

Corporate Information

Company Corporate Name :	江蘇寧滬高速公路股份有限公司
Company Name in English :	Jiangsu Expressway Company Limited
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Corporate Representative :	Mr. Xu Hua Qiang
Board Secretary :	Mr. Yao Yong Jia
Board Secretary (overseas) :	Mr. Lam Che Wah, Danny
Authorised Representative:	Mr. Xu Hua Qiang
Auditor in the PRC:	Arthur Andersen • Hua Qiang Certified Public Accountants 11th Floor, China International Trade Centre No.1, Jian Guo Men Wai Avenue, Beijing, the PRC
Auditor in Hong Kong:	Arthur Andersen & Co. 21st Floor, Edinburgh Tower The Landmark, 15 Queen's Road Central, Hong Kong
Legal Consultant in the PRC:	Jiangsu Foreign Economy Solicitor Firm 5th Floor, 26 Beijing Road West, Nanjing, the PRC
Legal Consultant in Hong Kong:	Richards Butler 20th Floor, Alexander House 16-20 Chater Road, Central, Hong Kong
Company Shares Registrar :	HKSCC Registrars Limited 2nd Floor, Vicwood Plaza 199 Des Voeux Road, Central, Hong Kong



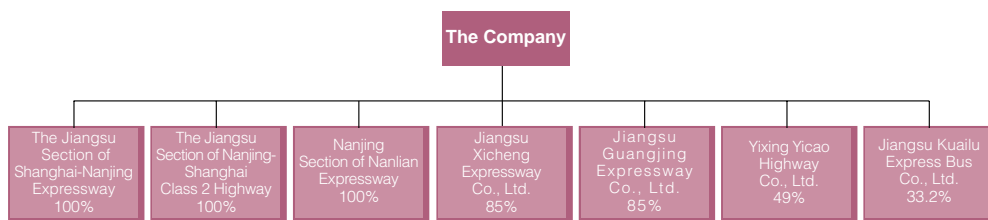
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Company Profile

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 “PRC”). The Company is principally engaged in the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (“Shanghai-Nanjing Expressway”), Jiangsu Section of 312 National Highway (“Nanjing-Shanghai Class 2 Highway”) and other related toll expressways within the Jiangsu Province. It also provides passenger transport and other ancillary services along these expressways (including fuelling, catering, shopping, car repair, advertising and accommodation). The Company is the only listed transportation company under the Jiangsu Communication Department. On 27th June, 1997, the Company’s H shares became listed on the Stock Exchange of Hong Kong Limited.

The Company owns the land use right, title to road assets and operating right of Shanghai-Nanjing Expressway for a term of 30 years; land use right and operating right of the Nanjing-Shanghai Class 2 Highway for a term of 15 years; 30 years’ toll collecting right of the Nanjing section of the Nanjing-Lianyungang Expressway (“Nanjing Section of Nanlian Expressway”); 85% interest in each of the Jiangsu Guangjing Expressway Co., Ltd. and Jiangsu Xicheng Expressway Co., Ltd.; 33.2% interest in each of Jiangsu Kuailu Express Bus Co., Ltd. (the “Express Bus Co.”); and 49% interest in Jiangsu Yixing Yicao Expressway Co., Ltd. (“Yicao”).



The highways operated by the Company are located in the Yangtze Delta region, which is the most economically developed and one of the fastest-growing areas in the PRC. The Shanghai-Nanjing Expressway, the Company’s main operating asset is a trunk highway south of the Yangtze River. The newly-constructed Guangjing Expressway and Xicheng Expressway are part of the trunk road of the Tongjiang-Sanya, Beijing-Shanghai National Highway, and are the key passages connecting the north and the south of Jiangsu Province. There are still considerable potential for expansion in the traffic volume of these expressways, which will enhance sustained profitability of the Company.

Financial Highlights

	1999 (Note 1)	1998	1997
Year Ended 31 st December			
Revenue, net (Note 2)	1,233,924	1,052,975	779,673
Consolidated Profit before taxation and minority interest	716,468	633,825	337,509
Consolidated Profit after taxation and minority interest	630,683	566,363	334,853
Distributable profit to shareholders/owners (Note 3)	605,214	533,211	267,400
Earnings per share (Note 4)	RMB0.1290	RMB0.1159	RMB0.0779
As at 31st December			
Shareholders/owners' equity	11,156,838	10,785,707	10,428,620
Total Liabilities	1,687,489	1,611,986	1,885,185
Total Assets	12,844,327	12,397,693	12,313,805

(RMB'000)

Notes:

1. Guangjing Expressway and Xicheng Expressway started operation on 28th September, 1999. The Group's 1999 Consolidated Financial Report includes the Assets, Liabilities and Operation Results of the Shanghai-Nanjing Expressway, Nanjing-Shanghai Class 2 Highway, Xicheng Expressway and Guangjing Expressway.
2. Revenue represents mainly income from the operation of toll roads, net of tax. It also includes other incomes such as sales of petrol, emergency assistance, catering and advertisements.
3. In accordance with the articles of association of the Company, the Company declares dividends based on the lesser of the unappropriated profit report in the statutory accounts prepared in accordance with PRC accounting standards and that reported in the financial statements prepared under IAS. As of 31st December, 1999, unappropriated profit available for distribution to shareholders amounted to approximately RMB605,214,000.
4. The calculation of earnings per share for the year ended 31st December, 1999 was based on the consolidated profit after taxation of approximately RMB630,683,000 (1998: RMB566,363,000, 1997: RMB334,853,000) divided by the weighted-average number of 4,887,747,500 shares (1998: 4,887,747,500 shares, 1997: 4,298,509,144 shares) in issue during the year ended 31st December, 1999.

Chairman's Statement



Mr. Xu Hua Qiang, Chairman

To : All shareholders

I am pleased to present the operating results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 1999.

For the year ended 31st December, 1999, the operating revenue of the Group amounted to RMB 1,297,104,000. The profit after taxation and minority interests reached RMB630,683,000, representing an increase of approximately 11.36% over 1998.

The Board of Directors of the Company (the "Board") recommends the payment of a final dividend of RMB0.08 per share for the year ended 31st December 1999. The final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 25th May, 2000 in Nanjing, the PRC and will be paid to the shareholders whose names appeared on the register of shareholders on 25th April, 2000.

H share dividends are calculated in Renminbi and paid in Hong Kong dollars at an exchange rate based on the average closing price of Renminbi against Hong Kong dollar quoted by the People's Bank of China during the week prior to payment of dividends.

Should the Company issue A Shares in 2000, all new and existing shareholders shall be entitled to all of the accumulated unappropriated profits.

During 1999, the Company focused on the enhancement of profitability, quality highways and services, technological renovation, and production safety, and focused on toll collection, road maintenance, and non-core operations, so as to guarantee fulfillment of its annual targets as well as maintenance of the excellent quality of its highways.

In 1999, the Shanghai-Nanjing Expressway was honoured with the “National Advanced Technology First Award” and the “Zhan Tianyou Prize” (the highest national award for civil engineering). The Company’s toll collection, communication and surveillance systems have been put into a two-year trial period.

The Guangjing Expressway and the Xicheng Expressway opened to traffic on 28th September 1999. The three-lane dual expressways provide road users with a comfortable service in driving.

In 1999, the Company completed the acquisition of the Nanjing section of the Nanlian Expressway for a consideration of RMB448,200,000, whereby the Company was entitled to a operating right for 30 years starting from 1st January, 2000.

During 1999, the Company proposed acquisition of certain interests in Jiangsu Yangtze Bridge Company Limited (“Yangtze Bridge Company”), and obtained approval from its shareholders in the General Annual Meeting. Due to the pre-requisite conditions for the acquisition not being fully satisfied, the completion of the acquisition has been delayed. However, we are currently striving to complete this acquisition by 30th June, 2000.

In 2000, the Company will continue to acquire or invest in other completed transportation projects in the Jiangsu Province to enhance Group’s future profitability. In addition, the Company will also capitalize on the technological strengths in its three existing systems as well as the optical fibers installed along the central partition areas of the highways, engaging itself in the telecommunication industry where appropriate, and making investment in hi-tech projects when opportunities arise.

Looking at the year of 2000, the Company will expedite reform and development, enforce management, upgrade staff quality and enhance profitability. We will give priority to better efficiency-based audit control; overall quality management to enhance road quality and service level, full safety management to instil safety awareness among all the staff, enhance staff morale and sense of responsibility as targets for human resources management, with a view to strengthen the foundation of the Company’s further development in the new millennium.





In the years to come, highway infrastructure will continue to be priority investment in the PRC. Given the state macro economic policy continues to emphasis on highway infrastructure projects, and the rapid development of the Yangtze Delta regional economy, the Board is confident in the prospects of the Company.

In 1999, the Company has achieved satisfactory operating results. On behalf of the Board, I would like to express my sincere thanks to all our staff and shareholders for their dedication and full support respectively. I am confident that the Company will continue to work hard to achieve a better performance in the coming year, and to bring satisfactory returns to the shareholders.

Xu Hua Qiang

Chairman

Nanjing, the PRC

10th April, 2000





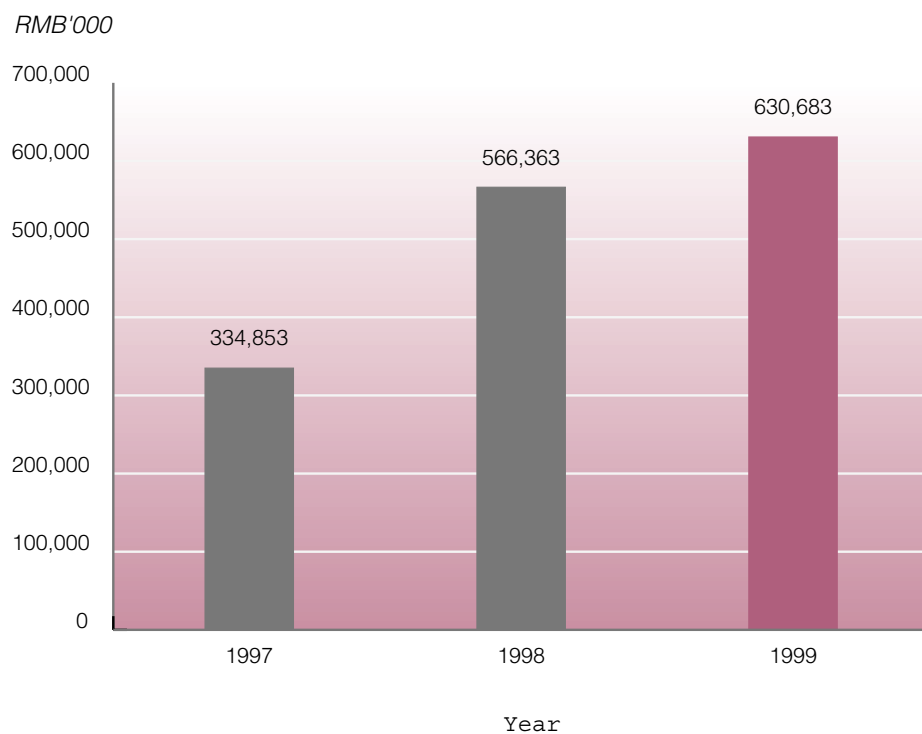
Business Review and Prospects

During 1999, the Company continued to conduct its operation in a conservative manner, standardise management procedure, adhere to strict corporate governance, focus on core businesses, and develop ancillary services, with a view to “establishing high calibre workforce, providing quality service, enforcing better management and realizing enhanced economic benefits”. The management of the Company has successfully completed the tasks assigned by the Board.

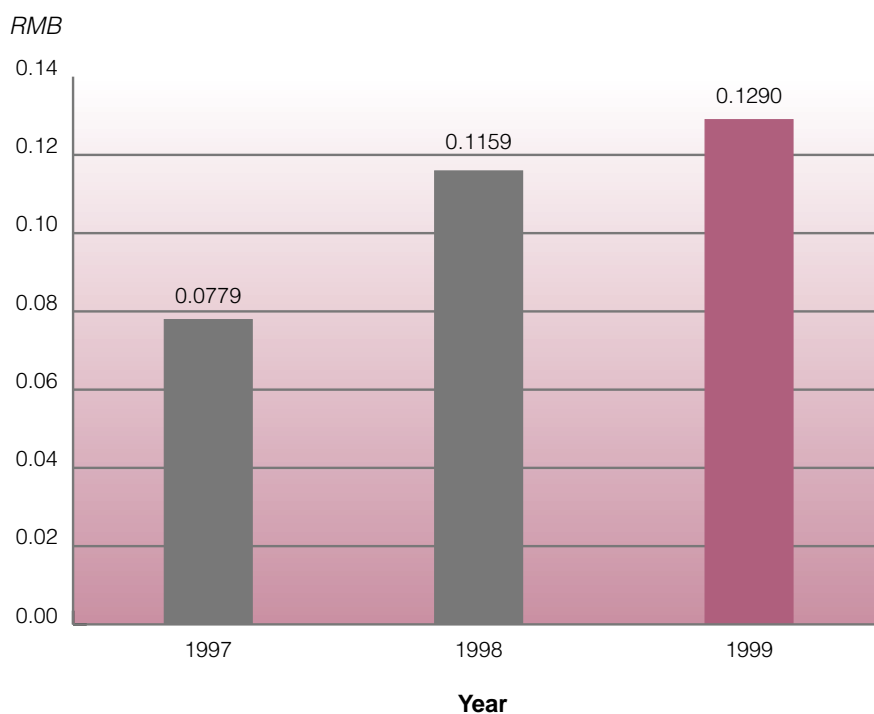
1. Summary of Results

The operating revenue of the Group for the year ended 31st December, 1999 amounted to approximately RMB 1,297,104,000. Revenue net of relevant tax was approximately RMB1,233,924,000, representing an increase of approximately 17.18% over the previous year. The toll revenue of approximately RMB872,343,000 from Shanghai-Nanjing Expressway accounted for approximately 67.25% of the total revenue. The toll revenue of approximately RMB236,254,000 from Nanjing-Shanghai Class 2 Highway and the revenue from other businesses of approximately RMB158,719,000 constituted approximately 18.21% and 12.24% of the gross revenue respectively. The toll revenues from Guangjing and Xicheng Expressways were approximately RMB12,130,000 and RMB17,658,000 respectively. The return on the Company's investments in Jiangsu Kuailu Express Bus Co. and Yicao Highway Co. amounted to approximately RMB8,243,000 and RMB12,372,000 respectively. Profit after taxation and minority interests of the Group in 1999 was approximately RMB630,683,000. Earnings per share of the Group for the year 1999 amounted to approximately RMB 0.1290, representing an increase of approximately 11.36% over the previous year.

