

MAJOR EVENTS

(I) Material Litigation

The Company has not been involved in any material litigation, arbitration or administrative punishment during the period. As at 31st December 2000, no

litigation or arbitration or administrative punishment of material importance is to be pending or threatened against the Company.

(II) Regulatory Punishment against the Company, any of its Directors or Officers

There was no regulatory punishment imposed against the Company, any of its directors or Officers during the period.

(III) Change of General Manager

Mr. Chen Xiang Hui was appointed as the General Manager of the Company at the Fourth Session of the Third Board Meeting on 25th December 2000.

(IV) Connected Transactions of Material Importance

1. Major related parties of the Company:

- (1) Communications Holding Ltd., the controlling shareholder of the Company, Jiangsu Communications Construction Group Company Limited (formerly named as Jiangsu Roads & Bridges Construction Co.), promoter of the Company and Jiangsu Communications Project Company;
- (2) Yangtze Bridge Company Limited, Wuxi Aibang Highpolymer Co., Ltd. and Jiangsu Quanfu Guest House, subsidiaries of Communications Holding;
- (3) Jiangsu Xicheng Expressway Co., Ltd., Jiangsu Guangjing Expressway Co., Ltd., Jiangsu Kuailu Express Bus Co., Ltd. and Yixing Yicao Highway Co., Ltd. being subsidiaries associated companies of the Company.

2. Major Connected Transactions

During the year ended 31st December 2000, the Company had been engaged in following the connected transactions:

- (1) Long-term bank borrowings of approximately US\$5,643,400 (equivalent to approximately RMB 46,723,000), bearing interest rates of 1% and 6.77% per annum respectively, was guaranteed by Communications Holding Ltd.

As at 31st December, 2000, the Company had banking facilities of approximately US\$9,800,000 (equivalent to RMB 81,140,000) to finance the purchase of imported equipment and technology. Unused facilities as at 31st December, 2000 amounted to approximately US\$3,741,000 (equivalent to RMB 30,979,000). These facilities were guaranteed by Communications Holding Ltd.

(2) The Company participated in the construction of the Jiangsu Communications Building carried out by the Jiangsu Department of Communications. The Company had paid RMB32,400,000, as returns for which the Company moved into the invested floor space of the building as its office in 1998. As at 31st December 2000, due to the ownership formalities still under process, the Company has yet to obtain the ownership rights certificate of the floor space.

(3) Pursuant to an agreement dated 8th April, 1999 between the Company and Communications Holding Ltd., the Company acquired 381,185,660 shares of Yangtze Bridge Company Limited representing 17.83% of its registered capital, from Communications Holding Ltd. at a consideration of RMB 472,670,218. The acquisition was completed on 29th December, 2000.

(4) The Company entered into a contract entitled "Contract on Management Of Operation And Maintenance Of Nanjing Section Of Nanjing-Lianyungang Expressway" (南京至連雲港公路南京段公路委託營運養護管理合同) with Road Management Office on 8th April 1999, pursuant to which, Road Management Office was entrusted by the Company for the management of operation and maintenance of Nanjing Section of Nanjing-Lianyungang Expressway, and the Company shall charge 17% of aggregate toll revenue of the Section each year. The charge in 2000 was RMB 9,187,000.

(5) Pursuant to the main contractor's contracts entered into between Jiangsu Xicheng Expressway Co., Ltd. and Jiangsu Guangjing Expressway Co., Ltd. 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 RMB1,750,000,000 and RMB750,000,000 respectively. Xicheng Expressway and Guangjing Expressway commenced operations on 28th September, 1999.

The contracts, agreements and other documents relating to the above connected transactions have been properly disclosed by the Company. Such contracts and agreements are at arm's length and in compliance with requirements of laws without prejudicing interests of the Company or its shareholders. The signing and approving procedures are also complying with requirements of laws. The Company has taken necessary actions so as to protect the interests of minority shareholders in respect of the transactions with connected persons.

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 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.
- c. The transactions are fair and reasonable so far as the shareholders of the Company are concerned.

(V) Corporate Independence

The Company and its controlling shareholders have introduced corporate independence in relation to personnel, assets and financial management.

(VI) Appointment and Dismissal of Public Accountant

Arthur Andersen & Co (Hong Kong) and Arthur Andersen • Hua-Qiang Certified Public Accountants have been reappointed as the auditor of the Company.

(VII) Other Material Contracts (including guarantees, etc.) and Implementation

As at 31st December 2000, the contracts being implemented or to be implemented by the Company, which are of material nature, include:

1. In respect of the loan contracts (being executed) between the Company and the relevant bank respectively with amount of RMB626,723,400, RMB 46,723,400 guaranteed by Communications Holding. The major contract thereof was the reloan agreement entered into by the Company (borrower) and Bank of China Jiangsu Branch (loaner or "reloan bank") in Nanjing on 15th October 1998, pursuant to which: (1) amount granted and its use: the loan set out in the agreement shall be used to satisfy US\$9,804,269.50 as the foreign exchange of the aggregate contractual amount of the commercial contract between China Import and Export Co., Ltd. and exporter INDRASCA, S.A in respect of the equipment and technology for Shanghai-Nanjing Expressway; (2) tenure: subject to "Foreign Loan Agreement", in terms of the loan, amount comprising governmental shares shall be applicable within 12 months after effectiveness of the commercial contract, and its initial repayment shall be made on 16th January 2007. The tenure of the loan shall be 30 years, among which grace period shall be 10 years and repayment period shall be 20 years. The loan shall be repaid every half year on equal basis in 40 installments; amount comprising buyer's credit shares shall be applicable within 10 months after effectiveness of the commercial contract, and its initial repayment shall be made not later than July 1999. The tenure of the loan shall be 7 years. The loan shall be repaid every half year on equal basis in 14 installments.
2. The Company entered into a contract entitled "Contract on Management Of Operation And Maintenance Of Nanjing Section Of Nanjing-Lianyungang Expressway" (being executed) with Road Management Office on 8th April 1999, pursuant to which, Road Management Office was entrusted by the Company for the management of operation and maintenance of Nanjing Section of Nanjing-Lianyungang Expressway, and the Company shall charge 17% of aggregate toll revenue of the Section each year. The amount paid during 2000 total RMB 9,186,761.