



1. IMPORTANT

- 1.1 The board of directors (the “Board of Directors”) of Jiangsu Expressway Company Limited (the “Company”) confirms that there are no false representations or misleading statements contained in or material omissions from this report. The directors severally and jointly accept responsibility for the authenticity, accuracy and completeness of the content of this report.
- 1.2 Mr. Fang Keng, (director), did not attend the Board of Directors meeting and appointed Mr. Shen Chang Quan, the Chairman to vote on his behalf. Ms. Chang Yung Tsung and Mr. Hong Yin Xing (both are directors) did not attend the Board of Directors meeting.
- 1.3 This quarterly report is prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies by the China Securities Regulatory Commission. This report is published simultaneously in Hong Kong and the People’s Republic of China. All financial information set out in this quarterly report has been prepared in accordance with PRC Accounting Standards. Shareholders of the Company and public investors should exercise caution when dealing in the Company’s shares.
- 1.4 The financial statements in this quarterly report are unaudited.
- 1.5 Mr. Shen Chang Quan, Chairman of the Company, Mr. Xie Jia Quan, General Manager, and Madam Liu Wei, Manager of the Finance and Accounting Department, guarantee the correctness and completeness of the financial statements in the quarterly report.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic Corporate Information

| | A Shares | H Shares | ADR |
|----------------------------|--|--|-----------|
| Abbreviation of Stock Name | 寧滬高速 | 江蘇寧滬 | JEXWW |
| Stock Code | 600377 | 0177 | 477373104 |
| | Secretary to the Board of Directors | Securities Officers | |
| Name | Yao Yong Jia | Jiang Tao and Lou Qing | |
| Correspondence Address | Jiangsu Communications Buildings, 69 Shigu Road, Nanjing, Jiangsu, the PRC | Jiangsu Communications Buildings, 69 Shigu Road, Nanjing, Jiangsu, the PRC | |
| Telephone Number | 8625-84469332 | 8625-84200999-4706, 4716 | |
| Fax Number | 8625-84466643 | 8625-84466643 | |
| E-mail Address | cs0@jsexpressway.com | cs0@jsexpressway.com | |

2.2 Financial Information

2.2.1 Major accounting data and financial indicators

| | End of the reporting period (unaudited) | End of last reporting year (audited) | Unit: RMB % increase (decrease) at end of this reporting period compared to end of last reporting year |
|---|---|--|---|
| Total assets ('000) | 19,981,355 | 16,732,357 | 19.42 |
| Shareholders' equity (excluding minority interests) ('000) | 14,601,031 | 14,562,325 | 0.27 |
| Net assets per share (RMB) | 2.90 | 2.89 | 0.27 |
| Adjusted net assets per share (RMB) | 2.90 | 2.89 | 0.27 |

| | The reporting period (July to September) (unaudited) | Beginning of the year to end of the reporting period (January to September) (unaudited) | % increase (decrease) for this reporting period compared to the corresponding period of the previous year |
|--|---|--|--|
| Net cash flow from operating activities ('000) | 185,244 | 1,354,930 | -51.09 |
| Earnings per share (RMB) | 0.0215 | 0.1519 | -57.92 |
| Return on net assets (%) | 0.75 | 5.25 | decreased by 1.05 percentage points |
| Return on net assets excluding non-recurring items (%) | 1.51 | 6.85 | decreased by 0.32 percentage point |

Non-recurring Items from January to September (unaudited)

| | Amount ('000) |
|--|----------------------|
| Amortisation of long-term equity investment difference | -8,998 |
| Non-operating income/expenses | -235,271 |
| Income from short-term investment | 1,348 |
| Income tax effect | 9,096 |
| Total | -233,825 |

2.2.2 Financial information

Income Statement (Unaudited)

