Pursuant to the Articles of Association of the Company, dividend of A Shares shall be paid in Renminbi, whereas dividend of H Shares shall be paid in Hong Kong dollars, the exchange rate of which shall be based on the average of the closing exchange rates of Renminbi against Hong Kong dollars as quoted by the People's Bank of China during the week immediately preceding 15th May 2003.

### **(3) Day-to-day Operation of the Board of Directors**

#### **1. The ninth session of the third Board of Directors meeting held on 8th April 2002**

The following matters were reviewed and approved at the meeting: adoption of the Directors' Report, audited accounts and auditors' report 2001; appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as international and domestic auditors of Company, respectively; the payment of a cash bonus of RMB1.25 (tax inclusive) for every ten shares as final dividend for 2001; the amendments to the Articles of Association and meeting procedures in relation to corporate governance; and the proposal to convene the 2001 Annual General Meeting.

Re-election of Directors was also conducted at this meeting, whereby Mr Wang Guo Gang and Mr Yang Hong Sheng were appointed as independent directors; Mr Zhang Wen Sheng was appointed as director, and the resignations of Mr Li Da Peng, Mr Liu Bu Cun and Mr Zhu Yao Ting as directors were approved.

Notice of the resolutions was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 9th April 2002.

#### **2. The tenth session of the third Board of Directors meeting held on 29th April 2002**

2002 First Quarterly Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 30th April 2002.

#### **3. The 11th session of the third Board of Directors meeting held on 28th May 2002**

The following matters were reviewed and approved at the meeting: the election of members and conveners for the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Performance Review Committee; the implementation of the Company's entrusted investment; and the investment in Jiangsu Leasing by Guangjing Xicheng.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 29th May 2002.

# Report of the Directors

#### **4. The 12th session of the third Board of Directors meeting held on 21st June 2002**

The internal investigation report on Listed Companies' Establishment of Modern Corporate Systems was reviewed and approved at the meeting.

#### **5. The 13th session of the third Board of Directors meeting held on 24th July 2002**

The dissolution of Yicao Company was reviewed and approved at the meeting.

#### **6. The first meeting of the Strategy Committee of the Board of Directors held on 2nd August 2002**

The feasibility study report on establishing an economic and trade vocational training college was reviewed at the meeting.

#### **7. The first meeting of the Audit Committee of the Board of Directors held on 15th August 2002**

The accountant's report and the interim financial reports of the Company were reviewed and approved at the meeting.

#### **8. The 14th session of the third Board of Directors meeting held on 15th August 2002**

The 2002 Interim Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 16th August 2002.

#### **9. The 15th session of the third Board of Directors meeting held on 29th October 2002**

The 2002 Third Quarterly Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 30th October 2002 respectively.

#### **(4) Board Implementation of Resolutions Approved at the General Meeting**

Implementation of the Company's profit distribution plan for the year of 2001:

It was resolved at the 2001 Annual General Meeting of the Company that the Company declared a cash dividend of RMB1.25 (tax inclusive) for every ten Shares to the Company's shareholders, with a total of RMB629,718,438 payable, on the basis of the total share capital of the Company of 5,037,747,500 Shares.

A notice in relation to dividend distribution was published simultaneously in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 11th June 2002. The share registrar closure date was 17th June 2002; the ex-dividend date was 17th June 2002; and dividends were paid out on 21st June 2002, thereby implementing the profit distribution plan for the previous year.

Dividends for the holders of the A Shares in issue were distributed by China Securities Depository & Clearing Corporation Limited Shanghai Branch in a uniform manner. Dividends for H Shareholders were distributed by the Bank of China, Hong Kong on the Company's behalf. Dividends for shareholders of State-owned Shares and legal person Shares were distributed by Hua Tai Securities Co., Ltd. on the Company's behalf.

## (5) Other Matters

### 1. Staff housing subsidies

According to the Implementation Opinion on Payment of Staff Housing Subsidies issued by Provincial Grade Entities in Jiangsu Province, the Company has stopped providing subsidies in kind to employees and has implemented the payment of housing subsidies to employees.

Staff housing subsidies are provided by way of either a lump-sum payment or a monthly subsidy payment. Employees who joined the Company before 30th November 1998 and with 5 years of employment and who do not have their own housing or the area of their housing is smaller than stipulated are entitled to the lump-sum payment. Employees who joined the Company as from 1st December 1998 are entitled to the monthly subsidies. The rate of subsidies shall be determined according to local standards.

At 31st December 2002, there were 1,294 employees of whom were qualified for housing subsidies, and housing subsidies paid by the Company amounted to RMB16,838,000. In the statutory accounts, subsidies in the form of lump-sum payments were directly charged to retained earnings. Subsidies in the form of monthly payments were charged against the budget of the wages of the employees and would be managed in accordance with housing fund management principles.

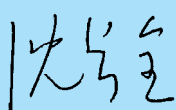
### 2. Staff medical insurance

The Company's staff medical insurance scheme was implemented in September 1999 with reference to the Implementation Opinion on Staff Medical Insurance Scheme Reforms promulgated by the Jiangsu Provincial Government. The payment ratio is capped at 9% of the total amount of an employee's wages, and annual gross expenses are capped at RMB6 million. The expenses is currently covered by general staff welfare fund which is accrued at 14% of the total amount of employees' wages, and therefore does not incur additional operating costs for the Company. The expenses also do not have any bearing on the Company's accounting treatment, consolidated profit and loss account or consolidated balance sheet.

### 3. Staff pension scheme

The Company participates in the central retirement and pension fund scheme administered by the State. In the first half of 2002, the Company is required to make an annual contribution equivalent to 20% of employees' wages, while employees are required to contribute 7%. Pursuant to documents issued by the Jiangsu Provincial Labour and Social Security Department, starting from 1st July 2002, the proportion of contributions to pension funds made by companies under the direct management of the provincial government was to be adjusted to 21% and the proportion of individual employees' contribution was to be adjusted to 8%. The Company has paid in full its required contributions to pension funds in 2002. The total amount paid was RMB9.357 million, which was included in the operating expenses of the Company. The retirement fund administered by the State shall undertake the pension payment to the Company's retired employees.

By Order of the Board



**Shen Chang Quan**  
Chairman

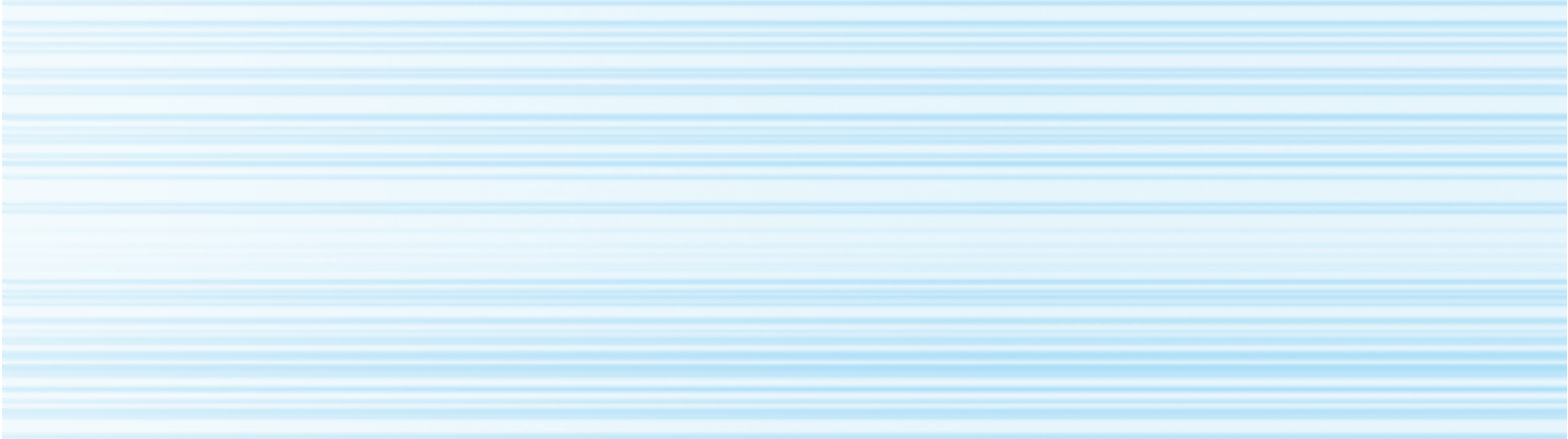
Nanjing, the PRC  
20th March 2003

# Management Discussion and Analysis



## Benefitting from a Robust Leveraging

“All in all, the rapid economic development both at the national and the Jiangsu provincial levels, coupled with growth in the number of vehicles and expressway mileage, has provided a predominantly favourable environment for the Group’s operations, adding increasing strengths to the Company’s projects.”



# Economy Our Advantages



Jiangsu Expressway Company Limited



# Management Discussion and Analysis



**Mr. Chen Xianghui**  
General General

## (1) Operating Environment

Year 2002 was the first year since China's WTO accession. It is also a crucial year for reinforcing and building on the positive start of the 10th Five Year Plan. China continued to implement the policy of expanding domestic demand. Industrial restructuring of various sectors was well underway and the pace of infrastructure construction was accelerated. Ongoing efforts were made in all areas towards the fulfillment of the goal of creating a moderately affluent society, procuring fast economic growth and social progress. Vigorous economic performance continued with an impressive GDP growth rate of 7.9%.

The strength of economic growth was particularly outstanding in the eastern coastal region of China. Foreign capital and companies had been swiftly drawn to the Yangtze River Delta Region since China's WTO accession, resulting in the soaring growth of an open economy not seen in previous years. As one of the most active provinces in China's eastern coastal region, Jiangsu Province

ranked second in the country in terms of GDP, which registered a strong growth rate of 10.3% in 2002.

The year under review was also a significant year in terms of the rapid transformation of Jiangsu Province's transport network. The province topped the nation with a total investment of RMB22.358 billion in transport infrastructure. No less than 316 miles of expressways were built during the year, and the total expressway mileage in the province open to traffic exceeded 1,700 km, taking Jiangsu to third ranking in terms of expressway mileage and first among all administrative provinces and regions in terms of expressway density. A provincial expressway network that covers all major locations and stretches through every direction has been put in place.

Meanwhile, robust economic development resulted, among other things, in further growth in automobile sales. Sales of private vehicles increased in an unprecedented scale. The province registered a 50% growth in private car ownership in 2002 according to reports, creating favourable conditions for growth in traffic flow and toll revenues for the expressways and highways operated by the Company.

All in all, the rapid economic development both at the national and the Jiangsu provincial levels, coupled with growth in the number of vehicles and expressway mileage, has provided a predominantly favourable environment for the Group's operations, adding increasing strengths to the Company's projects.

## (2) Operational Advantages

The Company is a professional entity engaged in the construction, operation and management of infrastructure assets. Ongoing rapid growth of the Company's operating results since it started operation in 1996 is a strong indication of the enormous advantages that it enjoys.

**Geographic advantage** — Yangtze River Delta Region in which the Group operates is economically the most prosperous region in China. Shanghai-Nanjing Expressway connects six medium or large cities, namely Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing. Underpinned by rich natural produces, solid foundations in manufacturing industries and heavy transportation, this region plays a special and important role in the national economy, boasting an annual GDP growth rate three percentage points above the national average.

**Industry advantage** — Highway operations are one of the key industries supported by the State. Revenues are relatively stable from highways, which are important infrastructural facilities conducive for economic development. The State has designated the transport infrastructure industry as a key industry in the coming years, which means that further financial and policy concessions will be available.

**Project advantage** — Road and bridge assets owned by the Group effectively form the major corridor and land access running through all parts of Jiangsu Province. It claims a special position in the national trunkway network, and its continuously growing traffic flow has ensured steady growth in investment return for the Company. Meanwhile, Jiangsu Province is also mulling major developments in transport facilities spearheaded by the construction of expressway networks, with an aim of having a total mileage of 3,500 km of expressways open to traffic by 2010. Project-wise, therefore, the Company is also facing highly positive prospects.

**Operational advantage** — Expressways in the region are well connected while road and bridges owned by the Company are already operating in large scale. This enables more effective use of resources to gradually achieve economies of scale.

**Human resources advantage** — The Company has been supported by a team of high-caliber experts in project construction in its highway projects, and during the course of its asset expansion and market-oriented, more operating and professional talents have been recruited. The diversity in our human resources structure serves as a driving force to upgrade the overall management standards of the Company.

**Brand name advantage** — The Company adheres to the management principles of lawful operation of road assets, corporate governance through moral cultivation, business building through a good reputation and the emphasis on brand name. We seek to build the Nanjing-Shanghai Expressway brandname by promoting corporate culture, improving corporate governance, standardizing operations and maintaining sound operating results.



# Management Discussion and Analysis

## (3) Analysis of Business Operations

### 1. Overview

During the year under review, the Group continued to seek positive expansion of its asset base through proactive participation and opportune investment, fully leveraging on its internal strengths as well as capitalising on the overwhelmingly positive macro-economic environment. Attempts were made to explore new business frontiers while reinforcing existing core operations, underpinning our incessant quest for profit growth. Marked efforts were also dedicated to the pursuit of rationalised and effective management and standardized operations, with a view to achieving stable and healthy corporate development.

The Group realised gross revenues of RMB2,395,199,000 in 2002, representing year-on-year growth of 24.76%.

The structure of the Group's revenues is analyzed as follows:

Items	Revenues in 2002 (RMB'000)	As percentage of gross revenues (%)	Year-on-year change (%)
Toll revenue of Shanghai-Nanjing Expressway	1,431,371	59.76	24.23
Toll revenue of Nanjing-Shanghai Class 2 Highway	249,898	10.43	11.09
Toll revenue of the Nanjing Section of Nanjing-Lianyungang Highway	52,874	2.21	4.88
Toll revenue of Guangjing Expressway	124,693	5.21	44.76
Toll revenue of Xicheng Expressway	167,402	6.99	49.04
Revenue from other operations	368,961	15.40	25.59
Total	2,395,199	100	24.76

## 2. Toll Road Operations

Toll road operations, the Group's core business, continued to perform well in 2002. All of our toll roads and bridges registered significant growth in traffic flow, resulting in gross toll revenues of RMB2,026,238,000, accounting for 84.60% of the Group's gross revenues and a year-on-year growth of 24.62%.

During the reporting period, the Company implemented the toll upgrade project for the southern network. Toll collection was further standardized and procedures were effectively enhanced.

