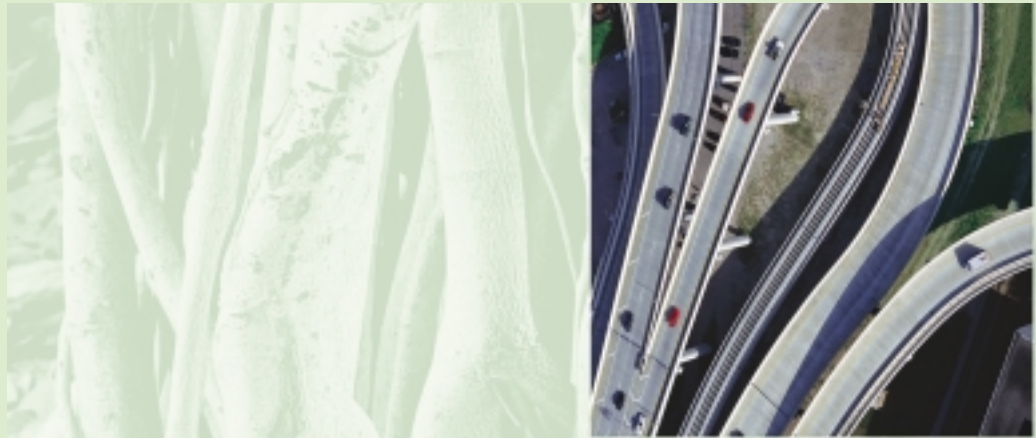




Jiangsu Expressway Company Limited



Solid Business,
Stable Growth.

2023

Annual Report

We are proud to have a united, focused and experienced management team and an energetic, hardworking and professional workforce, who helped to create encouraging results for seven consecutive years. In the future development of the Company, we will continue to pursue the spirit of dedication, solidarity and hardwork, striving for new achievements. The Company aims to maintain its competitive advantages despite keen competition in future, incessantly searching for excellence and moving ahead with the future.

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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. Xie Jia Quan, General Manager, and Ms Liu Wei, Accountant of the Company, confirm the accuracy and completeness of the financial report in this report.

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 Expressway”) and related toll highways within Jiangsu Province. It also provides passenger transport and other ancillary services along these highways (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 1,222,000,000 H shares became listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

On 16th January 2001, the Company’s 150,000,000 A shares became listed on the Shanghai Stock Exchange (“Shanghai Stock Exchange”).

The Company established Sponsored Level I American Depositary Receipt Programme (“ADR”) on 23rd December 2002, trading in the over-the-counter market in the United States.

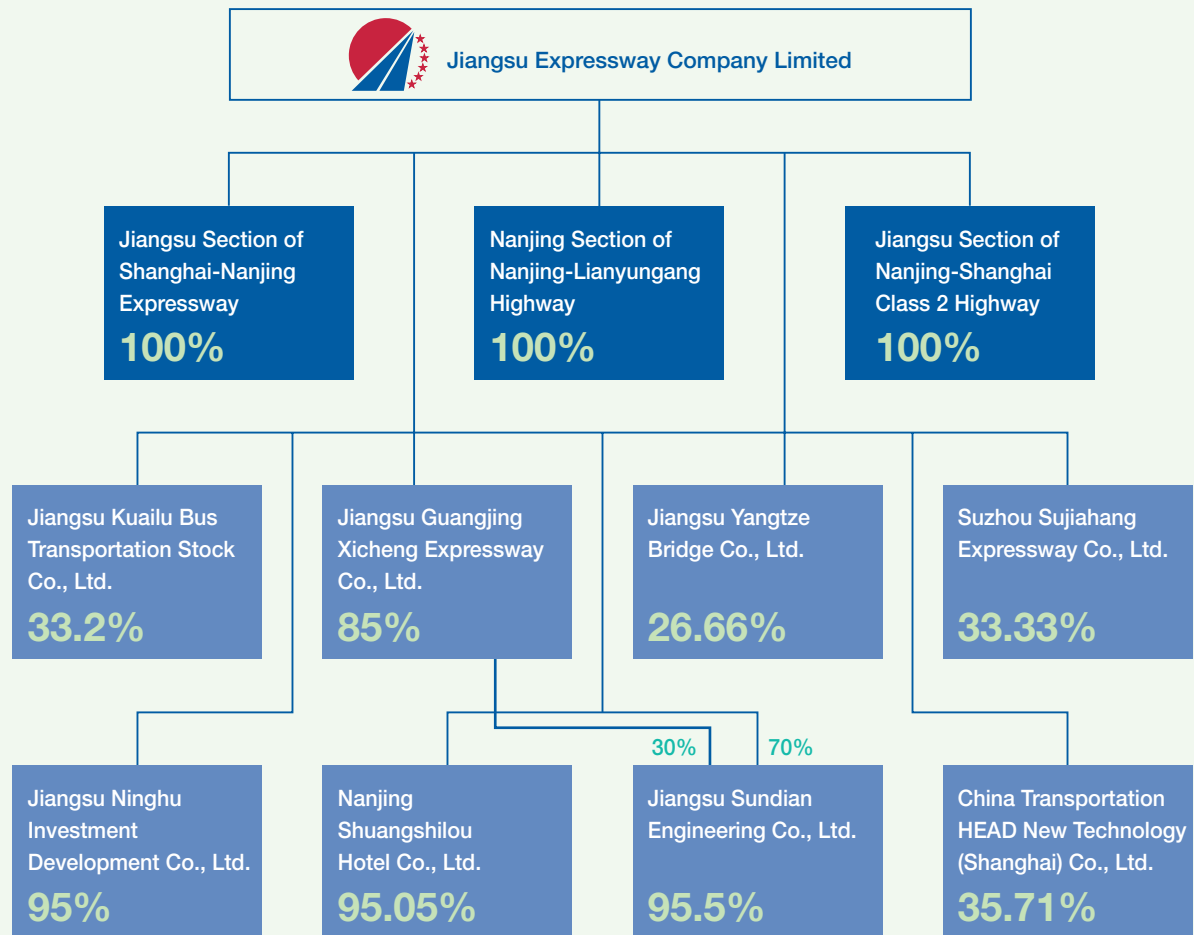
The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. Apart from Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in Jiangsu Province, including: the Jiangsu Section of Nanjing-Shanghai Class 2 Highway (“Nanjing-Shanghai Class 2 Highway”), Xicheng Expressway, Guangjing Expressway, the Nanjing Section of Nanjing-Lianyungang Highway, Jiangyin Yangtze Bridge and the Jiangsu Section of Sujiahang Expressway (“Sujiahang Expressway”). The Company is one of China’s largest toll road investors and developers in terms of total assets managed.

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

Detailed information on the major roads and bridges of the Group:

Roads and Bridges	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Year starting operation	Remaining term
Shanghai-Nanjing Expressway	258.46	4	18	6	1997.6	29
Acquired operating right for Nanjing-Shanghai Class 2 Highway	271.1	2-4	6	0	1997.6	21
Acquired operating right for Nanjing Section of Nanjing-Lianyungang Highway	29.8	4	1	0	1999.12	26
Guangjing Expressway	17.2	6	1	0	1999.9	26
Xicheng Expressway	35	6	4	1	1999.9	26
Jiangyin Yangtze Bridge	3.07	6	1	0	1999.9	26
Sujiahang Expressway	100.1	4	10	2	2002.12	30

The Group's Organization:



financial highlights

Year 2003's financial report prepared by the Company was audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu, whose audited report expressed an unqualified opinion on the financial statements.

(1) According to the PRC Accounting Standards, the financial highlights of the Group for the year ended 31st December 2003 are as follows:

Item	Unit: RMB'000
Gross profit	1,447,833
Net profit	950,531
Net profit after non-recurring profits/losses	944,738
Profit from principal operations	1,489,189
Other operating income	30,802
Profit from operations	1,357,057
Investment income	69,948
Subsidy income	19,648
Non-operating income / expenses, net	1,180
Net cash flow from operating activities	1,453,795
Net increase in cash and cash equivalents	717,418

(2) According to the accounting principles generally accepted in Hong Kong ("HKGAAP"), the financial highlights of the Group for the year ended 31st December 2003 are as follows:

Item	Unit: RMB'000
Revenue, net	2,675,814
Profit before taxation	1,533,974
Net profit	1,005,773
Profit from principal operations	1,457,763
Net cash flow from operating activities	1,441,643
Net increase in cash and cash equivalents	717,418

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

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

	Net Profit		Net Asset	
			as at 31st December	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in PRC statutory financial statements	950,531	816,833	14,562,325	14,268,109
HKGAAP adjustments:				
– amortization of land use right	23,122	30,462	90,504	67,382
– valuation, depreciation and amortization of property, plant and equipment	46,874	35,320	(1,535,958)	(1,582,832)
– housing subsidy charged to retained earnings directly under the statutory accounts	—	(16,838)	—	—
– loss on disposal of staff quarters	—	—	(8,237)	(8,237)
– deferred taxation	(4,279)	(10,877)	(29,507)	(25,228)
– interests accrued on held-to-maturity securities	—	(7,077)	—	—
– fair value of investments in securities	(9,067)	9,067	—	9,067
– others	(1,408)	(2,445)	—	—
As reported in this financial statements prepared in accordance with HKGAAP	1,005,773	854,445	13,079,127	12,728,261

Note: Net assets of 2002 was restated from RMB13,613,202,000 to RMB14,268,109,000, which was due to the change in requirements on subsequent events under the PRC Corporate Accounting Standards, where dividend distributed after the balance sheet date previously recognized as an adjustment was changed to be separately set out under owners' equity in the balance sheet. This accounting policy was applied retrospectively for prior year adjustment.

(4) Non-recurring profit/loss comprises the following:

Item	Unit: RMB'000			
	2003		2002	
	The Group	The Company	The Group	The Company
Non-operating income	9,969	11,828	20,059	13,131
Non-operating expenses	(8,789)	(12,046)	(13,126)	(11,683)
Subsidy income	19,648	—	—	—
Amortization of difference on long term equity investments	(12,088)	(11,997)	(11,249)	(11,249)
Gain from short term investments	10,048	9,000	—	—
Effects of Income tax	(12,995)	(5,462)	1,424	1,424
Total	5,793	(8,677)	(2,892)	(8,377)

financial highlights

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

Unit: RMB'000

Item	2003	2002	2001	2000	1999
Income from principal activities	2,353,129	2,026,238	1,625,992	1,381,696	1,138,385
Net profit	950,531	816,833	780,864	691,486	604,868
Total assets	16,732,357	15,081,793	14,914,400	15,057,227	14,519,176
Total liabilities	1,769,782	417,181	670,109	1,132,571	1,508,250
Minority interests	14,562,325	14,268,109	14,112,946	13,795,206	12,882,076
Earnings per share (RMB)	0.19	0.16	0.16	0.14	0.12
Net asset per share (RMB)	2.89	2.83	2.80	2.74	2.64
Adjusted net asset per share (RMB)	2.89	2.83	2.80	2.74	2.64
Net cash flow per share from operating activities (RMB)	0.29	0.26	0.22	0.20	0.18
Return on net assets	6.53%	5.72%	5.53%	5.01%	4.70%
Weighted average return on net assets	6.59%	5.75%	5.59%	5.31%	4.76%

Note: Dividends distributed for year 2002 was RMB654,907,175. In accordance with the requirements on subsequent events under the PRC Corporate Accounting Standards, the original "Dividend payable" has been adjusted to "Subsequent distributions" under Shareholders' Equity.

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

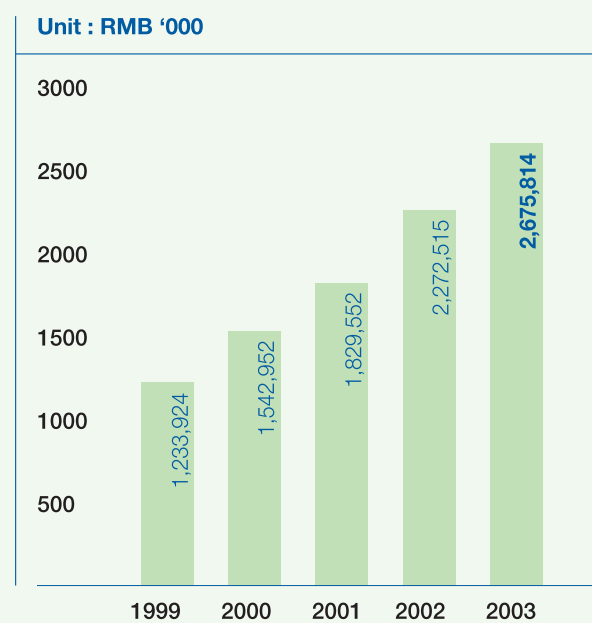
Unit: RMB'000

Item	2003	2002	2001	2000	1999
Revenue, net	2,675,814	2,272,515	1,829,552	1,542,952	1,233,924
Net profit	1,005,773	854,445	841,240	688,306	630,683
Total assets	15,278,665	13,566,108	13,334,684	13,400,108	12,844,327
Total liabilities	1,799,288	441,344	452,305	940,466	1,296,469
Shareholders' equity	13,079,127	12,728,261	12,503,534	12,115,691	11,203,905
Earnings per share (RMB)	0.20	0.17	0.17	0.14	0.13
Net asset per share (RMB)	2.60	2.53	2.48	2.41	2.29
Adjusted net asset per share (RMB)	2.60	2.53	2.48	2.41	2.29
Net cash flow per share from operating activities	1,441,643	1,289,775	1,092,958	916,085	855,419
Return on net assets	7.70%	6.78%	6.76%	5.68%	5.63%

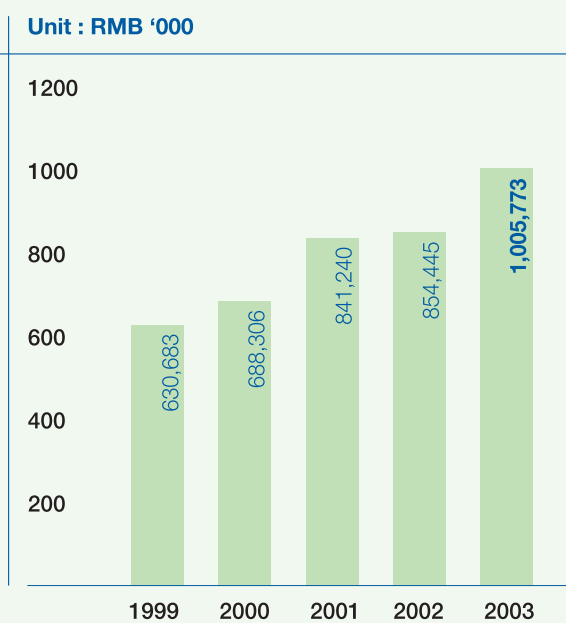
Five-Year Financial Highlights of the Group

(In accordance with HK GAAP)

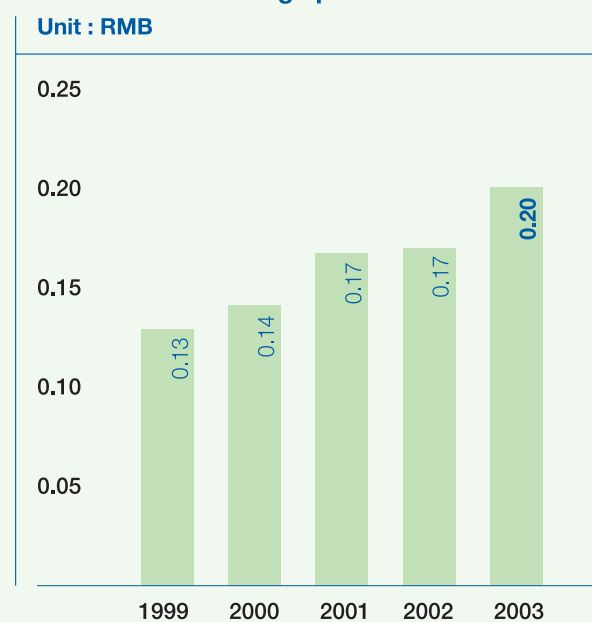
Net Revenue



Net Profit



Earnings per share



Net asset per share



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

Unit: RMB

Item	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	195,747	/	7,484,734,745	Donations to associated companies
Statutory surplus reserve	602,448,076	163,933,934	/	766,382,010	Statutory appropriation
Including:					
Statutory public welfare fund	200,816,024	54,644,645	/	255,460,66	Statutory appropriation
Unrealized loss on investments	(2,445,239)	(1,603,677)	/	(4,048,916)	Losses incurred by subsidiaries
Retained earning	1,145,819,878	950,530,727	818,841,109	1,277,509,496	Operating results
Including:					
Latest balance Sheet distribution	654,907,175	/	/	730,473,388	
Shareholders' equity	14,268,109,213	294,215,622	/	14,562,324,835	

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

Profit for the reporting period	Rate of return on net asset		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	10.23%	10.57%	0.30	0.30
Operating profit	9.32%	9.63%	0.27	0.27
Net profit	6.53%	6.59%	0.19	0.19
Net profit after non-recurring profit/loss	6.49%	6.55%	0.19	0.19

major events in 2003

January

The Company ranked fourteenth among Top 100 Best Performance Enterprises in the Asia Pacific region for the year 2002 by “CFO Asia” magazine, and ranked third among all the PRC enterprises being selected.