1997-1999 Consolidated Profit after Taxation and Minority Interest of the Group



1997-1999 Earning Per Share of the Group

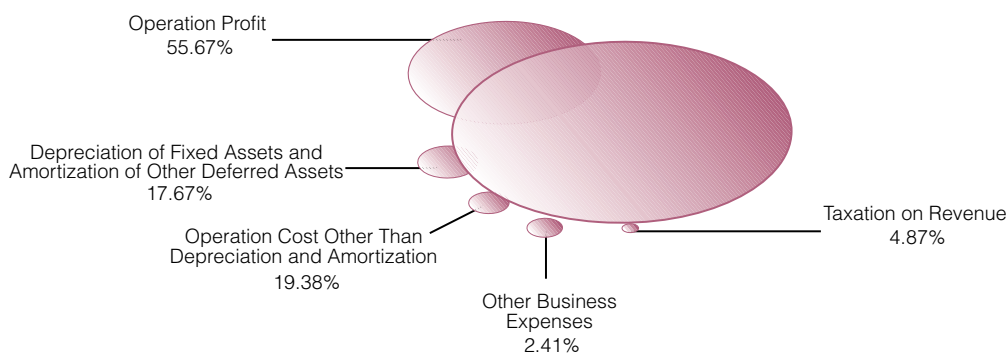




The main reasons for the increase in profits of the Company during the period are as follows:

- (1) Steady growth in traffic volume of Shanghai-Nanjing Expressway, with toll revenue increasing by approximately 16.6% over the previous year to approximately RMB124,286,000;
- (2) Returns in respect of Yicao Highway Co. amounted to approximately RMB12,372,000;
- (3) Guangjing Expressway and Xicheng Expressway opened to traffic in September 1999, followed by toll collections; and
- (4) Good road quality, strict scientific management, effective control of the road maintenance expenditures and operational management costs.

Composition of Gross Revenue of the Group in 1999



2. Business Environment

Economic Development in Jiangsu Province and the PRC

In 1999, the economy of the PRC maintained sustained, rapid and steady growth. The gross domestic product ("GDP") of the PRC for the year 1999 amounted to RMB8,205,400,000,000, representing an increase of approximately 7.1% over 1998. The exchange rate of Renminbi remained stable while prices continued to drop.

As a major economic region, Jiangsu Province's economy has outperformed many other provinces in the PRC. The gross domestic product of Jiangsu Province in 1999 amounted to approximately



RMB770,056,000,000, which accounted for approximately 9.4% of that of the whole country and represented an increase of approximately 10.1% over 1998. Its growth rate was higher than the average of the entire nation by approximately 3 percentage points. Compared with 1998, Jiangsu's 1999 capital investments grew by approximately 8.2% and export grew by approximately 17%, whereas retail prices dropped by approximately 3.1% and total consumption prices dropped by approximately 1.3%.

Road Construction and Development in Jiangsu Province and the PRC

Due to the changes and influence of the international and domestic economic developments, the government of the PRC increased infrastructure investment with a view to achieving economic growth. US\$1,000 billion has been earmarked for proposed infrastructure projects between 1997 to 2000. In 1999, investment in road construction in the whole country amounted to RMB 215,700,000,000, with 58,000 km newly completed highways, of which 2,825 km were expressways.

In 1999, the ten major infrastructural projects known as "8 Highways and 2 Bridges" in the Jiangsu Province were in the full swing. Total investments in road construction amounted to approximately RMB17,000,000,000 for the entire year, an increase of approximately 16% over the previous year. As at 31st December, 1999, the expressways in Jiangsu Province totalled 605 km in length, with highways under construction exceeding 1,000 km in length.

3. Business Review

Shanghai-Nanjing Expressway

Continued substantial increase in toll revenue

During 1999, the Shanghai-Nanjing Expressway continued to maintain its good operations, with satisfactory growth on the traffic volume and toll revenue. As a trunk highway in southern Jiangsu, the expressway made great contributions towards economic developments of the region and profitability of the Company.

In 1999, the aggregate number of vehicles using the expressway was 17,450,000, with a daily average of 47,790 vehicles, and the highest daily traffic flow of 60,076 vehicles. The distance weighted average daily traffic volume for the expressway in 1999 was 16,235 vehicles, representing

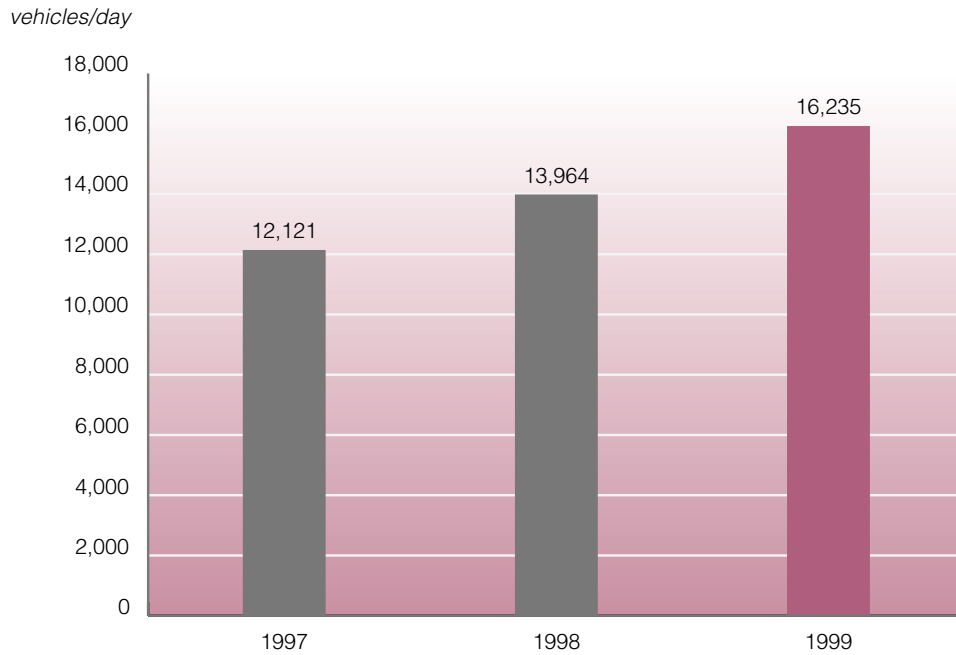


an increase of approximately 16.3% over 1998. Especially following the improvements of the macro-economic situations and export growth, the traffic volume of the expressway increased drastically since July 1999. The distance weighted average daily traffic volume in the second half of 1999 increased by approximately 17.8% over the first half year, and approximately 22.3% over the same period of the previous year. The significant increase of the traffic volume resulted in the steady boost in toll revenue. The aggregate toll revenue for 1999 was approximately RMB872,343,000, and the daily average toll revenue was approximately RMB2,390,000, representing an increase of approximately 16.6% over those in 1998. Such increase in toll revenue was also in line with the increase in traffic volume, indicating a more stable mix of vehicle composition. The distribution by percentage for vehicles of classes 1 to 6 over the whole year was approximately 45.5%, 23.7%, 22.9%, 6.8%, 0.9% and 0.2% respectively. The average composite toll for all types of vehicles was RMB0.590/vehicle-kilometer, representing a slight increase over the previous year.

Average Daily Traffic Volume for Shanghai-Nanjing Expressway

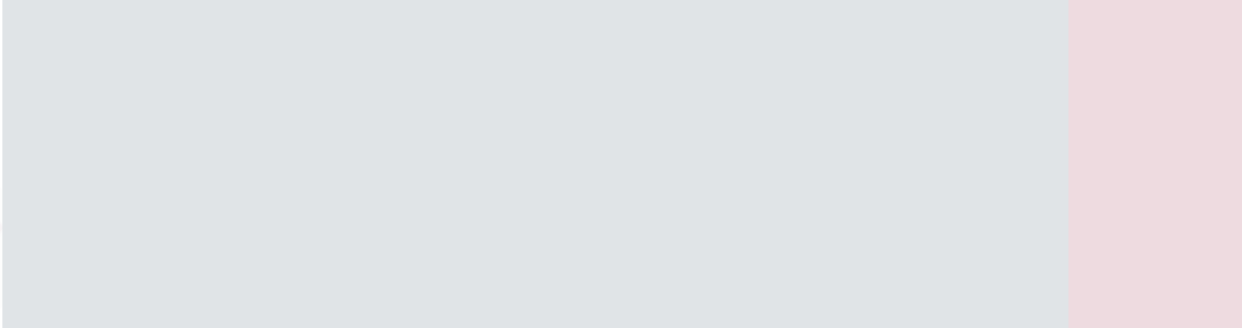
Month	1999 (Vehicles/day)	1998 (Vehicles/day)	YOY (%)
January	13,404	11,890	12.7
February	13,680	12,225	11.9
March	15,357	13,865	10.8
April	16,547	15,387	7.5
May	15,591	14,453	7.9
June	14,749	13,530	9.0
July	16,341	13,550	20.6
August	16,822	13,642	23.3
September	19,753	15,186	30.1
October	18,366	14,890	23.3
November	17,513	14,856	17.9
December	16,571	14,027	18.1
Average for the whole year	16,235	13,964	16.3

Distance Weighted Average Daily Traffic Volume for Shanghai - Nanjing Expressway

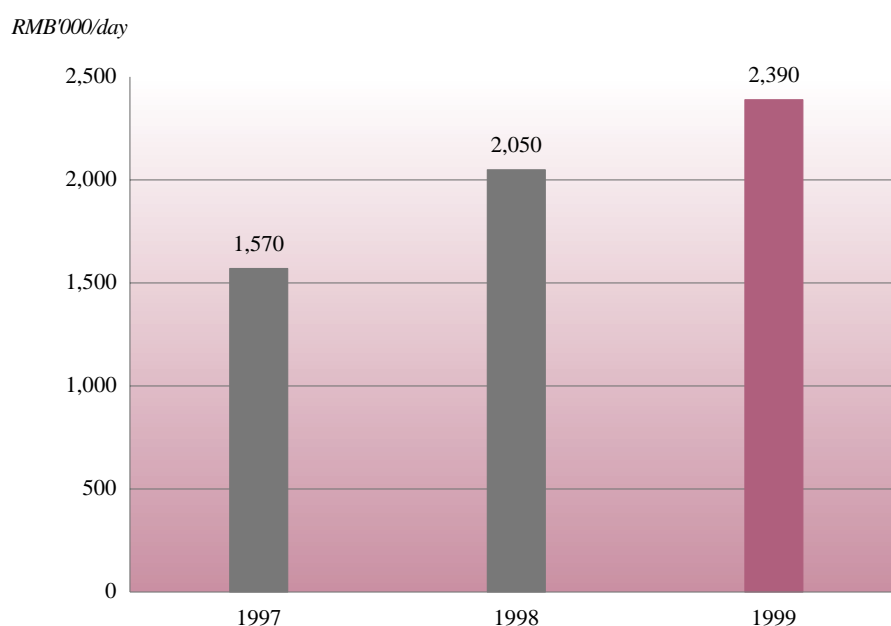


Average Daily Toll Revenue for Shanghai - Nanjing Expressway

Month	1999 (RMB'000/day)	1998 (RMB'000/day)	YOY (%)
January	1,961	1,689	16.1
February	1,965	1,816	8.2
March	2,279	2,032	12.2
April	2,409	2,209	9.1
May	2,287	2,155	6.2
June	2,183	2,019	8.1
July	2,418	1,989	21.6
August	2,470	2,011	22.9
September	2,999	2,259	32.7
October	2,703	2,181	23.9
November	2,556	2,170	17.8
December	2,416	2,057	17.5
Average for the whole year	2,390	2,050	16.6



Average Daily Toll Revenue for Shanghai-Nanjing Expressway Since Opening



Good Performance of Non-core Businesses

In 1999, whilst concentrating on its core business of toll roads, the Company also continued to expand its non-core businesses by diversifying business lines and strengthening its assessments of economic performance, resulting in satisfactory results. Total revenue from non-core businesses of the Company in 1999 amounted to approximately RMB158,719,000, representing an increase of approximately 63.5% over the previous year. Out of the total revenue, emergency service amounted to approximately RMB7,131,000, revenue from petrol sales approximately RMB96,540,000, advertisements along highways approximately RMB9,904,000 and catering and others approximately RMB45,144,000.

Setting up of a Perfect Maintenance System for Maintenance of High Road Quality

The Company always places great emphasis on road quality, with construction quality as the key consideration. In 1999, under the quality assurance policy and guidance principle of "comprehensive strengthening road maintenance to ensure high quality of construction", the Company set up a combined professional maintenance and social maintenance system. This had further optimised



various systems for daily construction maintenance, maintenance on special projects and management of maintenance facilities, and resulted in regulated, scientific and standardized maintenance and cost reduction. The Shanghai-Nanjing Expressway was maintained to a high standard. At present, its road compliance rate is above 96%, while its road condition index is being maintained at excellent levels. The green belts along highways have also been proliferated since opening to traffic. The three systems of toll collection, communication and surveillance, have now been put into trial operation after a two-year construction period, providing technological support to enhancing road safety management, production deployment and timely handling of information on road traffic.

Strengthening Road Management for Safer and More Accessible Roads

The Company is able to enforce road management strictly in compliance with laws and regulations, with a 24-hour patrol system to achieve dynamic management and quick response, thus minimizing sabotage, and eliminate in time all obstructions to road safety, and effectively preventing road accidents to ensure accessibility. The protection of the highway property and the related rights is also strengthened.

Nanjing-Shanghai Class 2 Highway

In accordance with the unified requirement of the Ministry of Communications, in 1999, Jiangsu Department of Communications and the Company jointly undertook a comparatively large scale maintenance on the Nanjing-Shanghai Class 2 Highway, which substantially improved road appearance and road quality, laying a foundation to further lowering the maintenance costs of the highway in the future.

In respect of the open toll system of the Nanjing-Shanghai Class 2 Highway, the Company made in-depth investigation and sought solutions. By enforcing strict control, and with the cooperations of local authorities on prevention of non-payments, a better and proper toll collection has been assured.

In 1999, traffic along the highways linking Shanghai and Nanjing continued to shift to the Shanghai-Nanjing Expressway. As a result of the partial closing down of the Nanjing-Shanghai Class 2 Highway for maintenance, and with the increasing number of vehicles using by-pass roads arising out of development of road networks in the surrounding regions, there was a slight reduction in the annual





toll revenue of the Nanjing-Shanghai Class 2 Highway as compared with the previous year. Average daily traffic volume for Nanjing-Shanghai Class 2 Highway in 1999 was 42,909 vehicles, representing a drop of approximately 5.0% over the previous year. With the opening of the highway to traffic again after a 2-months temporary closure of part of the highway for maintenance work in October, 1999, the reduction in traffic volume slowed down. The aggregate toll revenue for the Nanjing-Shanghai Class 2 Highway for 1999 was approximately RMB236,254,000, and the average daily toll revenue was approximately RMB647,000.

Guangjing Expressway

Guangjing Expressway was opened to traffic as scheduled on 28th September, 1999. The overall construction quality of the expressway outperformed other expressways in the PRC and met international advanced standards. There was also simultaneous completion of traffic safety measures, the three systems of toll collection, communication and surveillance together with the bridge construction works. Total construction investment amount was strictly controlled within the budget.

After opening to traffic, average daily traffic volume for Guangjing Expressway in 1999 was 7,471 vehicles, and average daily toll revenue was approximately RMB128,000. At present, the expressway is still in the initial stage of low operation capacity. Following completion of the highway networks, Guangjing Expressway, like Xicheng Expressway and Jiangyin-Yangtze Bridge, will become one of the common sections of the Tongjiang-Sanya and Beijing-Shanghai National Trunk Highways. Accordingly, the Directors are of the view that there will be a considerable growth in its traffic volumes.

Xicheng Expressway

Xicheng Expressway was opened to traffic as scheduled on 28th September, 1999 upon completion of its construction. The Jiangsu Province Inspection and Delivery Committee unanimously endorsed that the overall construction quality of the Xicheng Expressway reached the national and international standards, setting the highest level of domestic highway construction by the end of the 90's, and realizing the simultaneous completion, inspection and application of traffic safety measures, toll collection, communication and surveillance systems, the service facilities and bridge constructions, without cost overrun.