### Details of major road and bridge projects

Project	Mileage (km)	Number of lanes	Number of toll stations	Number of service areas	Year starting operation	Remaining term
Shanghai-Nanjing Expressway	258.46	4	19	6	1997.6	25
Acquisition of operating rights for Nanjing-Shanghai Class 2 Highway	271.1	2-4	6	0	1997.6	10
Acquisition of operating rights for Nanjing Section of Nanjing-Lianyungang Highway	29.8	4	1	0	1999.1	27
Guangjing Expressway	17.2	6	1	0	1999.9	27
Xicheng Expressway	35	6	4	1	1999.9	27
Jiangyin Yangtze Bridge	3.07	6	1	0	1999.9	27
Southern Section of Sujiahang Expressway	54.4	4	6 (already open to traffic)	1	2002.12	30

### Comparative figures for daily average traffic volume (vehicles/day)

	2002	2001	2000	1999	1998	1997
Shanghai-Nanjing Expressway	25,356	21,013	18,087	16,235	13,964	12,121
Nanjing-Shanghai Class 2 Highway	41,442	42,434	42,357	42,909	45,174	47,517
Nanjing Section of Nanjing-Lianyungang Highway	9,986	9,450	10,644	10,243	—	—
Guangjing Expressway	19,481	13,361	8,977	7,471	—	—
Xicheng Expressway	17,205	11,889	8,963	8,165	—	—
Jiangyin Yangtze Bridge	20,836	15,555	14,162	—	—	—
Southern Section of Sujiahang Expressway	12,569	—	—	—	—	—

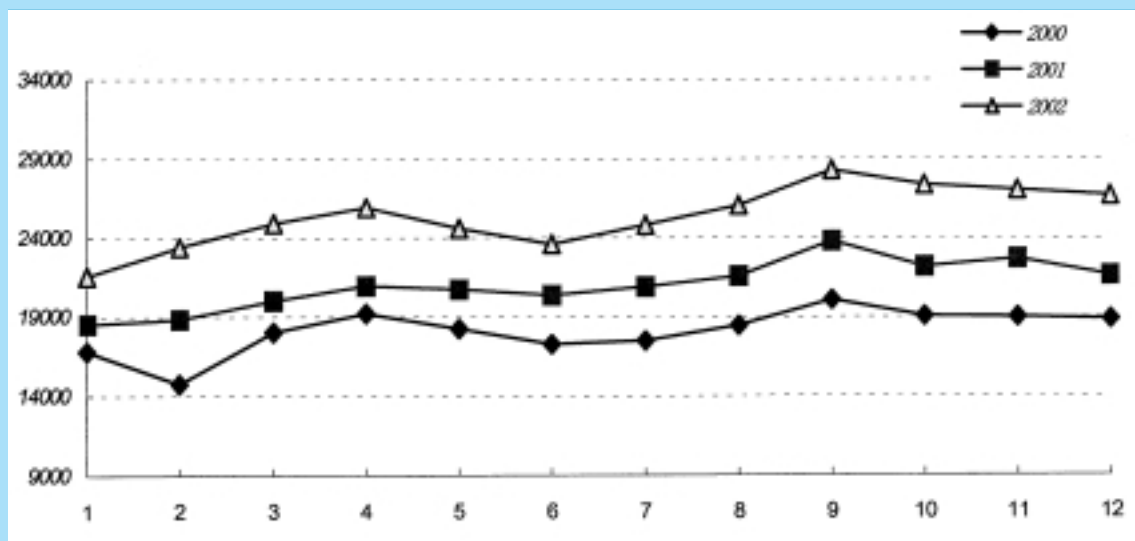
# Management Discussion and Analysis

**Comparative figures for daily average toll revenue (RMB'000/day)**

	2002	2001	2000	1999	1998	1997
Shanghai-Nanjing Expressway	3,921.6	3,156.6	2,640.0	2,390.0	2,049.5	1,570.0
Nanjing-Shanghai Class 2 Highway	684.7	616.3	620.9	647.0	726.0	712.5
Nanjing Section of Nanjing-Lianyungang Highway	144.9	138.1	147.2	143.5	—	—
Guangjing Expressway	341.6	236.0	153.9	128.0	—	—
Xicheng Expressway	458.6	307.7	212.9	186.0	—	—
Jiangyin Yangtze Bridge	1,016.1	700.4	460.8	—	—	—
Southern Section of Sujiahang Expressway	579.1	—	—	—	—	—

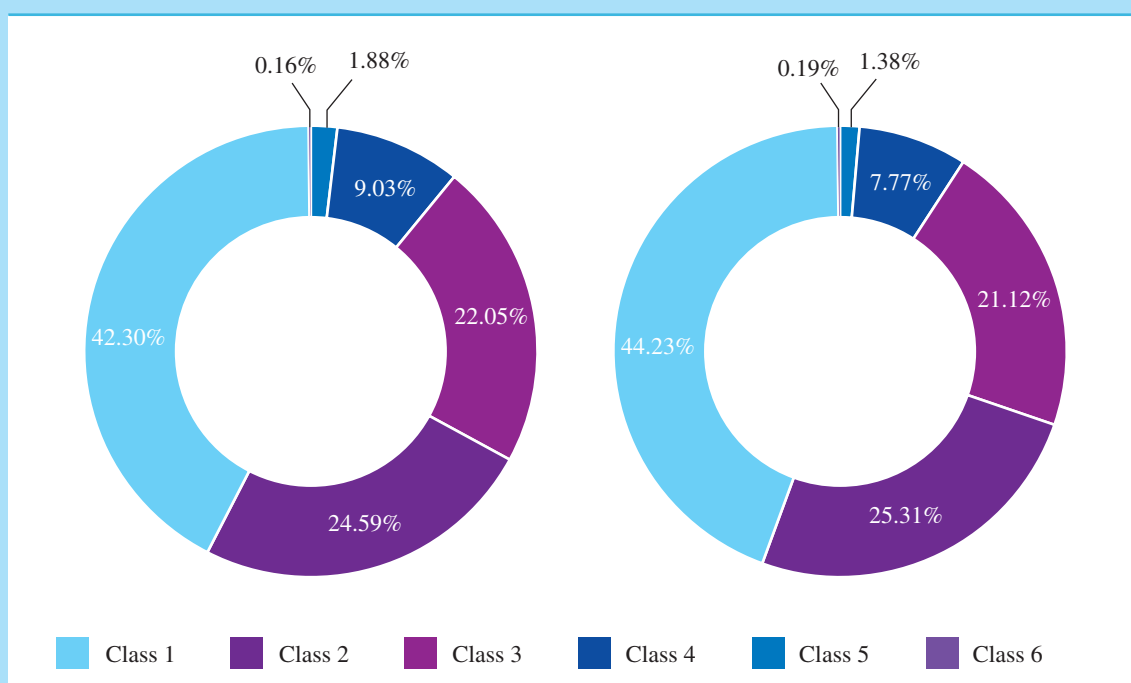
## Shanghai-Nanjing Expressway

During the reporting period, the daily average full-trip traffic volume for Shanghai-Nanjing Expressway was 25,356 vehicles. There is an increase in 20.67% in comparison to the corresponding period in the previous year. This marks the first growth rate above 20%. The tendency of the growth in the traffic volume was satisfactory. The volume of the cross-sectional traffic flow from the east of the Wuxi hub to Anting, Shanghai was 35,234 vehicles. There is an increase in 25.90% in comparison to the corresponding period in the previous year.



Average daily toll revenues for Shanghai-Nanjing Expressway during the period amounted to RMB3,921,600. There is an increase in approximately 24.23% in comparison to the corresponding period in the previous year. The proportion of the large vehicles (Classes 3 to 6) increased by 2.65 percentage points in comparison to the corresponding period in the previous year.

**The average composition of different classes of vehicles using Shanghai-Nanjing Expressway**  
2002 2001



#### Nanjing-Shanghai Class 2 Highway

Following the approval of the toll station re-alignment plan for Nanjing-Shanghai Class 2 Highway by the Jiangsu Provincial Government, the Baiyang Toll Station was relocated to the border of Shanghai on 28th December 2001 and renamed as Gunan Toll Station. Re-alignment of other toll stations is underway and is expected to be completed by the end of 2003.

During the reporting period, an average of 41,442 tolled vehicles passed through the toll station of Nanjing-Shanghai Class 2 Highway each day, a decrease in 2.34% in comparison to the corresponding period in the previous year. (Gunan Station collects tolls at one end of the highway only. It collects tolls at the entry to Jiangsu and does not collect any toll at the exit). Average daily toll revenues increased by 11.10% to approximately RMB684,700.

# Management Discussion and Analysis

## **Nanjing Section of Nanjing-Lianyungang Highway**

During the reporting period, an average of 9,986 tolled vehicles passed through the Nanjing Section of Nanjing-Lianyungang Highway each day, an increase in 5.67% in comparison to the corresponding period in the previous year. Average daily toll revenues was approximately RMB144,900. There is an increase in 4.92% in comparison to the corresponding period in the previous year. No negative impact was seen from the overhang of the road surface. The toll revenues were higher than expected.

## **Guangjing Expressway and Xicheng Expressway**

During the reporting period, Guangjing Expressway and Xicheng Expressway maintained the rapid growth trends that had been seen since the Nanjing-Shanghai Expressway became fully open to traffic, registering average daily full-trip traffic volumes of 19,481 vehicles and 17,205 vehicle respectively. The figures increased by 45.80% (in the case of Guangjing Expressway) and 44.71% in the case of Xicheng Expressway) in comparison to the corresponding period in the previous year. Average daily toll revenues amounted to RMB341,600 (in the case of Guangjing Expressway) and RMB458,600 (in the case of Xicheng Expressway), representing a growth of 44.75% and 49.04% in comparison to the corresponding period in the previous year.

## **Jiangyin Yangtze Bridge**

An average of 20,836 tolled vehicles passed through Jiangyin Yangtze Bridge every day during the reporting period and average daily toll revenues amounted to RMB1,016,100 million, representing growth of 33.95% and 45.07% in comparison to the corresponding period in the previous year.

## **Sujiahang Expressway**

The 54.4 km southern section (Suzhou to Wujiang) of Sujiahang Expressway, acquired during the reporting period, was opened to traffic on 8th December 2002. Since then, the growth of traffic flow has beaten expectations. Average daily full-trip traffic volume was 12,569 vehicles and average daily toll revenues amounted to RMB579,100, showing strong potential for future growth.

The northern section (Changshu to Suzhou) is scheduled to be opened to traffic in July 2004. Satisfactory conditions have been reported in terms of investment, work progress and quality control.

### **Road Maintenance**

Rapid growth of traffic flow, increasing overloaded and over-speed vehicles and aging of the roads have resulted in damage of the road surface of expressways. In view of the situation, the Company has devoted more human and financial resources to road maintenance and has remedied hazards on the road surface in a timely manner to ensure that the expressways are providing a safe passage.



New technologies, processes and materials have been introduced to enhance maintenance quality. Slurry paving technology has been applied in the maintenance of all sections and new materials for road surface repairs, such as TL2000 and ERA-C, etc, have been used to enhance preventive maintenance. Conditions of the road surface have been significantly improved as a result.

The Company has also developed an intelligent detective vehicle for inspecting road conditions, with major technical features matching international standards and being the country's first.

### **3. Non-core Businesses**

The Company actively develops non-core businesses along its expressways. Such businesses, including advertising, petroleum stations and food catering, have been adequately expanded and have provided good services to expressway travellers as well as good profits to the Company. These businesses have added a unique character to Shanghai-Nanjing Expressway. Meanwhile, the Company has optimised the use of its resources along its expressways. During the reporting period, the leasing of telecommunications cabling resulted in an additional revenue of RMB14,706,000 during the reporting period.

Revenues from non-core businesses totalled RMB368,961,000 in 2002, representing growth of 25.59% in comparison to the corresponding period of the previous year.

# Management Discussion and Analysis

## 4. Subsidiaries and associated companies

As at 31st December 2002, subsidiaries and associated Companies owned by the Group are as follows:

Names of subsidiaries and associated companies (status of legal entity)	Attributable equity interest	Registered capital RMB'000	Assets scale RMB'000	Net Profit RMB'000	Principal activities
Jiangsu Ninghu Investment Development Co., Ltd. (limited company)	95%	100,000	100,003	2.8	Investments in infrastructure projects and various related industries
Jiangsu Guangjing Xicheng Expressway Co., Ltd. (limited company)	85%	850,000	2,578,871	134,148	Construction, operation, maintenance and toll collection of Xicheng Expressway and related business of storage, passenger and freight transport and vehicle maintenance
Nanjing Shuangshilou Hotel Co., Ltd. (limited company)	95.05%	1,010	10,434	-1,847	Production and sale of Chinese food
Jiangsu Kuailu Bus Transportation Co., Ltd. (limited company)	33.2%	150,300	230,589	16,441	Road transportation, vehicle maintenance and sales of vehicles (excluding sedan cars) and spare parts
Jiangsu Yangtze Bridge Co., Ltd. (limited company)	26.66%	2,137,248	3,351,318	100,511	Mainly engaged in the construction, maintenance and operation of Jiangyin Yangtze Bridge and other traffic infrastructure
Suzhou Sujiahang Expressway Co., Ltd. (limited company)	33.33%	1,350,000	3,838,012	-3,046	Construction maintenance, management and toll collection of the Jiangsu Section of Sujiahang Expressway and related businesses along the route
China Transportation HEAD New Technology (Shanghai) Co., Ltd. (limited company)	35.71%	21,000	25,926	23	Development of engineering design, project management software, highway resource management and consultant services on intelligent traffic tools such as GIS and GPS applications

Note:

- (1) The Company and all its subsidiaries and associated companies are incorporated, and their main businesses are operated, in China.
- (2) At 31st December 2002, none of the subsidiaries or associated companies of the Company had any outstanding equity or debt securities in issue.

The Company's share of net profits from subsidiaries and associated companies in 2002 amounted to RMB139,776,000, accounting for 16.36% of the Group's profits attributable to shareholders and making significant contributions to the Group's profit growth.

#### (4) Corporate Management

Rationalised, comprehensive, standardized and efficient management is an important guarantee for the healthy development of an enterprise. Throughout 2002, the Management had been making major efforts to improve management standards at basic levels and to build a rationalised management system in tandem with modern corporate management requirements. Overall management capabilities have been enhanced to put the Company in a stronger competitive position.

**Management structure** — Based on the Company's overall strategic planning and taking into account of actual conditions, management organisation was restructured on the principles of simplicity, uniformity and efficiency. Duties of various departments were streamlined. The departments of investment development and operational management were enhanced, while departments carrying out general functions were trimmed. Management levels were reduced and management rules and regulations for individual functions were established or enhanced.

**Information system** — The requirement analysis and construction outline for the OA system of the integrated information system platform were completed and an IT network management system was built. Through the use of computer networks and applications, the collection, compilation and analysis of information and data were enhanced.

**Certifications** — The ISO9001 quality management program, the ISO14000 environment management programme and the OHSAS18001 safety and health programme were commenced concurrently to address the quality, safety and environment factors in highway management and to commit to providing to highway users standardised services that are fine, high quality, safe, smooth and environment-friendly.

**Human resources** — The Company has always sought to improve staff quality and to maximise initiatives, active involvement and creativity on the part of employees through pro-active human resources management. Education and training programmes were put in place to provide specific training. For production staff the training was mainly focused on the acquisition of new skills, while managers were given comprehensive training. Training for management at intermediary level or above was focused on strategic and forward thinking, with a view to improving the Company's overall management standards.

**Remuneration** — The Company has appointed a reputed international human resource consultant to conduct a study on the establishment of a promotion and remuneration system based on the Company's strategy and performance-driven management. A performance-linked remuneration system that relates annual remuneration to duties and risks was implemented for the management staff of the Company and its three quasi-legal entities. A remuneration system in which the interests of the managers are closely linked to the Company's profitability and risks has initially been put in place.

**Service Mission** — The Company has determined as its mission "People Come First; Vehicles Come First". Through regulated conduct and standardised services, we intend to build a prestigious brand name for our services and a positive social image for the Company.





# Management Discussion and Analysis

## (5) Financial Analysis

The Company adopts a financial policy which is proactive yet prudential. It reviews its debt portfolio regularly and makes any necessary change as it arises, so that risks of investment are strictly under control, thereby maximising the interests of both the Company and the shareholders.

### Financial position of the Group (under the PRC Accounting Standards)

Items	2002 (RMB'000)	2001 (RMB'000)	Change (%)
Total asset	15,081,793	14,914,400	1.12
Current liabilities	1,010,594	1,031,521	-2.03
Long-term liability	61,494	297,813	-79.35
Minority Interests	396,503	131,345	201.88
Shareholders' equity	13,613,202	13,453,721	1.19
Gross profit from operations	1,272,256	1,017,568	25.03
Net profit	816,833	780,864	4.61

Main reasons for the movement:

The long-term liability reduced and the minority interests increased because the board of directors of Guangjing Xicheng Expressway Co., Ltd. had resolved that the long-term liability be capitalised as capital reserve.

### Capital expenditure and financial resources

In 2002, the Group has implemented capital expenditure of approximately RMB756,548,000, with details as follows:

Item	Unit: RMB'000
Investments in Sujiahang Expressway	489,400
Investments in HEAD Technology	7,500
Investments in Jiangsu Provincial Leasing Co., Ltd.	100,000
Establishment of the Investment Company	95,000
Investments in the operating fixed assets	64,648
Total	756,548

The above capital expenditure was funded by the Group's own internal sources.

### Management of cash and liabilities

As an operator of toll expressways, the Group has been able to maintain a relatively stronger cash inflow from its ordinary operations since it started to operate, and its solvency position has been strong. According to the PRC accounting standards in 2002, the cash inflow from operating activities was RMB1,301,452,000, representing an increase of 19.45% in comparison to the corresponding period of the previous year. According to HK GAAP, working capital amounted to RMB552,945,000, representing a significant increase in comparison to the corresponding period of the previous year. Accordingly, the management considers that the Group has no liquidity problem.

According to HK GAAP as at 31st December 2002, the Group had a total of RMB828,678,000 in cash and cash equivalents, as well as bank borrowings of RMB188,316,000:

Items HK GAAP	As at 31st December, 2002 The Group (RMB'000)
Cash and cash equivalents	
Cash at hands	252
Bank deposits	719,359
Trading securities	109,067
Total:	828,678
Borrowings	
Short-term borrowings	120,000
Long-term borrowings, current portion	6,822
Long-term borrowings	61,494
Total:	188,316

### Solvency position

At the end of 2002, the borrowings of the Company were as follows:

	RMB'000
1. Repayable within one year	126,822
2. Repayable after one year, within two years	6,822
3. Repayable after two years, within five years	20,466
4. Repayable after five years	34,206
Total:	188,316

#### Notes:

1. The long-term bank loans were calculated at fixed interest rates, the facility of which amounts to US\$9,800,000 in total. The interest rate for the Spanish government loan was 1% per annum, the interest rate for the buyer's credit loan was 6.77% per annum.
2. Short-term bank loans were calculated at fixed rate of 5.04% per annum.
3. The management of the Company believes that the Company has sufficient cashflow for repayment of the bank loans to be due and payable.