February

Xinhua Far East China Credit Ratings Company Limited announced its rating result on the listed companies in the PRC. The Company’s long-term rating was awarded “AA+” grade, with excellent creditworthiness, and short-term rating was awarded “S-1” grade, the best creditworthiness.

March

The Company promoted for the establishment of Jiangsu Sundian Engineering Company Limited (江蘇現代路橋有限公司), in which the Company directly held 70% equity interests.

The Company announced its 2002 annual results.

April

The Company commenced intensive road surface repair works between Wuxi to Suzhou section of Shanghai-Nanjing Expressway to improve road conditions.

May

The new sessions for the Board of Directors and the Supervisory Committee were approved by the general meeting of the Company. Mr. Shen Chang Quan was elected as the Chairman of the fourth Board of Directors, and Mr. Zhou Jian Qiang was elected as the Chairman of the fourth Supervisory Committee.

June

The Company ranked thirteenth by the “Listed Companies” magazine of Shanghai Stock Exchange among the Top 50 listed companies in Shanghai and Shenzhen for the year 2002.

August

The Company announced its 2003 interim results.

After the relocation of toll stations along Nanjing-Shanghai Class 2 Highway, the toll stations at Benniu (including Xilin toll station) and Luoshe and Wangting commenced operation.

October

The Company obtained certification on its quality management system, environmental protection management system and occupational health and safety management system simultaneously, and became the first highway operator in the PRC to obtain certification in respect of three international standards at the same time.

November

The Shanghai-Nanjing Expressway was awarded as one of the 15 major expressway projects in the PRC with the greatest influence and significance in the past 15 years.

December

The Company ranked eleventh among the 100 Top Listed Companies for the year 2002 by the China Enterprises Reform and Development Committee, and ranked fifth in terms of total market capitalization.


The toll-by-weight system at the expressways in Jiangsu Province was approved and implemented on 27th December 2003. New methods and standards on toll collection for good vehicles were applicable to the toll bridge projects of the Company. Standard toll rates for passenger vehicles at the expressways in Jiangsu Province increased by approximately 12.5%, and took effect from 1st January 2004.

Capitalizing on
Opportunities





Securing Continued Growth



We fully understand that achievements, however great they may be, are history, and our emphasis should be on the development in the future. The 8-lane widening project for Shanghai-Nanjing Expressway will be fully implemented in 2004, which is a strategic construction to the Company in the long run and represents a favourable opportunity to capture the “Second Venture”.



Year 2003 was a particularly eventful one for the Company in the history of its operation and development. The Company experienced challenges arising from the SARS epidemic and intensive repairs of road surface. Along with the continuous economic growth and rapid increase of traffic came the increased pressure on maintaining a smooth traffic flow, creating a new challenge for the operation and management of the Company.

With correct decision-making from the Board of the Company, strong commitment of the management and efforts from our strenuous workforce, progress was made in every aspect of our business. Growth in operating results for seven consecutive years were achieved, with operating revenues for the year amounting to RMB2,810,602,000. Net profit was approximately RMB950,531,000 and earnings per share was approximately RMB0.19 under PRC Accounting Standards, an increase of approximately 17.28% over the corresponding period of the previous year. According to HKGAAP, net profit was about RMB1,005,773,000 and earnings per share was around RMB0.20, both an increase of approximately 17.7% over the corresponding period of the previous year.

2003 was also a year in which remarkable headway has been made in the internal management of the Company. We are glad to report that the tri-fold quality management system covering operational quality, environment awareness and occupational health and safety has received certification from the China Quality Accreditation Centre, making us the first highway operator in the country which has received certification simultaneously in respect of three international standards. This represents a major breakthrough in the systemization, regularization and standardization of the Company's management system.

As a pioneer within the industry, the Company has also developed a system to study the customers' satisfaction level. Through the implementation of the system, feedbacks on the services provided by the Company were reflected on an objective and scientific basis. Thus, continuous improvements to the quality of service can be made and the level of service provided to the customers can be continuously upgraded.

The Company is in the process of developing a sophisticated and comprehensive system of corporate governance, which was reflected by the regulated operation and stable development of the Company. In 2003, the election of new Board of Directors was conducted. The newly elected Board of Directors is committed to faithfully performing its duties, and is dedicated to maintaining continued and healthy development of the Company and stable growth of the shareholders' interests, leading the company to achieve continued success in its business operations.

The Company also maintained sound relations with investors. We actively created a two-way communication platform with investors, enabling them to have a clear and deep understanding of the Company's policy decisions, status of operation and strategies of development. Positive interactions were resulted which provided useful channels for the management to obtain suggestions from our investors, facilitating the Company's understanding of the market and improvements of work. This will be conducive for enhancing the core competitiveness of the Company and maximizing the interest of the shareholders.

We fully understand that achievements, however great they may be, are history, and our emphasis should be on the development in the future. The 8-lane widening project for Shanghai-Nanjing Expressway will be fully implemented in 2004, which is a strategic construction to the Company in the long run and represents a favourable opportunity to capture the “Second Venture”. The widening project will further enhance the core competitiveness of the Company, consolidate the leading position of the Company within the industry and provide new horizons for further development.

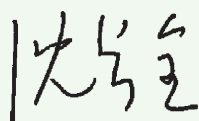
In the coming few years, continued development of the Company will top our priority, focusing on the widening project and operation management. We aim to strengthen internal controls, enhance service standards, ensure safety and smooth traffic and deploy all positive factors to safeguard the levels of operating revenue and profitability during the widening project, so as to maintain continued long-term return for the shareholders.

In terms of corporate management, the Company upgrades the management level step by step to match that of international modern enterprises. Upon completion of the expansion work, the quality of our road will be enhanced, and therefore, the level of management should be enhanced commensurately and enter a new stage.

As a public service enterprise, our product is nothing but providing the best service. Our staff strongly believe in “Customer is Our Priority”, with faithful service as our spirit. With patience and passion, we shall comfort expressway users for the inconvenience caused by road construction and pursue understanding and support from our customers. We shall compensate the disadvantages of road conditions by quality service and maintain the image of the Company.

We are proud to have a united, focused and experienced management team and an energetic, hardworking and professional workforce, who helped to create encouraging results for seven consecutive years. In the future development of the Company, we will continue to pursue the spirit of dedication, solidarity and hardwork, striving for new achievements. The Company aims to maintain its competitive advantages despite keen competition in future, incessantly searching for excellence and moving ahead with the future.

By Order of the Board



Shen Chang Quan
Chairman


Nanjing, the PRC
1st April 2004

Benefitting from a
Robust Economy





Leveraging Our Advantage



In 2003, despite the impact of SARS and large-scale intensive repairs, various major road and bridge projects still achieved satisfactory performance. Apart from relying on the booming economy and scientific and effective management, this was also achieved by the excellent quality of the projects and the ample room for growth in the future.

(I) OPERATING ENVIRONMENT

In 2003, the national economy sustained a faster rate of growth. Despite a certain degree of slowdown in the second quarter due to the impact of Severe Acute Respiratory Syndrome (“SARS”), there were no signs of reversal on the trend of rapid growth. GDP increased by approximately 9.1% for the whole year, up 1.1 percentage points when compared with the previous year, with economic activities becoming more robust.

As one of the economically active provinces along the eastern coastal region in the PRC, Jiangsu Province still commands a strong economy. Gross domestic product for the year amounted to RMB1,245.18 billion, a growth of approximately 13.5% which is 1.9 percentage points higher than that of the previous year and 4.4 percentage points higher than the average national growth rate. Jiangsu Province ranked second in the PRC in terms of total value of economic output in the PRC, and fifth in terms of speed of development.

The six cities along the Shanghai-Nanjing Expressway, namely Nanjing, Zhenjiang, Changzhou, Wuxi, Suzhou and Shanghai, all demonstrated rapid economic growth, with their GDP's in 2003 grown by 12.6%, 14.1%, 14.5%, 13%, 18% and 11.8% over the previous year respectively.



With the sustained rapid economic development in Jiangsu Province and the increase in both income of and consumption by urban residents, consumption of cars has entered into a new era of rapid development. By the end of 2003, private vehicle ownership in the whole province reached 587,200 vehicles, an increase of approximately 2.1 times when compared to the end of 2000. For the past three years, the average growth rate of private vehicle ownership was approximately 45.8% per annum, of which the growth rate for 2002/03 in particular was approximately 48.7%. Such a high growth rate is expected to continue in the next few years.

In order to satisfy demands generated by economic development and rapid growth in vehicle ownership, the progress in establishing a network for all the expressways in the province is being further accelerated. Six expressways were completed and opened to traffic during the year, raising the total mileage of the province's expressways by 301 km to more than 2,000 km. Jiangsu Province ranks third in the country in terms of expressway mileage, and first in terms of expressway concentration. Most of the province's expressways form a network effect with the road and bridge properties owned by the Group.

A sound external environment has provided a generally favourable operating environment for the business development of the Group in 2003.

(II) ANALYSIS OF BUSINESS OPERATIONS

1. Overview

In 2003, the Group realized gross revenues of RMB2,810,602,000 representing year-on-year growth of approximately 17.34%.

The composition and proportion of its revenues were as follows:

Item	Revenues (RMB'000)	As	Year-on-year change (%)	Operating costs (RMB'000)	Gross margin (%)
		percentage of total revenues (%)			
Shanghai-Nanjing Expressway	1,732,510	61.64%	21.04%	476,167	72.52%
Nanjing-Shanghai Class 2 Highway	230,490	8.20%	-7.77%	114,936	50.13%
Nanjing Section of					
Nanjing-Lianyungang Highway	59,275	2.11%	12.11%	29,687	49.92%
Guangjing Xicheng Expressways	330,854	11.77%	13.27%	112,552	65.98%
Revenue from other operations	457,473	16.28%	23.99%	426,671	6.73%
Total	2,810,602	100.00%	17.34%	1,160,013	58.73%

In 2003, toll revenues from Shanghai-Nanjing Expressway, the Company's major highway property, grew rapidly, which was mainly attributable to the rapid development in the regional economy which brought forth rapid increase in traffic volume on the expressway.

Revenues from the Group's other businesses, including refueling, catering, emergency assistance service and advertising, increased in 2003, which was mainly attributable to the substantial increase in the refueling business as a result of the rise in petrol prices.

In 2003, operating costs of the Group totalled RMB1,160,013,000, an increase of approximately 21.04% over RMB958,378,000 in the corresponding period of the previous year.

The composition and proportion of operating costs were as indicated in the table below:

Items	Operating costs (RMB'000)	As	The same period last year (RMB'000)	Increase/ decrease as compared to previous year (%)
		percentage of total costs (%)		
Shanghai-Nanjing Expressway	476,167	41.05	422,449	12.72
Nanjing-Shanghai Class 2 Highway	114,936	9.91	109,966	4.52
Nanjing Section of				
Nanjing-Lianyungang Highway	29,687	2.56	28,069	5.77
Guangjing Xicheng Expressways	112,552	9.70	81,042	38.88
Revenue from other operations	426,671	36.78	316,852	34.66
Total	1,160,013	100.00	958,378	21.04

management *discussion and analysis*

The increase in operating costs for Guangjing Expressway and Xicheng Expressway was mainly due to the specific repair undertaken at Guangjing Expressway by Guangjing Xicheng Expressway Co., Ltd., the Group's subsidiary, with an expenditure of approximately RMB16,400,000 in total. At the same time, additional depreciation expenses of RMB17,840,000 were made to the Guangjing and Xicheng Expressways on the basis of the discrepancies between the forecasted traffic volume and the actual traffic volume.

The increase in operating costs of other businesses was mainly due to the rise in petrol costs. Aggregate increase in the operating costs of the refueling business amounted to RMB94,350,000, accounting for approximately 85.92% of the total increase in operating costs from other businesses.

2. Toll Road Operations

During the period, the Group's core business, toll road operations, realized gross toll revenues of RMB2,353,129,000, accounting for approximately 83.72% of the gross revenues and an increase of approximately 16.13% over the corresponding period of the previous year.

In 2003, despite the impact of SARS and large-scale intensive repairs, various major road and bridge projects still achieved satisfactory performance. Apart from relying on the booming economy and scientific and effective management, this was also achieved by the excellent quality of the projects and the ample room for growth in the future.



Comparative figures for daily average traffic volumes (vehicles/day):

Project	2003	2002	2001	2000	1999
Shanghai-Nanjing Expressway	31,038	25,356	21,013	18,087	16,235
Nanjing-Shanghai Class 2 Highway	39,958	41,442	42,434	42,357	42,909
Nanjing Section of					
Nanjing-Lianyungang Highway	10,994	9,986	9,450	10,644	10,243
Guangjing Expressway	22,766	19,481	13,361	8,977	7,471
Xicheng Expressway	20,689	17,205	11,889	8,963	8,165
Jiangyin Yangtze Bridge	23,667	20,836	15,555	14,162	/
Sujiahang Expressway	23,094	12,569	/	/	/

Comparative figures for daily average toll revenues (RMB'000/day):

Project	2003	2002	2001	2000	1999
Shanghai-Nanjing Expressway	4,746.6	3,921.6	3,156.6	2,640.0	2,390.0
Nanjing-Shanghai Class 2 Highway	631.5	684.7	616.3	620.9	647.0
Nanjing Section of					
Nanjing-Lianyungang Highway	162.4	144.9	138.1	147.2	143.5
Guangjing Expressway	374.2	341.6	236.0	153.9	128.0
Xicheng Expressway	532.2	458.6	307.7	212.9	186.0
Jiangyin Yangtze Bridge	1,116.6	1,016.1	700.4	460.8	/
Sujiahang Expressway	920.7	579.1	/	/	/

Adjustments to the methods and standards of toll collection:

In order to strengthen the management of overloaded transportation vehicles on the use of roads, so as to effectively protect the road and bridge facilities, Jiangsu Province changed the historical method of toll collection for goods vehicles on the basis of vehicle classification. With effect from 28th December 2003, all toll revenues were collected on the basis of the weight of the goods vehicles ("toll-by-weight"). This new basis for toll collection is applicable to goods vehicles using the expressways operated by the Company or in which the Company has control or equity interests; Jiangyin Yangtze Bridge; Suzhou



Wangting, Wuxi Luoshe and Changzhou Benniu toll stations along the Nanjing-Shanghai Class 2 Highway; and the Panjia Garden toll station of the Nanjing Section of Nanjing-Lianyungang Highway. New toll standards for passenger vehicles at the expressways have also been implemented with effect from 1st January 2004. Toll standards for passenger vehicles at the Nanjing-Shanghai Class 2 Highway, Nanjing-Lianyungang Highway and Jiangyin Yangtze Bridge remained unchanged.