Unit: RMB

| Item | The reporting period (July to September) | | Corresponding period of the previous year (July to September) | |
|---------------------------------------|---|-------------|---|-------------|
| | Consolidated | The Company | Consolidated | The Company |
| 1. Turnover | 657,181,426 | 512,408,756 | 654,227,433 | 644,579,532 |
| Less: Cost of sales | 264,537,112 | 221,157,161 | 211,279,063 | 250,055,888 |
| Sales tax | 32,169,242 | 24,996,859 | 34,945,420 | 30,748,203 |
| 2. Gross profit | | | | |
| ("-" represents losses) | 360,475,072 | 266,254,736 | 408,002,950 | 363,775,441 |
| Add: Other operating profit | | | | |
| ("-" represents losses) | 6,280,850 | — | 13,453,112 | -328,944 |
| Less: Administrative expenses | 47,683,451 | 37,774,437 | 41,901,082 | 37,213,163 |
| Financial expenses | 31,311,584 | 32,252,376 | 1,987,059 | 2,490,165 |
| 3. Profit from operations | | | | |
| ("-" represents losses) | 287,760,887 | 196,227,923 | 377,567,921 | 323,743,169 |
| Add: Investment income | | | | |
| ("-" represents losses) | 31,800,428 | 85,773,695 | 12,466,302 | 43,241,706 |
| Subsidies income | — | — | — | — |
| Non-operating income | 1,489,790 | 1,486,951 | 2,528,125 | 2,528,074 |
| Less: Non-operating expenses | 117,373,718 | 116,964,054 | 6,335,244 | 5,814,616 |
| 4. Profit before taxation | | | | |
| ("-" represents losses) | 203,677,387 | 166,524,515 | 386,227,104 | 363,698,333 |
| Less: Income tax | 85,472,982 | 54,304,384 | 123,510,122 | 105,857,633 |
| Minority interests | | | | |
| ("-" represents losses) | 9,158,988 | — | 5,137,387 | — |
| Add: Unrecognised loss on investments | -550,206 | — | 261,105 | — |

| Item | The reporting period (July to September) | | Corresponding period of the previous year (July to September) | |
|--|---|---------------|---|---------------|
| | Consolidated | The Company | Consolidated | The Company |
| 5. Net profit | | | | |
| ("-" represents net losses) | 108,495,211 | 112,220,131 | 257,840,700 | 257,840,700 |
| Add: Undistributed profits at beginning of the year | 1,277,509,496 | 1,332,972,726 | 1,145,819,878 | 1,185,070,697 |
| 6. Distributable profits | | | | |
| ("-" represents net losses) | 1,386,004,707 | 1,445,192,857 | 1,403,660,578 | 1,442,911,397 |
| Less: Transfer to statutory surplus reserve | 11,823,649 | — | 6,438,756 | — |
| Transfer to statutory public welfare fund | 5,911,825 | — | 3,219,378 | — |
| 7. Distributable profits to shareholders | | | | |
| ("-" represents net losses) | 1,368,269,233 | 1,445,192,857 | 1,394,002,444 | 1,442,911,397 |
| Less: Dividends payable to preferential shares | — | — | — | — |
| Appropriations to discretionary reserves | — | — | — | — |
| Dividends payable to ordinary shares | 730,473,388 | 730,473,388 | 654,907,175 | 654,907,175 |
| Dividends of ordinary shares capitalized | — | — | — | — |
| 8. Unappropriated profits | | | | |
| ("-" represents net losses) | 637,795,845 | 714,719,469 | 739,095,269 | 788,004,222 |

Income Statement (Unaudited)