# Management Discussion and Analysis

## Cash and bank deposits

The interest expenses for 2002 amounted to RMB10,727,000, interest income amounted to RMB13,135,000.

## Risk on foreign currency loan

The Group has no material foreign exchange risks. The Group obtained a loan from the Spanish Government in 1998 equivalent to US\$9,800,000. As at 31st December 2002, the balance of the loan was US\$8,252,000, but the Group has currently a foreign exchange deposit of US\$5,279,161 which offset the foreign exchange risks.

## Capital structure of the Group (HK GAAP)

The capital structure of the Group as at 31st December 2002 and the figures for 2001 for comparison are as follows:

Items	As at 31st December 2002		As at 31st December 2001	
	RMB'000	%	RMB'000	%
Shareholders' equity	12,728,261	93.8	12,503,534	93.8
Minority interests	396,503	2.9	378,845	2.8
Liabilities at fixed interest rates	188,316	1.4	265,016	2.0
Interest free liabilities	253,028	1.9	187,289	1.4
Total	13,566,108	100	13,334,684	100
Liabilities to total assets:	3.25%		3.39%	

## Ageing analysis of prepayments and other accounts receivable

	The Group			
	As at 31st December 2002		As at 31st December 2001	
	Amount RMB'000	% Over the balance of the account	Amount RMB'000	% Over the balance of the account
Ageing of balance				
Within 1 year	71,146	100	47,680	84.22
1-2 years	—	—	7,455	13.17
2-3 years	—	—	1,480	2.61
Total	71,146	100	56,615	100.00

Accounts receivable of the Group arose from the road repair and maintenance fees receivable by Modern Road and Bridge Company from third parties and the payment receivable from Yixing Communications & Construction Company upon the liquidation of Yicao Company.

## Ageing Analysis of construction fee payable

	The Group			
	As at 31st December 2002		As at 31st December 2001	
	Amount RMB'000	% Over the balance of the account	Amount RMB'000	% Over the balance of the account
Ageing of balance				
Within 1 year	58,741	100.00	45,661	67.11
1-2 years	—	—	364	0.53
2-3 years	—	—	16,214	23.83
over 3 years	—	—	5,802	8.53
Total	58,741	100.00	68,041	100.00

### (6) Operational Issues and Problems and Corresponding Solutions

The abolition of tax concession had an inevitable impact on the Company's profit. Income tax expense of the Company in 2002 amounted to RMB400,501,000, equivalent to 272.48% of the actual income tax expenses in the previous year. The effect of the abolition of tax concession on the Company's profit was mitigated by steady growth in operating income thanks to efforts to increase revenues.

### (7) Business Development Plans

In 2003, Jiangsu Province shall strive to maintain an annual growth rate of over 10%, achieving GDP value of RMB1,170 billion. Construction of transport infrastructure will be a priority and its development will be accelerated, with investments planned for the year amounting to RMB24.5 billion, an increase of RMB2.142 billion compared to 2002. RMB13.4 billion has been earmarked for expressway construction, which is expected to add mileage of more than 300 km, bringing the total expressway mileage in the province to above 2,000 km.

The nation's ongoing development towards a moderately affluent society shall provide a favourable external environment for the Company's operations. A string of construction projects in the pipeline shall provide a strong driving force to the Company's growth, while our existing financial and technological strengths shall render solid support for further improvements in the Company's operational management.

A project to widen Shanghai-Nanjing Expressway has been contemplated to meet growing traffic flow, for which a feasibility study report and construction plans are now closely reviewed. The Company expects to report concrete progress of this project within 2003.

Relocation of toll stations along Nanjing-Shanghai Class II Highway continues and efforts are being made for the re-aligned stations to start toll collection within the first half of 2003. We will strive to reduce hazards arising from the removal process to a minimum to ensure smooth relocation of the stations concerned.

Management enhancement represents a reinforcement task for the Company and an important foundation for the Company's long-term development. We will continue to designate 2003 as the "Management Year", during which we are set to achieve the management objectives of enhancing disciplines in business practices, improving service standards, introducing performance appraisal systems and promoting rationalised decision-making. A human resource management structure that emphasises both fairness to employees and competitiveness for the Company will be put in place to ensure results-driven performance.

Practical financial policies and capital-raising programmes will be formulated on the basis of the Company's operational requirements and investment plans. Opportunities to participate in relevant projects will be actively pursued to expand the Company's portfolio of toll road and bridges in Jiangsu Province.

**Chen Xiang Hui**  
General Manager

Nanjing, China  
20th March 2003

# Report of the Supervisory Committee

## (1) Supervisory Committee meetings during the reporting period

### 1. At the sixth session of the Third Supervisory Committee meeting held on 8th April 2002

The following resolutions were considered and passed: the Company 2001 Annual Report, Report of the Supervisory Committee and Meeting Agenda of the Supervisory Committee; the nomination of Mr. Zhang Cheng Yu as Supervisor of the Company, and the resignation of Mr. Du Wen Yi from the position of Supervisor due to change of job.

Announcement of the resolutions passed was published on China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 9th April 2002.

### 2. The seventh session of the Third Supervisory Committee meeting held on 15th August 2002

The Interim Report and Summary for 2002 were approved.

## (2) Report of the Supervisory Committee

To: All shareholders

Strictly pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company, the Supervisory Committee of the Company has faithfully discharged its duties during the year 2002 for the purpose of safeguarding the lawful interests of the Company and its shareholders, within the framework as laid down by the Governance Standards and the Listing Rules. We exercised to the fullest and widest extent effective supervision on the management behavior of the Company's directors, management and senior management as well as the decision-making proves of the Company. We put forward our independent opinions on the following matters:

### 1. Compliance

We consider the Company's directors and senior management have complied with the requirements as stipulated in the relevant laws and regulations, the Company's Articles of Association, the Governance Standards and the Listing Rules in their daily management practices, discharged their duties, established comprehensive internal control system, and have, bearing in mind the best interests of the Company, cooperated pursuant to the gist of the team spirit and in an active, cautious and diligent manner. We also consider the Company's process of decision-making is lawful and effective.

During the year, the Company did not face or initiate in any material proceedings. All directors and managers had operated in strict compliance with the Listing Rules governing listed companies and their management practices are in line with national laws and regulations, the Articles of Association of the Company and the interests of its shareholders.

## **2. Financial conditions of the Company**

We have reviewed the Report of the Board of Directors and the Report of General Manager, as well as the 2002 financial statements and the dividend distribution scheme submitted to the general meeting for approval. We are of the view that the financial payments position and operating results of the Company are fairly and correctly reflected and that all the expenses are reasonable. The distribution of dividend is in the interest of domestic and overseas shareholders as well as the long-term development of the Company and is made after making allocations to the surplus and the public welfare fund according to the relevant laws, regulations and the articles of Association of the Company.

The Supervisory Committee endorsed the unqualified 2002 Financial Report of the Company issued by PriceWaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PriceWaterhouseCoopers for submission to the general meeting. The financial data in the report fairly and accurately reflected the actual situation of the Company.

## **3. Use of proceeds**

We consider that the Company has been very active in fulfilling the commitments as set out in the prospectus, after A share issue was successfully launched. As at 31st December 2002, all the proceeds from A shares issue was used as set out in the prospectus. The acquisition procedures were undertaken in compliance with laws and regulations.

## **4. Acquisition and disposal of assets**

We believe that the acquisition of shares in Sujiahang Company Limited is in strict compliance with resolutions of the general meeting. The transaction price was determined at arm's length, and the Supervisory Committee is not aware of any insider dealing, breach of any resolution or action prejudicial to the interests of any shareholder or asset of the Company.

## **5. Connected Transaction**

We consider that all contracts, agreements and other documents relating to connected transactions during the year have been properly disclosed by the Company. Such contracts and agreements are at arm's length and in compliance with requirements of laws without prejudicing interests of the Company or its shareholders. The signing and approving procedures also comply with requirements of laws. The connected transactions have been entered in strict compliance with principle of being "fair, equitable and open" and the interests of the Company and its shareholders have been fully safeguarded, so that none of the interests of the Company nor its shareholders are prejudiced

By order of the Supervisory Committee

**Zhong Zhang Wan**

*Chairman of the Supervisory Committee*

Nanjing, the PRC

20th March 2002.

# Corporate Governance Structure

## (1) Corporate Governance at the Company

With a view to safeguard the interests of the investing public, the Company has modified its corporate structure based on the Guidance on the Establishment of Independent Directorship in Listed Companies (the “Guidance”) and the Governance Standards for Listed Companies (the “Governance Standards”) issued by the CSRC, with an aim to establish a modernized corporate system and to improve corporate governance.

During the reporting period, the Company’s Board of Directors underwent a restructuring that resulted in the addition of two qualified independent directors, resulting in the total number of independent directors on the Company’s Board to four, being one third of the total number of Board members, which complies fully with the requirements laid down in the Guidance.

To further fine-tune the system, the Company has set up three special committees under the Board of Directors, namely, the Strategy Committee; the Nomination, Remuneration and Performance Review Committee; and the Audit Committee, and has revised the Company’s Articles of Association accordingly. During the reporting period, each of the Committees convened two meetings to consider and approve decisions on the Company’s project investments and on the auditing of the Company’s financial reports.

With reference to the Governance Standards, the Company has also formulated Rules of Proceedings for Shareholders’ General Meetings; Rules of Proceedings for Board of Directors Meetings; Rules of Proceedings for Supervisory Committee Meetings; Detailed Rules for the Operation of Independent Directors; Detailed Rules for the Operation of the Special Committees of the Board of Directors; Detailed Rules for the Operation of the Secretariat Office of the Board; Detailed Rules for the Office of General Manager; and the Financial Management Regulations, all of which serve to provide a set of regulatory frameworks and guidance for the operations of the various different areas, thereby ensuring all organs of the Company are functioning effectively and all decisions are made in a scientific manner.

During the reporting period, the Company conducted diligent and detailed internal investigations and rectifications and compiled internal investigation reports in respect of the independence of the Company, the development of the three committees, standardised operations and regulated conduct of the controlling shareholder, in accordance with the Notice on Inspection of Listed Companies’ Establishment of Modern Corporate Systems as required by the CSRC and the State’s Economic and Trade Commission.

## (2) Performance of Duties by Independent Directors

The Company’s independent directors have faithfully performed their obligations to act in good faith and diligently in accordance with pertinent laws and regulations and the Articles of Association, safeguarding the overall interests of the Company with special emphasis on protecting the lawful interests of the minority shareholders from being prejudiced against. They furnished independent opinions on the Company’s connected transactions and significant matters in an independent capacity.

### (3) Five Separations between the Company and its Controlling Shareholder

Based on the principles of “distinctive ownership, unequivocal delegation of authority and separation of political and corporate structures, and scientific management”, the Company and Communications Holdings, the controlling shareholder of the Company, are independent of each other in operations, assets, personnel, organisation and finance, and the relationship between the Company and the controlling shareholder is defined as purely in relation to ownership.



The Company and the controlling shareholder operate in different areas of business and do not relate to each other as upstream or downstream companies. The Company’s assets are strictly separated from the controlling shareholder’s assets and the Company has full ownership over its operating assets, the operation of which is entirely independent. No employees are holding concurrent positions in both companies. The Company has independent authority in labour affairs, personnel management and salary management. In the event that the controlling shareholder nominates directors and supervisors to the Company, it has to go through formalised, lawful procedure. There is no question of one team operating in two companies. Offices and venues of the two companies are physically separated. The two companies each have their own financial department with separate accounts. Financial decisions are made independently, and the Company’s fund application is free from any interference from the controlling shareholder.

### (4) Code of Best Practice

Pursuant to paragraph 14 of the Code of Best Practice set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange, the Board of Directors of the Company has established an audit committee to review and supervise the Company’s financial reporting process and internal controls. The audit committee comprises three members, two of whom are independent directors.

None of the Directors are aware of the existence of any reasonable indications that the Company is not or has not been in compliance with the Code of Best Practice at any time during the current period.



# Directors, Supervisors, Senior Management and Staff

## (1) Directors, Supervisors and Senior Management

### 1. General Information

Name	Gender	Age	Position with the Company	Term of Office (Note 1)	Shareholding at the beginning of the year	Change of Shareholding during the year	Shareholding at the end of the year (Note 2)
Sheng Chang Quan	M	55	Chairman	From April 2001 to 2003	0	0	0
Zhou Jian Qiang	M	50	Director	From April 2001 to 2003	0	0	0
Zhang Wen Sheng	M	56	Director	From May 2002 to 2003	0	0	0
Chen Xiang Hui	M	40	Director and General Manager	From April 2001 to 2003	0	0	0
Fan Yu Shu	F	51	Director	From May 2000 to 2003	0	0	0
Cui Xiao Long	M	42	Director	From April 2001 to 2003	0	0	0
Wang Zheng Yi	M	45	Director	From May 2000 to 2003	0	0	0
Chang Yung Tsung	F	71	Independent Director	From May 2000 to 2003	0	0	0
Fang Keng	M	64	Independent Director	From May 2000 to 2003	0	0	0
Wang Guo Gang	M	48	Independent Director	From April 2002 to 2003	0	0	0
Yang Hong Sheng	M	43	Independent Director	From April 2002 to 2003	0	0	0
Zhong Zhang Wan	M	60	Chairman of the Supervisory Committee	From May 2000 to 2003	0	0	0
Jia Da Kang	M	60	Supervisor	From May 2000 to 2003	0	0	0
Xu Yang	M	31	Supervisor	From April 2001 to 2003	0	0	0
Zhang Cheng Yu	M	52	Supervisor	From May 2002 to 2003	0	0	0
Ma Ning	F	46	Supervisor	From April 2001 to 2003	0	0	0
Li Da Pang	M	50	Deputy General Manager	From December 2000 to 2003	0	0	0
Liu Bu Cun	M	53	Deputy General Manager	From December 2000 to 2003 to 2003	0	0	0
Wu Zan Ping	M	39	Deputy General Manager	From August 2001 to 2003	0	0	0
Yao Yong Jia	M	39	Secretary to the Board of Directors	From December 2000 to 2003	0	0	0
Liu Wei	F	47	Manager of the Financial Accountant's Department	From December 2000 to 2003	0	0	0
Lam Che Wah	M	39	Company Secretary (Hong Kong)	From June 2002 to one year	0	0	0

Notes:

- (1) The contracts of the Directors and Supervisors can be terminated by either the Company or the relevant Director or Supervisor by giving the other party not less than three months' prior written notice.
- (2) None of their spouses or children under 18 years of age or their controlled entities with more than 30% equity interests holds any shares in the Company.
- (3) The Directors and the senior management of the Company are not associated or related.
- (4) Directors Mr. Shen Chang Quan, Mr. Zhou Jiang Qiang, Mdm. Fan Yu Shu and Mr. Cui Xiao Long and Supervisor Mr. Zhang Cheng Yu are also directors or employees of Communications Holdings, the controlling shareholder of the Company that holds 55.22% of the Company's shares. Mr. Zhang Wen Sheng, a Director of the Company and Ms. Ma Ning, a Supervisor of the Company, are either director or employee of Hua Jian Centre, the second largest shareholder of the Company that holds 11.86% of the Company's shares. Mr. Wang Zheng Yi, a Director of the Company, is also director of Jiangsu Communications Construction Group, one of the founders of the Company that holds 3.08 million social legal shares of the Company.
- (5) No compensation has to be paid in respect any director whose contract of service has not yet expired but who will be re-elected in next shareholders meeting.
- (6) The Company is not aware of any substantial interest directly or indirectly held by the directors, nor any material contract entered into between the Company and any of its directors.

**2. Emoluments for the year**

- (1) The emoluments payment for directors, supervisors and other senior management are in accordance with their salary agreements entered with the Company.
- (2) The directors, supervisors and other senior management who are in office during the review period received annual emoluments in the total amount of RMB1,588,000. The three highest paid directors received emoluments of RMB452,000 in aggregate.
- (3) The five highest paid senior management staff received emoluments in the total amount of RMB936,000, all of which are basic salaries. There were no housing allowances or any other allowances.
- (4) The annual emoluments of the directors, supervisors and other senior management ranged from RMB100,000 to RMB250,000. There are 8 persons in band 1.
- (5) The annual allowances paid for each of the two independent foreign directors and each of the two independent domestic directors by the Company are HK\$100,000 and RMB\$40,000 respectively.
- (6) Mr. Shen Chang Quan, Mr. Zhou Jian Qiang, Mr. Zhang Wan Sheng, Ms. Fan Yu Shu, Mr. Cui Xiao Long, Mr. Wang Zheng Yi, Mr. Xu Yang, Mr. Zhang Cheng Yu and Ms. Ma Ning did not receive emoluments.
- (7) Ms. Chang Yung Tsung, Mr. Fang Keng, Mr. Wang Guo Gang and Mr. Yang Hong Sheng did not receive emoluments other than allowances.
- (8) Under the State-sponsored retirement plan adopted for the directors who were in office during the review period, the annual contribution per person is RMB7,354. The Company did not pay for the pension of retired directors.