Over the three months operation in 1999, distance weighted average daily traffic volume for Xicheng Expressway was 8,165 vehicles, and average daily toll revenue was approximately RMB186,000. The expressway is still in the initial stage of operation, and there will be a lead time for the traffic and passenger volumes to grow. With the breakthrough in the development of highway networks in the Jiangsu Province by the end of 2000, the Expressway, being the key passage linking the north and south of the Jiangsu Province, will achieve significant growth in the traffic volume in the future.

Nanjing Section of Nanjing-Lianyungang Highway

The Nanjing Section of Nanjing-Lianyungang Highway, with a length of 29.8 km, is a portion of the 306.5 km expressway from Nanjing to Lianyungang, and a dual two-lane closed-end highway. The Nanjing section, which stretches from the Liuhe County to the Tianchang County at the border of Jiangsu Province and Anhui Province, was opened to traffic in September 1996.

On 30th December 1999, conditions precedent for the acquisition were satisfied. The Company completed the acquisition of the toll operating rights of the Nanjing Section of Nanlian Highway at a consideration of RMB 448,200,000, and entrusted the original Ningtong Road Management Office, Jiangsu Ninglian-Ningtong Management Office (Ninglian-Ningtong Management Office) with the continued toll collection and daily maintenance of the Nanjing section of the Highway with effect from 1st January, 2000, the effective date of the transfer of the toll operating rights. In consideration for the services to be provided, the Company will pay to the Ninglian-Ningtong Management Office 17% of the actual toll revenue each year as management and maintenance expenses.

There is one main toll station in the Nanjing Section of Nanlian Highway. The distance weighted average daily traffic volume for that station in 1999 was 10,243 vehicles, and its total toll revenue for the whole year amounted to RMB55,160,000, representing an increase of approximately 16.7% over the previous year. The Nanjing Section of Nanlian Highway is directly connected to the Nanjing-Yangtze Bridge and the Nanjing Yangtze Second Bridge, thus providing sufficient assurance to the growth in traffic volume in the future. At present, this highway section is one of the most profitable road sections in the Jiangsu Province. Completion of this acquisition will bring new profit growth to the Company.



Jiangsu Kuailu Express Bus Co.

Established in June 1996, Jiangsu Nanjing-Shanghai Express Bus Co., Ltd. ("Express Bus Co.") is a modern passenger transportation company, jointly set up by the Company and six state-owned vehicle transportation corporations located along Shanghai-Nanjing Expressway. It is principally engaged in passenger car transportation on Shanghai-Nanjing Expressway. In 1996, the Company invested RMB23,200,000 and owned a 40% interest in Express Bus Co.. On 29th April 1998, the Company signed a share transfer agreement with Jiangsu Provincial Automobile Transportation Company ("JPATC") for the acquisition of 15% equity interests in the Express Bus Co. held by JPATC for a consideration of RMB8,700,000. Upon completion of the transaction in January, 1999, the Company's equity interests in the Nanjing-Shanghai Express Bus Co. increased from 40% to 55%.

In 1999, Jiangsu Provincial Transportation Bureau approved the capital increment of the Nanjing-Shanghai Express Bus Co. from RMB58,000,000 to RMB107,705,300, and the change of company name to Jiangsu Kuailu Express Bus Co., Ltd. ("Jiangsu Kuailu Express Bus Co."). On 19th August, 1999, a business license with the new name and increased registered capital was issued by Jiangsu Province State Administration for Industry and Commerce. The number of shareholders of the Company increased from 6 to 14, and the scope of service expanded from the original Shanghai-Nanjing Class 2 Highway to cover the northern regions of Jiangsu and other high-graded inter-provincial road transports, thus enabling it to expand its market share.

In June 1999, the Company made further investments of RMB5,963,400 in the capital of Jiangsu Kuailu Express Bus Co. Capital contribution of the Company in Jiangsu Kuailu Express Bus Co. increased from RMB31,900,000 to RMB37,863,400. Upon this capital increment to the Jiangsu Kuailu Express Bus Co., the Company's equity interests in that company was adjusted from 55% to 33.2%.

Yicao Expressway

The Yicao Expressway, stretches from Jiangsu Yixing to Caoqiao, is a dual two-lane, first-class toll highway, with a total length of 46.4 km, and is managed by the Jiangsu Yicao Highway Company Limited (the "Yicao Highway Co."), which was jointly established by the Company and the Yixing Communications Construction and Development Company Limited (the "Yixing Communications

Construction Co.”) and owned as to 49% by the Company and 51% by Yixing Communications Construction Co. The distance weighted average daily traffic volume for the highway in 1999 was 9,829 vehicles. As agreed by Yixing Communications Construction Co., the Company was entitled to preferential annual profit distribution by the Yicao Highway Co., bringing the Company an annual profit after taxation of RMB12,372,000.

4. Future Prospects

In 2000, the Company’s management will make a comprehensive review of its performance over the past three years, adjust and improve the Company’s management system and operation mechanism, so as to perfect the Company’s operation policies and management systems, standardise its daily operations and enhance efficiency.

With economic efficiency as the core, strengthen management on toll collection

In 2000, the international economic environment will continue to be favorable, and domestic macro economy will achieve sustained growth. Upon the PRC becoming a member of the WTO, together with the related boost in import/export trade volumes and implementation of the tax reform scheme, there will be a significant growth in the traffic volume on the various roads of the Company. The Company shall seize every opportunity to promote economic efficiency through enhancing management and inspection, making studies and taking effective measures to tackle problems arising from the toll collection, and to ensure a stable revenue growth from core businesses through adjusting toll rates within the year 2000.

Exploit existing resources and expand non-core businesses

The Company will, on the basis of feasibility study and investment efficiency analysis, expand the exploitation of the idle land and water surfaces along its road service regions. In the service regions, several large specialized projects will be developed, making use of the road-side pits and uncultivated land for plantation and breeding spots, or for project developments through joint ventures. It will also continue to develop non-core businesses to enhance profitability, capitalize on the resource superiority, existing hi-tech of the three systems and the optical fibers installed along the central partition areas of the highways, and to actively participate in the investment in transportation industry related hi-tech projects.





Persistence in research, continued injection of quality assets

The Company shall continue to selectively participate or acquire interests in Jiangsu transportation infrastructure and toll road projects in the Jiangsu Province to bring sustained growth to the Company. At present, the Company is conducting research on the viability of the acquisition of the Jiangdu-Guangling section of the Beijing-Shanghai Tongjiang-Sanya National Trunk Highway, as well as investment in the Second Nanjing Yangtze Bridge. The Company will continue its efforts to complete the acquisition of certain equity interests in the Jiangsu Yangtze Bridge Co., Ltd,

Nanjing, the PRC
10th April, 2000.





Report of the Board

To: All shareholders

The Board of Directors is pleased to present the report of the Board and the audited financial statements of the Company for the year ended 31st December, 1999.

Operations and Results

The Group is principally engaged in the investment, construction, operation and management of the Shanghai-Nanjing Expressway and other related expressways in Jiangsu Province, and the development of passenger transport and other ancillary services (including fuelling, accommodation, catering, shopping, car repair and advertising) along the expressways.

The consolidated results of the Group for the year ended 31st December, 1999 and the financial condition of the Company and the Group as at 31st December, 1999 are set out respectively on page 49 to page 92 of the annual report.

Profit Distribution

The Board of Directors recommends the following profit distribution scheme for the year ended 31st December, 1999:

	RMB'000
Profit before taxation and minority interest	716,468
Taxation	(83,832)
Minority interest	(1,953)
Profit attributable to shareholders	630,683
Transfers to:	
Statutory surplus reserve	(60,521)
Statutory public welfare fund	(30,261)
Discretionary common reserve	—
Unappropriated profit brought forward	284,676
Dividends	(391,020)
Unappropriated profit carried forward	433,755
Earnings per share	RMB0.1290

The Board of Directors submits the aforesaid profit distribution scheme to the 1999 Annual General Meeting of shareholders for consideration and approval.

Pursuant to the relevant provisions of the Ministry of Finance and the Articles of Association of the Company, the accounting standards of the PRC and the International Accounting Standards shall both be adopted. Where a difference in profits arises, the lower of the two shall prevail.

Dividends

At its the fourteenth meeting held on 18th August, 1999, the second Board of Directors of the Company resolved not to recommend payment of any interim dividend to its shareholders. At its 16th meeting held on 10th April, 2000, the Second Board of Directors of the Company recommended payment of a final dividend of RMB0.08 per share to its shareholders.



Holders of H shares whose names appear on the register of members of the Company on 25th April, 2000 are entitled to receive the final dividend. The register of members of the Company will be closed for transfer of H shares from 25th April, 2000 to 25th May, 2000. The method and timing of the dividend payment and registration of shareholdings in respect of the holders of A shares will be announced in due course.

Holders of H shares who wish to receive the final dividend should lodge their transfer with HKSCC Registrars Limited on 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, for registration of share transfer no later than 4:00 pm on 20th April, 2000.

The payment of final dividends in respect of A shares and H shares is subject to the approval of the 1999 Annual General Meeting of shareholders to be held on 25th May, 2000. The date and procedure of payment of final dividend will be announced in due course.

Pursuant to the Articles of Association of the Company, dividends of the A shares are to be paid in Renminbi, while that of the H shares be paid in Hong Kong dollars, the conversion of which will be based on the average of the closing exchange rates of Renminbi against Hong Kong dollars as quoted by the People's Bank of China during the week immediately preceding 25th May, 2000.

Summary of the Financial Information

The results and total assets of the Company as well as the equity of the shareholders for the two years ended 31st December, 1999 and 1998 are set out on page 4 of this report.

Bank Loans and Other Borrowings

The bank loans and other borrowings of the Company as at 31st December, 1999 are detailed in notes to the financial statements.

Fixed Assets

The changes in the fixed assets during the year are set out in notes to the financial statements.

Subsidiaries and Associates

As at 31st December, 1999, details of the subsidiaries and associated companies of the Company are as follows:

Name of company (status of legal entity)	Date and place of incorporation	Attributable equity interest	Registered capital (RMB'000)	Principal activities
Jiangsu Xicheng Expressway Co., Ltd. (limited liabilities)	16th September, 1997 The PRC	85%	60,000	Construction, operation, maintenance and toll collection of Xicheng Expressway and related business of storage yard, passenger and goods transport and vehicle maintenance
Jiangsu Guangjing Expressway Co., Ltd. (limited liabilities)	16th September, 1997 The PRC	85%	25,000	Construction, operation, maintenance and toll collection of Guangjing Expressway and related business of storage yard, passenger and goods transport and vehicle maintenance



Name of company (status of legal entity)	Date and place of incorporation	Attributable equity interest	Registered capital (RMB'000)	Principal activities
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Jiangsu Kuailu Express Bus Co., Ltd. (limited liabilities)	19th August, 1999 The PRC	33.2%	10,771	Road transportation, vehicle maintenance and storage of vehicles (excluding sedans) and spare parts
Yixing Yicao Highway Co., Ltd. (limited liabilities)	25th December, 1998 The PRC	49%	12,000	Construction and operation of Jiangsu Yixing Yicao Highway

Reserves

The movement in the reserves of the Company is set out in notes to the financial statements.

Details of the nature, application, movement and bases of allocation (including the percentage used and the profit) in respect of the statutory surplus reserve and the statutory public welfare fund are set out in notes to the financial statements.

Connected Transactions

Connected transactions of the Company during the year ended 31st December, 1999

1. On 29th April, 1998, the Company and Jiangsu Provincial Automobile Transportation Company ("JPATC", one of the promoters of the Company and the Express Bus Co.) entered into a share transfer agreement pursuant to which the Company acquired a 15% interest in the Express Bus Co. from JPATC at a cash consideration of RMB8,700,000. However, since JPATC was a party to a civil action regarding a guarantee and such interest in the Express Bus Co. held by JPATC

was then frozen by the Nanjing Intermediate People's Court (the "Court"). In December 1998, the Company paid RMB8,700,000 included in investment deposit to the Court according to the agreement.

On 28th January, 1999, the Court released the aforesaid proceeds. Accordingly, the Company's share of the registered capital increased from RMB23,200,000 to RMB31,900,000.

Pursuant to the Approval No. [1999] 58 of Jiangsu Department of Communications, the Nanjing-Shanghai Express Bus Co. was approved of a capital increment, and was renamed as Jiangsu Kuailu Transportation Co., Ltd., its registered capital increased from RMB58,000,000 to RMB107,705,300.

As a result to the above mentioned capital increment, the Company invested in the Jiangsu Kuailu Express Bus Co. RMB5,963,400 according to a shareholders' agreement in June, 1999 pursuant to the Nanjing Shanghai Express Bus Co. capital increment, increasing its capital contribution from RMB31,900,000 to RMB37,863,400. Upon completion of this capital increment, the Company's equity interests in that company was adjusted from 55% to 33.2%.

2. On 16th September, 1997, the Company and Huajian Transportation Economic Development Centre jointly established Jiangsu Xicheng Expressway Co., Ltd. ("Jiangsu Xicheng") and Jiangsu Guangjing Expressway Co., Ltd. ("Jiangsu Guangjing"). Jiangsu Xicheng and Jiangsu Guangjing was principally engaged in the construction, operation and management of Xicheng Expressway and Guangjing Expressway respectively, which were completed and opened to traffic on 28th September, 1999.

Pursuant to the main contractor's contracts entered by Jiangsu Guaugjing and Jiangsu Xicheng with Taizhou Guangjing Expressway Command Office and Wuxi Expressway Command Office respectively, the total value of the contract for Guangjing Expressway and Xicheng Expressway was RMB750,000,000 and RMB1,750,000,000 respectively. The construction of Guangjing Expressway and Xicheng Expressway were completed on 28th September 1999.





3. The Company participated in the construction of the Jiangsu Communications Building carried out by the Jiangsu Department of Communications, which was completed in early 1998. As at 31st December, 1999, total amount paid was RMB32,400,000 (amount paid in 1998 : RMB32,400,000). As returns for this capital investment, the Company moved into the invested floor space of the building as its office. As at 31st December, 1999, due to the ownership formalities still under process, the Company has yet to obtain the ownership rights certificate of the floor space.
4. On 8th April, 1999 an agreement was entered into between the Company and Ninglian Ningtong Management Office (an enterprise corporate under the Jiangsu Communication Office) for the acquisition by the Company of the operating rights of the 29.8 km Nanjing Section of the Nanlian Expressway for a period of 30 years.

On 1st January, 2000, the Company formally acquired the 30 years operating rights of the Nanjing Section of the Nanlian Expressway in accordance with the Approval No. [1999] 160 dated 28th December, 1999 of the Jiangsu Province People's Government, for a consideration of RMB448,200,000.

On 8th April, 1999, the Company entered into a service contract with the Ninglian Ningtong Management Office, pursuant to which Ninglian Ningtong Management Office will be responsible for the toll collection, daily maintenance and repair works of the Nanjing Section of the Nanlian Expressway. In consideration for the services to be provided, the Company will pay to the Ninglian Ningtong Management Office 17% of the total toll revenue each year.

This service contract is for a term of 30 years commencing from 1st January, 2000, the date of transfer of the operating rights of the Nanjing Section of the Nanlian Expressway.