Unit: RMB

| Item | From the beginning of the financial year to the end of the reporting period (January to September) | | Corresponding period of the previous year (January to September) | |
|---|--|---------------|--|---------------|
| | Consolidated | The Company | Consolidated | The Company |
| 1. Turnover | 2,550,468,130 | 2,092,292,143 | 1,897,210,204 | 1,658,820,606 |
| Less: Cost of sales | 826,387,198 | 700,813,610 | 670,195,886 | 613,038,827 |
| Sales tax | 125,316,038 | 102,887,144 | 92,387,994 | 79,433,002 |
| 2. Gross profit | | | | |
| ("-" represents losses) | 1,598,764,894 | 1,288,591,389 | 1,134,626,324 | 966,348,777 |
| Add: Other operating profit | | | | |
| ("-" represents losses) | 5,871,834 | — | 15,126,886 | 1,344,830 |
| Less: Administrative expenses | 135,580,825 | 122,666,570 | 112,017,775 | 102,305,491 |
| Financial expenses | 78,692,832 | 81,040,737 | 594,988 | 2,698,501 |
| 3. Profit from operations | | | | |
| ("-" represents losses) | 1,390,363,071 | 1,084,884,082 | 1,037,140,447 | 862,689,615 |
| Add: Investment income | | | | |
| ("-" represents losses) | 96,090,436 | 268,852,397 | 46,505,497 | 147,254,402 |
| Subsidies income | — | — | — | — |
| Non-operating income | 6,241,158 | 6,230,078 | 9,947,481 | 7,862,690 |
| Less: Non-operating expenses | 241,511,896 | 239,258,956 | 14,403,661 | 13,268,997 |
| 4. Profit before taxation | | | | |
| ("-" represents losses) | 1,251,182,769 | 1,120,707,601 | 1,079,189,764 | 1,004,537,710 |
| Less: Income tax | 455,897,992 | 355,577,428 | 341,523,623 | 283,237,197 |
| Minority interests | | | | |
| ("-" represents losses) | 30,154,604 | — | 17,611,792 | — |
| Add: Unrecognised loss on investments | — | — | 1,246,164 | — |
| 5. Net profit | | | | |
| ("-" represents net losses) | 765,130,173 | 765,130,173 | 721,300,513 | 721,300,513 |
| Add: Undistributed profits at beginning of the year | 1,277,509,496 | 1,332,972,726 | 1,145,819,878 | 1,185,070,697 |

| Item | From the beginning of the financial year to the end of the reporting period (January to September) | | Corresponding period of the previous year (January to September) | |
|---|--|---------------|--|---------------|
| | Consolidated | The Company | Consolidated | The Company |
| 6. Distributable profits | | | | |
| ("-" represents net losses) | 2,042,639,669 | 2,098,102,899 | 1,867,120,391 | 1,906,371,210 |
| Less: Transfer to statutory surplus reserve | 11,823,649 | — | 6,438,756 | — |
| Transfer to statutory public welfare fund | 5,911,825 | — | 3,219,378 | — |
| 7. Distributable profits to shareholders | | | | |
| ("-" represents net losses) | 2,024,904,195 | 2,098,102,899 | 1,857,462,257 | 1,906,371,210 |
| Less: Dividends payable to preferential shares | — | — | — | — |
| Appropriations to discretionary reserves | — | — | — | — |
| Dividends payable to ordinary shares | 730,473,388 | 730,473,388 | 654,907,175 | 654,907,175 |
| Dividends of ordinary shares capitalized | — | — | — | — |
| 8. Unappropriated profits | | | | |
| ("-" represents net losses) | 1,294,430,807 | 1,367,629,511 | 1,202,555,082 | 1,251,464,035 |

2.3 Total number of shareholders at the end of the reporting period

As at 30th September 2004, there were 39,080 shareholders registered on the registers of members of the Company, among whom 38,103 were holders of domestic shares and 977 were holders of foreign shares.

1. Top ten shareholders holding outstanding A shares of the Company

| Name of Shareholder | Number of shares held as at the end of the period | Class of Shares |
|--|---|-----------------|
| China Galaxy Securities Co., Ltd. | 24,227,583 | A |
| Xinghe Securities Investment Fund | 1,386,707 | A |
| Yuyang Securities Investment Fund | 732,419 | A |
| 葉發揚 | 500,000 | A |
| 夏新華 | 496,900 | A |
| 楊修虎 | 409,000 | A |
| 張鐵英 | 380,000 | A |
| 蔡文勝 | 307,338 | A |
| Industrial and Commercial Bank of China — Yuyuan Securities Investment Fund | 299,865 | A |
| Industrial and Commercial Bank of China — Hua An Shanghai Stock Index 180 Securities Investment Fund — Growth Type | 286,103 | A |

2. Holders of H Shares holding 5% or above interests in the Company

As at 30 September 2004, persons who had interests or short positions in 5% or more of the nominal value of the Shares or underlying shares of the Company recorded in the register maintained by the Company under the provisions of the Securities and Futures Ordinance (“SFO”) were as follows:

| Name of shareholder | Capacity | Direct Interest | Number of H Shares | Proportion of H Shares |
|--|-------------------------------------|-----------------|--------------------|------------------------|
| J.P. Morgan Chase & Co. (note 1) | Interests in controlled corporation | No | 122,300,500 | 10.01% |
| Sumitomo Life Insurance Company (note 2) | Interests in controlled corporation | No | 99,548,000 | 8.15% |
| UBS AG (note 3) | Investment manager | Yes | 73,077,250 | 5.98% |