# Directors, Supervisors, Senior Management and Staff

### 3. Changes in Directors, Supervisors and senior management during the reporting period

In accordance with requirements laid down in Guidelines for Formulating Independent Directorship at Listed Companies promulgated by the China Securities Regulatory Commission, the Company adjusted the membership of the Board of Directors during the reporting period. At the ninth meeting of the third session of the Company's Board of Directors, Mr. Wang Guo Gang and Mr. Yang Hong Sheng were nominated for the posts of Independent Directors, Mr. Li Da Peng and Mr. Liu Bu Cun resigned as Directors, Mr. Zhu Yao Ting resigned as Director by reason of retirement and Mr. Zhang Wen Sheng was nominated for the post of Director of the Company.

The sixth meeting of the third session of the Company's Supervisory Committee approved the resignation of Mr. Du Wen Yi as Supervisor following changes in his duties and nominated Mr. Zhang Cheng Yu as Supervisor.

The above changes in Directors and Supervisors were reviewed and approved by the 2001 Annual General Meeting of shareholders held on 28th May 2002.

### 4. Profile of Directors, Supervisors and Senior Management

#### (1) Director

**Mr. Shen Chang Quan**, born in 1948, economist, is the chairman of the Board of Directors of the Company. Mr. Shen had been the major and the party secretary of Wu County since 1981, and a deputy mayor of Suzhou City since 1992. He was in charge of urban and communication development of Suzhou City for a long time and is responsible for the development of the Suzhou City New Technology Development Zone from 1992 to 1997. He has extensive experience in engineering and management. He has been the chairman of the board of Communications Holding since January 2001.

**Mr. Zhou Jian Qiang**, born in 1953, senior economist and senior engineer, graduated in 1985 with a master's degree, is a supervisor of the Company. Mr. Zhou has been a director of Jiangsu Provincial Planning Economy Committee since 1985, and a deputy general manager of Jiangsu ITIC in 1997; deputy director of Jiangsu Provincial Planning Economy Committee in 1999; and vice chairman and general manager of Communications Holding since January 2001. Mr. Zhou has been involved in investment management, finance and securities for a long time, and has extensive experience in operation and management.

**Mr. Zhang Wen Sheng**, born in 1947, senior economist, is a director of the Company. Mr. Zhang started working at the Tianjin Port in 1968. In 1974, he joined the Ministry of Communications where he has been Secretary of General Office, Deputy Director of Production Regulatory Bureau, Deputy Director of Enterprise Administrative Bureau, Director of System Reformation Office, Director of System Regulatory Office and Assistant Supervisor, etc, underscoring his longstanding involvement in communication administration. In 1998, he became the Deputy General Manager of HuaJin Transportation Economic and Development Centre. Currently, he is also the Vice Chairman of Northeastern Expressway Co., Ltd. and Sichuan Expressway Co., Ltd. and Director of Anhui Expressway Co., Ltd.. Mr. Zhang has extensive experience in the research of corporate laws and business management.

**Mr. Chen Xiang Hui**, born in 1963, university graduate, senior engineer. Mr. Chen has been a director and General Manager of the Company since December 2000. Mr. Chen has been involved in communication construction and management for a long time. Mr. Chen was the deputy director of Project Quality Supervisory Section of Jiangsu Communications Department and a director of Ninglian Ningtong Management Office with over 10 years of experience in communication construction and management. Mr. Chan is also the chairman of the Board of Guangjing Xicheng and deputy director of Yangtze Bridge Co. Ltd.

**Ms. Fan Yu Shu**, born in 1952, tertiary educated, accountant, is a director of the Company and director of the Finance Department of Communications Holdings. Ms. Fan was a manager of Transportation Business Department of Jiangsu Leasing Company and a vice manager of Jiangsu Communications Investment Corp. She has 20 years of experience in finance and accounting management.

**Mr. Cui Xiao Long**, born in 1961, university graduate, senior economist, is a director of the Company. Mr. Cui had been working in Jiangsu Communications Department since 1984. He was the section chief of Finance Division and the deputy general manager of Jiangsu Communications Investment Corp. Mr. Cui is manager of Investment and Development Division of Communications Holding; a director of Yangtze Bridge Co. Ltd.; the deputy secretary general of Communications Enterprise Association of Jiangsu Province. He has over 10 years of experience in corporate management and finance management.

**Mr. Wang Zheng Yi**, born in 1958, university graduate, senior engineer, is a director of the Company and the chairman of Jiangsu Communications Construction Group. Mr. Wang was once a deputy head of the Communications Design and Planning Institute of Jiangsu Province and a deputy general manager and chief engineer of Jiangsu Province Communications Department's joint venture in Madagascar. He has around 20 years of experience in road designing, construction and management.

**Ms. Chang Yung Tsung, Alice**, born in 1932, is an independent non-executive director. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region and an advisor for the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch). She is currently a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference, the Chairman of the Chinese General Chamber of Commerce, the special advisor of the Chinese Society of Macro Economics and the chairman of the Business Enterprise Management Centre of the Hong Kong Management Association. She is also the managing director of Taching Petroleum Co. Ltd., the China Senior Advisor for Telefonaktiebolaget LM Ericsson, and a director of Nanjing Ericsson Panda Communications Co., Ltd. and Beijing Ericsson Mobile Communications Co., Ltd. Ms. Chang has decades of experience in business development and investment. Ms. Chang has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government.

**Mr. Fang Keng**, born in 1939, originated from Shanghai, graduated from Massachusetts Institute of Technology with a Chemical Engineering Master's degree in 1960s, is an independent non-executive director of the Company and the chairman of Fang Brothers Knitting Ltd., a non-executive director of Hong Kong and Shanghai Banking Corporation Ltd., and a committee member of the National Committee of the Chinese People's Political Consultative Conference. He also undertakes many other key positions in major industrial or commercial associations and public service institutes, such as the chairman of Hong Kong Productivity Council, chairman of the Board of Governors of Prince Philip Dental Hospital, Hong Kong, Honorary Chairman of Hong Kong Wollen & Synthetic Knitting Manufacturers Association Limited and a member of the Textile Advisory Board.

**Mr. Wang Guo Gang**, born in 1955, PhD, an independent director of the Company. Mr Wang started with a teaching career as professor at Nanjing University in 1988 before he joined Huaxia Securities Co., Ltd. as Vice President in 1993 to begin his long-term involvement in the financial sector. He has been Deputy Director and Professor at the Institute of Finance, Trade and Economy of the China Social Science Financial Research Center since 1994. Mr. Wang is well versed in financial studies and has extensive experience in business management.

# Directors, Supervisors, Senior Management and Staff

**Mr. Yang Xiong Sheng**, born in 1960, an independent director of the Company and supervisor for doctoral candidates. Mr. Yang became Research Office Director of Jiangsu Lianyungang Finance School in 1981 before joining the Lianyungang Audit Bureau in 1987. In 1994 he was posted to the Accounting Department of Nanjing University, where he has been Department Head since 1999, underpinning his profound expertise in the accounting profession.

## (2) Supervisors

**Mr. Zhong Zhang Wan**, born in 1942, tertiary educated, is the chairman of the Supervisory Committee. Mr. Zhong joined the Company in August 1992. He was a deputy manager of the Jiangsu United Transport Co., a deputy director of the Business Development Department of the Jiangsu Expressways Command Office, a deputy director of the Securities Department and Manager of the Securities Investment Department of the Company. He has considerable experience and in economic management and has been involved in investment, securities financing since joining the Company in 1992.

**Mr. Jia Da Kang**, born in 1943, university graduate, senior engineer, is a supervisor of the Company. Mr. Jia joined the Company in October 1996. He was a deputy director and director of the Jiangsu Highways Bureau, a deputy director of Jiangsu Mariners and Highway Transport Union, and a member and secretary-general of the Jiangsu Communications Engineering Institute and the head of the Road Administration Department of the Company and Manager of the Assets Management Department of the Company. He is the leader of both the general team of Jiangsu Expressway Administration Department and support team of Shanghai-Nanjing Expressway Administration Department. He has been engaged in economic management and transport management for almost 30 years.

**Mr. Xu Yang**, born in 1972, university graduate, is a supervisor of the Company and a director of Communications Holdings. Mr. Xu had been in Armed Police Jiangsu Headquarter Jiangsu Point Constable Team and Jiangsu Communication Department Political Division. He has been engaged in administration, transportation and economic management for many years.

**Mr. Zhang Cheng Yu**, born 1951, tertiary educated, senior economist and a supervisor of the Company. Mr. Zhang has been the Deputy General Manager, Deputy Secretary of Communist Party Commission, General Manager and Secretary of Communist Party Commission of Yangzhou Motoring Corporation. He became the Deputy Head of the Communist Bureau of Yangzhou City in 1996 and then joined Jiangsu Yangtze Bridge Co., Ltd. as Deputy General Manager in January 2001. In July 2001, he became General Manager of Jiangsu Ningjingyuan Expressway and in January 2002, he became Personnel Manager of Jiangsu Communications Holding Ltd. Mr. Zhang has extensive experience in financial management.

**Ms. Ma Ning**, born in 1956, tertiary educated, accountant, is a supervisor of the Company and the deputy manager of Administration and Human Resources Department of Huajian Center. Ms. Ma had been an accountant in the finance department of the Communications Department since 1975 and an accountant of China Association of Navigation since January 1990. She has been working for Huajian Center since June 1994 and is now a departmental deputy manager.

### (3) Other Senior Management

**Mr. Li Da Peng**, born in 1953, tertiary educated, economist, is a Deputy General Manager of the Company. Mr. Li joined the Company in January 1996. He was once deputy head of the Communications Design and Planning Institute of Jiangsu Province and the chairman of the board of Directors of Jiangsu Bus and general manager of Xicheng Co. Mr. Li has over 20 years of experience in economic and transport management.

**Mr. Liu Bu Cun**, born in 1950, university graduate, economist, is a Deputy General Manager of the Company. Mr. Liu joined the Company in August 1992. He was once a deputy director of the general office of the Communications Department of Jiangsu Province, and deputy director of the Jiangsu Expressways Command Office and general manager of Guangjing Co. He has over 20 years of experience in legal and economic management.

**Mr. Wu Zan Ping**, born in 1964, university graduate, senior engineer, the Deputy General Manager of the Company. Mr. Wu joined the Company in August 1992. He was a deputy director and director of the Jiangsu Expressways Command Office and a deputy director, manager and assistant to the general manager of the Engineering and Technology Department of the Company. He has been involved in the management of transportation projects for more than 10 years.

**Mr. Yao Yong Jia**, born in 1964, master, senior engineer, is the Secretary to the Board of Directors. Mr. Yao joined the Company in August 1992. He was a section chief of Communications Design and Planning Institute of Jiangsu Province and the Jiangsu Expressways Command Office and the Securities Department as well as the director of the secretariat of the Board of Directors of the Company. Mr. Yao has extensive experience, he has been engaging in project management, investment analysis, financing and securities.

**Ms. Liu Wei**, born in 1956, university graduate, senior accountant. Ms. Liu is the Manager of the Finance Accountant's Department of the Company. Ms. Liu joined the Company in August 1992. She had been the deputy section chief of the Planning Division of the Communications Department of Jiangsu Province, the person-in-charge of the Finance Department of the Jiangsu Roads & Bridges Construction Co. and the section chief of the Finance Division of the Jiangsu Expressways Command Office. Ms. Liu is also the deputy division chief and the manager of the Finance Department of the Company. She has been working in the economic and financial management for 20 years and has extensive experience in the areas.

**Mr. Lam Che Wah, Danny**, born in 1964. Mr. Lam is the Secretary to the Board of Directors in Hong Kong. Mr. Lam is a member of the Institute of Chartered Secretaries and Administrators of United Kingdom and Hong Kong Institute of Company Secretaries. Mr. Lam is also the Secretary of the Company responsible for compliance with the relevant laws and regulations in Hong Kong. He is also the Company Secretary and the process agent of the Company in Hong Kong, and an employee of Richards Butler, the Hong Kong legal adviser of the Company.

### (2) GENERAL INFORMATION ON THE STAFF OF THE COMPANY

As at 31st December 2002, the Company has a regular staff members of 2,592, among whom 393 are executive managers, 112 are technicians and 2,199 are production staffs. The Company has 433 staff members who have received tertiary education or above, representing 16.7% of the total staff employed.

As at 31st December 2002, the Company has paid for salaries in the total amount of RMB85,000,000 and there were 12 pensioners on the Company's account.

# Changes in Share Capital and Shareholders

## (1) Changes in Share Capital

(in Share)

Share capital Structure	Before Change	Placement	Shares Transferred				After Change
			Bonus Share	from Reserve Fund	Increase	Others	
I. Shares not in circulation							
1. Promoter's share	3,381,214,600	—	—	—	—	—	3,381,214,600
Including:							
State-owned shares	2,781,743,600	—	—	—	—	—	2,781,743,600
Domestic legal person share	599,471,000	—	—	—	—	—	599,471,000
Foreign legal person share	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—
2. Legal person share	284,532,900	—	—	—	—	—	284,532,900
3. Internal staff share	—	—	—	—	—	—	—
4. Preference share	—	—	—	—	—	—	—
Sub-total of shares not in circulation	3,665,747,500	—	—	—	—	—	3,665,747,500
II. Shares in circulation							
1. RMB ordinary share	150,000,000	—	—	—	—	—	150,000,000
2. Domestic listed foreign share	—	—	—	—	—	—	—
Overseas listed foreign share	1,222,000,000	—	—	—	—	—	1,222,000,000
Others	—	—	—	—	—	—	—
Sub-total of shares in circulation	1,372,000,000	—	—	—	—	—	1,372,000,000
III. Shares in total	5,037,747,500	—	—	—	—	—	5,037,747,500

Note: During the reporting period, there has been no change in the total number of shares or in the shareholding structure of the Company.

## (2) Share Issue and Listing

- The Company issued 150,000,000 domestic public shares (A shares) to domestic investors at the issue price of RMB4.20 per share. The issue of shares was successfully launched from 22nd December to 23rd December 2000 by means of online pricing issue and placing to investors from the secondary market. The shares were listed on the Shanghai Stock Exchange on 16th January 2001.
- The Company's Sponsored Level I American Depositary Receipt Programme was effective on 23rd December 2002 and have been traded in the over-the-counter market in the United States.

## (3) Profile of Shareholding of Major Shareholders

### 1. Number of Shareholders at the End of the Reporting Period

As at 31st December 2002, there were a total of 18,352 shareholders whose names appeared on the share register of the Company, of which 16,842 were domestic shareholders and 1,510 were foreign shareholders.

## 2. Shareholding of Major Shareholders

(i) As at 31st December 2002, shareholding of the top ten shareholders of the Company are as follows:

No.	Name of Shareholders	Number of shares held at the end of the period	Changes in shareholding during the period (+/-)	Shareholding proportion in the Total Share capital (%)	Category of the Shares
1	Jiangsu Communications Holding Company Ltd.	2,781,743,600	—	55.22	State-owned Shares
2	Huajian Transportation Economic Development Centre	597,471,000	—	11.86	State-owned Legal Person Shares
3	The Capital Group Companies, Inc	154,696,000	—	3.07	H Shares
4	Capital Research and Management Company	88,250,000	88,250,000	1.75	H Shares represented by ADRs
5	Galaxy Securities Co., Ltd.	18,893,505	-426,765	0.38	A Shares
6	Huaxia Securities Company Shares	16,660,000	—	0.33	Social Legal Person Shares
7	Shenyin Wanguo Shares Securities Stock Company Limited	14,450,000	—	0.29	Social Legal Person Shares
8	Winner Glory Development Ltd.	12,000,000	—	0.24	H Shares
9	Jiangsu Xinsu Investment Management Company	8,484,000	—	0.17	Social Legal Person Shares
10	Jiangsu Huiyuan Real Estate Development Industrial Company	6,200,000	—	0.12	Social Legal Person Shares

Note: Connection between the top ten shareholders:

- The top ten shareholders of the Company are not connected to each other or acting in concert;
- During the reporting period, the Company has not been notified of any pledge or moratorium of the shares held by legal person shareholders holding more than 5 percent of the shares;
- During the reporting period, none of the connected parties, strategic investors or general legal persons has become one of the top ten shareholders of the Company as a result of the placing of the new shares;
- The shares held by Capital Research and Management Company were in the form of the Company's ADRs invested and managed by its funds and amounted to an equivalent of 88,250,000 H shares, of which Smallcap World Fund, Inc. held ADRs equivalent to 79,250,000 H shares.



