

## 2. Distribution of Profit

The Board of Directors recommends the following profit distribution scheme for the year ended 31st December 2000.

	RMB'000 (According to IAS)
Profit before tax and minority interest	824,518
Taxation	(125,160)
Minority interests	(11,052)
Profit attributable to shareholders	688,306
Transferred to:	
Statutory surplus reserve	(69,088)
Statutory public welfare fund	(34,544)
Discretionary common reserve	—
Valuation surplus transferred to unappropriated profit	5,518
Distributable profit for the year	590,192
Unappropriated profit brought forward	824,775
Dividend of 1999	(391,020)
Unappropriated profit carried forward	1,023,947
Proposed dividend of 2000	(453,397)
Earnings per share (weight average)	RMB0.141

The Board of Directors submits the aforesaid profit distribution scheme to the 2000 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 IAS shall both be adopted. Where a difference in profits arises, the lower of the two shall prevail.

## 3. Dividends

At its second meeting of Directors held on 14th August 2000, the Third Board of Directors of the Company resolved not to recommend payment of any interim dividends to its shareholders. At its third meeting held on 11th April 2000, the Seventh Board of Directors of the Company recommended payment of a final dividend of RMB 0.09 per share (including tax) to its shareholders.

Holders of H shares whose names appear on the register of members of the Company on 8th May 2001 are entitled to receive the final dividends. The register of members of the Company will be closed for transfer of H shares from 8th May 2001 to 8th June, 2001. 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 share who wish to receive the final dividends 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 7th May 2001.

The payment of final dividends in respect of A shares and H shares is subject to the approval of the 2000 Annual General Meeting of shareholders to be held on 8th June 2001. 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 8th June 2001.

It is estimated that the distribution proportion for the year 2001 is not less than 50% of the distributable profit pursuant to the dividend distribution policy of the year. The unappropriated profit for this year will not be distributed as dividend for the next year.

## 7. Subsidiaries and Associates

As at 31st December 2000, 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%	600,000	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%	250,000	Construction, operation, maintenance and toll collection of Guangjing Expressway and related business of storage yard, passenger and goods transport and vehicle maintenance
Jiangsu Kuailu Bus Transportation Stock Co., Ltd. (joint stock limited liabilities)	19th August 1999 The PRC	33.2%	150,030	Road transportation, vehicle maintenance and sales of vehicles (excluding sedans) and spare parts
Yixing Yicao Highway Co. Ltd. (limited liabilities)	25th December 1998 The PRC	49%	120,000	Construction and operation of Jiangsu Yixing Yicao Highway
Jiangsu Yangtze Bridge Co., Ltd. (joint stock limited liabilities)	31st December 1992 The PRC	17.83%	2,137,250	Mainly engaged in the construction, maintenance and operation of Jiangyin Yangtze Bridge and other communication infrastructures

## 4. Summary of the Financial Information (subtract from the auditor report)

The results and total assets of the Company as well as the shareholders' equity for the two years ended 31st December 2000 and 1999 are set out on page 7 of this report.

## 5. Bank loans and other Borrowings

The bank loans and others borrowings of the Company as at 31st December 2000 are detailed in notes to the financial statements.

## 6. Fixed Assets

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

## **8. 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.

## **9. 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 the year 2000, out of which the pensions of the Company's retired workers are paid.

## **10. 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 has sold the existing staff quarters to its employees at a price determined by the State. As at 31st December 2000, pursuant to the disclosure requirements of annual report of the Hong Kong Stock Exchange, the loss on disposal of staff quarters and unamortised amount of the valuation surplus in aggregate RMB 31,866,000 have been included in the financial report of 2000. For the report prepared on the PRC Accounting Standards, the loss on disposal of staff quarters RMB 23,628,000 will less the unappropriated profit at the beginning of the year in 2001 and classified as housing working capital for the year 2000 according to the Document (Caikuai [2001] No.5) of the Ministry of Finance issued on 7th January 2001.

## **11. Pre-emptive Rights**

Pursuant to the Articles 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.

## **12. Deposits**

As at 31st December 2000, the Company did not have any back-to-back deposits with any financial institutions in the PRC and there were no fixed deposits that could not be repaid upon maturity.