Note 1: The 122,300,500 H Shares which J.P.Morgan Chase & Co. was deemed to be interested included:

- (1) 100,504,900 H Shares (reported as lending pool) which JP Morgan Chase Bank (a 100% subsidiary of J.P.Morgan Chase & Co.) was deemed to be interested in the capacity of custodian corporation/ approved lending agent;
- (2) 11,567,600 H Shares which a 100% subsidiary of J. P. Morgan Chase & Co. was deemed to be interested in because of its interests in a corporation controlled by it, such corporation was reported as beneficial owners of the H Shares; and
- (3) 10,228,000 H Shares which a 100% subsidiary was deemed to be interested in because of its interests in a corporation controlled by it, such corporation was taken to have a duty of disclosure as an investment manager.

Note 2: Sumitomo Life Insurance Company was the controlling shareholder of Sumitomo Mitsui Asset Management Company, Limited which was deemed to be interest in the shares in the capacity as investment manager.

Note 3: Out of the total of 73,077,250 H Shares which UBS AG was interested in, 112,000 H Shares were held by UBS Global Asset Management (Japan) Limited, a company wholly owned by UBS AG.

Save as disclosed above, so far as the Company is aware, there were no other parties required to make disclosure under the SFO as at 30th September 2004.



3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Brief analysis on the overall situation of the Company's operating activities during the reporting period

During the third quarter of 2004, the expansion of Shanghai-Nanjing Expressway was progressing smoothly: the soft foundation treatment, soil excavation of tunnels and earth and stone roadbed structures of the main road have by and large been completed; and road-surface construction works on the south-bound four lanes have been progressing in full swing since August 2004. As at 30th September 2004, aggregate investments in the expansion project of Shanghai-Nanjing Expressway amounted to RMB3.37 billion, and construction quality and cost management have been controlled satisfactorily.

In order to cope with the smooth implementation of the road-surface works of the south-bound lanes, the Company has implemented further traffic diversion measures to Shanghai-Nanjing Expressway since 1st August 2004, with no goods vehicles being allowed to pass through the whole expressway. As at 30th September 2004, daily average traffic volume and daily average toll revenue have reduced by approximately 7.86% and 8.11%, respectively, compared with the figures in the first stage of traffic diversions from June to July 2004. Since the implementation of traffic diversions on 1st June 2004, the loss in goods vehicle traffic on Shanghai-Nanjing Expressway has resulted in significant reduction in toll revenues. Daily average traffic volume and daily average toll revenue from June to September were 24,283 vehicles and RMB3,583,700, respectively, representing reductions of approximately 24.71% and 28.27% respectively over the corresponding period of the previous year, and reductions of approximately 34.60% and 52.55% respectively over the daily average figures from January to May 2004.

On the other hand, owing to the additional usage by goods vehicles as a result of the traffic diversions on Shanghai-Nanjing Expressway, Nanjing-Shanghai Class 2 Highway experienced significant growth. From June to September 2004, its traffic volume and daily average toll revenue were 52,323 vehicles and RMB1,142,400, respectively, with average increases of approximately 61.18% and 126.44% respectively over January to May this year, which partially compensated the Company's toll revenue losses on Shanghai-Nanjing Expressway.

Yuanjiang Expressway Jiangtai Section (starting from Taichang in the east ending at Jiangyin in the west and connecting Xicheng Expressway, a two-way four-lane road with a full length of 104 kilometers) which commenced operation on 15th August, has not caused significant impact on the traffic volume on Shanghai-Nanjing Expressway as of todate.

During the reporting period, the operating performance of Guangjing Expressway, Xicheng Expressway, Jianguin Yangtze Bridge, Sujiahang Expressway and Nanjing Section of Nanjing-Lianyungang Highway was all satisfactory, with substantial increases in traffic volumes and toll revenues.