# Changes in Share Capital and Shareholders

(ii) As at 31st December 2002, people directly or indirectly having an interest in 10 percent or more of the share capital of the Company as recorded in the register maintained under Section 16 of the Securities (Disclosure of Interest) Ordinance were as follows:

(a) Controlling shareholders - Jiangsu Communications Holding Co., Ltd.

Pursuant to the Approval by the Provincial Government on Establishment of Jiangsu Communications Holding Co., Ltd., document SuZhengFu 2000 No. 132, the original controlling shareholder of the Company, Jiangsu Communications Investment Corp., was transformed to Jiangsu Communications Holding Co., Ltd. ("Communications Holding"), on 15th September 2000. Communications Holding held 2,781,743,600 shares of the Company, representing 55.22% of the total share capital of the Company.

Communications Holding was incorporated with the capital from the provincial government, which authorised it as an operating unit with investment nature and State-owned assets and an investment entity. Its legal representative is Mr. Shen Chang Quan. Its registered capital amounted to RMB4,600,000,000. To such extent as authorised by the provincial government, the Company is engaged in operation and management of State-owned assets; investment, construction, operation and management of the infrastructure, the transport and other related sectors; industrial investment and domestic trading (except specific projects which are subject to the approval of the State).

Apart from the Company, Communications Holding does not hold more than 5% shares in other listed companies.

(b) Shareholders holding 10 percent or more domestic shares - Huajian Transportation Economic and Development Centre

Huajian Centre was incorporated on 18th December 1993 as a State-owned enterprise. Its legal representative is Fu Yu Ning. Its registered capital amounted to RMB500,000,000. Its core businesses are the comprehensive development and contractual construction of roads, docks, ports channels; research and development of new technologies, new products and new materials related to transport infrastructure and the sale of the relevant products; provision of the financial consultancy service; manpower training, etc.

(c) The Capital Group Companies, Inc. held 154,696,000 H Shares of the Company, representing 12.66% of the Company's total issued H shares.

### 3. Shareholding interests of the Company's Directors, Supervisors and Senior Management

As at 31st December 2002, none of the directors, supervisors, senior management and their respective associates had any beneficial interests in the issued share capital of the Company or any of its associates which are required to be recorded on the register of the Company.

At no time during the year was the Company or its associates a party to any arrangement which enables the directors, supervisors, senior management and their respective associates (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or debentures of the Company or any of its associates.

### 4. Purchase, Sale and Repurchase of Shares of the Company

As at 31st December 2002, the Company has not purchased, sold or repurchased any shares of the Company.

### 5. Share Options

In accordance with the Company's Articles of Association and the laws of the People's Republic of China, no share options were granted by the Company pursuant to which the Company would have been required to offer new shares to existing shareholders in proportion to their shareholdings.

# General Meetings of Shareholders

## The 2001 Annual General Meeting

Pursuant to the resolution passed at the ninth meeting of the third Board of Directors held on Monday 8th April 2002, it was agreed that the 2001 Annual General Meeting be held at Jiangsu Communications Building, 69 Shigu Road, Nanjing, the PRC at 9:00 a.m. on Tuesday, 28th May 2002, and the notice for the Annual General Meeting be published on 9th April 2002.

Shareholders who were entitled to vote and shareholders' authorised representatives attending the meeting considered, voted and passed the following resolutions: that the 2001 annual report of the Board of Directors, Report of the Supervisory Committee, the audited accounts and the Auditors' Report were approved; that the appointment of PricewaterhouseCoopers as the Company's overseas auditor and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the domestic auditor were approved; that the distribution of the Company's final dividends for the year 2001, with the payment of RMB1.25 (tax included) in cash for each ten shares was approved; that the Company's amendment of the Articles of Association and meeting procedures in relation to corporate governance were approved; that the connected transaction of 33.33% equity interest in Sujiahang Expressway Company Limited was approved.

The meeting had considered, voted and passed the re-election of Board of Director and Supervisor Committee members: that the appointments of Mr. Wang Guo Gang and Mr. Yang Xiong Sheng as independent directors of the Company were approved and service agreements were signed; the appointment of Mr. Zhang Wen Sheng, Mr. Zheng Cheng Yu as supervisors of the Company were approved and service agreements were signed; the resignations of Mr. Li Da Peng, Mr. Liu Bu Cun and Mr. Zhu Yao Ting from the office as directors of the Company were approved, and the resignation of Mr. Du Wen Yi from the office as supervisor of the Company was approved, and the Company's signing of the termination of service agreements with them was approved.

Resolutions of the Annual General Meeting were published on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 29th May 2002.

# Significant Matters

## (1) Material Litigation or Arbitration

During the year, the Company was not involved in any material litigation or arbitration.

## (2) Material Connected Transactions

1. Principal related parties (as defined in the Listing Rules of the Shanghai Stock Exchange) of the Company:

Name	Relationship with the Company
Communications Holding	Ultimate controlling shareholder of the Company
Guangjing Xicheng	Subsidiary of the Company
Shuangshilou	Subsidiary of the Company
Ninghu Investment	Subsidiary of the Company
Yangtze Bridge	Associate of the Company
Kuailu Transportation	Associate of the Company
Sujiahang	Associate of the Company
HEAD Techonology	Associate of the Company
Jiangsu Provincial Leasing	Associate of the Group

2. Connected Transaction

The Company's material transactions with connected parties during the period under review are as follows:

### Communications Holding

During the reporting period, the Company acquired an approximately 33.33% equity interest in Sujiahang from Communications Holdings for a total consideration of RMB315.4 million. The acquisition price was slightly lower than the valuation made by American Appraisal, a foreign valuer appointed by the Company. The acquisition was approved at the ninth meeting of the third Board of Directors and the 2001 Annual General Meeting, at which connected directors and shareholders abstained from voting.

### Guangjing Expressway and Yangtze Bridge

During the reporting period, Guangjing Xicheng, a subsidiary of the Company and Yangtze Bridge Company, an associate of the Company, invested in Jiangsu Leasing, with total considerations of RMB100 million and RMB170 million respectively. Jiangsu Leasing increased its share capital by issuing new shares. Each RMB1 in the investment amounts was translated into RMB1 in the registered capital of Jiangsu Leasing. The transaction prices were fair and reasonable. The transactions were approved by the 11th session meeting of the third Board of Directors of the Company, at which connected directors abstained from voting.

The independent directors of the Company have reviewed the aforesaid connected transactions and confirmed that:

- a. the transaction have been entered into by the Company in the ordinary course of its business;
- b. the transactions have been entered into either: (1) on normal commercial terms (the expression of which will be construed by reference to transactions of a similar nature and to be made by similar entities within the PRC); or (2) where there are no comparable terms, on terms that are no less favourable than terms available to or from third parties; and
- c. the transactions are fair and reasonable so far as the shareholders of the Company are concerned.

### **(3) Material Contracts and Their Performance**

#### **1. Material trusts, subcontracting or leasing**

As at 31st December 2002, the Company had no material trusts, subcontracting or leasing arrangement.

#### **2. Material guarantees**

As at 31st December 2002, the Company had not provided any guarantee to any shareholder or connected party or any other companies.

#### **3. Entrusted deposits**

As at 31st December 2002, the Company had not placed any entrusted deposits with PRC financial institutions. There had been no time deposits that were not repaid on maturity.

#### **4. Entrusted financial management**

The principal amount of the sum of RMB210 million that the Company placed for entrusted investment management in 2001 was fully recovered in the period under review together with an investment gain of RMB14.769 million (according to PRC accounting standards) generated from entrusted investment.

During the reporting period, the Company entered into an entrusted investment management agreement with Suzhou Investment Company in respect of RMB100 million, representing the portion of the Company's funds that were not immediately required, for a term from 1st June 2002 to 31st May 2003. The aforesaid entrusted investment management was approved by the 11th session meeting of the third Board of Directors. The agreement was not due at 31st December 2002, and therefore, the Company had not carried out any account settling with the trustee. Based on market value on the book, no losses were incurred in the entrusted amount. The Company intends to withdraw the entrusted amount once the agreement expires, and there are currently no plans for further entrusted financial management.

# Significant Matters

## 5. Other material contracts

As at 31st December 2002, material contracts being performed by the Company include the followings:

- (i) Outstanding loan owed by the Company to relevant banks amounted to RMB188,316,000, among which a loan transfer agreement with Bank of China Jiangsu Branch amounting to US\$9,800,000 guaranteed by Communications Holding had been fully utilized and repaid with interest. Currently the outstanding amount of the loan is US\$8,252,000, equivalent to RMB68,316,000.
- (ii) The Company entered into the Contract on Management of Operation and Maintenance of Nanjing Section of Nanjing-Lianyungang Expressway (which is currently being performed) with the Nanjing-Lianyungang Expressway Management Office on 8th April 1999, pursuant to which the Management Office was entrusted by the Company for the management of operation and maintenance of the Nanjing Section of Nanjing-Lianyungang Expressway, for a fee equivalent to 17% of the aggregate toll revenues of the section each year.

## (4) Undertakings

1. The Board of Directors of the Company has undertaken, in respect of the profit distribution proposal for 2002, one cash dividend distribution of no less than 50% of the net profit of the year.

The profit distribution proposal for 2002 was in full compliance with the above resolution of the Board of Directors. Details of the distribution plan are set out in the section headed "Profit Distribution Scheme" in the Report of the Directors.

2. During the period, there were no disclosures regarding any undertakings made by shareholders holding 5% or more of the shares capital of the Company in press or on websites designated.

## (5) Appointment of Auditors

Arthur Andersen & Co and Arthur Andersen Hua-Qiang CPA, the international and domestic auditors of the Company, respectively, entered into agreements on 17 April 2002 to merge their respective operations in China and Hong Kong with PricewaterhouseCoopers.

At the Company's 2001 Annual General Meeting, PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. were appointed as the international and domestic auditors of the Company, respectively, and their annual remuneration was determined at RMB1,250,000. The Company had not paid any other expenses in this respect. The traveling expenses were borne by the auditors. There were no expenses that might have affected the auditors' independence. The auditors did not provide other consultancy services other than auditing.

As at 2002, the auditors had been serving the Company for six years.

## (6) Regulatory Sanctions

During the period, there was no punishment, reprimand or public censurs imposed against the Company, any of its Directors or Senior Management Officers by any regulatory authorities.

## (7) Other Significant Matters

### 1. Dissolution of Yicao Company

Yicao Company was an associated company of the Company that was 49% held by the Company with an investment of RMB100 million. The remainder of the equity was held 51% by Yixing Communication Construction and Development Co Ltd (“Yixing Communication”).

Yicao Highway’s traffic flow is expected to be largely be diverted to Xiyi Expressway, a toll road running almost parallel with Yicao Highway that will be completed and opened to traffic in 2004. In addition, following the State’s decision to abolish concessions in corporate profit tax, Yicao Company was required to pay profit tax at a 33% tax rate in 2002 and beyond. These developments are set to affect Yicao’s operating results. With a view to protecting the interests of all parties concerned, the Company and Yixing Communication decided after consultation to dissolve and liquidate Yicao Company ahead of its due term. The dissolution was approved by the 13th session meeting of the third Board of Directors.

As at 26th January 2003, the legal procedures for dissolving and liquidating Yicao Company had been completed and the annulment of Yicao Company had been approved. As at 31st December 2002, the Company recouped RMB110,770,000 for its investment in Yicao Company. Liquidation of assets is still in progress and a separate announcement will be made by the Company when the process is completed.

### 2. Issuance of Level-1 ADRs

The Company’s American Depositary Receipt (ADR) programme was approved on 2nd August 2002 by virtue of the CSRC document Zheng Jian Guo He Zi [2002] No. 22 and became effective on 23rd December 2002, whereby the Company’s ADRs started trading in the US over-the-counter market.

The custodian bank for the Company’s Level-1 ADRs is Bank of New York. Each ADR is equivalent to 20 H-Shares listed on the Stock Exchange of Hong Kong. The successful issue of ADRs has increased the liquidity of the Company’s H-Shares, expanded its existing shareholders’ base and enhanced its corporate image, and is in line with the Company’s as well as its shareholders’ interests. The Company has not issued any new shares because of the ADR programme and has no plans to do so.



# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 16th meeting of the Third Board of Directors of Jiangsu Expressway Company Limited resolved to convene the Annual General Meeting (the "AGM") for the year of 2002 at Jiangsu Communications Building, 69 Shigu Road, Nanjing, the PRC at 9:00 a.m. on Thursday, 15th May 2003 for the following purposes:

1. To review and approve the annual report of the Board for the year ended 31st December 2002;
2. To review and approve the report of the Supervisory Committee for the year ended 31st December 2002;
3. To review and approve the audited accounts and the auditors' report for the year ended 31st December 2002;
4. To approve the distribution scheme in respect of the final dividends of the Company for the year of 2002:

Based on the audit conducted by Messrs PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PricewaterhouseCoopers, the Company achieved a net profit of RMB816,833,308 under PRC Accounting Standards and a net profit after taxation of RMB854,445,000 under Hong Kong Generally Accepted Accounting Principles. Pursuant to the relevant regulation of the Ministry of Finance of the PRC and the Articles of Association of the Company, when there is a difference in profits between the PRC Accounting Standards and the Hong Kong Generally Accepted Accounting Principles, the lower one prevails. After appropriation of 10% statutory surplus reserve fund and 5% statutory public welfare fund and adding the retained profit of RMB468,813,520 as at the beginning of the period, the total distributable profit is RMB1,145,819,878. Based on the aggregate 5,037,747,500 shares in issue, the board of directors recommended a final dividend of RMB1.30 per 10 shares to all shareholders;

5. To review and approve the re-election of the following Directors and Supervisors:

Directors:

- (1) the proposed re-appointment of Mr. Shen Chang Quan as a Director of the Company and the signing of an appointment contract for a term of three years;
- (2) the proposed appointment of Mr. Sun Hong Ning as a Director of the Company and the signing of an appointment contract for a term of three years;
- (3) the proposed re-appointment of Mr. Zhang Wen Sheng as a Director of the Company and the signing of an appointment contract for a term of three years;
- (4) the proposed re-appointment of Mr. Chen Xiang Hui as a Director of the Company and the signing of a service contract for a term of three years;
- (5) the proposed re-appointment of Ms. Fan Yu Shu as a Director of the Company and the signing of an appointment contract for a term of three years;
- (6) the proposed re-appointment of Mr. Cui Xiao Long as a Director of the Company and the signing of an appointment contract for a term of three years;

- (7) the proposed re-appointment of Mr. Wang Zheng Yi as a Director of the Company and the signing of a service contract for a term of three years;
- (8) the proposed re-appointment of Ms. Cheng Chang Yung Tsung, Alice, as an Independent Director of the Company and the signing of a service contract for a term of three years with an annual allowance of HK\$100,000;
- (9) the proposed re-appointment of Mr. Fang Keng as an Independent Director of the Company and the signing of a service contract for a term of three years with an annual allowance of HK\$100,000;
- (10) the proposed appointment of Mr. Hong Yin Xing as an Independent Director of the Company and the signing of a service contract for a term of three years with an annual allowance of HK\$40,000;
- (11) the proposed re-appointment of Mr. Yang Xiong Sheng as an Independent Director of the Company and the signing of a service contract for a term of three years with an annual allowance of HK\$40,000;

Supervisors:

- (1) the proposed appointment of Mr. Zhou Jian Qiang as a Supervisor of the Company and the signing of an appointment contract for a term of three years;
- (2) the proposed re-appointment of Mr. Zhang Cheng Yu as a Supervisor of the Company and the signing of an appointment contract for a term of three years;
- (3) the proposed re-appointment of Ms. Ma Ning as a Supervisor of the Company and the signing of an appointment contract for a term of three years;

Mr. Qian Yong Xiang and Mr. Wu Yu Jun are supervisors of the Company elected at the Employee's Representative Meeting of the Company.

6. Pursuant to Sujifongquai no. 21 of 2000 Notice in respect of the publication of "The Implementation Opinion regarding the distribution of housing allowance to staff of provincial governing bodies of the Jiangsu Province", to approve the payment of a sum of RMB16,838,000 to the employees who are qualified under the cash housing allowance scheme; and
7. To transact any other business as may be necessary.