5. On 8th April, 1999, the Company entered into a conditional agreement with the Jiangsu Communication Investments Corporation for the acquisition of 17.83% interests in the Jiangsu Yangtze Bridge, at a consideration of RMB472,670,218.40. As the pre-requisite conditions for this acquisition have yet to be fully satisfied, this acquisition was not completed on 31st

December, 1999. On 30th December, 1999, the Company signed a supplement agreement in respect of the "Acquisition of certain interest in the Jiangsu Yangtze Bridge Co., Ltd." with the Jiangsu Communication Investments Corporation, postponing the completion of the acquisition to on or about 30th June, 2000.

Having reviewed the above related transaction, the Independent Non-Executive Directors of the Company confirmed :

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

Staff Pension Scheme

The Group participates in the central retirement and pension fund scheme organised by the local government. According to the scheme, the Group made an annual contribution representing 20% (in addition to a 6% contribution by the employees) of the total annual wages of employees to the aforesaid retirement and pension fund for 1999, out of which the pensions of the Group's retired workers are paid.

Sale of Staff Quarters

In accordance with the "Proposal on Further Reform of Housing Policy in Urban Areas" of the State and the "Implementation Scheme for Staff Quarters of the Jiangsu Province" of the Jiangsu Provincial Government, the Company is preparing for the sale of the staff quarters to its employees (including



directors and supervisors). According to the Company's plan, the existing staff quarters will be sold to its directors, supervisors and employees on voluntary basis at a price determined by the State. On 31st December, 1999, sale and purchase agreements were entered into between the Company and a number of its directors, supervisors and employees, which have been reported to the relevant departments for approval. Relevant formalities are still under process. The management of the Company believes that such arrangement will not have any material adverse effect on the profitability of the Company.

Pre-emptive Rights

Pursuant to the Articles of Association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

Movement in Share Capital and Details of Shareholdings

The share capital as at 31st December, 1999 were as follows:

Shareholding Structure	Number of Shares	Percentage (%)
A Shares - State	3,376,134,600	69.07
- Legal person	289,612,900	5.93
H Shares	1,222,000,000	25.00
Total	4,887,747,500	100.00



Shareholding of Major Shareholders

As at 31st December, 1999, the shareholder holding more than 10% of the issued A Shares of the Company was as follows:

Shareholder	Number of A Shares	Percentage (%)
Jiangsu Communications Investment Corp.	3,376,134,600	92.1

As at 31st December, 1999, shareholders holding more than 10% of the issued H Shares of the Company, recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interest) Ordinance, were as follows:

Shareholders	Number of H Shares	Percentage (%)
Real Cheer Ltd.*	152,463,500	12.5
Lotsgain Limited*	152,463,500	12.5
New World Infrastructure Limited	152,463,500	12.5
Mombass Limited*	152,463,500	12.5
New World Development Company Limited	152,463,500	12.5
Chow Tai Fook Enterprises Limited	152,463,500	12.5
The Capital Group Companies, Inc**	126,514,000	10.4
Capital International, Inc**	126,060,000	10.3

* Duplicate interest of 152,463,500 H shares held by Real Cheer Ltd.

** Duplicate interest of 126,060,000 H shares held by Capital International, Inc.



Shareholdings of the Company's Directors and Supervisors

As at 31st December, 1999, none of the directors, supervisors, senior management and their associates had any beneficial interest in the Company's issued share capital, which are required to be registered in the register required to be kept under Section 29 of the Securities (Disclosure of Interest) Ordinance.

At no time during the year was the Company or its associated corporations a party to any arrangement to enable the directors, supervisors, chief executives of the Company and their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of the Company or its associated corporations.

Purchase, Sale or Redemption of Listed Shares of the Company

During the year ended 31st December, 1999, the Company did not purchase, sell or redeem any of its listed shares.

Use of the Proceeds from the H Share Issue

The Company issued 1,222,000,000 H Shares at an issue price of HK\$3.11 (RMB3.33) per H Share and raised approximately RMB4,065,000,000 with net proceeds (after deduction of expenses) amounting to approximately RMB3,926,000,000. As at 31st December, 1999, the proceeds of the H Share Issue were used as disclosed in the prospectus, as follows:

- (a) RMB1,345,786,000 was used in the acquisition of the land use rights and the operating rights of Nanjing-Shanghai Class 2 Highway for a term of 15 years;
- (b) investment was made in the construction of Jiaugsu Guangjing and Xicheng Expressway with approximately RMB1,398,016,000 and RMB601,855,000 used in connection with the Xicheng Expressway and Guangjing Expressway (in each expressway, the Company holds an 85% equity interest) respectively;
- (c) RMB87,475,000 was used in the construction and upgrading of the toll collection, communication and surveillance and control systems for Shanghai-Nanjing Expressway;



(d) RMB250,000,000 was used for the repayment of loans; and

(e) the balance of RMB242,868,000 is now deposited with commercial banks in the PRC for use as retention money against defect liability in respect of the Guangjing Expressway and Xichang Expressway and the subsequent project costs of their toll collection, communication and surveillance systems.

Proposed Issue of A Shares

The Company is taking positive steps to prepare for the issue of its A Shares and has obtained approval from the relevant authorities of Jiangsu Province. Currently, the Company is applying for approvals from the State authorities.

Designated Deposits

As at 31st December, 1999, the Company did not have any designated deposits in any financial institutions in the PRC and there were no fixed deposits which could not be repaid upon maturity.

Risk on Loan Interest

As at 31st December, 1999, the balance of the borrowings of the Company amounted to approximately RMB 811,399,000. The reduction of the loan interest rates twice by the state in 1999 and the prepayment of part of the high interest long term loans by the Company through aising new loans with lower interest rate has caused reduction in interest payments as compared to the previous year. The current weighted average interest rate of the Company is about 6.84 %, a decrease of 0.42 % as compared to the same period of the previous year.

Income Tax Rate

According to the notice issued by the Finance Department of the Jiangsu Province (the "Jiangsu Finance Department") on 8th April, 1997, the Company is entitled to a preferential tax refund from the Jiangsu Finance Department equal to 18% of its taxable income in respect of Enterprise Income Tax paid on income generated from the operations of the Shanghai-Nanjing Expressway and 33%





of its taxable income in respect of Enterprise Income Tax on income generated from the Nanjing-Shanghai Class 2 Highway. (Jiangsu Xichang Expressway Co., Ltd and Jiangsu Guangjing Expressing Co., Ltd are entitled refunds equal to 18% its taxable income in respect of Enterprise Income Tax. The Board is of the opinion that changes in refunds treatment should not be with retrospective effect. Nevertheless, the Company noted that the State Council Doc. No. (2000)2 "Notice Regarding Correction of Local Policies of Refunds on Collected Taxes" came into force on 1st January, 2000, and is currently seeking clarification from the relevant government authorities whether the Company and its subsidiaries will continue to be entitled to 18% tax refunds, and whether the Nanjing-Shanghai Class 2 Highway will continue to be entitled to full refund. In the case that the above-said notice is applicable to the preferential treatment which the Company and its subsidiaries are currently enjoying, the Company will in accordance with the notice make applications to the financial department of the State Council with the assistance of the Jiangsu Provincial Government, to allow the Company, as an overseas listed company mainly investing in transportation infrastructure, to continue enjoying the relevant financial preferential treatments provided by the Jiangsu Financial Bureau. However, at present there is no assurance that such application can be approved.

Impact from Regional Economies

In 1999, the countries and regions hit by the Asian financial turmoil recovered gradually. Overall domestic economy of the PRC continued to be developing in the positive direction, the national GDP growth rate attaining the anticipated target, and economic structure is now changing with imminent improvements on its efficiency. Jiangsu Province as one of the economically fastest growing provinces in the PRC, is maintaining an improved economic operation at a fast speed, providing an excellent economic environment for the Company to obtain profits at stable increment.

Subsequent to the bilateral agreement signed in November, 1999 between the PRC and the USA regarding the PRC becoming a member of the WTO, talks between the PRC and the World Trade Organization members have apparently expedited. At present talks are in the final stages, and it is anticipated that it will not take long for the PRC to become member of this organization. Objectively,

the PRC's membership of the WTO is beneficial to the economic development of the PRC, it is anticipated that import and export trades will increase significantly, the reduction in retail price of cars will certainly increase the number of cars bought by PRC nationals, thus bringing large traffic flow to the highways.

In October, 1999, the "Highway Regulations of the People's Republic of China" was amended. The State imposes taxes on fuels to replace charges on roads and vehicles. However, implementation of this "Tax Renovation" together with its methods and procedures are still under studies by the related State Council departments. This measure will have positive impact on the operation of the Company. Road maintenance fees will be abandoned following imposition of fuel tax, with the collection of road and bridge tolls remain interest. Since the Company is a road and bridge operating company legally approved by the government, the Company will continue to enjoy its right of toll collections on the various highways if operates. In addition, imposition of the fuel tax is under the impartial principle of "More Tax for More Using, and Less Tax for Less Using", vehicles driving on the highways will tend to be fuel saving, which mostly are private cars, and will in turn increase the traffic flow in the highways.

The Year 2000 Issue

The Group's computer system has successfully been Y2K compliant, with all systems operating normally, and no problem has ever occurred during the past high sensitive dates. The Company will be vigilant on the future high sensitive dates. The Board believes that there will be no problem on the computer systems of the Company.

Directors and Supervisors

The service terms for the existing Board of Directors and Supervisory Committee will expire by 25th May, 2000. The Company shall hold a shareholders meeting on 25th May, 2000, to approve (including) the appointment of new Directors and Supervisors to the Board of Directors and the Supervisory Committee respectively. The new Board of Directors will consist of 11 Directors, and the new Supervisory Committee will consist of 5 Supervisors. All of whom save for the staff representatives in the Supervisory Committee elected by the company staff will be appointed by





the shareholders in annual meeting and their service contracts.

Main terms of the service contracts of the directors (save for independent non-executive directors who are not required to enter into service contracts):-

- (i) term: from 25th May, 2000 up to the date of the annual general meeting to be held in 2003
- (ii) salary: RMB100,000 to RMB150,000 per annum
- (iii) benefit: executive directors are entitled to staff benefits

Main terms of the service contracts of the Supervisors as follows:-

- (i) term: from 25th May, 2000 up to the date of the annual general meeting to be held in 2003
- (ii) salary: RMB90,000 to RMB130,000 per annum

Acquisition of the Nanjing Section of Nanlian Highway

On 8th April, 1999, the Company signed an agreement with Jiangsu Ninglian-Ningtong Management Office on the acquisition of the toll collection rights of the Nanjing Section of the Nanlian Highway for a consideration of RMB 448,200,000, which was completed on 31st December, 1999.

Jiangyin-Yangtze Highway Bridge Expressway

On 8th April, 1999, the Company signed an agreement with Jiangsu Transportation Investment Co. for the acquisition of certain interests of the bridge section of the Jiangyin-Yangtze Expressway. However, the pre-requisite conditions have yet to be satisfied. Efforts have been made for early satisfaction of the acquisition conditions. On 3rd January, 2000, the Company announced that completion of the acquisition will be postponed to on or about 30th June, 2000.

Material Litigation

The Company had not been involved in any material litigation during the period.

Code of Best Practice

The Company has not set up an auditing committee ("Audit Committee") for examination and

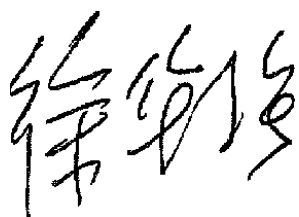


supervision of the Company financial reporting procedure and internal control in accordance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Code of Best Practice”). However, there exists in the Company’s organization structure a Supervisory Committee of similar function. The difference between the Audit Committee and the Supervisory Committee being that the Company’s Supervisory Committee comprise five members (save for one of which has to be elected by the Company’s staff) to be elected and removed by the shareholders in general meeting and accountable to the shareholders in general meeting instead of the Board, whereas pursuant to the Codes of Best Practice, the majority of the Audit Committee should be independent non-executive directors of the Company. Other than this, the Directors are not aware of any non-compliance with the Code of Best Practice.

Documents for Reference

1. Original copy of the Annual Results Announcement bearing the original signature of the Chairman; and
2. Address: The Securities Department
Jiangsu Expressway Company Limited
27th Floor, Jiangsu Communications Building
69 Shigu Road, Nanjing, PRC
Website: <http://www.jsexpressway.com>

By order of the Board



Xu Hua Qiang

Chairman

Nanjing, the PRC

10th April, 2000





Report of the Supervisory Committee

To: All shareholders

Pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company, the Supervisory Committee of Jiangsu Expressway Company Limited has faithfully discharged its duties in respect of the management, operation, cost-effectiveness and development of the Company as prescribed by the Articles of Association of the Company for the purpose of safeguarding the lawful interests of the Company and its shareholders, within the framework as laid down by the laws and regulations and the Listing Rules.

We attended Board meetings and work meetings of the general manager, took part in major activities of the Company, and exercised to the fullest and widest extent effective supervision on the implementation and process of decision-making and management behaviour of the Company's directors, general manager, senior management, as well as their protection of the Company's operational and management aspects. We put forward opinions and recommendations in respect of the Company's management, operation, investment in new development projects and reform measures, for the information of its senior management, with a view to promoting the logical decision-making and standardisation of management, and fostering a rapid growth of the Company's economic gains.

We have reviewed the 1999 financial statements, the Directors' report and the dividend distribution scheme prepared by the Board of Directors. We are of the view that the operating results of the Company are fairly and correctly reflected. The distribution of dividend is in the interest of local and overseas shareholders as well as the long-term development of the Company and is made after the allocation of surplus fund and public welfare fund. It also complies with all relevant laws, regulations and the Articles of Association of the Company.

We consider that the Company's directors, general manager and other senior management have all complied with the requirements as stipulated in the Company's Articles of Association and the Listing Rules, discharged their duties, and had operated in an active, cautious, and diligent manner, bearing in mind the best interests of the Company. We have found none of their acts in breach of the laws and regulations and the provisions of the Articles of Association of the Company or infringing the interests of the Company or its shareholders.

During the year, the Company was not involved in any material litigation or proceedings. All business activities and connected transactions were conducted in its ordinary course of business and/or on terms and conditions fair and reasonable to the shareholders as a whole.

The Supervisory Committee took an active role in supervising the Company's management operation, making timely operation and management analysis as well as providing reasonable proposals for strategic consideration by the Company's senior management, thus ensuring the scientific and systemized policy decision of the Company to enhance the Company's economic benefits. In 1999, the Company implemented the policy of quality service, work safety and enhancement of road conditions, economic efficiency, stressing on toll operation as well as promoting non-core business, and to implement reformations and improvements to achieve significant results of the Company.

The Guangjing Expressway and Xicheng Expressway invested by the Company were completed and opened to traffic on 28th September, 1999, the quality of which attaining international advanced and national leading levels, and construction costs controlled within budget. Although traffic volume in the initial stages have not been satisfactory, the dual 6-lane expressway provide users with cozy service, and have been vastly applauded by all sectors of the society. We believe that with the expansion of highway networks, traffic volume and toll revenue in these two expressways will increase steadily, bringing satisfactory returns to the investors.

The Company's systems of toll, communications and surveillance, after over two years' construction, have been put into operation with excellent performance. The linking of the toll system of the highways in the province has provided much convenience to road users.

In 1999, the Company have been actively looking for good investment projects, acquisition or equity participation in completed transportation projects within the province to increase the Company's future profitability. In 1999, the Company completed acquisition of the 30 years toll operating rights of the Nanjing Section of Nanlian Highway for RMB448,200,000, the acquisition of 17.83% interest in the Yangtze Bridge Company has been approved by the shareholders meeting, but as toll standards approved by the Provincial Government is lower than the acquisition standards approved by the shareholders meeting, for the benefit of the shareholders' interests, the Board





decided to postpone completion of this acquisition. The Company is using its best endeavours to obtain an increase in the toll rate of the Jiangyin-Yangtze Bridge Highway so as to satisfy the acquisition conditions as approved by the shareholders meeting. In addition, the Company also made substantial preparatory works in the investment of the Nanjing Yangtze Second Bridge.