Data of daily average traffic volumes and daily average toll revenues of various roads and bridges during January to September 2004:

| Expressway or bridge operation | Average daily traffic volume (vehicles/day) | Growth over the | Average daily toll revenue (RMB'000/day) | Growth over the |
|---|--|--|---|--|
| | | corresponding period of the previous year (%) | | corresponding period of the previous year (%) |
| Jiangsu Section of Shanghai-Nanjing Expressway | 31,411 | 7.18 | 5,793.47 | 30.62 |
| Jiangsu Section of Nanjing-Shanghai Class 2 Highway | 41,305 | 3.04 | 788.48 | 21.23 |
| Nanjing Section of Nanjing-Lianyungang Highway | 11,002 | 3.14 | 179.79 | 13.65 |
| Guangjing Expressway | 29,435 | 35.56 | 602.09 | 64.60 |
| Xicheng Expressway | 24,466 | 29.28 | 872.82 | 78.49 |
| Jianguin Yangtze Bridge | 31,211 | 41.19 | 1,935.01 | 92.60 |
| Sujiahang Expressway | 18,206 | — | 1,541.16 | 86.72 |

In the third quarter of 2004, the Group recorded an operating income of approximately RMB664,036,000, a decrease of approximately 8.08% over the corresponding period of the previous year. During the reporting period, the Company has made a provision for impaired assets of approximately RMB95,719,000 for some over-pass bridges, service areas' buildings and other assets and office fixed assets to be removed which were affected by the expansion project of Shanghai-Nanjing Expressway. This has caused certain impact over the operating results of the third quarter. During the reporting period, the Group recorded a net profit of approximately RMB108,495,000, a decrease of approximately 57.92% over the corresponding period of the previous year.

Benefiting from the significant growth in the operating results of the previous reporting period, the Group's operating results for the period from January to September 2004 still recorded satisfactory performance, realising an operating income of approximately RMB2,562,671,000 and a net profit of approximately RMB765,130,000, representing increases of approximately 29.29% and 6.08%, respectively, over the corresponding period of the previous year.

3.1.1 Principal operating activities or products accounting for more than 10% of income or total profit from principal business

Unit: RMB'000 (Unaudited)

| Industry | Turnover | Cost of sales | Gross profit margin (%) |
|-------------------------------|----------|---------------|-------------------------|
| Jiangsu Section of | | | |
| Shanghai-Nanjing Expressway | 328,419 | 99,594 | 69.67 |
| Guangjing Xicheng Expressways | 129,232 | 27,101 | 79.03 |
| Auxiliary services | 78,661 | 80,110 | -1.84 |

3.1.2 Seasonal or cyclical characteristics of the Company's operation

Applicable Not applicable

3.1.3 Structure of the Group's profit contributions during the reporting period

Unit: RMB'000 (Unaudited)

| Item | July to September 2004 | Proportion to gross profit (%) | January to June 2004 | Proportion to gross profit (%) |
|--------------------------------------|------------------------|--------------------------------|----------------------|--------------------------------|
| Gross Profit | 360,475 | 176.98 | 1,238,290 | 118.21 |
| Other operating profit | 6,281 | 3.08 | (409) | (0.04) |
| Expenses during the reporting period | 78,995 | 38.78 | 135,279 | 12.91 |
| Investment income | 31,800 | 15.61 | 64,290 | 6.14 |
| Subsidies income | — | — | — | — |
| Non-operating income/expenses, net | (115,884) | (56.89) | (119,387) | (11.40) |
| Total profit | 203,677 | 100.00 | 1,047,505 | 100.00 |

Explanation of changes:

Changes of the structure of the Group's profit contributions between this reporting period and the last reporting period was mainly attributable to net of non-operating income/expenses. The increase in non-operating expenses was mainly attributable to a provision for impaired assets of approximately RMB95,720,000 made for some over-pass bridges, service areas' assets and office fixed assets to be removed which were affected by the widening project of Shanghai-Nanjing Expressway during the reporting period.

As at the end of the reporting period, according to the confirmed schedule of Shanghai-Nanjing Expressway expansion project, fixed assets including service areas and over-pass bridges will be partially affected during the next stage of construction works, and for such portion of fixed assets, an impairment provision of RMB93,810,000 has been made pursuant to the requirement under Zheng Jian Hui Zi [2004] No. 1. At the same time, an impairment provision of RMB1,910,000 has also been made to the Company's office fixed assets to be removed:

- (1) Service areas and other assets: net book value of RMB153,990,000, impairment provision made at RMR69,030,000;
- (2) Over-pass bridge assets: net book value of RMB90,160,000, impairment provision made at RMB24,780,000;
- (3) Office equipment: net book value of RMB1,910,000, impairment provision made at RMB1,910,000.