**Appendix:**

- I. Profile of the Candidates for Directors and Supervisors

By Order of the Board

**Yao Yong Jia      Lam Che Wah**

*Board Secretary*

Nanjing, the PRC, 20th March 2003



# Notice of the Annual General Meeting

## Notes:

- (1) Holders of shares of the Company whose names appear on the register of members as at 16th April 2003 shall be entitled to attend the AGM after completing and returning by mail to the Company the acknowledgement form attached to the annual report by 25th April 2003. Further details are set out in the acknowledgement form and explanation thereto.
- (2) Registration of transfer of H shares will be suspended by the Company from 16th April 2003 to 15th May 2003 (both days inclusive) for the distribution of final dividends. Holders of H shares who wish to be eligible for final dividends must deliver their instruments of transfer together with the relevant share certificates to the Registrar of shares of the Company, Hong Kong Registrars Limited, 19/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Tuesday, 15th April 2003. Registration date of equity interests, method and time of the declaration of dividends for holders of A shares will be otherwise notified.
- (3) Any shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (whether or not a member of the Company) to attend and vote on his behalf. Each shareholder (or his proxy) is entitled to cast one vote for each share he holds or represents. Completion and delivery of the form of proxy will not preclude the shareholder from attending and voting at the AGM if he so wishes.
- (4) A proxy shall be appointed in writing and the power of attorney shall be the appointing party or the attorney. In the event that the power of attorney is signed by the attorney, it must be notarized. To be valid, the power of attorney together with the proxy form must be delivered to the Secretary's Office of the meeting not less than 24 hours before the meeting. The proxy form for use at the meeting will be despatched to shareholders.
- (5) The meeting will last for half a day. Shareholders attending the meeting shall be responsible for their own accommodation and traveling expenses.
- (6) Correspondence address: Secretary's Office, 27th Floor, Jiangsu Communication Building, 69 Shigu Road,  
Nanjing, the PRC  
Postcode: 210004  
Tel: 025-4200999 (ext. 4706/4716)  
Fax: 025-4466643, 4207788

## Appendix I:

### Profile of the Candidates for Directors and Supervisors

#### Directors

**Mr. Shen Chang Quan**, born in 1948, economist. Mr. Shen has been the major and the party secretary of Wu County since 1981. He has served as a deputy mayor of Suzhou City since 1992, where he was in charge of urban and communications development for a long time. From 1992 to 1997, he was responsible for the development of the Suzhou City New Technology Development Zone. Mr. Shen has extensive experience in engineering and management. He has been the chairman of the board of Communications Holding since January 2001.

**Mr. Sun Hong Ning**, born in 1961, tertiary educated, currently student of the EMBA course of China Europe International School. Mr. Sun has been the deputy division head of the State Secrecy Bureau in Jiangsu since 1994, the secretary of office of the Provincial Party Committee of Jiangsu since 1995, the secretary of office of the Jiangsu provincial government since 2001, and the assistant to general manager of Jiangsu Communications Holdings Ltd. since 2002. He is also the vice chairman of Jiangsu Sujiahang Expressway Co., Ltd. and director of Huatai Securities Co., Ltd. and Jinling Hotel Co., Ltd. Mr. Sun has extensive experience in the operation and management fields.

**Mr. Zhang Wen Sheng**, born in 1947, senior economist. Mr. Zhang has been working at the Tianjin Port since 1968, and has been working at the Department of Communications since 1974 and has held various positions such as the secretary of the General Office, deputy director of Production Regulatory Bureau, deputy director of the Enterprise Administrative Bureau, director of System Reformation Office, director of System Regulatory Office and assistant supervisor. Mr. Zhang has long been engaged in communication administration. He took up the position of deputy general manager at Huajian Transportation Economic and Development Centre in 1998. He is currently the vice chairman of Northeast Expressway Co., Ltd. and Sichuan Expressway Company Limited and the director of Anhui Expressway Company Limited. Mr. Zhang has extensive experience in enterprise regulation research and enterprise management.

**Mr. Chen Xiang Hui**, born in 1963, university graduate, senior engineer. He has been involved in communication construction and management for a long time. Mr. Chen was deputy director of Project Quality Supervisory Section of Jiangsu Communications Department and a director of Ninglian Ningtong Management Office. He has been a director and General Manager of the Company since December 2000, the chairman of Guangjing Xicheng and a deputy chairman of Yangtze Bridge Co., Ltd. Mr. Chen has over ten years of experience in communication construction and management.

**Ms. Fan Yu Shu**, born in 1952, tertiary educated, accountant. Ms. Fan is the manager of the Finance Department of Communications Holdings. She has taken various posts such as the manager of the Transportation Business Department of Jiangsu Leasing Company and the vice manager of Jiangsu Communications Investment Corp. Ms. Fan has 20 years of experience in financial management.

# Notice of the Annual General Meeting

**Mr. Cui Xiao Long**, born in 1961, university graduate, senior economist. Mr. Cui has been working in Jiangsu Communications Department since 1984. He was the section chief of the Finance Division and the deputy general manager of Jiangsu Communications Investment Corp. Mr. Cui is the manager of Investment and Development Division of Communications Holdings, a director of Yangtze Bridge Co., Ltd. and the deputy secretary general of Communications Enterprise Association of Jiangsu Province. He has over ten years of experience in corporate management and finance management.

**Mr. Wang Zheng Yi**, born in 1958, university graduate, senior engineer. Mr. Wang is currently the chairman of Jiangsu Communications Construction Group. He has held various posts such as the deputy head of the Communications Design and Planning Institute of Jiangsu Province, a deputy general manager and chief engineer of Jiangsu Province Communication Department's joint venture in Madagascar. Mr. Wang has around 20 years of experience in road designing, construction and management.

#### **Independent Non-executive Directors**

**Ms. Chang Yung Tsung**, Alice, born in 1932. Ms. Chang was a member of the Preparatory Committee for the Hong Kong Special Administrative Region and an advisor for the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Bureau). She was currently a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference, the chairman of the Chinese General Chamber of Commerce, the special advisor of the Chinese Society of Macro Economics and the chairman of the Business Enterprises Management Centre of the Hong Kong Management Association. Ms. Cheng is also the managing director of Taching Petroleum Co. Ltd., the China senior advisor for Telefonaktiebolaget LM Ericsson, and a director of Nanjing Ericsson Panda Communications Co., Ltd. and Beijing Ericsson Mobile Communications Co., Ltd. Ms. Cheng has decades of experience in business development and investment. She has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region Government.

**Mr. Fang Keng**, born in 1939, graduated from Massachusetts Institute of Technology with a Chemical Engineering Master degree in the 1960s. He is the chairman of Fang Brothers Knitting Ltd., a non-executive director of Hong Kong and Shanghai Banking Corporation Ltd. and a committee member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Fang also undertakes many other posts in major industrial or commercial associations and public service institutes, such as the chairman of the Hong Kong Productivity Council, chairman of the Board of Governors of the Prince Philip Dental Hospital, honorary chairman of Textile Council of Hong Kong Ltd., honorary chairman of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association Limited and member of the Textile Advisory Board.

**Mr. Hong Yin Xing**, born in 1950, PhD tutor, famous economist in the PRC. Mr. Hong has taught in Nanjing Normal University. He served as a tutor in the University since 1976, a lecturer since 1982 and a professor since 1987. He is now the vice president of the University. Mr. Hong has long been engaged in the study of economics and is extremely knowledgeable in the field. He has received several honorary awards from the state government for his outstanding contributions.

**Mr. Yang Xiong Sheng**, born in 1960, PhD supervisor. Mr. Yang has taken up the position as the director of the research class of the Lianyungang Finance School in Jiangsu province in 1981. In 1987, he worked at the Lianyungang Audit Bureau of Jiangsu province. In 1994, he was transferred to the Faculty of Accounting of the Nanjing University and has been the faculty director of since 1999. Mr. Yang has extensive experience in financial accounting.

#### **Supervisors**

**Mr. Zhou Jian Qiang**, born in 1953, senior economist and senior engineer. Mr. Zhou graduated in 1985 with a master degree. He has been a director of Jiangsu Provincial Planning Economy Committee since 1985, and a deputy general manager of Jiangsu ITIC in 1997. He served as a deputy director of Jiangsu Provincial Planning Economy Committee in 1999 and the vice chairman and general manager of Communications Holdings since January 2001. Mr. Zhou has been involved in investment management, finance and securities for a long time and has extensive experience in operation and management.

**Mr. Zhang Cheng Yu**, born in 1951, tertiary educated, senior economist. Mr. Zhang has been the deputy general manager, deputy party secretary, general manager and secretary of party committee of Yangzhou Motoring Corporation since 1985, and has been the deputy head of the Communications Bureau of Yangzhou city since 1996. In January 2001, he took up the position of deputy general manager of Jiangsu Yangtze Bridge Co., Ltd. He has been the general manager of Jiangsu Ning-Jing-Yen Expressway since July 2001. He took up the position as the manager of the personnel department at Jiangsu Communications Holdings Ltd. in January 2002. Mr. Zhang has extensive experience in financial management and communication administration.

**Mr. Qian Yong Xiang**, elected by the Company's employee union as supervisor, born in 1964, master of engineering, MBA. Mr. Qian is currently the manager of the Investment and Development Department of the Company. He taught at Southeast University from 1987 to 1992. Mr. Qian joined the Company in 1992 and has held various posts including head of Development Division and deputy manager of the Investment Securities Department. Mr. Qian has been engaged extensively in the research of communications strategy, company investment analysis and management, construction projects and operation management.

**Mr. Wu Yu Jun**, elected by the Company's employee union as supervisor born in 1963, university graduate with double degrees, senior engineer. Mr. Wu has served in the Suzhou Municipal Management Office of Communications Projects since 1991. He joined the Jiangsu Expressway Command Office in 1992 and became the head of the Engineering Division in 1993. Mr. Wu worked as the deputy head of the Company's Suzhou Management Officesince 1997 and became the manager of the Company's Human Resources Department since 2002. Mr. Wu has been extensively engaged in the field of communications management and has accumulated rich experience in road construction and corporate management.

**Ms. Ma Ning**, born in 1956, tertiary educated, accountant. Ms. Ma is the deputy manager of Administration and Human Resources Department of Huajian Transportation Economic and Development Centre. She has served as an accountant in the financial department of the Communications Department since 1975. Ms. Ma joined the China Association of Navigation as an accountant in January 1990. She has been working for Huajian Transportation Economic and Development Centre since June 1994 and is now a departmental deputy manager.

# Financial Statements

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## AUDITORS' REPORT TO THE SHAREHOLDERS OF JIANGSU EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

We have audited the accounts on pages 62 to 94 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



PRICEWATERHOUSECOOPERS

*Certified Public Accountants*

Hong Kong,  
20 March 2003.

# Consolidated Profit and Loss Account

For the year ended 31 December 2002  
(Expressed in RMB)

	Note	2002 RMB'000	2001 RMB'000
Turnover	3	2,272,515	1,829,552
Cost of sales		(954,509)	(801,792)
<b>Gross profit</b>		<b>1,318,006</b>	1,027,760
Other revenue	3	13,135	33,736
Administrative expenses		(80,930)	(47,272)
Other operating income		20,394	3,924
<b>Operating profit</b>	4	<b>1,270,605</b>	1,018,148
Finance costs	5	(10,727)	(19,064)
Share of results of associated companies		49,071	28,787
<b>Profit before taxation</b>		<b>1,308,949</b>	1,027,871
Taxation	6	(434,120)	(173,892)
<b>Profit after taxation</b>		<b>874,829</b>	853,979
Minority interests		(20,384)	(12,739)
<b>Profit attributable to shareholders</b>	7	<b>854,445</b>	841,240
Dividends	8	654,907	629,718
Earnings per share			
— Basic	9	RMB0.1696	RMB0.1670
— Diluted	9	Not applicable	Not applicable

# Consolidated Balance Sheet

As at 31 December 2002  
(Expressed in RMB)

	Note	2002 RMB'000	2001 RMB'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	11,276,734	11,513,447
Investments in associated companies	12	1,381,807	782,324
Long-term receivable - less current portion	13	—	73,157
		<b>12,658,541</b>	<b>12,368,928</b>
<b>CURRENT ASSETS</b>			
Inventories		7,743	5,815
Prepaid taxes		—	3,482
Long-term receivables - current portion	13	—	7,910
Prepayments and other receivables	14	71,146	56,615
Trading securities	15	109,067	9,234
Held-to-maturity securities	16	—	107,077
Cash and bank balances		719,611	775,623
		<b>907,567</b>	<b>965,756</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	17	120,000	210,000
Other payables		92,800	92,228
Payable on construction projects		58,741	68,041
Taxation payable		70,441	—
Dividend payables		5,818	12,669
Long-term borrowings - current portion	18	6,822	4,703
		<b>354,622</b>	<b>387,641</b>
<b>Net current assets</b>		<b>552,945</b>	<b>578,115</b>
<b>Total assets less current liabilities</b>		<b>13,211,486</b>	<b>12,947,043</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings - less current portion	18	61,494	50,313
Deferred tax liabilities	19	25,228	14,351
		<b>86,722</b>	<b>64,664</b>
<b>MINORITY INTERESTS</b>			
		<b>396,503</b>	<b>378,845</b>
<b>Net assets</b>		<b>12,728,261</b>	<b>12,503,534</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	5,037,748	5,037,748
Reserves		7,690,513	7,465,786
<b>Total shareholders' equity</b>		<b>12,728,261</b>	<b>12,503,534</b>

Approved by the Board of Directors on 20 March 2003 and signed on behalf of the Board by:

**Shen Changquan**  
Director

**Chen Xianghui**  
Director



# Balance Sheet

As at 31 December 2002  
(Expressed in RMB)

	Note	2002 RMB'000	2001 RMB'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	11	8,851,952	9,060,596
Investments in subsidiaries	21	2,232,445	2,121,702
Investments in associated companies	12	1,259,268	762,566
Long-term receivable - less current portion	13	—	73,157
		<b>12,343,665</b>	<b>12,018,021</b>
<b>CURRENT ASSETS</b>			
Inventories		7,365	5,276
Prepaid taxes		—	7,260
Long-term receivable - current portion	13	—	7,910
Prepayments and other receivables	14	64,389	51,637
Trading securities	15	109,067	9,234
Held-to-maturity securities	16	—	107,077
Cash on hand and bank deposits		496,965	642,437
		<b>677,786</b>	<b>830,831</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	17	120,000	210,000
Other payables		81,822	75,776
Payables on construction projects		44,628	50,242
Taxation payable		58,379	—
Dividend payable		5,818	7,789
Long-term borrowings - current portion	18	6,822	4,703
		<b>317,469</b>	<b>348,510</b>
<b>Net current assets</b>		<b>360,317</b>	<b>482,321</b>
<b>Total assets less current liabilities</b>		<b>12,703,982</b>	<b>12,500,342</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings - less current portion	18	61,494	50,313
Deferred tax liabilities	19	25,228	14,351
		<b>86,722</b>	<b>64,664</b>
<b>Net assets</b>		<b>12,617,260</b>	<b>12,435,678</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	5,037,748	5,037,748
Reserves	22	7,579,512	7,397,930
<b>Total shareholders' equity</b>		<b>12,617,260</b>	<b>12,435,678</b>

Approved by the Board of Directors on 20 March 2003 and signed on behalf of the Board by:

**Shen Changquan**  
Director

**Chen Xianghui**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2002  
(Expressed in RMB)

	Share Capital	Share Premium	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Retained Earnings	Total Equity
	RMB'000	RMB'000	RMB'000 (Note 23)	RMB'000 (Note 23)	RMB'000	RMB'000
Balance as at 1 January 2001	5,037,748	5,730,454	215,694	107,848	1,023,947	12,115,691
Dividends (Note 8)	—	—	—	—	(453,397)	(453,397)
Profit for the year	—	—	—	—	841,240	841,240
Profit appropriations	—	—	78,086	39,043	(117,129)	—
Balance as at 31 December 2001	5,037,748	5,730,454	293,780	146,891	1,294,661	12,503,534
Dividends (Note 8)	—	—	—	—	(629,718)	(629,718)
Profit for the year	—	—	—	—	854,445	854,445
Profit appropriations	—	—	107,851	53,925	(161,776)	—
Balance as at 31 December 2002	5,037,748	5,730,454	401,631	200,816	1,357,612	12,728,261
Representing						
2002 final dividend proposed (Note 8)					654,907	
Others					702,705	
					1,357,612	

# Consolidated Cash Flow Statement

For the year ended 31 December 2002  
(Expressed in RMB)

	Note	2002 RMB'000	2001 RMB'000
<b>Net cash inflow from operations</b>	24(a)	<b>1,298,842</b>	1,092,958
<b>Investing activities</b>			
Investment in associated companies		(596,900)	(244,190)
Purchase of fixed assets	24(c)	(150,353)	(167,569)
Repayment of long-term receivable		53,305	—
Interest received		24,296	38,458
Dividend received		23,549	3,959
<b>Net cash outflow from investing activities</b>		<b>(646,103)</b>	(369,342)
<b>Net cash inflow before financing</b>		<b>652,739</b>	723,616
<b>Finance activities</b>			
Dividends paid		(636,569)	(463,123)
Dividends paid to minority shareholders		(7,726)	(10,845)
Proceeds from long-term borrowings	24(d)	19,055	12,862
Repayments of long-term borrowings	24(d)	(5,755)	(4,569)
Proceeds from short-term borrowings	24(d)	450,000	680,000
Repayments of short-term borrowings	24(d)	(540,000)	(1,050,000)
Capital injection from minority shareholders		5,000	33,000
<b>Net cash outflow from financing</b>		<b>(715,995)</b>	(802,675)
<b>Decrease in cash and cash equivalents</b>		<b>(63,256)</b>	(79,059)
<b>Cash and cash equivalents, beginning of year</b>		<b>891,934</b>	970,993
<b>Cash and cash equivalents, end of year</b>	24(b)	<b>828,678</b>	891,934

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 1. GROUP ORGANISATION AND OPERATIONS

Jiangsu Expressway Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 1 August 1992 as a joint stock limited company. The Company is principally engaged in the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (“Shanghai-Nanjing Expressway”), the Jiangsu section of the 312 National Highway (the “Nanjing-Shanghai Class 2 Highway”), Nanjing-Lianyungang Class 1 Highway-Nanjing Section (“Nanjing Section”) and other toll roads in Jiangsu Province, and the provision of passenger transport services and other supporting services along the toll roads.