The Supervisory Committee believes that in the past year, under the leadership of the Board and support of the various levels of Government and related departments, the Company will stick to the policy of enhancing economic benefits based on quality services, strictly implementing regulations of the Company Law and statutory requirements of modern enterprise to improve goodwill and attract more users to the highways. Toll revenue will grow along with the steady increase of the traffic flow on the Shanghai-Nanjing Expressway.

The Supervisory Committee endorses the 1999 Audit Report of Arthur Anderson & Co. for submission to the shareholders in meeting. The financial data in the Report fairly and correctly reflected the true situation of the Company.

The Supervisory Committee would like to express the sincere thanks to the concern and support which the shareholders have been giving to the Company, and to the trust towards the Supervisory Committee. The members of Supervisory Committee pledge to conscientiously render our duties and effectively supervise the Company for the benefit of the Company to protect the interests of shareholders, and to provide satisfactory returns to the shareholders.

By order of the Supervisory Committee

Zhong Zhang Wan

Chairman of the Supervisory Committee

Nanjing, the PRC

10th April, 2000

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General meeting (“AGM”) of Jiangsu Expressway Company Limited (the “Company”) will be held at Jiangsu Communications Building, 69 Shigu Road, Nanjing, the PRC on Thursday, 25th May, 2000, at 9:00 a.m. for the following purposes:

1. To consider and approve the report of the Board of Directors for the year ended 31st December, 1999;
2. To consider and approve the report of the Supervisory Committee for the year ended 31st December, 1999;
3. To consider and approve the audited accounts and the auditors’ report for the year ended 31st December, 1999;
4. To consider and approve the re-appointment of Arthur Andersen & Co. and Arthur Andersen• Huaqiang Certified Public Accountants as the Company’s international and PRC auditors respectively and to authorise the Board of Directors to fix their remuneration;
5. To approve the final dividend distribution proposal for the year 1999;

On 10th April, 2000 the Board of Directors Meeting proposed a final dividend of of RMB0.80 for every 10 shares. In case the Company should issue new A shares within the year 2000, all the new and existing shareholders shall be entitled to all its unappropriated profit.

6. Election of members of the Third Board of Directors and the Third Supervisory Committee:

Directors:

- 1) To elect Mr. Xu Hua Qiang as Director and approve his service contract;
- 2) To elect Mr. Li Da Peng as Director and approve his service contract;
- 3) To elect Mr. Zhang Quan Geng as Director and approve his service contract;
- 4) To elect Mr. Liu Bu Cun as Director and approve his service contract;
- 5) To elect Ms. Fan Yu Shu as Director and approve her service contract;



- 6) To elect Mr. Le Jia Hua as Director and approve his service contract;
- 7) To elect Ms. Xu Yi Qun as Director and approve her service contract;
- 8) To elect Ms. Cheng Chang Yung Tsung, Alice as independent non-executive Director;
- 9) To elect Mr. Wang Zheng Yi as Director of the Company and approve his service contract:

Mr. Wang Zheng Yi, aged 42, under graduate and senior engineer, now Deputy General Manager of Jiangsu Road and Bridge Construction Co. Mr. Wang previously served as Deputy Director of the Jiangsu Communications Design and Planning Institute, as well as Deputy General Manager and Chief Engineer of the Jiangsu Department of Communications stationed in a joint venture company in Madagascar.

- 10) To elect Mr. Fang Keng, Kenneth as independent non-executive Director:

Mr. Fang Keng, Kenneth, CBE, OBE, JP, aged 61, is a Shanghainese by origin. Mr. Fang completed his education in the United States obtaining a Master Degree in Chemical Engineering from the Massachusetts Institute of Technology, USA in the sixties.

Mr. Fang is the Chairman of Fang Brothers Knitting Limited and a Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Ltd. He is also a member of the National Committee of Chinese People's Political Consultative Conference.

Mr. Fang has held offices in various key industrial and trade associations as well as public service organizations. Currently, he is Chairmen of the Hong Kong Productivity Council, the Prince Philip Dental Hospital's Board of Governors. Mr. Fang is also an Honorary Chairman of the Hong Kong Textile Council, an Honorary President of the Hong Kong Woollen and Synthetic Knitting Manufacturer Association. He also serves as a Member of the Textile Advisory Board of the Hong Kong Government.



Supervisors:

- 1) To re-elect Mr. Zhong Zhang Wan as Supervisor and approve his service contract;
 - 2) To re-elect Mr. Jia Da Kang as Supervisor and approve his service contract;
 - 3) To re-elect Mr. Geng Liu Yu as Supervisor and approve his service contract;
 - 4) To re-elect Mr. Wu Zan Ping as Supervisor and approve his service contract; and
 - 5) To re-elect Mr. Xing Guo Qiang as Supervisor and approve his service contract.
7. Any other business as may be required.

By order of the Board

Yao Yong Jia Lam Che Wah, Danny

Joint Company Secretaries

Nanjing, the PRC

10th April, 2000

Notes:

1. Persons who hold shares of the Company and whose names appear on the register of members as at 25th April, 2000 shall be entitled to attend the AGM after completing and returning to the Company the attached confirmation slip by 5th May, 2000. Further details are set out in the confirmation slip and explanation thereto.
2. The Company's register of members will be closed from 25th April, 2000 to 25th May, 2000 (both days inclusive), during which period no transfer of shares will be registered. Holders of H shares who wish to rank for the distribution of final dividend must deliver their instruments of transfer together with the relevant



share certificates to HKSCC, the Registrar of H shares of the Company, on 2/F, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, by no later than 4:00 p.m. on Thursday, 20th April, 2000. The record date of holders of A shares and the method and time for distribution of dividend will be announced as soon as practicable.

3. A shareholder who has the right to attend and vote at the AGM is entitled to appoint a proxy (whether or not a member) to attend and vote on his behalf. A shareholder (or his proxy) is entitled to exercise his voting rights in proportion of his shareholding. Notwithstanding completion and delivery of the form of proxy, a shareholder may still attend and vote at the AGM.
4. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the appointor, an authorisation that authorised such signatory shall be notarized. To be valid, such notarized authorization together with the form of proxy must be delivered to the Secretary's Office of the Company not less than 24 hours before the time appointed for holding of the AGM. The form of proxy for use at the AGM is despatched to shareholders.
5. The AGM will last for half day. Shareholders attending the AGM will be responsible for their own accommodation and travelling expenses.
6. Address: Security Department
27th Floor, Jiangsu Communication Building
69 Shigu Road, Nanjing, the PRC
Postal code : 210004
Tel : (86 25) 420 0999 (ext. 4706/4716)
Fax : (86 25) 446 6643/420 7788



AUDITORS' REPORT TO THE SHAREHOLDERS OF JIANGSU EXPRESSWAY COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Jiangsu Expressway Company Limited (the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group") on pages 49 to 92 which have been prepared in accordance with International Accounting Standards ("IAS").

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 statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 judgements 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 of the Group as of 31st December, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with IAS and the disclosure requirements of the Hong Kong Companies Ordinance.

Arthur Andersen & Co.

Hong Kong

10th April, 2000



Consolidated Income Statement

	Note	1999 RMB'000	1998 RMB'000
Revenue, net	3	1,233,924	1,052,975
Operating cost		(480,583)	(414,340)
Gross profit		753,341	638,635
General and administrative expenses		(29,744)	(32,324)
Other operating expense, net		(1,529)	(4,838)
Operating profit		722,068	601,473
Interest (expense) income, net	4	(13,843)	22,949
Share of an associated company's results		8,243	9,403
Profit before taxation and minority interests	5	716,468	633,825
Taxation	7		
- The Group		(81,438)	(65,410)
- Associated company		(2,394)	(2,052)
Minority interests		(1,953)	—
Profit after taxation and minority interests	23	630,683	566,363
Earnings per share	9	RMB0.1290	RMB0.1159

The accompanying notes form an integral part of these consolidated financial statements.

For the Year Ended 31st December, 1999 (Amounts expressed in thousands of Renminbi, except for earnings per share)

Consolidated Balance Sheet

	Note	1999 RMB'000	1998 RMB'000
ASSETS			
Non-current assets			
Fixed assets, net	10	11,575,832	10,939,308
Investment in an associated company	12	47,391	39,699
Long-term receivable	13	94,400	58,800
Other deferred assets	14	10,991	19,253
Total non-current assets		11,728,614	11,057,060
Current assets			
Inventories and supplies		4,953	15,474
Prepayments and other receivables	15	161,999	111,386
Cash and cash equivalents	16	948,761	1,213,773
Total current assets		1,115,713	1,340,633
Total assets		12,844,327	12,397,693
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	4,887,748	4,887,748
Reserves	18	5,925,137	5,685,474
Total shareholders' equity	23	10,812,885	10,573,222
Minority interests		343,953	212,485
Non-current liabilities			
Long-term bank loans, non-current portion	19(a)	46,399	—
Long-term debentures payable, non-current portion	19(b)	—	200,000
Deferred income taxes	7,20	2,718	2,816
Total non-current liabilities		49,117	202,816

As At 31st December, 1999 (Amounts expressed in thousands of Renminbi)

	Note	1999 RMB'000	1998 RMB'000
Current liabilities			
Short-term bank loans	19(c)	565,000	720,000
Current portion of long-term bank loans	19(a)	—	50,439
Current portion of long-term debentures payable	19(b)	200,000	—
Payables on construction projects		176,142	125,636
Other payables and accruals		168,216	102,199
Due to related parties	21	373	10,342
Taxes payable	7	137,620	107,288
Dividends payable	8	391,021	293,266
Total current liabilities		1,638,372	1,409,170
Total shareholders' equity and liabilities		12,844,327	12,397,693

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 10th April, 2000.

Xu Huaqiang

Chairman

Li Dapeng

Director and Deputy General Manager

As At 31st December, 1999 (Amounts expressed in thousands of Renminbi)

Balance Sheet

	Note	1999 RMB'000	1998 RMB'000
ASSETS			
Non-current assets			
Fixed assets, net	10	9,082,850	9,183,023
Investments in subsidiaries	11	2,010,935	1,445,080
Investment in an associated company	12	47,391	39,699
Long-term receivable	13	94,400	58,800
Other deferred assets	14	10,991	19,253
Total non-current assets		11,246,567	10,745,855
Current assets:			
Inventories and supplies		4,953	15,474
Prepayments and other receivables	15	165,177	111,256
Cash and cash equivalents	16	917,153	1,201,916
Total current assets		1,087,283	1,328,646
Total assets		12,333,850	12,074,501
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	4,887,748	4,887,748
Reserves	18	5,925,137	5,685,474
Total shareholders' equity	23	10,812,885	10,573,222
Non-current liabilities			
Long-term bank loans, non-current portion	19(a)	46,399	—
Long-term debentures payable, non-current portion	19(b)	—	200,000
Deferred income taxes	7,20	2,718	2,816
Total non-current liabilities		49,117	202,816

As At 31st December, 1999 (Amounts expressed in thousands of Renminbi)

	Note	1999 RMB'000	1998 RMB'000
Current liabilities:			
Short-term bank loans	19(c)	565,000	720,000
Current portion of long-term bank loans	19(a)	—	50,439
Current portion of long-term debentures payable	19(b)	200,000	—
Payables on construction projects		17,991	14,929
Other payables and accruals		165,407	102,199
Due to related parties	21	373	10,342
Taxes payable	7	132,056	107,288
Dividends payable	8	391,021	293,266
Total current liabilities		1,471,848	1,298,463
Total shareholders' equity and liabilities		12,333,850	12,074,501

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 10th April, 2000.

Xu Huaqiang

Chairman

Li Dapeng

Director and Deputy General Manager

As At 31st December, 1999 (Amounts expressed in thousands of Renminbi)

Consolidated Statement of Changes in Equity

(RMB'000)	Reserves								Total
	Share Capital	Share Premium	Revaluation Surplus	Statutory		Unappropriated Profit	Total Reserves	Total	
				Surplus Reserve	Statutory Welfare Fund				
				Note 17	Note 18(a)				
Balance as at 1st January, 1998	4,887,748	5,265,954	9,122	31,812	15,906	92,593	5,415,387	10,303,135	
Deferred income tax arising									
from valuation surplus									
of the Company's property									
interests (Note 20)	—	—	(3,011)	—	—	—	(3,011)	(3,011)	
Transfer of valuation surplus									
to unappropriated profit	—	—	(395)	—	—	395	—	—	
Profit for 1998	—	—	—	—	—	566,363	566,363	566,363	
Profit appropriations:									
— Statutory surplus reserve	—	—	—	54,273	—	(54,273)	—	—	
— Statutory public welfare fund	—	—	—	—	27,137	(27,137)	—	—	
— Dividends declared (Note 8)	—	—	—	—	—	(293,265)	(293,265)	(293,265)	
Balance as at 31st December, 1998	4,887,748	5,265,954	5,716	86,085	43,043	284,676	5,685,474	10,573,222	
Transfer of valuation surplus									
to unappropriated profit	—	—	(198)	—	—	198	—	—	
Profit for 1999	—	—	—	—	—	630,683	630,683	630,683	
Profit appropriations:									
— Statutory surplus reserve	—	—	—	60,521	—	(60,521)	—	—	
— Statutory public welfare fund	—	—	—	—	30,261	(30,261)	—	—	
— Proposed dividends (Note 8)	—	—	—	—	—	(391,020)	(391,020)	(391,020)	
Balance as at 31st December, 1999	4,887,748	5,265,954	5,518	146,606	73,304	433,755	5,925,137	10,812,885	

As At 31st December, 1999 (Amounts expressed in thousands of Renminbi)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	1999	1998
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation and minority interests	716,468	633,825
Adjustments for:		
Depreciation of fixed assets and amortisation of other deferred assets	229,225	208,526
Loss on disposal of fixed assets	391	—
Share of results of an associated company	(8,243)	(9,403)
Interest income	(39,351)	(120,862)
Interest expense	53,194	97,913
(Increase) decrease in prepayments and other receivables	(15,716)	11,508
Decrease in inventories and supplies	10,521	296
Decrease in due from related parties	—	1,888
Decrease in due to a related party	(3,000)	—
Increase in taxes payable, other payables and accruals	46,156	26,342
Cash generated from operations	989,645	850,033
Interest paid	(31,308)	(91,995)
Income tax paid	(102,918)	(31,224)
Net cash generated from operating activities	855,419	726,814
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in an associated company	(5,963)	(8,700)
Increase in long term receivable	(35,600)	(58,800)
Acquisition of fixed assets (Note (a))	(814,431)	(1,065,261)
Proceeds from disposal of fixed assets	90	—
Interest received	54,143	122,210
Dividends received	4,120	5,386
Net cash used in investing activities	(797,641)	(1,005,165)

For the Year Ended 31st December, 1999 (Amounts expressed in thousands of Renminbi)

For the Year Ended 31st December, 1999 (Amounts expressed in thousands of Renminbi)

	1999	1998
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in short-term bank loans	(155,000)	115,000
Increase in long-term bank loans	45,960	439
Repayment of long-term bank loans	(50,000)	(403,294)
Repayment of long-term debentures	—	(125,608)
Capital contributed by the minority shareholders	129,515	87,000
Dividends paid	(293,265)	(198,513)
Net cash used in financing activities	(322,790)	(524,976)
NET DECREASE IN CASH AND		
CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS,	(265,012)	(803,327)
BEGINNING OF YEAR	1,213,773	2,017,100
CASH AND CASH EQUIVALENTS,		
END OF YEAR	948,761	1,213,773
Supplemental Cash Flow Information:		
(a) Acquisition of fixed assets		
Acquisition of fixed assets	857,968	973,496
Add: Payables on construction projects,		
beginning of year	125,636	219,594
Due to a related party, beginning of year	7,342	5,149
Less: Payables on construction projects,		
end of year	(176,142)	(125,636)
Due to a related party, end of year	(373)	(7,342)
Cash paid for acquisition of fixed assets	814,431	1,065,261

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. ORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

On 16th September, 1997, Jiangsu Xicheng Expressway Company Limited (“Jiangsu Xicheng”) and Jiangsu Guangjing Expressway Company Limited (“Jiangsu Guangjing”) were jointly established by the Company and Huajian Transportation Economic Development Centre. Jiangsu Xicheng and Jiangsu Guangjing are principally engaged in the construction, management and operation of Xicheng Expressway and Guangjing Expressway respectively. On 28th September 1999, the construction of these expressways were completed and these expressways were operational from 28th September 1999.