3.1.4 Circumstances and reasons for substantial changes in principal business and its structure compared to last reporting period

Applicable Not applicable

3.1.5 Circumstances and reasons for substantial changes in the profitability (gross profit margin) of the principal business compared to last reporting period

Applicable Not applicable



3.2 Analysis of impact of major events and the solution

3.2.1. Merger and reorganisation of controlling shareholders

On 15th September 2004, Jiangsu Communications Holding Company Limited, the controlling shareholder holding 55.22% of the share capital of the Company, formally activated the procedure of merger and reorganisation with Jiangsu Communications Assets Group Limited (江蘇交通產業集團有限公司), another major communications investment entity, pursuant to the "Notice regarding the merger and reorganisation of Jiangsu Communications Holding Company Limited and Jiangsu Communications Assets Group Limited" of the People's Government of Jiangsu Province, and the name of the new company shall remain as "Jiangsu Communications Holding Company Limited". The nature of the enterprise shall still be State-owned, while Jiangsu Communications Assets Group Limited shall be de-registered, and its debts and liabilities, external guarantees and equity interests for its external investments shall all be taken over by Jiangsu Communications Holding Company Limited after the merger. The merger of the two companies is currently underway.

There will be no change in the holding of interest in the Company by Jiangsu Communications Holding Company Limited after the merger.

3.2.2. Transfer of equity interests in Nanjing Shuangshilou Hotel

Nanjing Shuangshilou Hotel is a joint venture established by the Company and Nanjing Gulou District Hunan Road Labour Service Company (南京市鼓樓區湖南路勞動服務公司) in November 2001, with a registered capital of RMB1,010,000, of which the Company contributed RMB960,000, representing 95.05% equity interests. It was mainly engaged in catering business. Due to weak operating management since the inauguration of the hotel, it has suffered substantial losses. In order to resolve investment exposure, at the Eighth Session of the Fourth Board of Directors, the Company decided to transfer its entire shareholding in the hotel to Nanjing Jintang Hotel Food & Beverages Co., Ltd. (南京金塘大酒店飲食有限公司), an independent third party, at an agreed consideration of RMB2,000,000. The Company has entered into an equity transfer agreement with Nanjing Jintang Hotel Food & Beverages Co., Ltd. on 20th August 2004, while the subsequent legal procedures relating to the equity transfer is currently under process.

3.2.3. Changes in Hong Kong Company Secretary

The Company's Hong Kong Company Secretary Mr. Lam Che Wah, Danny resigned from his office, effective from the close of office hours on 20th August 2004. At the Company's Eighth Session of the Fourth Board of Directors, Ms. Lee Wai Fun, Betty was appointed to take up the post, effective from 21st August 2004, and all the disclosure requirements for the change in compliance with the Listing Rules and the notice requirement under the Companies Ordinance of Hong Kong.

3.3 Explanation on the accounting policy, accounting estimation, changes in the scope of merger and major accounting errors and its reasons

Applicable Not applicable

3.4 Related explanation of the Board and the Supervisory Committee on the audited situations and indicated as "disclaimer of opinion"

Applicable Not applicable

3.5 Warning and explanation in the forecast of the possible aggregate net profits from the beginning of the year to the end of the next reporting period becoming a loss or significant changes compared to the corresponding period of the previous year

Applicable Not applicable

3.6 Rolling adjustments of the Company to the annual operating plans or budget as disclosed

Applicable Not applicable

4 Appendix

Balance Sheet

Unit: RMB (unaudited)