In June 1997 and December 2000, the Company issued 1,222,000,000 overseas public shares (“H shares”) and 150,000,000 domestic public shares (“A shares”) with a par value of RMB1 each to its overseas and domestic investors respectively. The H shares and A shares were subsequently listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange on 27 June 1997 and 16 January 2001, respectively.

In September 1997, Jiangsu Xicheng Expressway Company Limited (“Jiangsu Xicheng”) and Jiangsu Guangjing Expressway Company Limited (“Jiangsu Guangjing”) were jointly established by the Company and Huajian Transportation Economic Development Centre. Jiangsu Xicheng and Jiangsu Guangjing are principally engaged in the construction, management and operation of Xicheng Expressway and Guangjing Expressway, respectively. In September 1999, the construction of these expressways was completed. As of 12 April 2001, Jinagsu Xicheng took over Jiangsu Guangjing’s assets and liabilities at book value and changed its name to Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”). Jiangsu Guangjing has cancelled its legal registration.

In November 2001, Nanjing Shuangshilou Hotel Co., Ltd. (“Shuangshilou”) was jointly established by the Company and Gulou Service Company. Shuangshilou is principally engaged in the provision of Chinese food.

In September 2002, Jiangsu Ninghu Investment Development Co., Ltd. (“Ninghu Investment”) was jointly established by the Company and Suzhou Investment Co., Ltd. Ninghu Investment is principally engaged in infrastructure and industrial investments.

The Company, Guangjing Xicheng, Shuangshilou and Ninghu Investment are collectively referred to as the Group.

The Company’s H shares are listed on the Stock Exchange of Hong Kong Limited.

The immediate and ultimate parent company of the Company is Jiangsu Communications Holding Company Ltd. (formerly known as Jiangsu Communication Investment Corporation), a state owned enterprise incorporated in the PRC.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”) (collectively “HKGAAP”). This represents a change in the adoption of accounting standards for the preparation of accounts from prior years when the accounts were prepared in accordance with International Accounting Standards (“IAS”). The directors of the Company believe that the accounts prepared in accordance with HKGAAP will result in accounts presentation more familiar to the Hong Kong based investors and be more comparable to other Hong Kong listed companies with similar operations. The directors of the Company consider that there is no significant difference in the accounting treatments between adopting IAS and HKGAAP except that in the Company’s balance sheet prepared in accordance with IAS, investments in subsidiaries and associated companies were accounted for using the equity method whereas under HKGAAP, they are recorded at cost less provision for impairment loss and the results of the subsidiaries and associated companies are accounted for by the Company on the basis of dividends received and receivable (Note 2(b)).

The accounts have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, trading securities are stated at fair value.

In current year, the Group early adopted SSAP 12 “Income Taxes” which is effective for periods commencing on or after 1 January 2003 in advance of its effective date.

### (b) Change in accounting policy

During the year ended 31 December 2002, the Company changed its accounting policy with respect to the accounting for investments in subsidiaries and associated companies as a result of the change in adoption of the accounting standards as mentioned in Note 2(a) above. In prior years, the Company had been accounting for the investments in subsidiaries and associated companies using the equity method. In the current year, the Company has stated the investments in subsidiaries and associated companies at cost less provision for impairment losses under HKGAAP. The effect of this change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. On the Company’s balance sheet, the investments in subsidiaries as at 31 December 2001 was reduced by RMB48,098,000; the investments in associated companies as at 31 December 2001 was reduced by RMB19,758,000 and the retained earnings as at 31 December 2001 was reduced by RMB67,856,000.

## **2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

### **(c) Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital or paid-in capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable (Note 2(b)).

### **(d) Associated companies**

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment loss. The results of the associates are accounted for by the Company on the basis of dividends received and receivable (Note 2(b)).

### **(e) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated companies at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life of 10 years. Any unamortised goodwill is charged to the profit and loss account upon the disposal of the subsidiary/associate.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation of toll roads and structures, and amortisation of land use rights in relation to toll roads are calculated to write off their cost on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at an average rate of 6%, 8%, 5%, 8% and 9% per annum for Shanghai-Nanjing Expressway, Nanjing-Shanghai Class 2 Highway, Nanjing Section, Xicheng Expressway and Guangjiang Expressway will approximate the total carrying value of the toll roads and structures at the end of the concession period (Shanghai-Nanjing Expressway: 30 years; Nanjing-Shanghai Class 2 Highway: 15 years; Nanjing Section: 30 years; Xicheng Expressway: 30 years; Guangjing Expressway: 30 years).

Amortisation of improvements relating to toll roads is calculated on the straight line method to write off the cost over its estimated useful life.

Depreciation of fixed assets other than toll roads and structures is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value of 3%, of each asset over its expected useful life. The expected useful lives of assets are the shorter of the expected useful lives of the assets or the remaining concession period. The expected useful lives of the assets are as follows:

Buildings	30 years
Safety equipment	10 years
Communication and signalling equipment	10 years
Toll stations and ancillary equipment	8 years
Motor vehicles	8 years
Other machinery and equipment	5-8 years

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period, attributable to the development of toll roads, buildings and structures for the Group's own use. Costs are transferred to fixed assets upon completion.

## **2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

### **(g) Inventories**

Inventories comprise materials and spare parts for the repair and maintenance of toll roads and structures and petrol for sales, and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### **(h) Receivables**

Provision is made against receivables to the extent they are considered to be doubtful. Receivables in the balance sheet are stated net of such provision.

### **(i) Trading securities**

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### **(j) Held-to-maturity securities**

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortized to date. This discount or premium is amortized over the period to maturity and included as interest income/expenses in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holding of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognized in the profit and loss account as an expense immediately.

### **(k) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less.



# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on fixed assets, revaluations of certain non-current assets and of investments, provisions for pensions and other post retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (m) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized on the following bases:

#### (i) Toll income

Toll income, net of revenue tax, is recognised on a receipt basis.

#### (ii) Sales of petrol

Sales of petrol are recognised when delivery has taken place.

#### (iii) Advertising income, emergency assistance income and sales of food and beverage ("other services")

Revenue from rendering other services is recognised when the services have been rendered.

#### (iv) Interest income

Interest income is recognised on a time proportion basis that take into account the principal amounts outstanding and the interest rates applicable.

## **2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

### **(n) Retirement benefit costs**

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employee's basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contributions retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. Details of the Group's retirement benefits are set out in note 28.

### **(o) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### **(p) Foreign currency transaction**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

### **(q) Segment reporting**

The Group conducts its business within one business segment - the business of operating and managing toll roads. No segment income statement has been prepared by the Group. The Group also operates within one geographical segment because its revenues are primarily generated in the Jiangsu Province PRC and its assets are located in the Jiangsu Province PRC. Accordingly, no geographical segment data is presented.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 3. TURNOVER AND OTHER REVENUE

Revenue recognised during the year are as follows:

	2002	2001
	RMB'000	RMB'000
Turnover		
— Toll income	2,026,238	1,625,992
— Sales of petrol	183,988	157,424
— Sales of food and beverage	104,147	85,195
— Emergency assistance income	56,812	27,997
— Advertising	24,014	23,173
	<b>2,395,199</b>	1,919,781
Less: Business tax and other turnover taxes	<b>(122,684)</b>	(90,229)
Total turnover	<b>2,272,515</b>	1,829,552
Other revenue - Interest income	13,135	33,736
Total revenue	<b>2,285,650</b>	1,863,288

The Group is subject to Business Tax ("BT") at the rate of 5% of toll income, emergency assistance income, advertising income and sales of food and beverage.

In addition to BT, the Company and its subsidiaries are subject to the following turnover taxes:

- (i) City Development Tax - levied at 7% of BT and net Value-added Tax ("VAT")
- (ii) Education Supplementary Tax - levied at 4% of BT and net VAT.

#### 4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2002	2001
	RMB'000	RMB'000
After charging:		
Staff costs		
— salaries, bonus and wages	91,719	91,809
— provision for staff welfare fund	10,453	9,282
— contribution to pension scheme	13,718	10,848
	115,890	111,939
Depreciation of fixed assets	373,876	305,514
Amortization of intangible assets	—	3,188
Loss on disposal of fixed assets	3,890	13,578
Bad debt for receivables	136	630
Unrealised loss on trading securities	—	766
Auditors' remuneration	1,250	1,250
After crediting:		
Realized gains on trading securities	4,288	10,976
Unrealised gains on trading securities	9,067	—
Accrued interest on held-to-maturity securities	—	7,077

#### 5. FINANCE COSTS

	2002	2001
	RMB'000	RMB'000
Interest on bank loans	(10,727)	(19,064)

No interest is capitalized during the year ended 31 December 2002 (2001: The capitalisation rate applied to funds borrowed and used for the development of construction in progress was 2%).

#### 6. TAXATION

##### (a) Income tax

###### (i) Hong Kong profits tax

No Hong Kong profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 6. TAXATION (Cont'd)

### (ii) PRC Enterprise Income Tax ("EIT")

The Company and its subsidiaries registered in the PRC are subject to EIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The applicable EIT rates are 33%.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	RMB'000	RMB'000
Current tax	400,501	146,986
Deferred tax (Note 19)	10,877	14,351
Share of tax of associated companies	22,742	12,555
	<b>434,120</b>	173,892

The reconciliation of the applicable tax rate to the effective tax rate is as follows:

	2002		2001	
	RMB'000		RMB'000	
Profit before tax	1,308,949	100%	1,027,871	100%
Tax at the effective tax rate of 33%	431,953	33%	339,198	33%
Financial refunds	—	—	(163,430)	(15.9%)
Effect of subsidiary losses	619	—	522	—
Tax effect of income that are not taxable in determining taxable profit	—	—	(3,315)	(0.3%)
Tax effect of expenses that are not deductible in determining taxable profit	1,548	0.2%	917	0.1%
	<b>434,120</b>	<b>33.2%</b>	173,892	16.9%

### (b) Deferred taxation

There was no significant unprovided deferred taxation at 31 December 2002.

## 7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB811,300,000 (2001: RMB845,157,000).

## 8. DIVIDENDS

	2002	2001
	RMB'000	RMB'000
Final, proposed, of RMB0.13 (2001: RMB0.125) per ordinary share	654,907	629,718

At the Board of Directors Meeting on 20 March 2003, a dividend in respect of 2002 of RMB0.13 per share amounting to a total dividend of RMB654,907,000 was proposed. This proposed dividend is not reflected as a dividend payable, in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2003.

The dividends declared in respect of 2001 and 2000 were RMB629,718,000 and RMB453,397,000 respectively.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB854,445,000 (2001: RMB841,240,000) and the weighted average number of 5,037,747,500 (2001: 5,037,747,500) ordinary shares in issue during the year.

No fully diluted earnings per share is presented as the Company has no dilutive potential shares.

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' (including supervisors') emoluments

The aggregate amount of emoluments payable to directors (including supervisors) of the Company during the year are as follows:

	2002	2001
	RMB'000	RMB'000
Fee	1,732	1,900
Other emoluments		
— basic salaries, allowances and benefits in kind	—	220
— pension	—	—
	1,732	2,120

Directors' (including supervisors') emoluments disclosed above include approximately RMB292,000 (2001: RMB220,000) paid to independent non-executive directors.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

### (a) Directors' (including supervisors') emoluments (Cont'd)

The emoluments of the directors (including supervisors) fell within the following bands:

	Number of directors (including supervisors)	
	2002	2001
Nil to HK\$1,000,000 (equivalent to approximately RMB1,060,000)	16	16

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

### (b) Five highest paid individuals

During the year, the five highest paid individual included 4 directors (including supervisors) (2001: 4 directors (including supervisors)), details of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2002 RMB'000	2001 RMB'000
— basic salaries, allowances and benefits in kind	120	120
— pension	—	—
	120	120

The emoluments paid to each of the five highest paid individuals during the years ended 31 December 2002 and 2001 were less than HK\$1,000,000.

No payment as an inducement for joining the Company or compensation for the loss of any office in connection with the management of the affairs of any member of the Group was paid or payable to any five highest paid individuals mentioned above for the year ended 31 December 2002.

## 11. FIXED ASSETS

Movements in fixed assets were as follows:

### GROUP

	2002									
	Toll roads and structures	Land use right	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>										
Beginning of year	9,342,326	1,716,088	457,898	451,014	341,149	122,749	104,702	125,764	13,439	12,675,129
Additions	70,000	—	24,088	—	1,189	4,826	11,970	1,017	27,963	141,053
Transfers	—	—	—	—	—	—	—	28,877	(28,877)	—
Disposals	—	—	—	—	—	—	(4,277)	(3,041)	—	(7,318)
End of year	9,412,326	1,716,088	481,986	451,014	342,338	127,575	112,395	152,617	12,525	12,808,864
<u>Accumulated depreciation</u>										
Beginning of year	(561,443)	(105,832)	(70,704)	(198,749)	(88,042)	(34,080)	(33,015)	(69,817)	—	(1,161,682)
Charge for the year	(200,879)	(33,106)	(15,543)	(48,575)	(30,017)	(15,281)	(9,503)	(20,972)	—	(373,876)
Disposals	—	—	—	—	—	—	2,459	969	—	3,428
End of year	(762,322)	(138,938)	(86,247)	(247,324)	(118,059)	(49,361)	(40,059)	(89,820)	—	(1,532,130)
<u>Net book value</u>										
End of year	8,650,004	1,577,150	395,739	203,690	224,279	78,214	72,336	62,797	12,525	11,276,734
Beginning of year	8,780,883	1,610,256	387,194	252,265	253,107	88,669	71,687	55,947	13,439	11,513,447



# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 11. FIXED ASSETS (Cont'd)

### COMPANY

	2002									
	Toll roads and structures	Land use right	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Cost</u>										
Beginning of year	7,088,418	1,716,088	372,710	374,666	256,769	122,749	99,608	120,059	3,125	10,154,192
Additions	70,000	—	11,663	—	491	4,826	10,587	6,308	23,091	126,966
Transfers	—	—	—	—	—	—	—	14,326	(14,326)	—
Disposals	—	—	—	—	—	—	(4,277)	(3,041)	—	(7,318)
End of year	7,158,418	1,716,088	384,373	374,666	257,260	127,575	105,918	137,652	11,890	10,273,840
<u>Accumulated depreciation</u>										
Beginning of year	(536,285)	(105,832)	(63,406)	(181,798)	(70,821)	(34,080)	(31,734)	(69,640)	—	(1,093,596)
Charge for the year	(181,419)	(33,106)	(12,646)	(41,108)	(19,768)	(15,281)	(8,821)	(19,571)	—	(331,720)
Disposals	—	—	—	—	—	—	2,459	969	—	3,428
End of year	(717,704)	(138,938)	(76,052)	(222,906)	(90,589)	(49,361)	(38,096)	(88,242)	—	(1,421,888)
<u>Net book value</u>										
End of year	6,440,714	1,577,150	308,321	151,760	166,671	78,214	67,822	49,410	11,890	8,851,952
Beginning of year	6,552,133	1,610,256	309,304	192,868	185,948	88,669	67,874	50,419	3,125	9,060,596

## 12. INVESTMENTS IN ASSOCIATED COMPANIES

### GROUP

	2002	2001
	RMB'000	RMB'000
Share of net assets	1,369,758	775,301
Goodwill on acquisition of associated companies less amortisation/impairment	11,249	6,026
	1,381,007	781,327
Amount due from associated companies	800	997
	1,381,807	782,324

### COMPANY

	2002	2001
	RMB'000	RMB'000
Unlisted equity at cost	1,258,468	761,569
Amounts due from associated companies	800	997
	1,259,268	762,566

The Company's directors are of the opinion that the underlying value of the associated companies was not less than the carrying value of the Company's investment as at 31 December 2002.