Classification and basis of toll collection for vehicles using expressways in Jiangsu Province:

Unit: RMB

Vehicle type		Criteria of Classification	Toll rate before adjustment	Toll rate after adjustment	Minimum charge		
Class 1	Small passenger car	6 seats or below (including 6 seats)	0.40	0.45	15		
Class 2	Mid-size passenger car	Small lorry	Above 6 seats but up to 20 seats (including 20 seats)	Below 2 tons (including 2 tons)	0.60	0.675	15
Class 3	Large passenger car	Mid-size lorry	Above 20 seats but up to 50 seats (including 50 seats)	Above 2 tons but up to 5 tons (including 5 tons)	0.80	0.90	20
Class 4	Heavy passenger car	Large lorry	Above 50 seats	Above 5 tons but up to 10 tons (including 10 tons)	1.00	1.125	20
Class 5		Heavy lorry		Above 10 tons but up to 20 tons (including 20 tons)	1.20	1.35	30
Class 6		Special lorry		Above 20 tons	1.60	1.80	30

Basis of toll collection by weight for goods vehicles (not overloaded vehicles) using expressways:

Type	Total weight ≤10 tons	10 ton<Total weight ≤ 40 tons	Total weight> 40 tons	
Basis of toll collection by weight for goods vehicles:				
1.	Basic rate RMB0.09/ton per km			
2.	Less than 5 tons to be charged as 5 tons	RMB0.09/ ton per km	RMB0.09/ton per km, linearly reduced to RMB0.05/ton per km	RMB0.05/ ton per km
				Integral toll fee: for amount less than RMB2.50, round down to zero; RMB2.51-7.50 will be charged as RMB5.00; RMB7.51-9.99 will be charged as RMB10.00.
3.	Charge RMB20 when less than RMB20			

Basis of toll collection by weight for goods vehicles (not overloaded vehicles) using Nanjing-Shanghai Class 2 Highway, Nanjing-Lianyungang Highway and Jiangyin Yangtze Bridge:

Category	Basic toll rate	Total weight ≤10 tons	10 ton<Total weight ≤40 tons	Total weight >40 tons
Nanjing-Shanghai Class 2 Highway	Charge RMB10 when less than RMB10	RMB2.0/ ton per vehicle	RMB2.0/ton per vehicle, linearly reduced to RMB1.75/ton per vehicle	RMB1.75/ ton per vehicle
Nanjing-Lianyungang Highway	Charge RMB10 when less than RMB10	RMB1.5/ ton per vehicle	RMB1.5/ton per vehicle, linearly reduced to RMB1.3/ton per vehicle	RMB1.3/ ton per vehicle
Jiangyin Yangtze Bridge	RMB6/ton per vehicle, charge per 5 tons if less than 5 tons	RMB6/ ton per vehicle	RMB6.0/ton per vehicle, linearly reduced to RMB3.6/ton per vehicle	RMB3.6/ ton per vehicle

Basis of toll collection for overloaded vehicles:

1. Normal weight or overloaded less than 30% (including 30%)	2. Overloaded 30% — 50% (including 50%)	3. Overloaded 50% — 100% (including 100%)	4. Overloaded more than 100%	Toll fee will be collected on the basis of the higher of the overloading which exceeds total weight limit (46 tons) or the limit imposed on car axis
Toll collection will be temporarily based on basic rates for normal-weight vehicles	For normal weight or weight portion within 30% overloaded, charge will be per basic toll rates for normal weight			
	Remaining portion to be charged per 1.5 times of basic toll rates	Remaining portion to be charged per 2 times of basic toll rates	Remaining portion to be charged per 3 times of basic toll rates	

Road and bridge operations

Shanghai-Nanjing Expressway

During the reporting period, traffic volume on Shanghai-Nanjing Expressway continued to maintain its rapid growth, with an average daily full-trip traffic volume of 31,038 vehicles, an increase of approximately 22.41% when compared to the corresponding period of the previous year. Average daily toll revenue was approximately RMB4,746,600, an increase of approximately 21.04% when compared to the corresponding period of the previous year.



Except for the reduction in the second quarter under the impact by SARS and the intensive road surface repair, traffic volume recovered rapidly in the second half year, with a growth of over 30% on average, of which average daily traffic volume from east of the Wuxi hub to the Anting terminal in Shanghai reached 45,233 vehicles.

Nanjing-Shanghai Class 2 Highway

During the year, adjustments to the three toll stations at Suzhou, Wuxi, Changzhou along the Nanjing-Shanghai Class 2 Highway were completed, with the new stations commencing operation on 31st August 2003.

During the reporting period, average daily tolled vehicles passing the Nanjing-Shanghai Class 2 Highway toll station amounted to approximately 39,958, down approximately 3.58% over the corresponding period of the previous year, and average daily toll revenue was approximately RMB631,500, down approximately 7.77% over the corresponding period of the previous year.

Nanjing Section of Nanjing-Lianyungang Highway

During the reporting period, average daily tolled vehicles passing the Nanjing Section of Nanjing-Lianyungang Highway toll station totaled approximately 10,994, up approximately 10.09% when compared to the corresponding period of the previous year, and average daily toll revenue was approximately RMB162,400, up approximately 12.1% over the corresponding period of the previous year. The situation of toll operations was satisfactory.

Guangjing Expressway and Xicheng Expressway

As a result of intensive road surface repairs at Shanghai-Nanjing Expressway and bridge surface repairs at Jiangyin Yangtze Bridge in the second half year, together with the restrictions on overloaded vehicles, growth in traffic volumes on the Guangjing Expressway and Xicheng Expressway slowed down compared with those in the corresponding period of the previous year. Average daily full-trip traffic volumes were 22,766 and 20,689 vehicles respectively, representing increases of approximately 16.86% and 20.25% respectively over the corresponding period of the previous year. Average daily toll revenues amounted to RMB374,200 and RMB532,200 respectively, representing increases of 9.54% and 16.05% respectively over the corresponding period of the previous year.

Jiangyin Yangtze Bridge

During the reporting period, average daily traffic volume at the Jiangyin Yangtze Bridge was 23,667 vehicles, and average toll revenue was RMB1,116,600, representing increases of approximately 13.59% and 9.88% respectively over the corresponding period of the previous year.

Due to damage caused by overloaded vehicles to the bridge surface, Jiangyin Yangtze Bridge underwent bridge surface repairs from 15th August to 10th October, and thereafter implemented restrictions on overloaded vehicles. This in turn caused a slowdown on traffic volume growth.

Sujiahang Expressway

For a year since it was opened to traffic, the southern section of Sujiahang Expressway saw traffic volume grow rapidly. Its northern section was also completed and opened to traffic on 8th November 2003, closely linking the hub area of Suzhou with the river-side areas. This has strengthened economic inter-flow between the southern and northern parts of Suzhou and facilitated rapid economic developments along the river.

In 2003, its average daily full-trip traffic volume was 23,094 vehicles, and average daily toll revenue was RMB920,700. With an investment return of RMB11,606,000 to the Company, Sujiahang Expressway has become the Group's new profit base.

Intensive repairs

In order to mitigate the conflict between maintenance and smooth flow of traffic, to ensure safety and smooth traffic flow while improving road conditions and to enhance the level of road service, the Company commenced intensive repairs to the seriously damaged section of Shanghai-Nanjing Expressway east of Wuxi in April, and subsequently also to the road surface to the west of Wuxi. Total investment in the east section's intensive repair works amounted to approximately RMB180,000,000, while total investment in the west section's intensive repair works amounted to approximately RMB43,000,000. The repair works have passed acceptance inspection



with good rating, and the quality of the road surface attained the intended purpose, thus creating favourable conditions for the overall initiation of the expansion works of the Jiangsu Section of Shanghai-Nanjing Expressway.

Road maintenance

The Company continued to perform preventive maintenance to road surfaces. Pursuant to the intensive repair program for the west section of Shanghai-Nanjing Expressway, microlayer maintenance works of approximately 2 million sq.m. at the Nanjing, Zhenjiang, Changzhou sections were conducted, inspections to the structures of the bridges and tunnels along the whole road were made and treatments were carried out to the bridges where reinforcements were needed, thus clearing hazards and effectively improving road conditions.

In order to enhance the level of maintenance, the Company actively organized scientific researches to overcome difficulties, conducting researches on microlayer maintenance technology applications. The N-1 model of road condition intelligence detection vehicle developed by the Company has passed assessment and was accredited with Grade II Award of Provincial Technology Advancements. The promotion of the applications of new technology and new equipment has effectively enhanced maintenance quality and work efficiency, thereby reducing maintenance costs.

3. Non-core Businesses

During the reporting period, the Group's non-core businesses came mainly from the operations of the service areas. Revenues from the non-core businesses amounted to approximately RMB457,473,000, with a profit of RMB30,802,000 in accordance with both PRC Accounting Standards and HKGAAP.

The operations of the service areas aimed to provide modern high-quality service, focusing on environmental health and greening and providing high-quality service to vehicle drivers and passengers, so as to enhance the Company's image vis-à-vis this first-level audience.



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4. Subsidiaries and Associated Companies

As at 31st December 2002, subsidiaries and associated companies of the Company are as follows:

Names of subsidiaries and associated companies	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	110,607	7,772	Investments in various infrastructure projects and related businesses and assets
Jiangsu Sundian Engineering Co., Ltd. (limited company)	95.5%	35,000	100,568	12,344	Repairs and maintenance of roads and bridges (including expressways), road surface and traffic safety facility implementation
Jiangsu Guangjing Xicheng Expressway Co., Ltd. (limited company)	85%	850,000	2,654,959	151,132	Construction, operation, maintenance and toll collection of Guangjing Xicheng Expressways and related businesses of storage, passenger and freight transport and vehicle maintenance
Nanjing Shuangshilou Hotel Co., Ltd. (limited company)	95.05%	1,010	8,402	-1,604	Production and sale of Chinese cuisine
Jiangsu Kuailu Bus Transportation Stock Co., Ltd. (limited company)	33.2%	150,300	279,508	11,291	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	3,320,886	172,009	Mainly engaged in the construction, maintenance and operation of Jiangyin Yangtze Bridge and other traffic infrastructure
Suzhou Sujianhang Expressway Co., Ltd. (limited company)	33.33%	1,578,600	4,595,735	46,661	Construction, management and toll collection of the Jiangsu Section of Sujianhang Expressway and related businesses along the route
China Transportation HEAD New Technology (Shanghai) Co., Ltd. (limited company)	35.71%	21,000	20,516	-5,135	Engineering design and implementation management of software development; intelligent traffic consultancy on management of highway resources and GIS / GPS applications

Note:

- (1) All the Company's subsidiaries and associated companies are incorporated, and their main businesses are operated, in China.
- (2) As at 31st December 2003, none of the subsidiaries or associated companies of the Company had any outstanding equity or debt securities in issue.

(III) PROJECT INVESTMENTS

1. Shanghai-Nanjing Expressway Expansion Project

In order to cope with the needs of regional economic and traffic developments, fully capitalize on the role of “Golden Passage” of Shanghai-Nanjing Expressway at the Yangtze River Delta region, enhance the level of road service and operating efficiency, and further upgrade economic effectiveness, the Board of Directors has decided to invest in the Shanghai-Nanjing Expressway expansion project.

The expansion works will commence in 2004 and will be completed by 2006. The project expansion plan has been approved by the State, and the Jiangsu Provincial Government has agreed to extend the operating period of Shanghai-Nanjing Expressway until 26th June 2032.

The expansion project will expand the existing two-way four-lane road to two-way eight-lane road, and the relevant total investment will be approximately RMB10.54 billion, of which approximately RMB4.54 billion will be funded by the Company’s internal resources, representing approximately 43% of the total investment. The remaining balance will be funded by financing.

Land use rights needed for the expansion will be obtained by way of leasing. The initial annual leasing price will be based on RMB1.50 per sq.m., and the leasing period will be until the termination of the operating period.

The expansion works will be carried out on the premises that normal road operations will be ensured. When road surface and bridge connection works are in progress, partial traffic organization will be conducted to rationalize the use of road networks for diversion, so as to reduce the difficulty in construction organizations and to ensure quality of the engineering works.

The Directors believe that the investment of the Company in the Shanghai-Nanjing Expressway expansion project fulfills the traffic need resulted from rapid economic developments as well as the Company’s need for sustainable development. It has a great bearing upon the maintenance and enhancement of the Company’s good operating results, service level and brand image; the consolidation of its leadership position among the expressway industry and listed communication companies in the PRC; and the overall enhancement of the Company’s core competitiveness.



2. Acquisition of the New Operating Right in Nanjing Shanghai Class 2 Highway



Nanjing-Shanghai Class 2 Highway is an important trunk road connecting Shanghai with Nanjing, in which the Company has the toll operating right for a term of 15 years. Given the low standards of the Nanjing-Shanghai Class 2 Highway, and its level of service being unable to cope with the economic development along the road, the Jiangsu Provincial Government has approved an expansion plan, and has extended its operating right for 12 years until 26th June 2024.

The expansion works commenced in July 2003 and is anticipated to be fully completed by 1st October 2005. The implementation of the project is organized by the Highway Bureau of the Communications Department of Jiangsu Province.

The Shanghai-Nanjing Expressway and the Nanjing-Shanghai Class 2 Highway owned by the Company run almost parallel to but are complementing with each other, with one as the primary and the other as supplementary roads jointly forming important highway passages between Nanjing and Shanghai. The Company considers that, upon completion

of the expansion of Nanjing-Shanghai Class 2 Highway, the Company must acquire its new operating right and remove competition, so as to consolidate the Company’s leading position within the Shanghai-Nanjing passage, and ensure the steady enhancement of the Company’s operating efficiency.

Upon assessments made to the new operating right of Nanjing-Shanghai Class 2 Highway, the acquisition price was determined to be RMB2,700 million, which the Company will finance with bank loans.

(IV) FINANCIAL ANALYSIS

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

Under the PRC Accounting Standards

Item	2003 (RMB'000)	2002 (RMB'000)	Change (%)
Total assets	16,732,357	15,081,793	10.94%
Current liabilities	1,715,106	355,687	382.2%
Long-term liabilities	54,677	61,494	-11.09%
Minority interests	400,250	396,503	0.95%
Shareholders' equity	14,562,325	14,268,109	2.06%
Profit from principal operations	1,489,189	1,272,256	17.05%
Net profit	950,531	816,833	16.37%
Increase in cash and cash equivalents	717,418	-65,246	—

Under the HKGAAP

Item	2003 (RMB'000)	2002 (RMB'000)	Change (%)
Total assets	15,278,665	13,566,108	12.62%
Current liabilities	1,715,104	354,622	383.64%
Long-term liabilities	84,184	86,722	-2.93%
Minority interests	400,250	396,503	0.95%
Shareholders' equity	13,079,127	12,728,261	2.76%
Profit from principal operations	1,457,763	1,270,605	14.73%
Net profit	1,005,773	854,445	17.71%
Increase in cash and cash equivalents	717,418	(63,256)	—

Note: Increase in current assets was mainly attributable to the injection of RMB1.4 billion for the Shanghai-Nanjing Expressway Expansion Project.

As at 31st December 2003, the Group's gearing ratio was 10.58% and 11.58% respectively as calculated in accordance with the PRC Accounting Standards and HKGAAP respectively, an increase of 7.81 percentage-points and 8.51 percentage-points respectively over those of the corresponding period of the previous year. The increase was mainly attributable to the increase in debts resulting from capital raised for expansion work. However, the Group's total debts was maintained at a relatively low level, with enhancement in solvency and sustainable capability to raise fund in future.

In accordance with PRC Accounting Standards and HKGAAP, the Group's profit generated from its principal operations increased by approximately 17.05% and 14.73% respectively in 2003, slightly higher than the 16.13% increase in income from principal activities. Given the intensive road surface repair work and the impact of SARS during April to May, the increase in the profit percentage of principal activities indicated that the costs of the Group's principal activities were under better control during the year.

1. Analysis of Operating Results

Item	2003 (RMB'000)	2002 (RMB'000)	Change (%)
Revenue	2,675,814	2,272,515	17.75%
Other operating income	38,712	33,529	15.46%
Operating profit	1,457,763	1,270,605	14.73%
Share of profit and loss of associates	97,198	60,320	61.14%
Finance costs	(8,899)	(10,727)	-17.04%
Amortization of goodwill	(12,607)	(11,768)	7.13%
Taxation	(505,219)	(434,120)	16.38%
Minority interests	(22,982)	(20,384)	12.75%
Profit attributable to shareholders	1,005,773	854,445	17.71%
Reserves	8,041,379	7,690,513	4.56%
Earnings per share (RMB)	0.20	0.17	17.71%
Dividend per share (RMB)	0.145	0.13	11.54%

Shares of profit and loss of associates in 2003 increased significantly. The increase was mainly attributable to the gain from the investment in Sujiahang amounting to RMB11,610,000 during the year, representing an increase of RMB10,600,000 over that of the previous year, as well as the gains from the investment in Yangtze Bridge Co. amounting to RMB37,290,000 during the year, representing an increase of RMB28,480,000 over that of the previous year.

2. Financial Analysis

Asset liquidity and financial resources

As an operator of toll expressways, the Group has been able to maintain a large amount of stable cash inflow from its ordinary operations, and its solvency position has been strong. In 2003, the net cash inflow from the Group's business activities amounted to RMB1,441,643,000, an 11.77% increase over the corresponding period of the previous year. Accordingly, the management considers that the Group has no liquidity problem.

As at 31 December, 2003, the Group had RMB1, 537,029,000 of cash and cash equivalents and RMB1,461,490,000 of bank borrowings.