| Item | At the end of the period | | At the beginning of the year | |
|--------------------------------|-----------------------------|----------------|---------------------------------|----------------|
| | Consolidated | The Company | Consolidated | The Company |
| Assets | | | | |
| Current assets: | | | | |
| Bank balances and cash | 1,033,240,268 | 656,305,363 | 1,536,773,636 | 1,308,857,139 |
| Short-term investment | 20,000,000 | — | 255,000 | — |
| Dividend receivable | 4,490,964 | 4,490,964 | 4,490,964 | 4,490,964 |
| Interest receivable | 356,840 | 211,040 | 535,040 | 211,040 |
| Accounts receivable | 21,978,826 | 4,765,519 | 14,358,099 | 3,872,010 |
| Other receivables | 67,065,114 | 69,111,639 | 52,602,684 | 57,459,393 |
| Prepayments | 1,691,261,993 | 1,655,170,734 | 19,863,764 | 12,294,632 |
| Inventories | 27,053,329 | 4,457,162 | 9,875,337 | 5,949,699 |
| Total current assets | 2,865,447,334 | 2,394,512,421 | 1,638,754,524 | 1,393,134,877 |
| Long-term investments: | | | | |
| Long-term equity investments | 1,662,881,339 | 3,923,172,664 | 1,498,468,487 | 3,754,353,713 |
| Long-term debt investments | — | — | 19,000,000 | — |
| Total Long-term investments | 1,662,881,339 | 3,923,172,664 | 1,517,468,487 | 3,754,353,713 |
| Fixed assets: | | | | |
| Fixed assets at cost | 12,982,217,113 | 10,356,798,856 | 13,255,872,715 | 10,645,694,334 |
| Less: Accumulated depreciation | 2,240,629,293 | 1,995,147,008 | 2,080,564,743 | 1,882,474,341 |
| Fixed assets, net | 10,741,587,820 | 8,361,651,848 | 11,175,307,972 | 8,763,219,993 |
| Less: Impairment | 95,719,206 | 95,719,206 | — | — |
| Net book value | 10,645,868,614 | 8,265,932,642 | 11,175,307,972 | 8,763,219,993 |
| Construction-in-progress | 3,386,367,294 | 3,374,169,077 | 919,969,662 | 897,852,521 |
| Total fixed assets | 14,032,235,908 | 11,640,101,719 | 12,095,277,634 | 9,661,072,514 |

Balance Sheet (cont'd)

Unit: RMB (unaudited)

| Item | At the end of the period | | At the beginning of the year | |
|---|-----------------------------|----------------|---------------------------------|----------------|
| | Consolidated | The Company | Consolidated | The Company |
| Assets | | | | |
| Intangible assets and other assets: | | | | |
| Intangible assets | 1,417,947,538 | 1,417,947,538 | 1,477,302,628 | 1,466,310,034 |
| Long-term deferred expenses | 2,843,334 | — | 3,554,166 | — |
| Total intangible assets and other assets | 1,420,790,872 | 1,417,947,538 | 1,480,856,794 | 1,466,310,034 |
| Total assets | 19,981,355,453 | 19,375,734,342 | 16,732,357,439 | 16,274,871,138 |
| Liabilities and Shareholder's equity | | | | |
| Current liabilities: | | | | |
| Short-term borrowings | 3,050,000,000 | 3,050,000,000 | 1,400,000,000 | 1,400,000,000 |
| Accounts payable | 250,478,725 | 249,529,012 | 77,251,165 | 61,944,199 |
| Advances from customers | 28,971,985 | 3,385,383 | 11,641,834 | 2,527,100 |
| Salary payable | 10,359,342 | 10,359,342 | 14,192,212 | 12,483,399 |
| Welfare payable | 16,088,245 | 11,859,656 | 15,298,625 | 11,252,983 |
| Dividend payable | 137,745,457 | 19,709,368 | 7,264,536 | 7,264,536 |
| Taxes payable | 93,549,645 | 71,809,242 | 129,387,676 | 115,967,906 |
| Other payables | 121,522,750 | 97,099,925 | 53,256,558 | 41,616,703 |
| Accrued expenses | 13,356,428 | 12,324,579 | — | — |
| Long-term liabilities | | | | |
| due within one year | 6,813,262 | 6,813,262 | 6,813,262 | 6,813,262 |
| Total current liabilities | 3,728,885,839 | 3,532,889,769 | 1,715,105,868 | 1,659,870,088 |

Balance Sheet (cont'd)