The Company, Jiangsu Xicheng and Jiangsu Guangjing are collectively referred to as the Group.

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi (“RMB”) unless otherwise stated)



1. ORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

As at 31st December, 1999, the consolidated financial statements of the Group include the financial statements of the Company and the following subsidiaries:

Name of subsidiaries	Country of establishment and operation	Date of registration	Percentage of equity interest	Registered and paid-up capital	Principal activities
				RMB'000	

Jiangsu Xicheng	PRC	16th September, 1997	85%	600,000	Construction, management and operation of expressway
Jiangsu Guangjing	PRC	16th September, 1997	85%	250,000	Construction, management and operation of expressway

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with International Accounting Standards ("IAS"), and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This basis of accounting differs from that used in the preparation of the Group's statutory accounts which are prepared in accordance to accounting principles and financial regulations applicable to joint stock limited companies in the PRC (the "statutory accounts"). The adjustments made to conform the statutory accounts of the Group to IAS are shown in Note 23.

The following accounting policies were adopted in the preparation of the accompanying financial statements:

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intra-group transactions and balances have been eliminated on consolidation.

(b) Subsidiaries and associated companies

A subsidiary is a company in which the Company (i) holds, directly or indirectly, more than 50 per cent of its issued voting share capital / equity interest as a long-term investment; or (ii) has the power to cast the majority of votes at meetings of the management committee or the board of directors. In the Company's financial statements, investments in subsidiaries are accounted for using the equity method of accounting.

An associated company is a company, in which the Company holds at least 20%, but not more than 50% of its issued voting share capital / equity interest as a long-term investment and is in a position to exercise significant influence over its management and its financial and operating policy decisions. In the Group's and Company's financial statements, investment in associated companies is accounted for using the equity method of accounting.





2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Revenue recognition

Toll income

Toll income represents mainly income from the operation of toll roads, net of revenue tax.

Toll income is recognised on a receipt basis.

Sales of petrol

Sales of petrol are recognised upon passage of title to customers.

Interest income

Interest income from banks is recognised on a time proportion basis that take into account the effective yield on the assets.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Major renewals and betterment which will result in future economic benefits are capitalised, while maintenance and repair costs are normally charged to the income statement accounts when incurred.

Depreciation of toll roads, structures and operating rights is provided for on the basis of a sinking fund calculation whereby annual depreciation amounts compounded at an average rate of 6%, 8%, 8% and 9% per annum for Shanghai-Nanjing Expressway, Nanjing-Shanghai Class 2 Highway, Xicheng Expressway and Guangjiang Expressway will approximate the total carrying value of the toll roads structures and operating rights at the end of the concession period (Shanghai-Nanjing Expressway: 30 years; Nanjing-Shanghai Class 2 Highway: 15 years; Xicheng Expressway: 30 years; Guangjing Expressway: 30 years).

Land use rights relate to the Shanghai-Nanjing Expressway and are stated at cost less accumulated amortisation. Amortisation of land use rights is provided for on the basis of a sinking fund calculation whereby annual amortisation amounts compounded at an average rate of 6% per annum will approximate the total carrying value of the land use rights at the end of the thirty-year concession period.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Fixed assets and depreciation (Cont'd)

Depreciation of fixed assets other than toll roads, structures and operating rights and land use rights is provided for on a straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account an estimated residual value of 3% of cost.

The estimated useful lives of the various categories of fixed 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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

(e) Construction-in-progress

Construction-in-progress represents toll roads, structures and facilities, including buildings and maintenance facilities under construction, and machinery pending installation. Construction-in-progress is stated at cost which includes construction and acquisition costs, and capitalised interest charges arising from borrowings used to finance these assets during the period of construction, installation and testing. As assets are brought into use, the related costs are transferred to fixed assets and depreciated in accordance with the policy stated above.



2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Other deferred assets

Other deferred assets represent those expenses incurred prior to commencement of the operation of the Shanghai-Nanjing Expressway and are amortised on a straight-line basis over a period of five years.

(g) Inventories and supplies

Inventories and supplies mainly represent materials for the repair and maintenance of expressways and the petrol for sale, and are stated at the lower of cost and net realisable value. Cost is computed using the first-in first-out method.

(h) Taxation

The Company and its subsidiaries provide for Enterprise Income Tax ("EIT") on the basis of their statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes and after considering all available tax benefits.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset and liability and its carrying amount in balance sheet. Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized.

(i) Cash and cash equivalents

Cash represents cash in hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) Foreign currency translation

The Company and its subsidiaries maintain their books and records in RMB. Transactions denominated in currencies other than RMB are translated into RMB at the applicable exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies are translated into RMB at the applicable rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange differences that are attributable to the translation of borrowings denominated in currencies other than RMB and used for financing the fixed assets during the period of construction are included in the costs of the related construction-in-progress. Other exchange differences arising from changes in exchange rates subsequent to the transaction dates are included in the determination of the current year's results.

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(l) Pension scheme

The Company and its subsidiaries contribute annually to a government-sponsored pension scheme, an amount equivalent to 20% of the total basic salary of their employees. This government sponsored pension scheme will be responsible for payment of the pension liabilities relating to the retirees of the Company and its subsidiaries.



3. REVENUE

	1999	1998
	RMB'000	RMB'000
Revenue		
— Toll income	1,138,385	1,013,037
— Sales of petrol	96,540	78,928
— Advertising income	9,904	7,976
— Emergency assistance income	7,131	7,908
— Sales of food and beverages	45,144	2,244
	1,297,104	1,110,093
Less: Tax related to revenue	(63,180)	(57,118)
Revenue, net	1,233,924	1,052,975

Tax related to revenue comprises Business Tax ("BT") and other ancillary taxes. The Company and its subsidiaries are subject to BT at the rate of 5% of toll income, emergency assistance income, advertising income and sales of food and beverages.

In addition to BT, the Company and its subsidiaries are subject to the following types of taxes related to revenue:

- City Development Tax, levied at 7% of BT and net VAT.
- Education Supplementary Tax, levied at 4% of BT and net VAT.

The Company and its subsidiaries are also subject to Value-Added-Tax ("VAT") on sales of petrol, which is charged at a general rate of 17%. An input credit is available whereby VAT previously paid on purchases of petrol or other materials can be used to offset against the VAT on sales of petrol or other materials to arrive at the net VAT payable to relevant government authorities.

For the Year Ended 31st December 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)



4. INTEREST (EXPENSE) INCOME

	1999	1998
	RMB'000	RMB'000
Interest income:		
— Bank deposits	26,979	120,862
— Long-term receivable	12,372	—
Total interest income	39,351	120,862
Interest expense:		
— Bank loans	(32,376)	(75,913)
— Debentures	(22,000)	(22,000)
Less: amounts capitalised in construction-in-progress and fixed assets	1,182	—
Total interest expense	(53,194)	(97,913)
Interest (expense) income, net	(13,843)	22,949

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

5. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

- a. Profit before taxation and minority interests was arrived at after charging (crediting) the following items:

	1999 RMB'000	1998 RMB'000
After charging:		
Interest expense	53,194	97,913
Foreign exchange loss, net	765	849
Depreciation of fixed assets and amortisation of other deferred assets	229,225	208,526
Auditors' remuneration	1,250	1,300
Pension contribution	4,059	5,285
Provision for staff welfare and bonus	6,468	4,549
After crediting:		
Interest income	39,351	120,862

- b. Sales of staff quarters

Pursuant to the "Implementation Scheme for Selling Staff Quarters of the Jiangsu Province", the Company is in the process of setting up a scheme for selling staff quarters to the Company's staff.

6. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' and supervisors' emoluments were:

	1999	1998
	RMB'000	RMB'000
Fees for executive directors	840	840
Fees for non-executive directors	—	—
Fees for supervisors	370	370
Other emoluments for executive directors		
— Basic salaries and allowances	—	—
— Bonus	—	—
Other emoluments for non-executive directors	—	—
Other emoluments for supervisors	—	—
	1,210	1,210

No directors and supervisors waived any emoluments during each of the two years ended 31st December, 1999 and 1998.

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

6. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

- b. Details of emoluments paid to the five highest paid individuals (including directors, supervisors and employees) were:

	1999 RMB'000	1998 RMB'000
Basic salaries and allowances	480	440
Bonus	—	—
	480	440
Number of directors	5	5
Number of supervisors	—	—
Number of senior executives	—	—
	5	5

All five highest paid individuals were directors of the Company, their emoluments have been included in Note 6(a). The emoluments paid to each of the five highest paid individuals during the years ended 31st December, 1999 and 1998 were less than RMB1,000,000. During the year ended 31st December 31, 1999, no emoluments were paid to the five highest paid individuals as an inducement to join the Company or as compensation for loss of office.

For the Year Ended 31st December 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

7. TAXATION

Taxation in the consolidated income statements comprised:

	1999	1998
	RMB'000	RMB'000
Taxation		
— current	229,729	200,615
— financial refunds	(148,193)	(135,010)
	81,536	65,605
Deferred taxation	(98)	(195)
	81,438	65,410
Share of income tax of an associated company	2,394	2,052
	83,832	67,462

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

7. TAXATION (Cont'd)

The reconciliation between current tax expense and the product of profit before taxation and minority interests in the accompanying financial statements multiplied by the applicable tax rate is as follows:

(RMB'000)	1999			Total
	Shanghai-Nanjing Expressway, Jiangsu Xicheng and Jiangsu Guangjing	Nanjing-Shanghai Class 2 Highway	An Associated Company	
Profit before taxation and minority interests in the accompanying financial statements	555,645	152,580	8,243	716,468
Applicable tax rate	15%	0%	33%	—
Tax at the applicable tax rate	83,347	—	2,720	86,067
Tax effect of income that are not accessible in determining taxable profit	(1,856)	—	(326)	(2,182)
Effect of deferred taxation on different tax rates	(53)	—	—	(53)
Tax expense in respect of current year	81,438	—	2,394	83,832

For the Year Ended 31st December 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

7. TAXATION (Cont'd)

(RMB'000)	1998			Total
	Shanghai-Nanjing Expressway, Jiangsu Xicheng and Jiangsu Guangjing	Nanjing-Shanghai Class 2 Highway	An Associated Company	
Profit before taxation and minority interests in the accompanying financial statements	453,868	170,554	9,403	633,825
Applicable tax rate	15%	0%	33%	—
Tax at the applicable tax rate	68,080	—	3,103	71,183
Tax effect of income that are not accessible in determining taxable profit	(2,562)	—	(1,051)	(3,613)
Effect of deferred taxation on different tax rates	(108)	—	—	(108)
Tax expense in respect of current year	65,410	—	2,052	67,462

For the Year Ended 31st December 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)



7. TAXATION (Cont'd)

The Company and its subsidiaries are subject to EIT levied at a rate of 33% of taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC.

Pursuant to relevant documents issued by the Finance Department of Jiangsu Province (the "Jiangsu Finance Department"), the Company was granted financial refunds equal to 18% of its taxable income in respect of EIT paid on the income generated from the operations of the Shanghai-Nanjing Expressway.

Pursuant to the relevant documents mentioned above, income generated from the operations of the Nanjing-Shanghai Class 2 Highway was granted financial refunds equal to 33% of its taxable income in respect of EIT.

Pursuant to relevant documents issued by the Jiangsu Finance Department, Jiangsu Xicheng and Jiangsu Guangjing were granted financial refunds equal to 18% of its taxable income in respect of EIT.

According to Circular Guofa (2000)2 issued on January 11, 2000, effective from January 1, 2000, the above financial refund would require approval from the State Council for which the Company are yet to obtain. Otherwise, the financial refund may cease to be available to the Company, Jiangsu Xicheng and Jiangsu Guangjing from January 1, 2000. The Company is currently in negotiation with the relevant government authorities on this matter.

There were no Hong Kong profits tax liabilities as the Group did not earn any income assessable to Hong Kong profits tax.

For the Year Ended 31st December 1999 (Amounts expressed in Renminbi ("RMB")) unless otherwise stated)



8. DIVIDENDS

In accordance with the articles of association of the Company, the Company declares dividends based on the lesser of the unappropriated profit reported in the statutory accounts and that reported in the financial statements prepared in accordance with IAS. As at 31st December, 1999, unappropriated profit available for distribution to shareholders amounted to approximately RMB752,426,000 (1998: RMB533,211,000).

On 10th April, 2000, the Board of Directors proposed a dividend of RMB0.08 (1998: RMB0.06) per share totalling RMB391,019,800 (1998: RMB293,264,850) for the year ended 31st December, 1999. The proposed dividend distribution is subject to approval by the shareholders in the next annual general meeting.

9. EARNINGS PER SHARE

The calculation of earnings per share for the year ended 31st December, 1999 was based on the profit after taxation and minority interests of approximately RMB630,683,000 (1998: RMB566,363,000) divided by 4,887,747,500 shares (1998: 4,887,747,500 shares).