Item	As at 31st December, 2003 The Group (RMB'000)	As at 31st December, 2002 The Group (RMB'000)
Cash and cash equivalents		
Cash in hand	266	252
Bank deposits	1,536,508	719,359
Designated deposits	255	100,000
Total:	<u>1,537,029</u>	<u>819,611</u>
Borrowings		
Short-term borrowings	1,400,000	120,000
Long-term borrowings, current portion	6,813	6,822
Long-term borrowings	54,677	61,494
Total:	<u>1,461,490</u>	<u>188,316</u>

There were relatively large changes in cash and cash equivalents and borrowings in 2003 mainly due to the substantial proceeds for the expansion of Shanghai-Nanjing Expressway.

management *discussion and analysis*

Major source of cash and its application

	2003	2002
Net cash flows from operating activities	1,453,795	1,301,452
Net cash flows from investing activities	(1,328,037)	(639,977)
Net cash flows from financing activities	591,660	(726,721)
Net increase (decrease) in cash and cash equivalents	<u>717,418</u>	<u>(65,246)</u>

The Group's net increase of cash and cash equivalents amounted to RMB717,418,000 for the year ended 31st December 2003.

1. Net cash flows from operating activities

The net cash flows from operating activities increased significantly as compared to the previous year due to the increase of toll income from all expressways and bridges. Such income was mainly in the form of cash.

2. Net cash flows from investing activities

During the reporting period, cash inflow mainly came from cash income from investment return.

3. Net cash flows from financing activities

Cash inflows from financing activities comprised mainly commercial loans in the amount of RMB1,500,000,000. Cash outflows from financing activities comprised mainly repayment of commercial loans and dividend payments.

Group's capital structure

According to the PRC Accounting Standards, the capital structure of the Group as at 31st December 2003 and the figures for 2002 for comparison are as follows:

Item	As at 31st December, 2003		As at 31st December, 2002	
	(RMB'000)	%	(RMB'000)	%
Current liabilities	1,715,106	10.25%	355,687	2.36%
Long-term liabilities	54,677	0.33%	61,494	0.41%
Shareholders equity	14,562,325	87.03%	14,268,109	94.6%
Minority Interests	400,250	2.39%	396,503	2.63%
Liabilities at fixed interest rates	1,461,490	8.74%	188,316	1.25%
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	308,293	1.84%	228,865	1.52%
Total	16,732,358	100.00%	15,081,793	100.00%
Gearing ratio	—	10.58%	—	2.77%

As at 31st December 2003, the Group's shareholders' equity amounted to RMB14,562,325,000, representing an increase of RMB294,216,000 over that of 31st December 2002, and the total liabilities amounted to RMB1,769,783,000, representing an increase of RMB1,352,602,000 over that of 31st December 2002. Although the gearing ratio increased slightly, the Group's financial situation in general was sound.

According to the HKGAAP, the capital structure of the Group as at 31st December 2003 and the figures for 2002 for comparison are as follows:

Item	As at 31st December, 2003		As at 31st December, 2002	
	(RMB'000)	%	(RMB'000)	%
Current liabilities	1,715,104	11.23%	354,622	2.62%
Long-term liabilities	54,677	0.36%	61,494	0.45%
Deferred taxation	29,507	0.19%	25,228	0.19%
Shareholders' equity	13,079,127	85.60%	12,728,261	93.82%
Minority Interests	400,250	2.62%	396,503	2.92%
Liabilities at fixed interest rates	1,461,490	9.57%	188,316	1.39%
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	308,291	2.02%	227,800	1.68%
Total	15,278,665	100.00%	13,566,108	100.00%
Gearing ratio	—	11.58%	—	3.07%

As at 31st December 2003, the Group's shareholders' equity amounted to RMB13,079,127,000, representing an increase of RMB350,866,000 over that of 31st December 2002, and the total liabilities amounted to RMB1,769,781,000, representing an increase of RMB1,353,665,000 over that of 31st December 2002. Although the gearing ratio increased slightly, the Group's financial situation in general was sound.

Capital Expenditure

For the year ended 31st December 2003, the Company's has implemented capital expenditure of approximately RMB1,374,897,000, with details as follows:

Capital Expenditure Item	RMB'000
Purchasing of fixed assets	1,266,547
Investing in subsidiaries and associates	108,350
Total	1,374,897

Source of funds: The expenditures on acquisition of fixed assets during the year were mainly the expenditures made for the preparation work on the expansion of Shanghai-Nanjing Expressway, which was mainly financed by the loans from commercial banks and the Company's internal resources.

Risk on foreign currency loan

The Group has no material foreign exchange risks. The Group obtained a loan from the Spanish Government in 1998 in an amount equivalent to approximately US\$9,800,000. As at 31st December 2003, the balance of the loan was RMB61,490,000.

(V) Problems Appearing in the Operations and their Solutions

The rapid growth in the traffic volume brought about by the sustained rapid economic development caused increasing pressure on the traffic flow to the roads, and recently, the average daily traffic volume at the east-of-Wuxi section of Shanghai-Nanjing Expressway has exceeded 50,000 vehicles. The traffic fluidity and level of service are declining, and the operations and management of the Company are faced with a serious challenge.

The Company aims at long-term development, and the eight-lane expansion project of Shanghai-Nanjing Expressway raised by the Company has been approved by the State. Construction works will be in full swing in 2004, to be completed by 2006. Upon completion of the road expansion, traffic fluidity will be greatly enhanced, and will satisfy the needs of economic growth and the Group's sustainable development.

(VI) Business Development Plans and Outlook

Looking ahead, sustained economic growth for Jiangsu Province and the PRC is expected to continue in 2004, and the integration progress of the Yangtze River Delta region will be accelerated. The economic development in the two provinces of Jiangsu and Zhejiang and the city of Shanghai will have a strong follow-through, and the regional economic environment will continue to flourish.

Highway construction in Jiangsu has realized a comprehensive leap-forward development, and has indicated an unprecedented strong development position. In 2004, total newly added expressway mileage will be approximately 400 km, and its resultant network effect will bring benefits to the majority of the road and bridge properties of the Group in future.

During the initial stage of the operation of the toll-by-weight tariff system first adopted in Jiangsu Province, the system has already demonstrated its full scientific effect and feasibility. The fact that overloaded vehicles were restrained has good effect on enhancing traffic fluidity and reducing maintenance costs, thereby increasing toll revenues. At the same time, the approximately 12.5% increase of the toll rate in fact even assures the Company's growth in revenue.

Whether analyzing the macro or micro factors, we observe that the overall operating environment provides very favourable conditions for the future development of the Group. However, following the full commencement of the Shanghai-Nanjing Expressway expansion project and with progression of its works, normal traffic on the road will be affected for a certain period, which will call for efforts to organize partial traffic diversions. The Company's operation, management, service and social image will be faced with significant testing and challenges.

Faced with various pressures, the management is studying coping strategies with a positive attitude, and is strengthening its daily operations and management in a pragmatic manner. Focusing on the objectives of achieving steady growth in revenues and operating results, we aim to carry out good work designs, traffic arrangements and safety management, so as to attain effective traffic diversion and personnel deployment, strengthen inspection and maintenance of the existing road surface and bridges during the expansion period, and ensure traffic safety during the works.

In 2004, the Shanghai-Nanjing Expressway expansion project will be in full swing, and the soft foundation treatment, soil excavation, bridge culvert, base structures and minor structures will be completed. Road surface works will commence in the second half year, while at the same time making modifications and expansions work to inter-connections, cross-over bridges and service areas.

The Company will continue to make improvements to the weak areas of frontline management, and put in place regularized, scientific and effective management in accordance with international standard systems, thereby enhancing the overall standards of our management. We will also strengthen our financial management, and in accordance with the financial needs, lay down workable financial policies and fund raising plans, fully capitalizing on our financial resources and strictly controlling various operating expenses.

The Company shall uphold the service concept of “Customer is Our Priority”, making efforts for regularized actions and standardized services, so as to compensate the insufficiencies in the road hardware during the expansion period with better service and safeguard the good social image of the Company.

The new management of the Company will aim high with full passion, and capitalizing on the opportunity of the Shanghai-Nanjing Expressway eight-lane expansion project to realize the “Second Venture”, fully enhancing the core competitiveness of the Group to create better results and achieve sustainable development.



Xie Jia Quan
General Manager

Nanjing, the PRC
1st April 2004

Good corporate governance affirms investor confidence and is the basis of healthy development of an enterprise. The Company has consistently complied with the Listing Rules for the stock exchanges in Hong Kong and Shanghai and performed its obligations as prescribed in the Standard on the Governance of Listed Companies and Practice Code of Corporate Governance, as well as directed daily activities strictly in accordance with the prescribed rules of decision making. The Company also reviews its operation and management regularly and worked towards the enhancement of corporate governance, in order to build a trustworthy and committed image in the market, thus maintaining its competitive edge.

(1) Shareholders and the General Meeting

The Company treats all shareholders equally and ensures that all shareholders have the right to be informed and to make decisions on material matters relating to the Company. Any insiders of the Company are prohibited from any insider dealings or any act that may damage the interests of shareholders of the Company.

The General Meeting is the highest organ of authority. The Company has strictly complied with the Rules of Proceedings of Shareholders' General Meetings, and has ensured that the holding of general meetings and its decision-making procedures are legal and valid and the shareholders' rights are legally exercised.

The Company's businesses, assets, staff, organization and finance are separated from those of the controlling shareholder, allowing it to have complete and autonomous ability over its businesses and operation. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the laws. There has been no circumstance that the controlling shareholder makes use of its special position to pursue benefits that are beyond what its legal right is entitled to.

The Company has amended the relevant provisions of the Articles of Association in accordance with rules and regulations. The Company has introduced a "cumulative voting system" to improve the election system of directors. It has also increased the ratio of staff representatives in the Supervisory Committee and has laid down the requirements relating to provision of guarantees to external parties by the Company.

(2) Directors and the Board of Directors

The Board of Directors of the Company comprises 11 directors, of whom one is an executive director, six are non-executive directors and four are independent non-executive directors. Independent non-executive directors account for over one-third of the members of the Board of Directors. Members of the Board of Directors are not related to each other and its composition offers diversification in terms of experiences and expertise.



The posts of Chairman and General Manager of the Company are performed by different persons. They are respectively responsible for Board matters and day-to-day operation management, which will ensure check-and-balance between decision-making and implementation by the Board of Directors and the management respectively.

The Board of Directors represents the interests of all the shareholders and is always accountable to the General Meeting. The Board of Directors is authorized to make decisions on the Company's development strategies, planning management and financial management activities strictly in accordance with the procedures prescribed in the Rules of Proceedings for Board of Directors Meetings. It is also responsible for supervising and reviewing the development and operation activities of the Company.

The four Independent Directors have been able to perform their obligations of acting faithfully and diligently in compliance with the relevant laws, regulations and the Detailed Rules for the Operation of Independent Directors. The Independent Directors have participated in the meetings of the Board of Directors, as well as its various specialized committees, and have given their opinions on the decision-making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. They have ensured not to be affected by substantial shareholders, the effective controlling parties of the Company or any other units or individuals that have interests in the Company. The Independent Directors have made active contributions to protecting the interests of the Company as a whole and the legal rights of all of our shareholders, as well as promoting the healthy development of the Company.

(3) Specialized Committees of the Board of Directors

There are the Strategic Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee under the Board of Directors. Each committee has adopted its own code of practice to provide guidance on its decision-making procedures and performance of duties.

The Strategic Committee

The Strategic Committee comprises five directors, one of whom is an independent director. Mr. Sheng Chang Quan is the chairman of the committee.

The Strategic Committee is responsible for reviewing and providing recommendations in respect of long term development strategic planning, material investment financing proposals, material capital applications, assets operation projects and material matters relating to the development of the Company.

The Audit Committee

The Audit Committee comprises three directors, two of whom are independent directors. One independent director with professional qualification and professional experience in financial management was appointed to the committee. Mr. Yang Xiong Sheng is the chairman of the committee.

The Audit Committee is principally responsible for supervising the internal audit system of the Company and its implementation; auditing the financial information of the Company and its disclosure; supervising the internal control system of the Company and auditing material connected transactions, as well as communicating, supervising and reviewing the internal and external audits of the Company.

The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee comprises five directors, three of whom are independent directors. Mr. Hong Yin Xing is the chairman of the committee.

The Nomination, Remuneration and Appraisal Committee is principally responsible for nomination, selection criteria and selection procedures of directors and management members of the Company and advising on such matters; formulating appraisal standards and conducting appraisals with the directors and management members of the Company; formulating and reviewing the emolument policies and proposals for directors and management members of the Company.

(4) Supervisors and the Supervisory Committee

The Supervisory Committee comprises five supervisors, three of whom are representatives of shareholders and the other two are staff representatives of the Company.

The Supervisory Committee is accountable to all shareholders. Financial monitoring is the core responsibility of its specific duties. Besides, it is also responsible for supervising the due performance of directors, managers and other senior management, securing the assets of the Company, reducing financial and operating risks, as well as protecting the legal rights of the Company and its shareholders.

(5) Dealings of securities by the directors, supervisors and senior management

During the period under review, there is no record showing that any directors, supervisors and senior management of the Company and any of their associates hold any interest in the registered capital of the Company and its associated companies.

During the year, none of the directors, supervisors, senior management and any of their respective associates (including their spouses and children under 18) were granted any interests under any arrangement to subscribe for the equity or debenture of the Company or its associated companies.

(6) Investor relations

In order to ensure that all shareholders be informed in an equal and comprehensive manner, and to perform the obligation of disclosing information faithfully, the Company truly, accurately and completely disclosed such information that may materially affect the decision-making of the public investors strictly in accordance with the contents and formats as required under the laws and regulations for disclosing such information.

Investor relations is a way for a listed company to actively maximize its value. Therefore, the Company emphasizes mutual and interactive communication with investors. The Company actively keeps contact with investors mainly through different ways such as establishing the Company website, conducting results announcement roadshows, participating in investors promotion activities, holding analysts conferences and communicating with investors individually, with an aim to improve communication with investors, increase their recognition and enhance the image of the Company in the market.

In addition, by making use of media reports, sending information to shareholders, inviting investors and analysts to visit our highways and service areas, convening teleconferences and providing phone answering services to investors, the Company has adequately disclosed its information which has in turn increased its transparency.

(7) Capital dealings with related parties and external guarantees

During the period under review, the Company carefully reviewed its capital dealings with related parties and external guarantees in accordance with "Notice of certain issues relating to the standards of capital dealings with related parties by listed companies and provisions of external guarantees by listed companies (關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知)" issued by the CRSC. According to our review, none of the controlling shareholder(s) and other related parties have appropriated the Company's capital, and no guarantee has been provided by the Company to the controlling shareholder or other related parties.

The independent directors and local auditors of the Company have provided their independent opinion and professional explanatory statement respectively:

Dear Sirs,

RE: The Independent opinion given by the independent directors in respect of capital appropriations by the controlling shareholder and the related parties of Jiangsu Expressway Company Limited

Pursuant to the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" issued by the China Securities Regulatory Commission and State-owned Assets Supervision and Administration Commission under the State Council, the Company has prepared an investigation statement of the capital appropriations by its related parties as at 31st December 2003 (hereinafter referred to as the "Investigation Statement") attached to this letter.

The independent directors confirm after review that the information set out in the Investigation Statement was consistent with the relevant content in the audited financial report for year 2003 issued by Deloitte Touche Tohmatsu CPA Ltd. Apart from that, the controlling shareholder and the other related parties did not appropriate funds of the Company. The Company did not provide any guarantee to its controlling shareholder and other related parties.

Chang Yung Tsung, Fang Keng, Hong Yin Xing and Yang Xiong Sheng

Independent Directors

1st April 2004

Ref: De Shi Bao [Shen] Zhi (04) No.0015

Dear Sirs,

Re: Specific statement in in respect of capital appropriations by the controlling shareholder and the related parties of Jiangsu Expressway Company Limited

We have been appointed to audit the balance sheet as at 31st December 2003, the profit and profit appropriation statement and the cash flow statement for the year 2003 of Jiangsu Expressway Company Limited (the "Company") in accordance with the Independent Auditing Standards of the Certified Public Accountants of the PRC, and issued an unqualified audit opinion (De Shi Bao [Shen] Zhi (04) No.P0424) on 1st April 2004.

Pursuant to the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" issued by the China Securities Regulatory Commission (the "CSRC") and State-owned Assets Supervision and Administration Commission under the State Council, the Company has prepared an investigation statement of the capital appropriations of the Company as at 31st December 2003 (hereinafter referred to as the "Investigation Statement") attached to this letter.

The Company accepts the responsibility as to warrant the truthfulness, lawfulness and completeness of the Investigation Statement prepared and disclosed. We have compared the information set out in the Investigation Statement to the accounting information presented to us during audit and the relevant information of the audited financial statements of the Company for the year 2003. There exists no material inconsistency between the above-said sets of information. Apart from the audit procedures on the related party transactions conducted by the Company as set out in the financial statements in 2003, we have not carried out additional audit procedure on information set out in the Investigation Statement.