The amounts due from associated companies are unsecured, interest free and with no fixed repayment terms.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 12. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

The following is a list of the associated companies at 31 December 2002:

Name	Place of establishment/ incorporation, operation and kind of legal entity	Percentage of equity interest attributable to the Group		Paid in/ issued and fully paid share capital RMB'000	Principal activities
		Direct	Indirect		
Jiangsu Kuailu Bus Transportation Stock Co., Ltd. ("Jiangsu Kuailu")	The PRC Limited liability company	33.20%	—	150,300	Provision of passenger transportation service along the Shanghai-Nanjing Expressway
Jiangsu Yangzte Bridge Co., Ltd. ("Yangzte Bridge")	The PRC Limited liability company	26.66%	—	2,137,248	Investment, construction, operation and management of Jiangjin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang")	The PRC Limited liability company	33.33%	—	1,350,000	Investment, construction, operation and management of Sujiahang Expressway
China Transportation HEAD New technology (Shanghai) Co., Ltd. ("HEAD")	The PRC Limited liability company	35.71%	—	21,000	Computer software development
Jiangsu Leasing Co., Ltd. ("Jiangsu Leasing")	The PRC Limited liability company	—	26.06%	500,000	Leasing and financing activities

## 12. INVESTMENTS IN ASSOCIATED COMPANIES (Cont'd)

### (a) Sujiahang

Pursuant to the agreement dated 8 April 2002 between Jiangsu Communications Holding Company Ltd. and the Company, the Company acquired Jiangsu Communications Holding Company Ltd.'s 33.33% interest in Sujiahang for a cash consideration of RMB315,400,000.

### (b) HEAD

The Company set up HEAD together with other four investors on 17 June 2002. The Company's interest in HEAD was 35.71%.

### (c) Jiangsu Leasing

On 28 May 2002, Guangjing Xicheng and Yangtze Bridge entered into a contract with Jiangsu Communications Holdings Ltd., Suzhou Materials Holding (Group) Co., Ltd. and Jiangsu Leasing, pursuant to which Guangjing Xicheng and Yangtze Bridge invested RMB100,000,000 and RMB170,000,000 respectively in Jiangsu Leasing, representing 20% and 34% of the enlarged registered capital of Jiangsu Leasing.

## 13. LONG-TERM RECEIVABLE

On 25 December 1998, the Company formed a joint venture named Jiangsu Yicao Highway Co., Ltd. ("Yicao Highway Co.") with Yixing Communications Construction and Development Co., Ltd. ("Yixing Communications Construction Co."). The joint venture period is 10 years from 25 December 1998. Yicao Highway Co. is principally engaged in the construction, operation and management of highway linking Yixing and Caoqiao. The registered capital of Yicao Highway Co. is RMB120 million. The Company and Yixing Communications Construction Co. have contributed RMB58,800,000 and RMB61,200,000, representing 49% and 51% respectively of the registered capital of Yicao Highway Co.

Pursuant to the supplementary operating agreement dated 31 December 1998, apart from the capital contribution of RMB58,800,000, the Company is required to provide an additional amount of RMB117,600,000 as a construction loan. As at 31 December 2000, the Company had contributed an aggregate amount of RMB100,000,000 to Yicao Highway Co. in the form of capital and construction loan. According to the aforesaid agreement, Yixing Communications Construction Co. is authorized by the Company to be solely responsible for the operation and management of Yicao Highway Co. In addition, Yixing Communications Construction Co. shall pay the Company a fixed annual investment return of 17.8% during the operating period of Yicao Highway Co. from 1999. Yixing Investment Corporation, a controlling shareholder of Yixing Communications Construction Co., has guaranteed the payment of the aforesaid investment return. At the end of the operation period, the Company will not be entitled to any further distribution.

On 24 July 2002, the Board of Directors of the Company decided to liquidate that Yicao Highway Co. Yixing Communications Construction Co. and the Company agreed to set up a liquidation team to deal with the liquidation of Yicao Highway Co. As of 31 December 2002, receivables from liquidation amounted to approximately RMB28,812,000 was included in prepayment and other receivables.

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 14. PREPAYMENTS AND OTHER RECEIVABLES

### GROUP

	2002	2001
	RMB'000	RMB'000
Prepayment for materials and equipments	11,052	8,859
Due from Yixing Communications (Note 13)	28,812	11,800
Others	32,481	37,019
	72,345	57,678
Less: Provision for bad and doubtful debts	(1,199)	(1,063)
	71,146	56,615

### COMPANY

	2002	2001
	RMB'000	RMB'000
Prepayment for materials and equipments	8,883	7,258
Due from Yixing Communications (Note 13)	28,812	11,800
Others	27,893	33,599
	65,588	52,657
Less: Provision for bad and doubtful debts	(1,199)	(1,020)
	64,389	51,637

## 15. TRADING SECURITIES

	2002	2001
	RMB'000	RMB'000
PRC listed equity securities - at market value	57,493	9,234
PRC listed bonds - at market value	51,574	—
	109,067	9,234

## 16. HELD-TO-MATURITY SECURITIES

	2002 RMB'000	2001 RMB'000
Held-to-maturity investments	—	107,077

Current held-to-maturity investment represented entrusted investment fund of RMB100,000,000 placed with Guotong Securities Company for investment in government bonds and securities.

## 17. SHORT-TERM BORROWINGS

	2002		2001	
	Interest rate per annum	RMB'000	Interest rate per annum	RMB'000
— Unsecured	5.04%	120,000	5.58%	210,000

Short-term borrowings are unsecured and repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. The interest rates related to borrowings outstanding as at 31 December 2002 were 5.04% per annum (2001: 5.58%).

## 18. LONG-TERM BORROWINGS

All long-term borrowings were guaranteed by Jiangsu Communications Holding Company Ltd. and comprised of:

	Interest rate	2002 RMB'000	2001 RMB'000
— USD denominated Spain government loans with maturities 2007 - 2026	1% per annum (2001: 1%)	41,022	31,494
— USD denominated buyer's credit loans with maturities 2001 - 2006	6.77% per annum (2001: 6.77%)	27,294	23,522
		<b>68,316</b>	55,016
Less: Amount repayable within one year		<b>(6,822)</b>	(4,703)
		<b>61,494</b>	50,313

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 18. LONG-TERM BORROWINGS (Cont'd)

Long-term borrowings are repayable in the following periods:

	2002	2001
	RMB'000	RMB'000
— not exceeding one year	6,822	4,703
— more than one year but not exceeding two years	6,822	4,703
— more than two years but not exceeding five years	20,466	14,109
— more than five years	34,206	31,501
	<b>68,316</b>	55,016

As at 31 December 2002, the Group and the Company had aggregate banking facilities of approximately United States Dollar ("USD") 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. The facilities were fully used as at 31 December 2002 (2001 unused facilities: USD 2,192,000). These facilities were guaranteed by Jiangsu Communication Holding Company Ltd.

## 19. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation	Interest for held-to- maturity investments	Fair value gains	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2002	12,184	2,167	—	14,351
Charge/(credit) to net profit	10,053	(2,167)	2,991	10,877
	22,237	—	2,991	25,228

## 20. SHARE CAPITAL

As of 31 December 2002, share capital was as follows:

	2002		2001	
	Number of Shares	Amount RMB'000	Number of Shares	Amount RMB'000
State shares	2,781,743,600	2,781,744	2,781,743,600	2,781,744
State legal person shares	599,471,000	599,471	599,471,000	599,471
Legal person shares	284,532,900	284,533	284,532,900	284,533
H shares	1,222,000,000	1,222,000	1,222,000,000	1,222,000
A shares	150,000,000	150,000	150,000,000	150,000
Total	5,037,747,500	5,037,748	5,037,747,500	5,037,748

As at 31 December 2002, the authorised, issued and fully paid share capital of the Company is RMB5,037,747,500 (2001: RMB5,037,747,500) divided into 5,037,747,500 shares (2001: 5,037,747,500 shares) with a par value of RMB1 each. State shares, state legal person shares, legal person shares, H shares and A shares rank pari passu in all respects, except that ownership of state-owned shares, state legal person shares and legal person shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

## 21. INVESTMENTS IN SUBSIDIARIES

	2002	2001
	RMB'000	RMB'000
Unlisted equity at cost	2,220,445	723,460
Amounts due from subsidiaries	12,000	1,398,242
	2,232,445	2,121,702

The long-term amounts due from subsidiaries are unsecured, interest free and with no fixed repayment term.

The Company agreed with the minority shareholder of Guangjing Xicheng (a subsidiary) to capitalize their construction loan to Guangjing Xicheng as capital reserve on pro rata basis. The Company then capitalized the long term receivable from Guangjing Xicheng as investment cost accordingly.



# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 21. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Details of the Company's subsidiaries, all of which are limited liability companies, as of 31 December 2002 were as follows:

Name	Place of establishment/ incorporation, operation and kind of legal entity	Percentage of equity interest attributable to the Group		Paid in/ issued and fully paid share capital RMB'000	Principal activities
		Direct	Indirect		
Guangjing Xicheng	The PRC Limited liability company	85.00%	—	850,000	Construction, management and operation of expressway
Shuangshilou	The PRC Limited liability company	95.05%	—	1,010	Provision of Chinese food
Ninghu Investment	The PRC Limited liability company	95.00%	—	100,000	Infrastructure and industrial investments

## 22. RESERVES

### Company

	Share Premium	Statutory Surplus Reserve Fund	Statutory Public Welfare Fund	Retained Earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 23)	(Note 23)		
Balance as at 1 January 2001					
— As previously reported	5,730,454	215,694	107,848	1,023,947	7,077,943
— effect on change in accounting policy	—	—	—	(71,773)	(71,773)
— As restated	5,730,454	215,694	107,848	952,174	7,006,170
Dividends (Note 8)	—	—	—	(453,397)	(453,397)
Profit for the year	—	—	—	845,157	845,157
Profit appropriations	—	78,086	39,043	(117,129)	—
Balance as at 31 December 2001	5,730,454	293,780	146,891	1,226,805	7,397,930
Balance as at 1 January 2002					
— As previously reported	5,730,454	293,780	146,891	1,294,661	7,465,786
— effect on change in accounting policy	—	—	—	(67,856)	(67,856)
— As restated	5,730,454	293,780	146,891	1,226,805	7,397,930
Dividends (Note 8)	—	—	—	(629,718)	(629,718)
Profit for the year	—	—	—	811,300	811,300
Profit appropriations	—	81,683	40,842	(122,525)	—
Balance as at 31 December 2002	5,730,454	375,463	187,733	1,285,862	7,579,512
Representing					
2002 final dividend proposed (Note 8)				654,907	
Others				630,955	
				1,285,862	

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 23. APPROPRIATIONS

### (a) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of each entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

### (b) Statutory public welfare fund

In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries registered in the PRC are required to appropriate 5% of the annual statutory net profit after tax (after offsetting any prior years' losses) to statutory public welfare fund, which will be utilised to build or acquire capital items, such as dormitories and other facilities for the Company and its subsidiaries' employees, and cannot be used to pay for staff welfare expenses.

Titles of these capital items will remain with the respective companies now comprising the Group.

During the year, 10% and 5% (2001: 10% and 5%) of the profit attributable to shareholders were appropriated to statutory surplus reserve and statutory public welfare fund, respectively, as approved in resolutions passed by the boards of directors of the respective companies now comprising the Group.

The above statutory reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow from operating activities:

	2002	2001
	RMB'000	RMB'000
Profit before taxation	1,308,949	1,027,871
Adjustments for:		
Depreciation	373,876	305,514
Provision for bad debts	136	630
Amortization of intangible assets	—	3,188
Loss on sale of fixed assets	3,890	13,578
Interest income	(13,135)	(33,736)
Interest expenses	10,727	19,064
Share of results of associated companies before tax	(49,071)	(28,787)
Operating profit before working capital changes:		
(Increase)/decrease in inventories	(1,928)	940
Decrease/(increase) in prepayments and other receivables	5,613	(12,686)
(Decrease)/increase in tax and other payables	(8,224)	7,245
Cash generated from operations	1,630,833	1,302,821
Interest paid	(10,727)	(19,064)
PRC income taxes paid	(321,264)	(190,799)
Net cash inflow from operations	1,298,842	1,092,958

(b) Analysis of the balances of cash and cash equivalents

	2002	2001
	RMB'000	RMB'000
Trading securities	109,067	9,234
Held-to-maturity securities	—	107,077
Cash on hand	252	243
Cash in bank - Current deposit	675,398	695,720
- Term deposit	43,961	79,660
	828,678	891,934

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Supplemental cash flow information

Cash outflows for purchase of fixed assets

	2002	2001
	RMB'000	RMB'000
Increase in fixed assets	141,053	68,579
Add: Payables for purchase of fixed assets, beginning of year	68,041	167,031
Less: Payables for purchase of fixed assets, end of year	(58,741)	(68,041)
Cash paid for acquisition of fixed assets	150,353	167,569

### (d) Analysis of changes in financing activities during the years ended 31 December 2002

	2002			2001
	Short-term borrowings	Long-term borrowings	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of year	210,000	55,016	265,016	626,723
Loans borrowed	450,000	19,055	469,055	692,862
Repayments of loans	(540,000)	(5,755)	(545,755)	(1,054,569)
	120,000	68,316	188,316	265,016

## 25. RELATED PARTY TRANSACTIONS

### GROUP

#### (a) Name of related party and relationship

Name	Relationship with the Company
Jiangsu Communications Company Ltd.	The ultimate parent company

#### (b) Related party transactions

All of the related party transactions are disclosed in Note 12(a), Note 12(c) and Note 18.

## 26. IMPACT OF HK GAAP ADJUSTMENT ON NET PROFIT AND NET ASSETS

	Net profit		Net assets	
	2002	2001	2002	2001
As restated in the Group's statutory accounts	816,833	780,864	13,613,202	13,453,721
Impact of adjustment:				
— Amortization of land use right	30,462	36,920	67,382	36,920
— Valuation, depreciation and amortization of fixed assets	35,320	30,730	(1,582,832)	(1,618,152)
— Housing subsidy charged to retained earnings directly under the statutory account	(16,838)	—	—	16,838
— Loss on disposal of staff quarters	—	—	(8,237)	(8,237)
— Deferred taxation	(10,877)	(14,351)	(25,228)	(14,351)
— Interest accrued on held-to maturity securities	(7,077)	7,077	—	7,077
— Fair value of trading securities	9,067	—	9,067	—
— Others	(2,445)	—	—	—
— dividends proposed in subsequent period	—	—	654,907	629,718
As stated in the Group's HK GAAP financial statements	854,445	841,240	12,728,261	12,503,534

# Notes to the Accounts

31 December 2002

(Amounts expressed in RMB unless otherwise stated)

## **27. COMMITMENTS**

As at 31 December 2002, the Company is committed to pay Ninglian Ningtong Management Office a service charge at a fixed rate of 17% of the total toll collected on Nanjing section per annum for a term of 30 years from 1st January, 2000.

## **28. RETIREMENT BENEFITS**

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau. Pursuant to relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2000: 20%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

## **29. SUBSEQUENT EVENTS**

Pursuant to the resolution made by the Board of Directors subsequent to 31 December 2002, the Company will propose a final dividend of RMB0.13 per share for the fiscal year ended 31 December 2002.

## **30. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on 20 March 2003.

# Documents Available for Inspection

The following documents are available for inspection:

- (1) Copies of annual reports under the hand of the Chairman;
- (2) Financial statements signed and sealed by the legal representative and the chief accounting officer of the Company;
- (3) In case audited accounting statements are furnished, original copy of auditors' report sealed by the CPA firm and signed and sealed by a certified accountants;
- (4) Original copies of all company documents and announcements published in the press designated by the CSRC during the period;
- (5) Articles of Association;
- (6) Copies of annual reports released in other stock exchanges.

The above documents are available for inspection at the Secretariat Office of Board of Directors at 27/F, Jiangsu Communications Building, 69 Shigu Road, Nanjing, PRC

**Shen Chang Quan**  
*Chairman of the Board of Directors*  
**Jiangsu Expressway Company Limited**

20th March 2002



# The Group's Highway Network



# 集團公路 分佈圖



- Tongjiang to Sanya  
同江至三亞
- Beijing to Zhuhai  
北京至珠海
- Lianyungang to Houcheng  
連雲港至霍成
- Shanghai to Chengdu  
上海至成都
- Beijing to Shanghai  
北京至上海