10. FIXED ASSETS

Movements in fixed assets were as follows:

	Group									Group	
	1999									1998	
	Toll roads, structures and Land use rights	Toll operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and Construction-in-progress	Total	Total	
	(RMB'000)										
Cost											
Beginning of year	1,716,088	6,640,218	400,737	374,652	116,563	32,858	83,596	91,770	1,854,680	11,311,162	10,337,666
Additions	—	—	2,210	14	9,243	3,786	6,013	6,233	830,469	857,968	973,496
Transfer of construction-in-progress	—	2,253,908	87,300	76,110	123,228	13,476	700	6,047	(2,560,769)	—	—
Disposals	—	—	—	—	—	—	—	(532)	—	(532)	—
End of year	1,716,088	8,894,126	490,247	450,776	249,034	50,120	90,309	103,518	124,380	12,168,598	11,311,162
Accumulated depreciation											
Beginning of year	33,966	183,286	28,669	73,605	13,172	8,227	8,801	22,128	—	371,854	173,650
Depreciation	21,118	107,709	14,424	38,250	13,527	4,053	6,759	15,123	—	220,963	198,204
Disposals	—	—	—	—	—	—	—	(51)	—	(51)	—
End of year	55,084	290,995	43,093	111,855	26,699	12,280	15,560	37,200	—	592,766	371,854
Net book value											
End of year	1,661,004	8,603,131	447,154	338,921	222,335	37,840	74,749	66,318	124,380	11,575,832	10,939,308
Beginning of year	1,682,122	6,456,932	372,068	301,047	103,391	24,631	74,795	69,642	1,854,680	10,939,308	10,164,016

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi) ("RMB") unless otherwise stated)

10. FIXED ASSETS (Cont'd)

	Company									Company	
	1999									1998	
	Toll roads, structures and Land use rights	operating rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and Construction-in-progress	Total	Total	
(RMB'000)											
Cost											
Beginning of year	1,716,088	6,640,218	400,737	374,652	116,563	32,858	83,596	91,770	98,395	9,554,877	9,438,795
Additions	—	—	2,210	14	9,244	3,786	6,013	6,232	86,754	114,253	116,082
Transfer of construction-in-progress	—	—	4,900	—	36,128	13,476	700	5,565	(60,769)	—	—
Disposals	—	—	—	—	—	—	—	(532)	—	(532)	—
End of year	1,716,088	6,640,218	407,847	374,666	161,935	50,120	90,309	103,035	124,360	9,668,598	9,554,877
Accumulated depreciation											
Beginning of year	33,966	183,286	28,669	73,605	13,172	8,227	8,801	22,128	—	371,854	173,650
Depreciation	21,118	105,489	13,735	36,341	11,342	4,053	6,759	15,108	—	213,945	198,204
Disposals	—	—	—	—	—	—	—	(51)	—	(51)	—
End of year	55,084	288,775	42,404	109,946	24,514	12,280	15,560	37,185	—	585,748	371,854
Net book value											
End of year	1,661,004	6,351,443	365,443	264,720	137,421	37,840	74,749	65,850	124,360	9,082,850	9,183,023
Beginning of year	1,682,122	6,456,932	372,068	301,047	103,391	24,631	74,795	69,642	98,395	9,183,023	9,265,145

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi (RMB) unless otherwise stated)



10. FIXED ASSETS (Cont'd)

- (a) On 31st December, 1996, the land use rights in respect of the land on which the Company's Shanghai-Nanjing Expressway are located were valued by a PRC asset valuer at approximately RMB1,716,088,000, and this value was confirmed by the State Land Administration Bureau. The rights to use the land for a period of 30 years commencing 1st January, 1997 were injected into the Company in exchange for 787,196,300 state shares (see Note 17).

In accordance with the "Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-Owned Land in Urban Areas", upon the expiration of the term of use, the right to use of the land and the ownership of the buildings and other attached objects on the land thereon shall be acquired by the State without compensation.

- (b) In preparation for the listing of the Company's overseas-listed investment shares ("H" shares), the Company's property interests in the six service areas along the Shanghai-Nanjing Expressway and staff dormitory facilities were valued by an asset valuer at RMB341,960,000. The Company's net book value for such property interests was approximately RMB332,838,000 as at 31st March, 1997, resulting in a surplus of approximately RMB9,122,000 which has been recorded as buildings in the accompanying financial statements of the Group and the Company.
- (c) The Company's fixed assets as at 31st December, 1996 with a net book value of approximately RMB 6,242,781,000 were valued at approximately RMB 7,995,916,000 by a PRC asset valuer in preparation for the listing of the H shares of the Company. The surplus arising from this valuation amounting to approximately RMB1,753,135,000 was incorporated in the Group's and the Company's statutory accounts. The Group's and the Company's fixed assets in financial statements prepared in conformity with IAS, stated at historical cost. Thus, in the Group's and the Company's financial statements prepared in conformity with IAS is therefore lower than that recorded in the statutory accounts. This difference will impact the results of operations of the Group and the Company over the useful lives of the corresponding property interests in the form of higher annual and cumulative depreciation and amortization charges being reported in the statutory accounts of the Group and the Company.

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)



10. FIXED ASSETS (Cont'd)

- (d) On 27th June, 1997, the Company acquired from the Highways Bureau of Jiangsu Province the right to operate the Nanjing-Shanghai Class 2 Highway together with the land use rights in respect thereof for a term of 15 years at a consideration of RMB 1,345,786,000.
- (e) On 28th September, 1999, Guangjing Expressway and Xicheng Expressway were completed and put into use. As at 31st December 1999, the certificates of land use rights in respect of the land on which Xicheng Expressway and Guangjing Expressway are located are still under processing.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	1999	1998
	RMB'000	RMB'000
Investments, at cost	722,500	722,500
Share of post-acquisition profits	11,065	—
Amounts due from subsidiaries	1,277,370	722,580
	2,010,935	1,445,080

12. INVESTMENT IN AN ASSOCIATED COMPANY

	Group and Company	
	1999	1998
	RMB'000	RMB'000
Investment, at cost	37,863	23,200
Share of post-acquisition profits	9,528	7,799
Investment deposit	—	8,700
	47,391	39,699

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12. INVESTMENT IN AN ASSOCIATED COMPANY (Cont'd)

Details of the Company's associated company as at 31st December, 1999 were as follows:

Name	Country operations and date of establishment	Equity interest directly held by the Company	Registered capital RMB'000	Principal activities
Jiangsu Kuailu Bus Transportation Co., Ltd. ("Jiangsu Kuailu") (Formerly known as Jiangsu Nanjing-Shanghai Express Bus Co., Ltd. ("Express Bus Co."))	PRC, 21st June, 1996	33.2%	107,705	Provision of passenger transportation service along the Shanghai- Nanjing Expressway

On 29th April, 1998, the Company entered into a share transfer agreement with Jiangsu Provincial Automobile Transportation Company ("JPATC", one of the promoters of the Company and Express Bus Co.).

Pursuant to the agreement, the Company is to acquire from JPATC its 15% equity interest in Express Bus Co. at a cash consideration of RMB 8,700,000. However, since JPATC is a party to a civil action regarding a guarantee given by JPATC, the 15% equity interest in Express Bus Co. was frozen by the Nanjing Intermediate People's Court (the "Court").

In December 1998, the Company paid RMB 8,700,000 included in investment deposit to the Court in accordance to the aforesaid agreement.

On 28th January 1999, the Court released the aforesaid proceeds. Accordingly, the Company's share of the registered capital in Express Bus Co. increased from RMB 23,200,000 to RMB 31,900,000.

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

12. INVESTMENT IN AN ASSOCIATED COMPANY (Cont'd)

Pursuant to the approval - Su Jiao Cai (1999) 58 issued by Jiangsu Communications Department, Express Bus Co. was approved to increase its share capital and change its name to Jiangsu Kuailu. The register capital of Jiangsu Kuailu increased from RMB 58,000,000 to RMB 107,705,300.

Due to the increase of the registered capital of Jiangsu Kuailu, the Company contributed RMB 5,963,400 to Jiangsu Kuailu in June, 1999. The Company's share of the registered capital in Jiangsu Kuailu increased from RMB 31,900,000 to RMB 37,863,400 accordingly. After the increase of the registered capital, the Company's equity interest in Jiangsu Kuailu became 33.2%.

13. LONG-TERM RECEIVABLE

On 25th December, 1998, the Company formed a joint venture named Jiangsu Yicao Highway Co., Ltd. ("Yicao Highway Co.") with Yixing Communications Construction and Development Co., Ltd. ("Yixing Communications Construction Co."). The joint venture period is 10 years from 25th December, 1998. Yicao Highway Co. is principally engaged in the construction, operation and management of highway linking Yixing and Caoqiao.

The registered capital of Yicao Highway Co. is RMB120 million. The Company and Yixing Communications Construction Co. have contributed RMB 58,800,000 and RMB 61,200,000, representing 49% and 51% respectively of the registered capital of Yicao Highway Co..

Pursuant to the supplementary operating agreement dated 31st December, 1998, apart from the capital contribution of RMB58,800,000, the Company is required to provide an additional RMB117,600,000 as a construction loan. As at December 31, 1999, the Company had contributed an aggregate amount of RMB 100,000,000 to Yicao Highway Co. in the form of capital and construction loan. According to the aforesaid agreement, Yixing Communications Construction Co. is authorized by the Company to be solely responsible for the operation and management of Yicao Highway Co. In addition, Yixing Communications Construction Co. shall pay the Company a fixed annual investment return of 17.8% per annum during the operating period of Yicao Highway Co. from 1999. Yixing Investment Corporation, a controlling shareholder of Yixing Communications Construction Co., has guaranteed the payment of the aforesaid investment return. At the end of the operation period, the Company will not be entitled to any further distribution.



13. LONG-TERM RECEIVABLE (Cont'd)

Pursuant to the aforesaid agreement, as at 31st December, 1999, the Company is entitled to a fixed annual investment return of approximately RMB 17,972,000, of which receipt of capital and construction loan was RMB 5,600,000 and dividend was RMB 12,372,000. (1998: nil).

14. OTHER DEFERRED ASSETS

	Group and Company	
	1999	1998
	RMB'000	RMB'000
Cost	39,406	39,406
Less: Accumulated amortisation	(28,415)	(20,153)
	10,991	19,253

15. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	1999	1998	1999	1998
	RMB'000	RMB'000	RMB'000	RMB'000
Interest receivable	5,080	25,672	5,080	25,672
Financial refund				
receivable (Note 7)	119,164	69,430	116,407	69,430
Dividend receivable due from				
Yicao Road Co.	5,800	—	5,800	—
Prepayment for materials				
and equipment	1,653	3,444	1,653	3,444
Others	30,302	12,840	36,237	12,710
	161,999	111,386	165,177	111,256

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	1999 RMB'000	1998 RMB'000	1999 RMB'000	1998 RMB'000
Cash on hand	115	65	115	65
Bank deposits:				
— Savings deposits	743,505	444,471	711,897	432,614
— Fixed deposits	205,141	769,237	205,141	769,237
	948,761	1,213,773	917,153	1,201,916

Bank deposits were placed for a period not longer than three months and bear interest at commercial rates.

17. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is RMB4,887,747,500 (1998: RMB4,887,747,500) divided into 4,887,747,500 shares (1998: 4,887,747,500 shares) of RMB 1 each.

17.SHARE CAPITAL (Cont'd)

As of 31st December of 1999 and 1998, share capital were as follows:

	1999			1998		
	Percentage	Number of		Percentage	Number of	
		%	Shares		Amount	%
			RMB'000			RMB'000
State shares	69.07	3,376,134,600	3,376,135	69.07	3,376,134,600	3,376,135
State legal person shares	0.06	3,000,000	3,000	0.06	3,000,000	3,000
Legal person shares	5.87	286,612,900	286,613	5.87	286,612,900	286,613
H shares	25.00	1,222,000,000	1,222,000	25.00	1,222,000,000	1,222,000
Total	100.00	4,887,747,500	4,887,748	100.00	4,887,747,500	4,887,748

- (a) Pursuant to the resolutions passed at the annual general meeting of the Company on 2nd April, 1997 and endorsed by the State Assets Administration Bureau, the shareholder's loan and advances totalling approximately RMB2,424,200,000 as at 31st December, 1996 were capitalised into 1,112,018,300 State shares with a nominal value of RMB1,112,018,300 held by Jiangsu Communications Investment Corporation. The difference between the nominal value of the State shares and the Shareholder's loan and advances of approximately RMB1,312,181,700 were recorded as share premium.

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17.SHARE CAPITAL (Cont'd)

- (b) Pursuant to the resolutions passed by the shareholders at the aforesaid annual general meeting and as endorsed by the State Land Administration Bureau, the land use rights in respect of the land on which Shanghai-Nanjing Expressway is located, valued at approximately RMB1,716,088,000 as at 31st December, 1996, were injected into the Company in exchange for 787,196,300 State shares. Pursuant to a circular issued by the Expressways Construction Command Office of Jiangsu Province ("Jiangsu Expressways Command Office") on 2nd December, 1992, the Company had originally issued 150,000,000 shares in exchange for the land use rights of Shanghai-Nanjing Expressway to its four promoters as bonus shares. Thereafter, the bonus issue became ineffective under the "Interim Provisions on management of Land Use Rights by Joint Stock Limited Companies" jointly issued by the State Land Administration Bureau and the State Commission for Restructuring the Economic System of the PRC on 2nd December, 1994. Accordingly, the 150,000,000 bonus shares originally issued to the four promoters were reallocated to Jiangsu Communications Investment Corporation in satisfaction of part of the 787,196,300 State shares issued pursuant to the shareholders' resolution passed on 2nd April, 1997. All of the shares are currently held by Jiangsu Communications Investment Corporation on behalf of the State.
- (c) On 23rd June, 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited on 27th June, 1997 with a par value of RMB 1 each at an issue price of HKD3.11 (RMB3.33) per share.



18. RESERVES

(a) Share Premium

Share premium represents premium arising from issuance of legal person shares, proceeds from the issuance of H shares in excess of their par value, net of expenses relating to the listing of the shares such as underwriting commissions, fees for professional advisors and promotional expenses, and also premium arising from the capitalisation of shareholder's loan and advances and land use rights (see Note 17).

(b) Revaluation Surplus

The valuation surplus arising from the valuation of the Company's property interests in six service areas along Shanghai - Nanjing Expressway and staff dormitory facilities resulting from the valuation carried out by the international asset valuer (Note 10(b)) is recorded as revaluation surplus. Each year, the Group and the Company transfers an amount equal to the difference between the depreciation based on the revalued fixed assets and that based on the historical cost of those assets, net of related deferred tax, from the revaluation surplus to unappropriated profit.

(c) Statutory Surplus Reserve

In accordance with the Company Law and the Company's articles of association, the Company shall appropriate 10% of its annual statutory net income (after offsetting any prior years' losses) to the statutory surplus reserve account. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional.

The statutory surplus reserve can be utilised to offset losses or to increase capital. However, such statutory surplus reserve must be maintained at a minimum of 25% of share capital after such issuance.

18. RESERVES (Cont'd)

(d) Statutory Public Welfare Fund

According to the relevant financial regulations of the PRC and the Company's articles of association, the Company is also required to allocate 5% to 10% of its annual statutory net income to the statutory public welfare fund to be used for the collective welfare of the employees of the Company.

For the year ended 31st December, 1999, the directors have proposed that 5% (1998: 5%) of the statutory net income be appropriated to this reserve. The directors of Jiangsu Xicheng and Jiangsu Guangjing have proposed the 5% (1998: nil) of the statutory net income be appropriated to this reserve.

19. LOANS

Group and Company

(a) Long-term bank loans

All long-term bank loans were unsecured and comprised:

	Interest rate	1999	1998
		RMB'000	RMB'000
Long-term bank loans			
— Renminbi denominated loans	10.98% per annum	—	50,000
— USD denominated loans	6.77% per annum (1998: 6.77%)	46,399	439
Total long-term bank loans		46,399	50,439
Less: Amount repayable			
within one year		—	(50,439)
Long-term portion		46,399	—

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

19. LOANS (Cont'd)

(a) Long-term bank loans (Cont'd)

The Group and the Company had aggregate banking facilities of approximately United States Dollar ("USD") 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December, 1999 amounted to approximately USD4,196,000 (RMB equivalent 34,741,000). These facilities were guaranteed by Jiangsu Communications Investment Corporation.