This letter is solely for the purpose of reporting the capital appropriations by the controlling shareholder and the related parties to the CSRC. It shall not be used for other purposes without prior written consent from us.

Deloitte Touche Tohmatsu CPA Ltd.

1st April 2004

Annex 1

Unit: RMB'000

Capital appropriation	Name of the related party	Relation	Amount	Accounting Item	Balance as at year end	Remark
Investment entrusted to the related party	Jiangsu Zulin Co., Ltd.	an associated company	19,000	Long-term debt investment	19,000	1

1. Jiangsu Guangjing Xicheng Expressway Co., Ltd., a subsidiary of the Company, entrusted Jiangsu Zulin Co., Ltd. as its agent to arrange for financial leasing on transport electrical engineering equipment leasing, to Jiangsu Ningjingyan Expressway Company Limited (the lessee).

(8) Code of Best Practice

The Board of Directors considers that the Company has been in compliance with the Code of Best Practice set out in Appendix 14 to the Listing Rules of Hong Kong during the reporting period. The directors are not aware of any circumstance that reasonably indicates that the Company is in breach of, or has not complied with, the Code.

(9) Independent Non-Executive Director

The Board of Directors of the Company comprised 11 directors, four of whom were independent non-executive directors and accounted for one third of the Board of Directors. An independent director with professional qualification and experience in professional finance management was also appointed.

(10) Model Code for Securities Transactions by Directors of Listed Companies

Pursuant to the listing rules of Shanghai Stock Exchange, during their terms of office, the directors, supervisors and their respective associates may not dispose their holding of securities in the Company. Therefore, it did not exist the position of dealing in the shares for profit. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules for the Hong Kong Stock Exchange.

(11) Public Float

So far as the Company's directors are aware, as at 31st March 2004, the last practicable date for the purpose of ascertaining information in respect of the Company's Annual Report, the Company maintained sufficient public float of its shares.

changes in *share capital and shareholders*

(1) Changes in Share Capital (in Share)

SHARE CAPITAL STRUCTURE	BEFORE CHANGE	PLACEMENT	BONUS SHARE	SHARES TRANSFERRED FROM RESERVE FUND	INCREASE	OTHERS	AFTER CHANGE
1) Share not in circulation							
1. Promoter's shares	3,381,214,600						3,381,214,600
Including:							
State-owned shares	2,781,743,600						2,781,743,600
Domestic Legal person shares	599,471,000						599,471,000
Foreign legal person shares							
Others							
2. Legal person shares	284,532,900						284,532,900
3. Internal staff shares							
4. Preference shares							
Sub-total of shares not in circulation	3,665,747,500						3,665,747,500
2) Shares in circulation							
1. RMB ordinary shares	150,000,000						150,000,000
2. Domestic listed foreign shares							
Overseas listed foreign shares	1,222,000,000						1,222,000,000
Others							
Sub-total of shares in circulation	1,372,000,000						1,372,000,000
3) 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.

changes in *share capital and shareholders*

(2) Share Issue and Listing

1. 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.
2. 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 2003, there were a total of 15,524 shareholders whose names appeared on the share register of the Company, of which 14,433 were domestic shareholders and 1,091 were foreign shareholders.

2. Shareholding of Major Shareholders

(1) As at 31st December 2003, shareholdings 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 HELD
1	Jiangsu Communications Holding Company Ltd.	2,781,743,600		55.22	Stated-owned Shares
2	Huajian Transportation Economic Development Centre	597,471,000		11.86	Stated-owned Legal Person Shares
3	The Capital Group Companies, Inc	93,820,000	-60,876,000	1.86	H Shares
4	China Ocean Shipping (Group) Limited	83,181,500		1.65	H Shares
5	Sumitomo Life Insurance Company	76,636,000	76,636,000	1.52	H Shares
6	Galaxy Securities Co., Ltd.	27,999,523	9,016,018	0.56	A Shares
7	Huaxia Securities Company	16,660,000		0.33	Social Legal Person Shares
8	Shenyin Wanguo Securities Co., Ltd.	14,450,000		0.29	Social Legal Person Shares
9	Winner Glory Development Ltd	12,000,000		0.24	H Shares
10	Jiangsu Xinsu Investment Management Co.	8,484,000		0.17	Social Legal Person Shares

Note: Connection between the top ten shareholders:

- (a) The top ten shareholders of the Company are not connected to each other or acting in concert;
- (b) 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;
- (c) 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 new shares.

(2) As at 31st December 2003, people directly or indirectly having an interest in 5 percent or more of the share capital of the Company were as follows:

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

Jiangsu Communications Holding Co., Ltd. (“Communications Holding”), the Company’s controlling shareholder, was established on 15th September 2000. Communications Holding held on behalf of the State 2,781,743,600 State-owned shares of the Company, representing approximately 55.22% of the total share capital of the Company.

Communications Holding was incorporated with the capital from the provincial government, which authorized 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 authorized 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 5 percent or more domestic shares - Huajian Transportation Economic Development Centre (“Huajian Centre”)

Huajian Centre held as beneficial owner 597,471,000 State-owned Legal Person Shares, representing approximately 11.86% of the total share capital of the Company.

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 and 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) Interest of the major shareholder in the Company’s H Shares or underlying shares and short positions

Name of Shareholders	Capacity	Number of H Shares	Approximate % of Holding in H Shares
The Capital Group Companies, Inc. (note 1)	Interests in controlled corporation	93,820,000	7.68
Capital Research and Management Company (note 1)	Investment manager	88,250,000	7.22
China Ocean Shipping (Group) Company (note 2)	Interests in controlled corporation	83,181,500	6.81
COSCO Hong Kong (Group) Limited (note 2)	Interests in controlled corporation	83,181,500	6.81
Rise Hoppy Investment Ltd. (note 2)	Beneficial owner	83,181,500	6.81
Sumitomo Life Insurance Company	Interests in controlled corporation	76,636,000	6.27
Sumitomo Mitsui Asset Management Company, Limited (note 3)	Investment manager	76,636,000	6.27

changes in *share capital and shareholders*

Note 1: The Capital Group Companies Inc. was taken to have a duty of disclosure in the 88,250,000 H Shares held by its 100% subsidiary Capital Research and Management Company in the capacity as an investment manager (which in turn was taken to have a duty of disclosure) and the 5,570,000 H shares held by another wholly-owned subsidiary which also acted as investment manager.

Note 2: The three references to 83,181,500 H Shares relate to the same block of shares in the Company. China Ocean Shipping (Group) Company was the controlling shareholder of COSCO (Hong Kong) Group Limited, which was in turn the controlling shareholder of Rise Hoppy Investment Ltd.

Note 3: The two references to 76,636,000 H Shares relate to the same block of shares in the Company. Sumitomo Life Insurance Company was the controlling shareholder of Sumitomo Mitsui Asset Management Company, Limited.

Save as disclosed above, as at 31st December, 2003, there were no other entries recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance showing the interests or short positions of every person, other than a director, supervisor or chief executive of the Company, in the shares and underlying shares of the Company.

- (3) As at 31st December 2003, shareholdings of the top ten shareholders of the Company in respect of shares in circulation are as follows:

Name of Shareholders	Number of shares held at the end of the period (shares)	Category of the Shares
The Capital Group Companies, Inc	93,820,000	H Shares
China Ocean Shipping (Group) Limited	83,181,500	H Shares
Sumitomo Life Insurance Company	76,636,000	H Shares
Galaxy securities Co., Ltd.	27,999,523	A Shares
Winner Glory Development Ltd	12,000,000	H Shares
上海市企業年金發展中心銀河平衡	4,921,554	A Shares
Agricultural Bank of China, Jiangsu Branch — Manpower Services Co.	4,010,099	A Shares
Wang Jianguo	3,340,598	A Shares
上海天好電子商務有限公司	3,266,370	A Shares
Song Zhenghai	3,113,739	A Shares

Notes: The Company is not aware if the top shareholders of the Company are connected to each other.

- (4) Purchase, Sale and Redemption of Shares of the Company

For the year ended 31st December 2003, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

- (5) Pre-emption Rights

In accordance with the Company's Articles of Association and the laws of the People's Republic of China, no pre-emption rights 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.

*human*resources management

As of 31st December, 2003, the Company has employed 2,460 employees, 75 of whom are management staff of the Company, 101 of whom are engineering technical staff and 2,385 are production staff. There are 259 employees with professional qualifications, accounting for approximately 11% of the total number of employees, while approximately 23% of our employees possess diploma qualifications or above.

Total salaries paid to employees of the Company amounted to RMB93,500,000 for the year 2003 (2002: RMB85,000,000)

Human resources management has always been an important area in the Company's work toward building a modern enterprise system. The Company expects that through studying the strategies of human resources development, the human resources management system will be standardized and improved to a more systematic, rational and forward-looking system. Through studying the information management system on human resources development, we expect to upgrade the accuracy and timeliness of our database and raise work efficiency. Through effective deployment and utilization of human resources, we expect to maximize our staff's pro-activeness, initiatives and creativity, thereby helping the Company achieve its long-term development strategies and goals.

The Company has devoted more efforts in building our education and training system, so as to provide, in a specific manner, more training to our staff. The management had received comprehensive quality training so as to increase their strategizing and forward looking abilities. Training was provided to production staff with a focus on enhancing their technical skills in their own positions, so as to help raising the overall management level of the Company. During the year, the Company commenced to organize training programs in different formats and for different levels, for example, technical skills training to different positions, as well as training programs on international standardization system, project management and company competitiveness. Participation of our staff in training reached 100%.

In order to encourage our staff to actively participating in the process of building our corporate culture, the Company organized a discussion forum on "the Spirit of Jiangsu Expressway" for all staff of the Company, allowing them to contribute their innovative ideas on the design and positioning of the Company's corporate identity. This helped to build good interactive communication between the Company and our staff, and generated good effects on establishing positive corporate values and enhancing cohesiveness within the Company.

directors, supervisors, senior management and staff

1. General Information

Names	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	56	Chairman	From May 2003 to 2006	0	0	0
Sun Hong Ning	M	43	Non-executive Director	From May 2003 to 2006	0	0	0
Chen Xian Hui	M	41	Non-executive Director	From May 2003 to 2006	0	0	0
Zhang Wen Sheng	M	57	Non-executive Director	From May 2003 to 2006	0	0	0
Fan Yu Shu	F	52	Non-executive Director	From May 2003 to 2006	0	0	0
Cui Xiao Long	M	43	Non-executive Director	From May 2003 to 2006	0	0	0
Wang Zheng Yi	M	46	Non-executive Director	From May 2003 to 2006	0	0	0
Chang Yung Tsung	F	72	Independent Non-executive Director	From May 2003 to 2006	0	0	0
Fang Keng	M	65	Independent Non-executive Director	From May 2003 to 2006	0	0	0
Hong Yin Xing	M	54	Independent Non-executive Director	From May 2003 to 2006	0	0	0
Yang Xiong Sheng	M	44	Independent Non-executive Director	From May 2003 to 2006	0	0	0
Zhou Jian Qiang	M	51	Chairman of the Supervisory Committee	From May 2003 to 2006	0	0	0
Zhang Cheng Yu	M	53	Supervisor	From May 2003 to 2006	0	0	0
Ma Ning	F	47	Supervisor	From May 2003 to 2006	0	0	0
Wu Yu Jun	M	41	Supervisor representing staff	From May 2003 to 2006	0	0	0
Xie Jia Quan	M	53	General Manager	From January 2004 to 2007	0	0	0
Li Da Peng	M	51	Deputy General Manager	From December 2003 to 2006	0	0	0
Wu Zan Ping	M	40	Deputy General Manager	From December 2003 to 2006	0	0	0
Qian Yong Xiang	M	40	Deputy General Manager	From January 2004 to 2007	0	0	0
Yao Yong Jia	M	40	Secretary to the Board of Directors	From December 2003 to 2006	0	0	0
Liu Wei	F	48	Manager of the Financial accounting Department	From December 2003 to 2006	0	0	0
Lam Che Wah	M	40	Company Secretary (Hong Kong)	From June 2003 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) Including their spouses or children under 18 years of age or their relatives or their controlled entities or trusts with more than 30% equity interests.
- (3) On 15th May 2003, Mr Zhou Jian Qiang and Mr Wang Guo Gang resigned as Directors, and Mr Zhong Zhang Wan, Mr Jia Da Kang and Mr Xu Yang resigned as Supervisors of the Company.
- (4) The Directors and the senior management of the Company are not relatives of each other or otherwise associated or related.
- (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) No directors or supervisors of the Company had any direct or indirect material interests in any contracts of significance subsisting during or at the end of the financial year.
- (7) For the year ended and as at 31st December 2003, none of the director, chief executives or supervisors of the Company had interests or short positions in the shares, underlying shares and debentures of the listed issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance; or as otherwise notified to the listed and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.
- (8) Information of Directors, Supervisors and senior staff working in controlling shareholder companies:

Name	Employer	Title	Term of Office
Sheng Chang Quan	Jiangsu Communications Holding Company Ltd.	Chairman	From January 2001
Sun Hong Ning	Jiangsu Communications Holding Company Ltd.	Director, Deputy General Manager	From May 2003
Zhang Wen Sheng	Huajian Transportation Economic Development Centre	Duputy General Manager	From November 1998
Fan Yu Shu	Jiangsu Communications Holding Company Ltd.	Director of Financial Auditing Department	From December 2002
Cui Xiao Long	Jiangsu Communications Holding Company Ltd.	Director of Investment and Development Department	From February 2002
Wang Zheng Yi	Jiangsu Communications Development Group Company Limited	Chairman	From April 2002
Zhou Jian Qiang	Jiangsu Communications Holding Company Ltd.	Vice Chairman, General Manager	From January 2001
Zhang Cheng Yu	Jiangsu Communications Holding Company Ltd.	Director of Organisation and Human Resources Department	From January 2002
Ma Ning	Huajian Transportation Economic Development Centre	Assistant Manager of Administration and Human Resources	From September 1998

2. Emoluments for the Year

- (1) The emoluments payment for directors, supervisors and other senior management are considered and approved by the Nomination, Remuneration and Appraisal Committee under the Board of Directors in accordance with their salary agreements entered into with the Company.
- (2) The annual allowances paid for each of the two overseas independent directors and each of the two domestic independent directors by the Company are HK\$100,000 and RMB\$40,000 respectively. Apart from the above-mentioned allowances, independent directors did not receive any other remuneration from the Company.
- (3) For the year, except for Mr. Chen Xiang Hui and Mr. Wu Yu Jun who received remuneration from the Company, all other directors and supervisors were remunerated by their organizations where they worked. Mr. Chen Xiang Hui received a total remuneration of RMB250,000 from the Company.
- (4) The directors, supervisors and other senior management who are in office during the review period received annual emoluments in the total amount of RMB1,664,000. The three highest paid directors received emoluments of RMB450,000 in aggregate.
- (5) The five highest paid senior management staff received emoluments in the total amount of RMB870,000, among which RMB231,000 comprised basic salaries. There were no housing allowances or other allowances.
- (6) As to the range of annual emoluments of the directors, supervisors and other senior management, 2 persons received between RMB40,000 — 100,000, 9 persons between RMB100,000 — 200,000, and 1 person between RMB200,000 — 300,000.

3. Changes in Directors, Supervisors and Senior Management during the Reporting Period

At the sixteenth meeting of the third session of the Company's Board of Directors, Mr. Shen Chang Quan, Mr. Sun Hong Ning, Mr. Zhang Wen Sheng, Mr. Chen Xiang Hui, Ms Fan Yu Shu, Mr. Cui Xiao Long, Mr. Wang Zheng Yi, Ms Chang Yung Tsung, Mr. Fang Keng, Mr. Hong Yin Xing and Mr. Yang Xiong Sheng were nominated as members of the fourth session of the Board of Directors. At the eighth meeting of the third session of the Company's Supervisory Committee, Mr. Zhou Jian Qiang, Mr. Zhang Zheng Yu and Ms Ma Ning were nominated as members of the fourth session of the Company's Supervisory Committee. The nominations of these people were approved at the 2002 Annual General Meeting. Mr. Qian Yong Xiang and Mr. Wu Yu Jun were elected as Supervisors representing the staff to the fourth session of the Supervisory Committee.

Mr. Zhou Jian Qiang and Mr. Wang Guo Gang resigned as Directors, and Mr. Zhong Zhang Wan, Mr Jia Da Kang and Mr. Yu Yang resigned as Supervisors.

In January 2004, the Company's General Manager Mr. Chen Xiang Hui and Deputy General Manager Mr. Liu Bu Cun resigned from their positions with the Company due to job change. At the fourth meeting of the fourth session of the Board of Directors, Mr. Xie Jia Quan was appointed General Manager of the Company. Mr. Qian Yong Xiang resigned as Supervisor and took up the position of Deputy General Manager. Both appointments have a term of 3 years.