Unit: RMB (unaudited)

| Item | At the end of the period | | At the beginning of the year | |
|--|-----------------------------|----------------|---------------------------------|----------------|
| | Consolidated | The Company | Consolidated | The Company |
| Liabilities and Shareholder's equity | | | | |
| Long-term liabilities: | | | | |
| Long-term borrowings | 1,247,863,348 | 1,247,863,348 | 54,676,610 | 54,676,610 |
| Total long-term liabilities | 1,247,863,348 | 1,247,863,348 | 54,676,610 | 54,676,610 |
| Total liabilities | 4,976,749,187 | 4,780,753,117 | 1,769,782,478 | 1,714,546,698 |
| Minority interests | 403,575,730 | — | 400,250,126 | — |
| Shareholder's equity: | | | | |
| Share capital | 5,037,747,500 | 5,037,747,500 | 5,037,747,500 | 5,037,747,500 |
| Capital reserves | 7,484,734,745 | 7,484,734,745 | 7,484,734,745 | 7,484,734,745 |
| Surplus reserves | 784,117,484 | 704,869,469 | 766,382,010 | 704,869,469 |
| including: public welfare fund | 265,879,490 | 234,956,490 | 255,460,669 | 234,956,490 |
| Unrecognised loss on investments | — | — | -4,048,916 | — |
| Undistributed profits | 1,294,430,807 | 1,367,629,511 | 1,277,509,496 | 1,332,972,726 |
| including: dividend payable post balance sheet date | — | — | 730,473,388 | 730,473,388 |
| Total shareholder's equity | 14,601,030,536 | 14,594,981,225 | 14,562,324,835 | 14,560,324,440 |
| Total liabilities and shareholder's equity | 19,981,355,453 | 19,375,734,342 | 16,732,357,439 | 16,274,871,138 |

Cash Flow Statement

Unit: RMB (unaudited)

| Item | Consolidated | The Company |
|--|----------------|----------------|
| 1. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 2,580,778,239 | 2,080,604,671 |
| Other cash received relating to operating activities | 8,556,276 | 6,177,863 |
| Sub-total of cash inflows | 2,589,334,515 | 2,086,782,534 |
| Cash paid for goods and services | 439,935,783 | 313,930,949 |
| Cash paid to and on behalf of employees | 106,113,467 | 88,834,719 |
| Taxes paid | 632,928,248 | 516,113,192 |
| Other cash paid relating to operating activities | 55,427,464 | 42,062,219 |
| Sub-total of cash outflows | 1,234,404,962 | 960,941,079 |
| Net cash flows from operating activities | 1,354,929,553 | 1,125,841,455 |
| 2. Cash flows from investing activities: | | |
| Cash received from disposal of investments | 19,000,000 | — |
| Cash received from investment income | 47,719,796 | 98,548,240 |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets | — | — |
| Other cash received relating to investing activities | 7,472,653 | 5,124,749 |
| Sub-total of cash inflows | 74,192,449 | 103,672,989 |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets | 3,922,703,988 | 3,920,544,123 |
| Cash paid for purchase of investments | 20,000,000 | 514,793 |
| Cash paid for purchase of subsidiaries | — | — |
| Other cash paid relating to investing activities | — | — |
| Sub-total of cash outflows | 3,942,703,988 | 3,921,058,916 |
| Net cash flows from investing activities | -3,868,511,539 | -3,817,385,927 |

Cash Flow Statement (cont'd)

Unit: RMB (unaudited)

| Item | Consolidated | The Company |
|--|---------------|---------------|
| 3. Cash flows from financing activities | | |
| Cash received from investment | — | — |
| including: subsidiaries received cash from investment of minority interests | — | — |
| Cash received from borrowing | 4,400,000,000 | 4,400,000,000 |
| Cash received from other relating financing activities | — | — |
| Sub-total of cash inflows | 4,400,000,000 | 4,400,000,000 |
| Repayment of borrowings | 1,556,813,262 | 1,556,813,262 |
| Cash paid for dividends, profit distribution and interest including: dividend payable to minority shareholders from subsidiaries | 813,393,120 | 804,194,042 |
| 9,199,078 | | — |
| Cash paid for other relating financing activities | — | — |
| Sub-total of cash outflows | 2,370,206,382 | 2,361,007,304 |
| Net cash flows from financing activities | 2,029,793,618 | 2,038,992,696 |
| 4. Effect of foreign exchange rate changes | — | — |
| 5. Net increase in cash and cash equivalents | -483,788,368 | -652,551,776 |

By Order of the Board

Yao Yong Jia

Secretary to the Board

Nanjing, China, 27th October 2004