(b) Long-term debentures payable

As at 31st December, 1999, all long-term debentures payable were unsecured, guaranteed by an unrelated party, bore fixed interest rates of 11% per annum (1998: 11%) and will mature in April 2000. The debentures comprised:

	1999	1998
	RMB'000	RMB'000
Debentures issued to		
— the public	200,000	200,000
Less: Amount repayable within one year	(200,000)	—
Long-term portion	—	200,000

(c) Short-term bank loan

Short-term bank loans are repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. The interest rates related to loans outstanding as at 31st December, 1999 ranged between 5.31% and 5.85% per annum. (1998: 6.12% to 6.57%)

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)

20. DEFERRED TAXATION

As a result of the Group's adoption of International Accounting Standard No. 12 ("IAS 12") which became effective for financial statements covering periods beginning on or after 1st January, 1998, the Company recognised a deferred tax liability arising from valuation surplus of the Company's property interests (see Note 10(b)). According to IAS 12, the deferred tax liability of RMB3,011,000 relating to this temporary difference has been recognised with a corresponding adjustment to revaluation surplus reserve where the difference was originally reflected.

Movements in deferred taxation were as follows:

	1999 RMB'000	1998 RMB'000
Balance as at beginning of year	2,816	—
Deferred income tax arising from valuation surplus of the Company's property interests	—	3,011
Transfer to profit and loss account	(98)	(195)
Balance as at end of year	2,718	2,816

21. RELATED PARTY TRANSACTIONS

(a) Name of related party and relationship

Name	Relationship with the Company
Jiangsu Communications Department	Ultimate controlling shareholder of the Company
Jiangsu Communications Investment Corporation	The parent company
Jiangsu Provincial Automobile Transportation Company("JPATC")	Promoter of the Company
Wuxi Expressway Command Office	A subordinated entity of Jiangsu Communications Department
Taizhou Guangjing Expressway Command Office	A subordinated entity of Jiangsu Communications Department

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21. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Related party transactions

Apart from those disclosed in Note 19 and 24, the Group and the Company had the following significant related party transactions during the year ended 31st December, 1999:

(i) Jiangsu Kuailu

On 29th April, 1998, the Company entered into a share transfer agreement with JPATC. Pursuant to the agreement, the Company is to acquire from JPATC its 15% equity interest in Express Bus Co. at a cash consideration of RMB 8,700,000. However, since JPATC is a party to a civil action regarding a guarantee given by JPATC, the 15% equity interest in Express Bus Co. was frozen by the Nanjing Intermediate People's Court (the "Court").

In December 1998, the Company paid RMB 8,700,000 included in investment deposit to the Court in accordance to the aforesaid agreement.

On 28th January 1999, the Court released the aforesaid proceeds. Accordingly, the Company's share of the registered capital in Express Bus Co. increased from RMB 23,200,000 to RMB 31,900,000.

Pursuant to the approval - Su Jiao Cai (1999) 58 issued by Jiangsu Communications Department, Express Bus Co. was approved to increase its share capital and change its name to Jiangsu Kuailu. The register capital of Jiangsu Kuailu increased from RMB 58,000,000 to RMB 107,705,300.

Due to the increase of the registered capital of Jiangsu Kuailu, the Company contributed RMB 5,963,400 to Jiangsu Kuailu in June, 1999. The Company's share of the registered capital in Jiangsu Kuailu increased from RMB 31,900,000 to RMB 37,863,400 accordingly. After the increase of the registered capital, the Company's equity interest in Jiangsu Kuailu became 33.2%.



21. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Related party transactions (Cont'd)

(ii) Jiangsu Communications Investment Corporation

The Group and the Company had aggregate banking facilities of approximately USD 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December, 1999 amounted to approximately USD4,196,000 (RMB equivalent 34,741,000). These facilities were guaranteed by Jiangsu Communications Investment Corporation.

On 8th April, 1999, the Company entered into an conditional agreement with Jiangsu Communications Investment Corporation to acquire 17.83% equity interest in Jiangsu Yangtze Bridge Company Limited ("Yangtze Bridge Company"). The consideration of the acquisition approximately RMB 472,670,000. As the conditions on the acquisition has not yet been fulfilled, as at 31st December, 1999, the acquisition has not yet been completed. On 30th December, 1999, the Company entered into a supplemental agreement with Jiangsu Communications Investment Corporation to delay the date of completion of the acquisition to 30th June, 2000.

(iii) Jiangsu Communications Department

As at 31st December, 1999, the Company had contributed approximately RMB32,400,000 (1998: RMB32,400,000) to an office building development project known as "Jiangsu Communications Building" which is controlled by the Jiangsu Communications Department. Jiangsu Communications Building Construction Office (a subordinated entities of Jiangsu Communications Department) is responsible for the construction of Jiangsu Communications Building. The development was completed in early 1998. In 1998, the Company has taken up certain floors in Jiangsu Communications Building for its own use as offices in return for its contribution. Title to these floors had not yet been transferred to the Company as at 31st December, 1999.

21. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Related party transactions (Cont'd)

(iv) Wuxi Expressway Command Office and Taizhou Guangjing Expressway Command Office

Pursuant to the main contractor's contracts entered into between Jiangsu Xicheng and Jiangsu Guangjing with Wuxi Expressway Command Office and Taizhou Guangjing Expressway Command Office respectively, the contractors have undertaken the construction of the Xicheng Expressway and Guangjing Expressway at the fixed cost of RMB 1,750,000,000 and RMB 750,000,000 respectively. Jiangsu Xicheng and Jiangsu Guangjing commenced operation on 28th September 1999.

(c) Related party balances

	As at 31st December, 1999 RMB'000	As at 31st December, 1998 RMB'000
Other payable		
Jiangsu Communications Building Construction Office	373	7,342
Jiangsu Communications Investment Corporation	—	3,000
Total	373	10,342

22. COMMITMENTS

The Group and the Company had capital expenditure commitments of approximately RMB 50,000,000 (which had been contracted but not provided for), mainly to upgrade the present communications, surveillance and control and toll collection system for the Shanghai-Nanjing Expressway.

23. IMPACT OF IAS ADJUSTMENTS ON PROFIT AFTER TAX AND MINORITY INTERESTS / SHAREHOLDERS' EQUITY

The Group has prepared a separate set of statutory accounts in accordance with PRC laws and financial regulations ("PRC GAAP"). Differences between PRC GAAP and IAS resulted in differences in the reported balances of shareholders' equity and profit after taxation and minority interests of the Group which are summarised and explained as follows:

	Profit after taxation and minority interests for the year ended 31st December,		Shareholders' equity as at 31st December,	
	1999	1998	1999	1998
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the statutory accounts	605,214	542,731	12,491,055	12,276,861
IAS adjustment:				
Valuation, depreciation and amortization of fixed assets	25,371	22,076	(1,675,452)	(1,700,823)
Deferred taxation	98	195	(2,718)	(2,816)
Others	—	1,361	—	—
As reported under IAS	630,683	566,363	10,812,885	10,573,222

24. SUBSEQUENT EVENTS

- a) On 8th April, 1999 the Company entered into an agreement with Ninglian Ningtong Management Office ("Ninglian Management Office"), a department under the control of Jiansu Communications Department. Pursuant to the agreement, the Company acquired from Ninglian Management Office the right to operate the Nanjing-Lianyungang Class 1 Highway - Nanjing section ("Nanjing Section") for a term of thirty years from January 1, 2000.

For the Year Ended 31st December, 1999 (Amounts expressed in Renminbi ("RMB") unless otherwise stated)



24. SUBSEQUENT EVENTS (Cont'd)

The consideration was based on the valuation amount of RMB 448,200,000 which was confirmed by Jiangsu State Owned Assets Administrative Bureau.

- b) On 8th April, 1999 the Company entered into a service contract with Ninglian Management Office in respect of the daily operation of Nanjing Section. Pursuant to the service contract, Ninglian Management Office is responsible for, and provide the necessary labors and equipment to carry out toll collection and daily maintenance and repair of the Nanjing Section effective from 1st January, 2000 for a term of thirty years. In return, the Company pays Ninglian Management Office a service charge at a fixed rate of 17% of the total toll collected per annum.

25. PRIOR YEAR COMPARATIVES

Certain 1998 comparative figures have been reclassified to conform to the current year's presentation.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 10th April, 2000.



Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Xu Hua Qiang, Chairman, aged 62, tertiary educated, associate professor of the Dongnan University, senior engineer, has been Chairman of the Board of Directors since the establishment of the Company in August 1992. Mr. Xu was once a director of The No. 2 Motor Transport Department of Jiangsu Province, Communist Party committee secretary, provincial committee member, director of the Policy Office of the Jiangsu Provincial Government, director of the General Office of the Jiangsu Communications Department, head and deputy head of the Jiangsu Communications Department. Mr. Xu has nearly 40 years of experience in traffic, infrastructure projects and transport management, and has been the chief and deputy chief co-ordinator of various major infrastructure projects in Jiangsu Province.

Mr. Li Da Peng, aged 47, tertiary educated, economist, is a director and 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 chairman of the board of directors of Jiangsu Nanjing-Shanghai Express Bus Co. Ltd.. Mr. Li has over 20 years of experience in economic and transport management.

Mr. Zhang Quan Geng, aged 59, university graduate, professor level senior engineer, is a director and Deputy General Manager of the Company. Mr. Zhang joined the Company in August 1992. He was once a technician with the Research Institute of the Ministry of Communications, deputy researcher of the Chongqing Research Institute under the Ministry of Communications, deputy director of the Research Institute of the Jiangsu Communications Department and deputy director of the Jiangsu Expressways Command Office. He has over 30 years of experience in traffic scientific research and management of infrastructure projects.

Mr. Liu Bu Cun, aged 50, university graduate, economist, is Director and Deputy General Manager of the Company. Mr. Liu joined the Company in August 1992. He was once a deputy director of the general office of the Jiangsu Communications Department, and deputy director of the Jiangsu Expressways Command Office. He has over 20 years of experience in legal and economic management.

Mr. Ye Yi Ming, aged 62, university graduate, senior economist, is Director of the Company and Deputy General Manager and Chairman of the Jiangsu Roads & Bridges Construction Co.. Mr. Ye was once an interpreter with the Jiangsu Foreign Affairs Office, section head of the Finance and Materials Division of the Office for Assistance to Sudan and deputy head of the External Assistance Division of the Jiangsu Communications Department. Mr. Ye has considerable experience in the construction and management of infrastructure projects.

Mr. Le Jia Hua, aged 54, university graduate, engineer, is Director of the Company and general manager of the Jiangsu Communications Construction Company. He started his career in 1966 and had been a technician of Road Engineering Division of Jiangsu Communications Department, supervisor and the manager of production technology of Zhenjiang Machinery Factory and deputy general manager and general manager of Jiangsu Communications Construction Company.

Ms. Xu Yi Qun, aged 36, tertiary educated, is Director and Manager of the Finance Department of Jiangsu Communications Investment Corp.. Ms. Xu was an accountant and chief accountant of the Finance Department of Jiangsu Jinling Automobile Communications Company, a deputy general manager of Jiangsu Leasing Company and a deputy director and director of the Finance Department of Jiangsu Communications Investment Corp.

Ms. Fan Yu Shu, aged 48, tertiary educated, accountant, is Director of the Company and Deputy Manager of Jiangsu Communications Investment Corp.. She has 20 years of experience in finance, and financial management. She was once an accountant, and transport business manager of Jiangsu Provincial Leasing Company.

Independent Non-executive Directors

Ms. Cheng Chang Yung Tsung, Alice, aged 68, is a non-executive Director. She was member of the Preparatory Committee for the Hong Kong Special Administrative Region, and is Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference, advisor on Hong Kong affairs for the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch) and Chairman of the Business Enterprise Management Centre of the Hong Kong Management Association. She is also managing director of Taching Petroleum Co. Ltd., China Senior Advisor for Telefonaktiebolaget LM Ericsson, senior advisor for both Volvo Car International AB and ADTrans China. Ms. Cheng has tens of years of experience in business development and investment. Ms. Cheng has been awarded Commander of the Royal Order of the Polar Star, Kingdom of Sweden by King Carl Gustav XVI of Sweden.

Mr. Taochaifu Choofuang, aged 77, university graduate, mechanical engineer, is non-executive Director of the Company and Chairman of Chong Lai Company Limited and Managing Director of the New Heritage Development Ltd. in Hong Kong. He is also Director of Overseas Realty (Ceylon) Ltd., which is listed on the Stock Exchange of Colombo, Sri Lanka. Mr. Tao has been involved in the shipping business and he co-founded the Ocean Shipping & Enterprises Ltd. in 1962, which was based in Hong Kong. In 1978, he founded the Nanjing Jinling Hotel. Mr. Tao currently also serves as the vice chairman of Beijing Landmark Towers Company Limited, which owns the Landmark Hotel, Apartments and Office Tower Complex in Beijing. Mr. Tao was also appointed an Honorary Citizen by the Municipal Government of Suzhou in 1995. Mr. Tao has 50 years of experience in business development and investments.

Supervisors

Mr. Zhong Zhang Wan, aged 57, tertiary educated, is Chairman of the Supervisory Committee and Deputy Director of the Securities Department of the Company. Before Mr. Zhong joined the Company in August 1992, he had been a deputy manager of the Jiangsu United Transport Company, and a deputy director of the Business Development Department of the Jiangsu Expressways Command Office. He has considerable experience in economic management and has been involved in investment and securities financing since joining the Company in 1992.



Mr. Jia Da Kang, aged 57, university graduate, senior administrator, is Supervisor and Head of the Road Administration Department of the Company. Before Mr. Jia joined the Company in October 1996, he had been a deputy director and director of the Jiangsu Highways Bureau, a deputy director of Jiangsu Mariners and Highway Transport Union, and a member and secretary-general of the Jiangsu Communications Engineering Institute. He has been engaged in economic management and transport management for almost 30 years.

Mr. Xing Guo Qiang, aged 36, tertiary educated, is a Supervisor of the Company. He is also an assistant accountant and deputy director of the Administration Office of Jiangsu Communications Investment Corp.. Mr. Xing graduated from Jiangsu Commercial School in 1986. He had worked in Jiangsu Communications Department and Jiangsu Communications Investment Corp.

Mr. Geng Liu Yu, aged 48, tertiary educated, economist, is Supervisor and Deputy Director of the Personnel and Human Resources Department of the Company. Before Mr. Geng joined the Company in October 1996, he had been an officer of the Labour and Management Department of Jiangsu Xinhua Shipyard, a deputy director and director of the Labour and Management Section of the Political Department under the Jiangsu Communications Department. He has been involved in economic management and personnel matters for more than 20 years.

Mr. Wu Zan Ping, aged 36, university graduate, senior engineer, is Supervisor and Deputy Director of the Engineering and Technology Department of the Company. Before Mr. Wu joined the Company in August 1992, he had been a deputy director and director of the Jiangsu Expressways Command Office. He has been involved in the management of transportation projects for more than 10 years.

Senior Management

Mr. Yao Yong Jia, aged 36, postgraduate (with a Master's degree), senior engineer, is Secretary of the Board. Mr. Yao joined the Company in August 1992. He had worked in the Communications Design and Planning Institute of Jiangsu Province and the Jiangsu Expressways Command Office, and had been section head of the Securities Department of the Company. He has over 10 years of experience in project management, investment analyses, financing and securities matters.

Mr. Lam Che Wah, Danny, aged 35, the Company's Secretary 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, and is the Secretary of the Company responsible for observance of the relevant provisions of Hong Kong. He is also the Company Secretary of the Company in Hong Kong, the receiver for the acceptance of service of process and notice, and an employee of Richards Butler, the Hong Kong legal adviser of the Company.

Ms. Liu Wei, aged 44, tertiary educated, accountant, is deputy division chief of the Finance 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 Jiangsu Communications Department, 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.