4. Profiles 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. Sun Hong Ning, born in 1961, tertiary educated and currently studying the EMBA course at China Europe International School. Mr. Sun had been deputy division head at Jiangsu State Secrecy Bureau since 1994. He was Secretary of General Office at Jiangsu Provincial Party Committee in 1995, Secretary of General Office of Jiangsu Provincial Government in 2001; and Director and Deputy General Manager of Communications Holding in 2003. Mr. Sun is also Vice Chairman of Jiangsu Sujiahang Expressway Co., Ltd., a director of Huatai Securities Co. Ltd. and a director of Jinling Hotel Co. Ltd. He has substantial experience in business 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 Hua Jin 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, a director of Ninglian Ningtong Management Office, General manager of Jiangsu Nanjing-Shanghai Expressway Co. Ltd. and Chairman of Jiangsu Guangjing Xicheng Expressway Co. Ltd., with over 10 years of experience in communication construction and management. Mr. Chan is currently Deputy General Manager of Jiangsu Communications Holding Co. Ltd. as well as Vice Chairman 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. Mr. Cui had been working in Jiangsu Communications Bureau since 1984. He was the section chief of Finance Division. Mr. Cui is the Director of the Investment and Development Department at Jiangsu Communications Holding Co. Ltd., director of Yangtze Bridge Co. Ltd and Jiangsu Provincial Leasing Company Limited; and the Deputy Secretary General of Communications Enterprise Association of Jiangsu Province. He has approximately of 20 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.

directors, supervisors, senior management and staff

Mr. Hong Yin Xing, born in 1950, an independent director of the Company, a supervisor for doctoral candidates and a renowned economist nation-wide. Mr. Hong was a teaching assistant at Nanjing Teachers' University in 1976, an instructor at Nanjing University in 1982 and has been a professor at Nanjing University since 1987. He is currently Deputy Chancellor of Nanjing University. Mr. Hong has devoted his career to economics research and is very knowledgeable in economics theories. He has received numerous national awards to honour his contributions as an expert.

Mr. Yang Xiong Sheng, born in 1960, an independent director of the Company and a 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. 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 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 Director 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.

Mr. Wu Yu Jun, born in 1963, university graduate with two bachelor's degrees, senior engineer, Supervisor of the Company. Mr. Wu worked at the Suzhou Communications Engineering Management Department in 1991, then at the Suzhou Expressway Command Office in 1992 and became chief of the engineering department of the Command Office in 1993. Since 1997 Mr. Wu was deputy head of the Suzhou Management Office of the Company, and has been the Company's human resources manager since 2002. Mr. Wu has been engaged in transport management work for a long time and has substantial experience in operations management of expressway development.

(3) Other Senior Management

Mr. Xie Jia Quan, born in 1951, university graduate, senior engineer, General Manager of the Company. Mr. Xie was a technical staff at Jiangsu Communications Planning and Design Institute in 1978, and deputy head of the Planning Department of Jiangsu Communications Bureau in 1985. He was deputy head of the Engineering Department of Jiangsu Expressway Construction Command Office in 1992, head of its Planning Department, Deputy Chief Engineer and then the Commander. He has been the Deputy Commander of the Expansion Project Command Office of the Company since August 2003, and has assumed the position of General Manager of the Company since January 2004. Mr. Xie is a senior expert with substantial experience in expressway construction and management.

Mr. Li Da Peng, born in 1953, university graduate, senior 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 and general manager of Jiangsu Bus and general manager of Xicheng Co. Mr. Li has over 20 years of experience in economic and transport 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. Qian Yong Xiang, born in 1964, with a master's degree in industries and an MBA, Deputy General Manager of the Company. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been head of the Planning Section and deputy manager of the Investment and Securities Department. Mr. Qian has long been involved in strategies studies of the transport industry, the Company's investment analysis and management, project construction and operational management.

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.

(1) Profit Distribution Scheme

The Board of Directors has proposed a profit distribution scheme for 2003 as follows:

In accordance with the PRC accounting standards

Items	RMB'000
Gross profit	1,447,833
Less: Profit tax	(475,924)
Minority interests	(22,982)
Add: Unrealized loss on investments	1,604
Net profit	950,531
Add: Retained earnings at the beginning of the year	1,145,819
Profits available for distribution	2,096,350
Less: Appropriations of statutory surplus reserve funds	(109,289)
Appropriations of statutory public welfare funds	(54,645)
Profits available for distribution to shareholders	1,932,416
Less: Dividends distribution	(654,907)
Retained earnings	1,277,509
Earnings per share	0.19

In accordance with HKGAAP

Items	RMB'000
Profit before tax and minority interests	1,533,974
Taxation	(505,219)
Minority interests	(22,982)
Profit attributable to shareholders	1,005,773
Profit appropriations	
Statutory surplus reserve funds	(109,289)
Statutory public welfare funds	(54,645)
Discretionary welfare funds	—
Profit available for distribution to shareholders for the year	841,839
Retained earnings brought forward	1,357,612
Dividends for 2002	(654,907)
Retained earnings carried forward	1,544,544
Proposed dividends for 2003 (RMB per share)	0.145
Earnings per share (RMB)	0.20

Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, in the event that the profit of the Company calculated in accordance with the PRC accounting standards were different from that as calculated in accordance with HKGAAP, the lower will be adopted. As audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited, the Company's net profit for 2003 as calculated in accordance with the PRC accounting standards is RMB950,530,727. After deducting the appropriations of 10% as statutory reserve funds and 5% as statutory public welfare funds and adding the retained earnings at the beginning of the year of RMB1,145,819,878 (with dividend of 2002 of RMB654,907,175 deducted), the total amount of profit available for distribution is RMB1,277,509,496. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of Directors proposes to pay a final dividend of RMB1.45 (tax inclusive) for every ten shares to all shareholders.

The aforesaid profit distribution scheme proposed by the Board of Directors will be submitted to the 2003 Annual General Meeting for consideration and approval. The date and procedures for the payment of final dividends will be announced separately.

(2) Day-to-day Operation of the Board of Directors

1. The 16th session of the third Board of Directors meeting held on 20th March 2003

The following matters were reviewed and approved at the meeting: approval of the Directors' Report, audited accounts and auditors' report 2002; the payment of a cash dividend of RMB1.30 (tax inclusive) for every ten shares as final dividend for 2002; adoption of HKGAAP throughout the auditing for 2002; establishment of Sundian Engineering; transfer of operation of outdoor advertising panel along Shanghai-Nanjing Expressway (Jiangsu section) to Jiangsu-Ninghu Investment Development Co., Ltd.; intensive maintenance for Shanghai-Nanjing Expressway (eastern section) and the relocation of toll stations along Nanjing-Shanghai Class 2 Highway; payment of housing subsidies implementation plan charged against total amount of wages for 2003.

The proposed directors for the fourth Board of Directors together with their remunerations submitted by this Board to the Annual General Meeting for approval.

2. The 17th session of the third Board of Directors meeting held on 24th April 2003

The following matters were reviewed and approved at the meeting: 2003 First Quarterly Report of the Company.

3. The 1st session of the fourth Board of Directors meeting held on 15th May 2003

The following matters were reviewed and approved at the meeting: to elect Mr. Shen Chang Quan as the Chairman of the Company; to elect members and conveners for the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee.

4. The 2nd session of the fourth Board of Directors meeting held on 14th August 2003

The following matters were reviewed and approved at the meeting: 2003 Interim Report and its summary; to appoint Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as domestic and international auditors of the Company and to determine their remunerations as RMB1,180,000/year; to review the amendments to the Articles of Association of the Company.

5. The 3rd session of the fourth Board of Directors meeting held on 24th October 2003

The following matters were reviewed and approved at the meeting: 2003 Third Quarterly Report; to renew appointment of Mr Chen Xiang Hui as General Manager of the Company; to review the amendments to the Articles of Association of the Company; to delete passengers and goods transportation from the scope of business as included in its business registration.

(3) Daily Operations of the Specialized Committees of the Board of Directors

1. The first meeting of the third Nomination, Remuneration and Appraisal Committee held on 19th March 2003

The proposed directors for the fourth Board of Directors together with their remunerations were nominated at the meeting and submitted to the Board for approval.

2. The first meeting of the third Audit Committee held on 17th March 2003

The 2002 Annual Report of the Company and the report supplied by external and internal audit parties were reviewed at the meeting.

3. The 2nd meeting of the third Audit Committee held on 24th April 2003

The 2003 First Quarterly Report was reviewed at the meeting.

4. The 3rd meeting of the third Audit Committee held on 11th August 2003

The 2003 Interim Report of the Company was reviewed at the meeting.

5. The 4th meeting of the third Audit Committee held on 23rd October 2003

The 2003 Third Quarterly Report of the Company was reviewed at the meeting.

6. The 1st meeting of third Strategy Committee held on 13th August 2003

The following matters were reviewed at the meeting: the expansion project for the Jiangsu Section of Shanghai-Nanjing Expressway, the acquisition for the toll operating rights of the Jiangsu Section of Nanjing-Shanghai Class 2 Highway, and the analysis reports on the financing for the two projects.

(4) Implementation of the Resolutions Approved at the General Meetings

During the period under review, the Board of Directors strictly implemented the resolutions approved at the General Meetings, faithfully performed their duties and completed the profit distribution for year 2002. The details were as follows:

According to the mandate granted to the Board of Directors of the Company at the General Meeting, a notice in relation to dividend distribution was published on 28th May 2003. The share register closure date for the domestic share was 3rd June 2003; the ex-dividend date was 4th June 2003. Dividend distribution for the H Shareholders was calculated in Renminbi and paid in Hong Kong dollars, on the basis of a cash dividend of HK\$1.225 for every ten Shares. The share register closure date was 16th April 2003 and dividend was declared on 15th May 2003.

Payment of dividend for this time was 10th June 2003. Dividends for the holders of the A Shares in issue were distributed by China Securities Depository & Clearing Corporation Limited, Shanghai Branch in a unified 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. Principal Operations

The principal operations of the Company and the businesses of the Company's subsidiaries are set out in page 2 and page 24 of the Annual Report.

2. List of Directors and Supervisors in 2003

The list of Directors and Supervisors of the Company during 2003 are set out in page 44 of the Annual Report.

3. Donations

During 2003, the Group donated RMB1,517,000.

4. Major movement in property, plant and equipment

During 2003, major movements in property, plant and equipment were mainly expenditures for the preparation work on the expansion of Shanghai-Nanjing Expressway.

5. Agreement related to the Directors

During 2003, the Directors and Supervisors of the Company did not enter into any agreement with the subsidiaries, holding company or fellow subsidiaries, save as related to employment with the controlling shareholder referred to on page 43 of the Annual Report.

6. Taxation policies

The Company paid all of its enterprise profit tax in full according to the statutory 33% tax rate. For 2003, total amount of profit tax paid was RMB475,925,000.

7. Staff housing subsidies

Staff housing subsidies are provided by way of either a lump-sum payment or a monthly subsidy payment. Subsidies in the form of lump-sum payments were directly charged to the current operating expenses. 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.

Staff housing subsidies of RMB6,423,000 was paid by the Company in 2003.

8. Basic staff medical insurance

The Company's staff medical insurance scheme was fully implemented in December 2003 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 RMB6,000,000. This expense was charged against operating expenses.

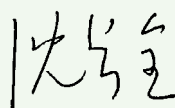
9. Basic staff pension scheme

The Company participates in the central retirement and pension fund scheme administered by the State. The Company is required to make an annual contribution equivalent to 21% of employees' wages and the proportion of individual employees' contribution was to be adjusted to 8%. The Company has paid in full its required contributions to pension fund in 2003. The total amount paid was RMB11,480,000, 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.

10. Entrusted deposits

As at 31st December 2003, the Company had not placed any entrusted deposits with PRC financial institutions. There had been no time deposits that were not repaid on maturity.

By Order of the Board



Shen Chang Quan
Chairman

Nanjing, PRC
1st April 2004

report of the supervisory committee

(1) Supervisory Committee Meetings during the Period under Review

1. The 8th session of the third Supervisory Committee meeting held on 19th March 2003

The following matters were reviewed and approved at the meeting: the Company 2002 Annual Report and Report of the Supervisory Committee; the nomination of Mr. Zhou Jian Qiang, Mr. Zhang Cheng Yu and Ms Ma Ning to the fourth Supervisory Committee.

2. The 9th session of the third Supervisory Committee meeting held on 24th April 2003

The 2003 First Quarterly Report of the Company was reviewed and approved at the meeting.

3. The 1st session of the fourth Supervisory Committee meeting held on 15th May 2003

The following resolution was considered and passed: Mr. Zhou Jian Qiang was elected as the chairman of the fourth Supervisory Committee.

4. The 2nd session of the fourth Supervisory Committee meeting held on 14th August 2003

The 2003 Interim Report and its Summary of the Company for 2003 was considered and approved at the meeting.

5. The 3rd session of the fourth Supervisory Committee meeting held on 24th October 2003

The 2003 Third Quarterly Report of the Company was considered and approved at the meeting.

(2) Independent Opinions of the Supervisory Committee

Dear Shareholders,

Strictly following to the Company Law of the People's Republic of China, the Articles of Association and Rules of Proceedings for Supervisory Committee Meetings, the Supervisory Committee of the Company has faithfully discharged its duties during year 2003 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 process of the Company. We put forward our independent opinions on the following matters:

1. Compliance of the Company's operation

We consider that 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, have conscientiously discharged their duties, and have, bearing in mind the best interests of the Company, worked in good team spirit and in an active, cautious and diligent manner. We also consider the Company's decision-making process as lawful and valid.

During the year, the Company did not face or initiate any material proceedings. All directors and senior management have operated in strict compliance with the Listing Rules governing listed companies and their management practices, and have been 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 2003 financial statements and the dividend distribution scheme submitted to the general meeting for approval. We are of the view that the financial income and expenditure position and the operating results of the Company are fairly and correctly reflected. Dividend payment was further enhanced for year 2003 when compared to the previous year which has provided satisfactory returns to the shareholders.

3. The Company's investments

During the period under review, the Board of Directors studied the investment plans on the 8-way widening project of Shanghai-Nanjing Expressway, as well as the acquisition of the new operating right of the widened Nanjing-Shanghai Class 2 Highway. We are of the view that such investment plans are in line with the economic growth and continuous development needs in the future, which are in the interest of the Company and the long-term interest of the shareholders as a whole. We shall exercise effective governance on the fund raising, fund application and other developments of the widening project and the acquisition in order to safeguard the interest of the shareholders.

4. Connected transactions of the Company

We consider that all contracts, agreements and other documents relating to connected transactions during the year are fair and reasonable, as well as in compliance with the requirements of laws without prejudicing interests of the Company or its shareholders. The connected transactions have been entered into in strict compliance with the principles of "fairness, justice and openness", and the interests of the Company and its shareholders have been fully safeguarded, so much so that none of the interests of the Company nor its shareholders are prejudiced.

During the period under review, re-election of the Supervisory Committee was conducted. Newly elected Supervisory Committee members shall uphold the serious and diligent working tradition and faithfully perform the duties of the Supervisory Committee, so as to safeguard the lawful interest of the shareholders.

By Order of the Supervisory Committee

Zhou Jian Qiang

Chairman of the Supervisory Committee

Nanjing, the PRC

1st April 2004

(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 Investment Co.	Subsidiary of the Company
Jiangsu Sundian	Subsidiary of the Company
Shuangshilou	Subsidiary of the Company
Jiangyin Yangtze Bridge	Associate of the Company
Kuailu Transportation	Associate of the Company
Sujiahang	Associate of the Company
HEAD Technology	Associate of the Company
Jiangsu Zulin	Associate of the Group

2. Connected Transactions

The Company and its subsidiaries entered into the following material transactions with connected parties during the period under review:

- (1) The Company and Guangjing Xicheng entered into an agreement on 20 March 2003 to jointly establish Jiangsu Sundian in which the Company has 70% equity interest. The Company and Guangjing Xicheng invested RMB24,500,000 and RMB10,500,000 as registered capital of Jiangsu Sundian respectively. As Guangjing Xicheng is owned as to 85% by the Company and 15% by the Company's 11.86% substantial shareholder Huajian Transportation Economic Development Centre, the transaction is a connected transaction under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

Details were announced in the designated newspapers on 21st March 2003.

- (2) The Company entered into an agreement with Investment Co. on 20 March 2003 pursuant to which the Company transferred its interests in the advertising billboards and their pertinent rights to Jiangsu Ninghu Investment at a consideration of RMB27,290,000. As Investment Co. is a 95% subsidiary of the Company, the transaction is a connected transaction under the Hong Kong Listing Rules.