## **13. Risk on Borrowing Rate**

As at 31st December 2000, total indebtedness of the Group was RMB 626,723,000, including RMB 580,000,000 made in Renminbi and a loan from Spanish Government equal to RMB 46,723,000. The weighted average of the borrowing rate of the Company was approximately 5.55%, representing a decrease of 1.29% against that of the same period last year.

## **14. Income Tax**

Pursuant to the document Caishui 2000 No.99 issued by the Ministry of Finance in October 2000, an enterprise shall pay an income tax at a statutory tax rate of 33% and 18% tax will be refunded thereafter. The enterprise actually bears 15% taxation. This favourable policy will remain effective till 31st December 2001. And pursuant to the document Caikuai 2000 No.3 issued by the Ministry of Finance in July 2000, the income tax will be charged before refund. An enterprise may only set off the income tax charge of the current period after the enterprise obtains the tax refund. In 2000, the Company received a income tax refund of RMB 122,627,000 from the Provincial Finance Department.

## 15. Code of Best Practice

The Board of Directors of the Company has not yet established an audit committee (the "Audit Committee") to review and supervise the Company's financial reporting process and internal controls pursuant to paragraph 14 of Code of Best Practice set out in Appendix 14 to the Listing Rules of the Stock Exchange (the "Code of Best Practice"). However, the Company's organisation structure has, in lieu, a Supervisory Committee which carries out functions similar to that of an Audit Committee, with the difference being that the Company's Supervisory Committee comprises five representatives (one of whom has to be an employee of the Company) who must be elected and removed in the general meeting of the shareholders. And report to the general meeting of shareholders instead of the Board of Directors, whereas an Audit Committee comprises the non-executive directors of a company. Except for this, none of the Directors is aware of any information that would reasonably indicated that the Company is, or was for any part of the period under review, not in compliance with the Code of Best Practice.

## 16. Board Meetings During the Reporting Period

The Company has held 5 board meetings during the year. The details of the meetings are as follows:

- 1) The sixteenth meeting of the Second Board of Directors held on 10th April 2000.

The following matters were reviewed and approved at the meeting: the report of the Board of the Company of 1999; the report of Supervisory Committee, audited accounts and auditors' report; the re-appointment of Arthur Andersen and Arthur Andersen • Hua-Qiang Certified Public Accountants as auditors of the Company; determining the final dividends distribution scheme of 1999; the election of new Board of Directors and Supervisory Committee; expanding the scope of business of the Company; the entitlement of all new and existing shareholders to all accumulated profits of the Company after the issue of A shares.

- 2) The first board meeting of the Third Board of Directors held on 25th May 2000.

**The following matters were reviewed and approved at the meeting: the appointment of Mr. Xu Hua Qiang as the Chairman of the Third Board of Directors of the Company; the appointment of Mr. Yao Yong Jia and Mr. Lam Che Wah as the secretaries of the third Board of Directors.**

- 3) The second meeting of the Third Board of Directors held on 14th August 2000.

**The following matters were reviewed and approved at the meeting: the proposal of appointing Mr. Zhang Yun Yuan as the director of the Company; the interim results of the Company for six months ended 30th June 2000; the announcement of nonpayment of any interim dividend to shareholders.**

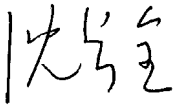
- 4) The third meeting of the Third Board of Directors held on 10th October 2000.

**The following matters were reviewed and approved at the meeting: Mr. Xu Hua Qiang's resignation to be the Chairman; the appointment of Mr. Zhang Jun Yuan as the Chairman of the third Board of Directors of the Company.**

- 5) The fourth meeting of the Third Board of Directors held on 25th December 2000.

The following matters were reviewed and approved during the meeting: the appointment of Mr. Chen Xiang Hui as the General Manager of the Company; the adjustment to the internal administrative system of the Company; the preparation and establishment of Jianjin Modern Road and Bridge Engineering Co., Ltd; the appointment of Mr. Zhang Quan Geng as the senior advisor of the Company.

By Order of the Board



**Shen Chang Quan**  
Chairman

Nanjing, the PRC  
12th April 2001