Details were announced in the designated newspapers on 21st March 2003.

- (3) The Company and its 85% subsidiary, Guangjing Xicheng, entered into maintenance contracts on 30 June 2003 with Jiangsu Sundian in respect of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway. As Guangjing Xicheng is a 85% subsidiary of the Company and a 30% substantial shareholder of Jiangsu Sundian (a 70% subsidiary of the Company), the transactions were connected transactions under the Hong Kong Listing Rules. For the year ended 31 December 2003, the aggregate maintenance fee payable by the Company and Guangjing Xicheng amounted to RMB87,550,530 and RMB15,860,452 respectively, of which RMB6,566,630 and RMB1,123,000 will be payable before the expiry of the relevant one-year quality warranty periods, which would be prior to 31 December 2004.

Details were announced in the designated newspapers on 1 July 2003 in the PRC and on 2 July 2003 in Hong Kong.

The Company has complied with the disclosure requirements under the Hong Kong Listing Rules. The above transactions were not subject to disclosure requirements under the Listing Rules of the Shanghai Stock Exchange.

- (4) Guangjing Xicheng, the Company's 85% subsidiary, entered into an agreement with Jiangsu Zulin in respect of the appointment of Jiangsu Zulin as agent to arrange for the leasing of transport electrical engineering equipment to Jiangsu Ningjingyan Expressway Company Limited with a total consideration amounting to RMB19,000,000.

3. Opinions of Independent Director

The Board of Directors of the Company has carried out lawful and valid resolutions on the above-mentioned connected transactions. The independent directors have carried out conscientious reviews of the matters concerned and confirmed:

- a. the transactions were entered into by the relevant companies in the ordinary and usual course of its business;
- b. the transactions were conducted on normal commercial terms (i.e. terms of contract of similar transactions in the PRC) (or on terms no less favourable than terms available from independent third parties) or on terms that are fair and reasonable so far as the shareholders are concerned;
- c. entered into in accordance with the terms of the relevant contracts;
- d. for the year ended 31st December 2003, the aggregate maintenance fees under the maintenance contracts referred to in paragraph 2(3) above, did not exceed the lower of:-
 - (i) RMB100,000,000 for the Company's maintenance contract and RMB20,000,000 for Guangjing Xicheng's maintenance contract;
 - (ii) the higher of.
 - (1) HK\$10,000,000; or
 - (2) 3% of the book value of the consolidated net tangible assets of the Company as disclosed in the latest published consolidated accounts, adjusted to take into account of subsequent transactions in the manner as described in rule 14.04(6) of the Hong Kong Listing Rules.

(3) Significant Contract and their Implementations

1. Material trusts, subcontracting or leasing

During the reporting period, the Company had no material trusts, subcontracting or leasing arrangement.

2. Material guarantees

During the reporting period, the Company had not provided any guarantee to any shareholder or connected party or any other companies.

3. Entrusted deposits

During the reporting period, 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 RMB100 million that the Company placed for entrusted investment management for Suzhou Investment Company in 2002 was fully recovered in the period under review together with an investment gain of RMB9 million generated from the entrusted investment. The Company had not entered into any other entrusted investment management agreement.

Guangjing Xicheng, the 85% owned subsidiary of the Company, (as principal) entered into an engagement contract with Jiangsu Zulin the 33.33% owned associate of the Company, on 12th March 2003 and provided financial leasing to Jiangsu Ningjingyan Expressway Company Limited for an amount of RMB19,000,000.

5. Other material contracts

During the reporting period, material contracts being performed by the Company include the following

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 2003, 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

During the reporting period, the Company's contract with PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. had expired and was terminated.

Through a selection process, Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd. and Deloitte Touche Tohmatsu were appointed as the international and domestic auditors of the Company, respectively, and their annual remuneration was determined at RMB1,180,000. 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. The aforesaid resolution was approved at the first extraordinary general meeting on 23rd March 2004.

(6) Regulatory Sanctions

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

(7) Customers and Suppliers

1. The Company's customers are road users in general. Therefore, there were no statistics on the largest or five largest customers.
2. As to the largest and five largest suppliers, the value on the supplies provided during 2003 accounted for 50% and 79% of the Company's purchase costs. None of the directors and supervisors of the Company had any interest in such supplies.

general meetings of shareholders

The 2002 Annual General Meeting

The resolution on convening a General Meeting and giving the notice of the General Meeting was passed at the 16th session of the third Board of Directors meeting. Pursuant to that, the 2002 Annual General Meeting was held at Jiangsu Communications Building, 69 Shigu Road, Nanjing, the PRC at 9:00 a.m. on Thursday, 15th May 2003. Shareholders who were entitled to vote and shareholders' authorized representatives attending the General Meeting held 4,582,348,598 shares, representing 90.9603% of the share capital of the Company, in compliance with the statutory requirement of the Articles of Association on convening General Meeting.

C & T Partners was present for witness and provided legal opinions.

Shareholders who were entitled to vote and shareholders' authorized representatives attending the meeting considered, voted and passed the following resolutions: that the 2002 annual report of the Board of Directors, Report of the Supervisory Committee, the audited accounts and the Auditors' Report were approved; that the distribution of the Company's final dividends for the year 2002, with the payment of RMB1.30 (tax included) in cash for each ten shares was approved; that the payment of housing subsidies implementation plan was approved.

The meeting had considered, voted and passed the election of the fourth Board of Directors and Supervisory Committee.

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 16th May 2003.

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德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF JIANGSU EXPRESSWAY COMPANY LIMITED

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

We have audited the financial statements on pages 61 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 1 April 2004

consolidated *income statement*

For the year ended 31 December 2003

	Notes	2003	2002
		RMB'000	RMB'000 (Restated)
Turnover	4	2,675,814	2,272,515
Cost of sales		(1,159,091)	(954,509)
Gross profit		1,516,723	1,318,006
Other operating income		38,712	33,529
Administrative expenses		(97,672)	(80,930)
Profit from operations	6	1,457,763	1,270,605
Finance costs	7	(8,899)	(10,727)
Amortisation of goodwill		(12,607)	(11,768)
Release of negative goodwill		519	519
Share of results of associates		97,198	60,320
Profit before taxation		1,533,974	1,308,949
Taxation	10	(505,219)	(434,120)
Profit before minority interests		1,028,755	874,829
Minority interests		(22,982)	(20,384)
Profit for the year		1,005,773	854,445
Dividend	11	730,473	654,907
Earnings per share			
— Basic	12	RMB0.20	RMB0.17

consolidated *balance sheet*

At 31 December 2003

	Notes	2003	2002
		RMB'000	RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	13	12,119,028	11,276,734
Interests in associates	15	1,517,468	1,381,807
		13,636,496	12,658,541
Current assets			
Inventories	16	9,875	7,743
Prepayments and other receivables	17	95,265	71,146
Designated deposits	18	255	109,067
Bank balances and cash		1,536,774	719,611
		1,642,169	907,567
Current liabilities			
Other payables		109,967	104,536
Construction costs payable		77,251	58,741
Taxation		113,808	58,705
Unclaimed dividend		7,265	5,818
Long-term borrowings — due within one year	19	6,813	6,822
Short-term borrowings	20	1,400,000	120,000
		1,715,104	354,622
Net current (liabilities) assets		(72,935)	552,945
Total assets less current liabilities		13,563,561	13,211,486
Non-current liabilities			
Long-term borrowings — due after one year	19	54,677	61,494
Deferred taxation	21	29,507	25,228
		84,184	86,722
Minority interests		400,250	396,503
		13,079,127	12,728,261
Capital and reserves			
Share capital	22	5,037,748	5,037,748
Reserves		8,041,379	7,690,513
		13,079,127	12,728,261

The financial statements on pages 61 to 87 were approved and authorised for issue by the Board of Directors on 1 April 2004 and are signed on its behalf by:

Shen Chang Quan
DIRECTOR

Chen Xiang Hui
DIRECTOR

balance sheet

At 31 December 2003

	Notes	2003	2002
		RMB'000	RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	13	9,673,830	8,851,952
Interests in subsidiaries	14	2,257,047	2,232,445
Interests in associates	15	1,334,619	1,259,268
		<u>13,265,496</u>	<u>12,343,665</u>
Current assets			
Inventories	16	5,950	7,365
Prepayments and other receivables	17	66,086	64,389
Designated deposits	18	—	109,067
Bank balances and cash		1,308,857	496,965
		<u>1,380,893</u>	<u>677,786</u>
Current liabilities			
Other payables		79,394	91,794
Construction costs payable		61,944	44,628
Taxation		104,453	48,407
Unclaimed dividend		7,265	5,818
Long-term borrowings — due within one year	19	6,813	6,822
Short-term borrowings	20	1,400,000	120,000
		<u>1,659,869</u>	<u>317,469</u>
Net current (liabilities) assets		<u>(278,976)</u>	<u>360,317</u>
Total assets less current liabilities		<u>12,986,520</u>	<u>12,703,982</u>
Non-current liabilities			
Long-term borrowings — due after one year	19	54,677	61,494
Deferred taxation	21	27,198	25,228
		<u>81,875</u>	<u>86,722</u>
		<u>12,904,645</u>	<u>12,617,260</u>
Capital and reserves			
Share capital	22	5,037,748	5,037,748
Reserves	23	7,866,897	7,579,512
		<u>12,904,645</u>	<u>12,617,260</u>

Shen Chang Quan
DIRECTOR

Chen Xiang Hui
DIRECTOR

consolidated statement of changes in equity

For the year ended December 2003

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	5,037,748	5,730,454	293,780	146,891	1,294,661	12,503,534
Profit for the year	—	—	—	—	854,445	854,445
Appropriations	—	—	107,851	53,925	(161,776)	—
Dividend declared	—	—	—	—	(629,718)	(629,718)
At 31 December 2002	5,037,748	5,730,454	401,631	200,816	1,357,612	12,728,261
Profit for the year	—	—	—	—	1,005,773	1,005,773
Appropriations	—	—	109,289	54,645	(163,934)	—
Dividend declared	—	—	—	—	(654,907)	(654,907)
At 31 December 2003	<u>5,037,748</u>	<u>5,730,454</u>	<u>510,920</u>	<u>255,461</u>	<u>1,544,544</u>	<u>13,079,127</u>

consolidated cash flow statement

For the year ended 31 December 2003

	2003	2002
	RMB'000	RMB'000
Operating activities		
Profit from operations	1,457,763	1,270,605
Adjustments for:		
Depreciation of property, plant and equipment	442,239	373,876
Allowance for doubtful debts	103	136
Loss on write off/disposal of property, plant and equipment	6,276	3,890
Interest income	(9,094)	(22,202)
Operating cash flows before movements in working capital	1,897,287	1,626,305
Increase in inventories	(2,132)	(1,928)
(Increase) decrease in prepayments and other receivables	(29,222)	5,613
Increase (decrease) in other payables	5,431	(8,224)
Cash generated from operations	1,871,364	1,621,766
Interest paid	(8,899)	(10,727)
PRC income tax paid	(420,822)	(321,264)
Net cash generated from operating activities	1,441,643	1,289,775
Investing activities		
Investments in associates	(89,350)	(596,900)
Loan to an associate	(19,000)	—
Purchase of property, plant and equipment	(1,272,299)	(150,353)
Repayment of loan advanced to an associate	800	—
Repayment of long-term receivable	—	53,305
Repayment of receivable from former joint venture	5,000	—
Interest received	18,161	24,296
Dividend received from associates	31,984	23,549
Net cash used in investing activities	(1,324,704)	(646,103)
Financing activities		
Dividends paid	(653,460)	(636,569)
Dividends paid to minority shareholders	(19,235)	(7,726)
New long-term borrowings raised	—	19,055
Repayment of long-term borrowings	(6,826)	(5,755)
New short-term borrowings raised	1,500,000	450,000
Repayment of short-term borrowings	(220,000)	(540,000)
Capital injection from minority shareholders	—	5,000
Net cash generated from (used in) financing activities	600,479	(715,995)
Net increase (decrease) in cash and cash equivalents	717,418	(72,323)
Cash and cash equivalents at beginning of the year	819,611	891,934
	1,537,029	819,611
Cash and cash equivalents at end of the year, represented by		
Designated deposits	255	100,000
Bank balances and cash	1,536,774	719,611
	1,537,029	819,611

notes to the financial statements

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its ultimate holding company is Jiangsu Communications Holding Company Ltd. ("Jiangsu Communications") 江蘇交通控股有限公司, a stated owned enterprise incorporated in the PRC.

The principal activities of the Company are 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because the ultimate holding company has agreed to provide adequate funds to enable the Company to meet in full its ultimate financial obligations as they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented as a deduction from intangible assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill/less the negative goodwill in so far as it has not already been amortised/released to income, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

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

Sales of petrol are recognised when delivery has taken place.

Advertising income, emergency assistance income and revenue from sales of food and beverages are recognised when the services have been rendered.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

notes to the financial statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

Depreciation of the toll roads and structures and amortisation of land use rights are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants.

Depreciation of other items of property, plant and equipment 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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Government subsidies

Government subsidies are recognised as income over the periods necessary to match them with the related costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Retirement benefit costs

Payments to statutory retirement fund schemes are charged as expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

notes to the financial statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. TURNOVER

	2003	2002
	RMB'000	RMB'000
Turnover comprises:		
Toll revenue	2,353,129	2,026,238
Sales of petrol	276,311	183,988
Sales of food and beverages	105,874	104,147
Emergency assistance income	54,445	56,812
Advertising income	20,843	24,014
	<u>2,810,602</u>	<u>2,395,199</u>
Less: Business tax and other related taxes	(134,788)	(122,684)
	<u>2,675,814</u>	<u>2,272,515</u>

5. SEGMENT INFORMATION

All the Group's operations are located and carried out in the PRC, and the principal activities of the Group is the operation and management of toll roads. Accordingly, no segment information by business and geographical segment is presented.

6. PROFIT FROM OPERATIONS

	2003	2002
	RMB'000	RMB'000
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration	112,034	102,172
Retirement benefits scheme contributions	24,778	13,718
Total staff costs	136,812	115,890
Auditors' remuneration	1,180	1,250
Allowance for doubtful debts	103	136
Depreciation and amortisation of property, plant and equipment	442,239	373,876
Loss on write off/disposal of property, plant and equipment	6,276	3,890
Cost of inventories recognised as expense	369,012	271,798
and after crediting:		
Gain on disposal of investments in securities	—	4,288
Government subsidies received	19,648	—
Interest income from bank deposits	8,047	8,190
Interest income from designated deposits	1,047	14,012

7. FINANCE COSTS

	2003	2002
	RMB'000	RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	8,067	9,895
Over five years	832	832
	8,899	10,727

notes to the financial statements

For the year ended 31 December 2003

8. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2003	2002
	RMB'000	RMB'000
Director's fees	440	1,732
Other emoluments		
Salaries and other benefits	80	—
Contribution to retirement benefits scheme	10	—
	<u>530</u>	<u>1,732</u>

The amounts disclosed above include directors' fees of RMB293,000 (2002: RMB292,000) paid to independent non-executive directors.

The emoluments of each of the directors and supervisors for both years ended 31 December 2003 were within the emolument band ranging from nil to HK\$1,000,000 (equivalent to RMB1,060,000).

9. EMPLOYEES' EMOLUMENTS

Employees' Emoluments

The five highest paid individuals during the year included one director (2002: four directors), details of whose emoluments are set out in note 8 above. The emoluments of the remaining four (2002: one) highest paid individuals were as follows:

	2003	2002
	RMB'000	RMB'000
Salaries and other benefits	698	120
Contribution to retirement benefit scheme	41	—
	<u>739</u>	<u>120</u>

The emoluments of each of the five highest paid individuals for both years ended 31 December 2003 were within the emolument band ranging from nil to HK\$1,000,000 (equivalent to RMB1,060,000).

10. TAXATION

	2003	2002
	RMB'000	RMB'000
The charge comprises:		
PRC income tax	475,925	400,501
Deferred taxation (Note 21)	4,279	10,877
Taxation attributable to the Company and its subsidiaries	480,204	411,378
Share of taxation attributable to associates	25,015	22,742
	<u>505,219</u>	<u>434,120</u>

The Company and its subsidiaries are subject to PRC income tax rate of 33% (2002: 33%) pursuant to the relevant PRC income tax laws.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

The tax charge for the year can be reconciled to the profit per income statement as follows:

	2003		2002	
	RMB'000	%	RMB'000	%
Profit before taxation	<u>1,533,974</u>		<u>1,308,949</u>	
Tax at the domestic tax rate of 33% (2002: 33%)	506,211	33.0	431,953	33.0
Tax effect of tax losses not recognised	529	—	619	—
Tax effect of income not taxable for tax purpose	(2,501)	(0.2)	—	—
Tax effect of expenses not deductible for tax purpose	980	0.1	1,548	0.2
Tax charge and effective tax rate for the year	<u>505,219</u>	<u>32.9</u>	<u>434,120</u>	<u>33.2</u>

notes to the financial statements

For the year ended 31 December 2003

11. DIVIDEND

	2003	2002
	RMB'000	RMB'000
Final, proposed — RMB0.145 (2002: RMB0.13) per ordinary share	<u>730,473</u>	<u>654,907</u>

The final dividend of RMB0.145 (2002: RMB0.13) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of RMB1,005,773,000 (2002: RMB854,445,000) and the weighted average number of 5,037,747,500 (2002: 5,037,747,500) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2003.

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Toll roads and structures	Land use rights	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
COST										
At 1 January 2003	9,414,249	1,716,088	471,493	499,921	209,212	211,880	108,617	164,879	12,525	12,808,864
Additions	225,748	31,180	8,991	—	3,496	27,530	20,659	33,662	939,543	1,290,809
Transfers	—	—	12,837	—	—	5,042	5,316	6,021	(29,216)	—
Write off	—	—	(2,985)	—	—	(322)	(4,971)	(2,011)	(332)	(10,621)
At 31 December 2003	9,639,997	1,747,268	490,336	499,921	212,708	244,130	129,621	202,551	922,520	14,089,052
DEPRECIATION AND AMORTISATION										
At 1 January 2003	755,584	138,938	92,685	267,632	70,341	77,653	41,954	87,343	—	1,532,130
Provided for the year	259,667	40,524	15,484	48,491	20,308	25,953	10,153	21,659	—	442,239
Eliminated on write-off	—	—	(377)	—	—	—	(3,089)	(879)	—	(4,345)
At 31 December 2003	1,015,251	179,462	107,792	316,123	90,649	103,606	49,018	108,123	—	1,970,024
NET BOOK VALUES										
At 31 December 2003	8,624,746	1,567,806	382,544	183,798	122,059	140,524	80,603	94,428	922,520	12,119,028
At 31 December 2002	8,658,665	1,577,150	378,808	232,289	138,871	134,227	66,663	77,536	12,525	11,276,734

notes to the financial statements

For the year ended 31 December 2003

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

THE COMPANY

	Toll roads and structures	Land use rights	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
COST										
At 1 January 2003	7,160,341	1,716,088	372,921	423,811	208,082	127,931	102,139	150,637	11,890	10,273,840
Additions	225,748	20,188	5,996	—	3,494	27,530	17,959	25,210	913,791	1,239,916
Transfers	—	—	11,955	—	—	5,043	5,316	5,514	(27,828)	—
Disposals	—	—	(2,186)	—	—	—	(10,190)	(55,616)	—	(67,992)
At 31 December 2003	7,386,089	1,736,276	388,686	423,811	211,576	160,504	115,224	125,745	897,853	11,445,764
DEPRECIATION AND AMORTISATION										
At 1 January 2003	711,348	138,939	82,439	243,299	70,197	49,359	41,026	85,281	—	1,421,888
Provided for the year	219,085	40,524	12,197	41,108	20,232	15,775	8,989	14,582	—	372,492
Eliminated on disposals	—	—	(377)	—	—	—	(4,105)	(17,964)	—	(22,446)
At 31 December 2003	930,433	179,463	94,259	284,407	90,429	65,134	45,910	81,899	—	1,771,934
NET BOOK VALUES										
At 31 December 2003	6,455,656	1,556,813	294,427	139,404	121,147	95,370	69,314	43,846	897,853	9,673,830
At 31 December 2002	6,448,993	1,577,149	290,482	180,512	137,885	78,572	61,113	65,356	11,890	8,851,952

All the Group's buildings are situated in the PRC and held under medium-term land use rights.

14. INTERESTS IN SUBSIDIARIES

	2003	2002
	RMB'000	RMB'000
Unlisted investments, at cost	2,244,945	2,220,445
Amounts due from subsidiaries	12,102	12,000
	2,257,047	2,232,445

The amounts due from subsidiaries are unsecured and interest free. In the opinion of the directors, no repayment will be demanded within the next twelve months. Accordingly, the amounts are classified as non-current.

Details of the Company's subsidiaries, all of which are limited liability companies, as at 31 December 2003 are as follows:

Name	Place of registration/ operations	Paid up registered capital	Proportion of registered capital held by the Company		Principal activities
			RMB	Directly	
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	—	Construction, management and operation of expressway
Nanjing Shuangshilou Hotel Co., Ltd.	PRC	1,010,000	95.05%	—	Provision of Chinese food
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	—	Infrastructure and industrial investments
Jiangsu Sundian Engineering Co., Ltd.	PRC	35,000,000	—	95.50%	Construction and maintenance of expressway

notes to the financial statements

For the year ended 31 December 2003

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	1,334,619	1,258,468
Share of net assets of associates	1,405,410	1,278,054	—	—
Goodwill of associates	96,432	106,846	—	—
Negative goodwill of an associate	(3,374)	(3,893)	—	—
	<u>1,498,468</u>	<u>1,381,007</u>	<u>1,334,619</u>	<u>1,258,468</u>
Loan to an associate	19,000	800	—	800
	<u>1,517,468</u>	<u>1,381,807</u>	<u>1,334,619</u>	<u>1,259,268</u>
			Negative goodwill	Goodwill
			RMB'000	RMB'000
Goodwill (negative goodwill) of associates				
Gross amount				
At 1 January 2003			(5,191)	125,160
Arising on acquisition			—	2,193
At 31 December 2003			<u>(5,191)</u>	<u>127,353</u>
Amortisation				
At 1 January 2003			1,298	(18,314)
Release (charge) for the year			519	(12,607)
At 31 December 2003			<u>1,817</u>	<u>(30,921)</u>
Carrying amount				
At 31 December 2003			<u>(3,374)</u>	<u>96,432</u>
At 31 December 2002			<u>(3,893)</u>	<u>106,846</u>

The loan to an associate is unsecured and bears interest at 4.8% per annum (2002: interest free). In the opinion of the directors, no repayment will be demanded within the next twelve months, accordingly, the amount is classified as non-current.

The goodwill (negative goodwill) is amortised (released) to the income statement on a straight-line basis over 10 years.

15. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates, all of which are limited liability companies, as at 31 December 2003 are as follows:

Name	Place of registration/ operations	Proportion of registered capital held by the Company		Principal activities
		Directly	Indirectly	
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	PRC	33.20%	—	Provision of passenger transportation service along the Shanghai-Nanjing Expressway
Jiangsu Yangtze Bridge Co., Ltd	PRC	26.66%	—	Investment, construction, operation and management of Jiangjin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	—	Investment, construction, operation and management of Sujiahang Expressway
China Transportation HEAD New technology (Shanghai) Co., Ltd.	PRC	35.71%	—	Computer software development
Jiangsu Leasing Co., Ltd.	PRC	—	26.06%	Leasing and financing activities
Shanghai Yinjian Real Estate Co., Ltd.	PRC	—	28.69%	Real estate development
Jiangsu SEU Intelligent System Technology Co., Ltd.	PRC	—	19.66%	Computer software development

In the opinion of the directors, the Group can exercise significant influence over Jiaugsu SEU Intelligent System Technology Co., Ltd. and it is therefore considered as an associate of the Group.

notes to the financial statements

For the year ended 31 December 2003

16. INVENTORIES

THE GROUP AND THE COMPANY

Inventories comprise petrol for sales, materials and spare parts for repairs and maintenance of toll roads and structures. All inventories are stated at cost.

17. PREPAYMENTS AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for materials and equipment	19,863	11,052	12,295	8,883
Receivable from liquidation of a former joint venture	23,812	28,812	23,812	28,812
Others	52,892	32,481	38,274	27,893
	<u>96,567</u>	<u>72,345</u>	<u>74,381</u>	<u>65,588</u>
Less: Allowance for doubtful debts	(1,302)	(1,199)	(8,295)	(1,199)
	<u>95,265</u>	<u>71,146</u>	<u>66,086</u>	<u>64,389</u>

18. DESIGNATED DEPOSITS

The amount represents deposits held with a financial institution for the purpose of fund management. In 2002, included in the designated deposits is an amount of accrued interest of approximately RMB9,067,000.

19. LONG-TERM BORROWINGS

		THE GROUP & THE COMPANY	
		2003	2002
	Interest rate	RMB'000	RMB'000
USD denominated Spain government loans with maturities 2007 — 2026	1% per annum	41,013	41,022
USD denominated buyer's credit loans with maturities 2001 — 2006	6.77% per annum	20,477	27,294
		<u>61,490</u>	<u>68,316</u>

The maturity of the above loans is as follows:

	2003	2002
	RMB'000	RMB'000
Within one year	6,813	6,822
More than one year but not exceeding two years	6,813	6,822
More than two years but not exceeding five years	10,952	20,466
More than five years	36,912	34,206
	<u>61,490</u>	<u>68,316</u>
Less : Amount due within one year included in current liabilities	<u>(6,813)</u>	<u>(6,822)</u>
Amount due after one year	<u>54,677</u>	<u>61,494</u>

All long-term borrowings were guaranteed by Jiangsu Communications.

20. SHORT-TERM BORROWINGS

		THE GROUP & THE COMPANY	
		2003	2002
		RMB'000	RMB'000
Unsecured		<u>1,400,000</u>	<u>120,000</u>

The 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.

notes to the financial statements

For the year ended 31 December 2003

21. DEFERRED TAXATION

The following are the deferred taxation (assets) liabilities recognised and movements thereon during the current and prior year:

THE GROUP				
	Allowance for doubtful debts	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	—	12,184	2,167	14,351
Charge to income statement	—	10,053	824	10,877
At 31 December 2002	—	22,237	2,991	25,228
Charge (credit) to income statement	(359)	7,629	(2,991)	4,279
At 31 December 2003	(359)	29,866	—	29,507

THE COMPANY				
	Allowance for doubtful debts	Accelerated tax depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	—	12,184	2,167	14,351
Charge to income statement	—	10,053	824	10,877
At 31 December 2002	—	22,237	2,991	25,228
Charge (credit) to income statement	(2,668)	7,629	(2,991)	1,970
At 31 December 2003	(2,668)	29,866	—	27,198

22. SHARE CAPITAL

	2003 & 2002	
	Number of shares	Amount
		RMB'000
Authorised, issued and fully paid:		
State shares	2,781,743,600	2,781,744
State legal person shares	599,471,000	599,471
Legal person shares	284,532,900	284,533
H shares	1,222,000,000	1,222,000
A shares	150,000,000	150,000
Total	<u>5,037,747,500</u>	<u>5,037,748</u>

There was no movement in the Company's authorised and issued share capital during the two years ended 31 December 2003.

As at 31 December 2003, the authorised, issued and fully paid share capital of the Company is RMB5,037,747,500 (2002: RMB5,037,747,500) divided into 5,037,747,500 shares (2002: 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.

notes to the financial statements

For the year ended 31 December 2003

23. RESERVES

	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
THE COMPANY					
At 1 January 2002	5,730,454	293,780	146,891	1,226,805	7,397,930
Profit for the year	—	—	—	811,300	811,300
Appropriations	—	81,683	40,842	(122,525)	—
Dividend (Note 11)	—	—	—	(629,718)	(629,718)
At 31 December 2002	5,730,454	375,463	187,733	1,285,862	7,579,512
Profit for the year	—	—	—	942,292	942,292
Appropriations	—	94,448	47,224	(141,672)	—
Dividend (Note 11)	—	—	—	(654,907)	(654,907)
At 31 December 2003	5,730,454	469,911	234,957	1,431,575	7,866,897

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, each of the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after taxation (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, each of the Company and its subsidiaries registered in the PRC are required to appropriate 5% of the annual statutory net profit after taxation (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 reserve items will remain with the respective companies 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.

The retained profits of the Group include RMB81,007,000 (2002: RMB40,808,000) retained by associates of the Group.

The Company's reserves available for distribution to shareholders as at 31 December 2003 comprised the retained profits of RMB1,332,973,000 (2002: RMB1,185,071,000).

24. THE EFFECT ON THE FINANCIAL STATEMENTS ARISING FROM THE DIFFERENCES BETWEEN PRC GENERALLY ACCEPTED ACCOUNTING PRACTICE (“GAAP”) AND HONG KONG GAAP

	Net profit		Net assets	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000 (Restated)
As reported under PRC accounting standards	950,531	816,833	14,562,325	14,268,109
Adjustments made to conform with principles generally accepted in Hong Kong				
—Amortisation of land use rights	23,122	30,462	90,504	67,382
—Valuation, depreciation and amortisation of property, plant and equipment	46,874	35,320	(1,535,958)	(1,582,832)
—Housing benefits charged to retained profits directly under PRC accounting standards	—	(16,838)	—	—
—Loss on disposal of staff quarters	—	—	(8,237)	(8,237)
—Deferred taxation	(4,279)	(10,877)	(29,507)	(25,228)
—Interest accrued on held-to-maturity securities	—	(7,077)	—	—
—Fair value of investments in securities	(9,067)	9,067	—	9,067
—Others	(1,408)	(2,445)	—	—
As reported under accounting principles generally accepted in Hong Kong	1,005,773	854,445	13,079,127	12,728,261

25. OTHER COMMITMENTS

As at 31 December 2003, the Company is committed to pay Ninglian Ningtong Management Office, an independent third party, a service charge at a fixed rate of 17% of the total toll revenue collected on Nanjing Section per annum for a term of 30 years from 1 January 2000.

notes to the financial statements

For the year ended 31 December 2003

26. RETIREMENT BENEFITS SCHEME

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2002: 21%) 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.

27. CAPITAL COMMITMENTS

	THE GROUP AND THE COMPANY	
	2003	2002
	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment in respect of the toll roads expansion project contracted for but not provided in the financial statements	<u>3,049,193</u>	<u>—</u>

28. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with an associate:

Name of associate	Nature of transactions	2003	2002
		RMB'000	RMB'000
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road usage fee received	<u>7,500</u>	<u>9,000</u>

The road usage fee income represents the amount paid by Jiangsu Kuailu Bus Transportation Stock Co., Ltd. to the Company for usage of the Shanghai-Nanjing Expressway, and is calculated with reference to the number of buses passing through the expressway at a mutually agreed rate.

28. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) At the balance sheet date, the Group and the Company have current accounts with the following associates:

Name of associates	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from:				
Jiangsu Yangzte Bridge Co., Ltd.	2,755	—	1,192	—
Suzhou Sujiahang Expressway Co., Ltd.	1,101	1,864	689	1,864
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	439	—	439	—
	<u>4,295</u>	<u>1,864</u>	<u>2,320</u>	<u>1,864</u>
Amounts due to:				
Jiangsu Yangzte Bridge Co., Ltd.	1,210	1,064	1,210	1,064
Suzhou Sujiahang Expressway Co., Ltd.	458	—	374	—
	<u>1,668</u>	<u>1,064</u>	<u>1,584</u>	<u>1,064</u>

The balances represent receipts of toll fees collected and expenses paid on behalf of the Group, which are unsecured, interest free and repayable on demand. The above current accounts were included in other receivables and other payables on the balance sheet.

29. COMPARATIVE FIGURES

- (a) Other taxes payable, including business tax payable and value added tax payable, of RMB11,736,000 and RMB9,972,000 included in the Group's and the Company's balance sheet, respectively, at 31 December 2002 were reclassified from taxation to other payables to give a fairer presentation and to conform with current year's presentation.
- (b) Amortisation of goodwill of RMB11,768,000 and release of negative goodwill of RMB519,000 respectively included in share of results of associates in prior year were restated as separate items in the income statement to give a fairer presentation and to conform with current year's presentation.

- (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: Yao Yong Jia
- Telephone: 8625-8446 9332
- Securities Officers: Jiang Tao, Lou Qing
- Telephone: 8625-8420 0999-4706, 4716
- Fax: 8625-8446 6643
- E-mail Address: cso@jsexpressway.com
- (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: <http://www.jsexpressway.com>
- 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 Share:	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

(8) Auditors:

Domestic Auditors: Deloitte Touche Tohmatsu Certified
Public Accountants Limited

Office Address: 30/F Bund Centre
222 Yan An Road East
Shanghai 200002, PRC

International Auditors: Deloitte Touche Tohmatsu

Office Address: 26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

(9) Legal Advisor:

Domestic Legal Advisor: Jiangsu New Century Tongren Law

Office Address: 5/F, 26 Beijing West Road, Nanjing, the PRC

Legal Advisor (Hong Kong): Richards Butler

Office 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

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 accountant;
- (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

1st April 2004

