

BUSINESS REVIEW AND OUTLOOK

(1) MANAGEMENT DISCUSSION AND ANALYSIS

1. The scope of the core operations and their performance:

Jiangsu Expressway Company Limited (the "Company") was a joint stock company incorporated in Jiangsu Province of the PRC on 1st August, 1992. On 27th June, 1997, the Company was listed in Hong Kong and 1,222,000,000 H Shares were issued. In December 2000, 150,000,000 A Shares of the Company were successfully issued and were listed on Shanghai Stock Exchange on 16th January, 2001. The dual listing in the PRC and Hong Kong has been facilitating the fund raising activities and the finance of the Company to raise funds and obtain financing and providing room for the Company's future development.

As at 30th June, 2001, the Company has seven operation or management projects: the Jiangsu section of Shanghai-Nanjing Expressway ("Shanghai-Nanjing Expressway") with the land use right and the right of operation for 30 years; the Jiangsu section of Nanjing-Shanghai Class 2 Highway ("Nanjing-Shanghai Class 2 Highway") with the land use right and the right of operation for 15 years; the Nanjing section of Nanjing-Lianyungang

Highway ("Nanjing section of Nanjing-Lianyungang Highway") with the right to collect tolls for 30 years; 85% interests in Jiangsu Guangjing-Xicheng Expressway Co. Ltd. ("Guangjing-Xicheng Co."); 33.2% interests in Jiangsu Kuailu Transportation Co. Ltd. ("Jiangsu Kuailu Co."); 49% interests in Yixing Yicao Highway Co., Ltd. ("Yicao Co."); and 17.83% interests in Jiangsu Yangtze Bridge Company Limited ("Yangtze Bridge Co.").

The total revenue for the six months ended 30th June, 2001 was RMB772,194,643, the net revenue after income-related taxation was approximately RMB735,576,549. There was an increase by approximately 11.56% in comparison with that over the corresponding period in last year. The toll revenue from Nanjing-Shanghai Expressway was approximately RMB532,226,338, representing approximately 68.92% of the total revenue. The toll revenue from Nanjing-Shanghai Class 2 Highway was approximately RMB104,643,025, representing 13.55% of the total revenue. The toll revenue from the Nanjing section of Nanjing-Lianyungang Highway was approximately RMB22,916,113, representing 2.97% of the total revenue. The revenue from other operations amounted to approximately RMB112,409,167, representing 14.56% of the total revenue. The return on investment in

Guangjing Expressway and Xicheng Expressway, which are both invested and constructed by the Company, amounted to approximately RMB39,909,798. The return on investment in Jiangsu Kuailu Co. in which the Company has invested amounted to approximately RMB4,105,677. The return on investment in Yicao Co. was approximately RMB5,375,125, whereas the proceeds from other investments amounted to RMB3,995,848. After reviewing by Arthur Andersen Hua Qiang Co. and Arthur Andersen Co., in accordance with the accounting practice in the PRC, the profit after taxation for the period from January to June 2001 was approximately RMB365,836,146. The earnings per share were approximately RMB0.0726. There was an increase of 37.69% in comparison with those over the corresponding period in last year. In accordance with the IAS, the after-tax profit of the Company was approximately RMB393,508,000. The earnings per share were approximately RMB0.0781. There was an increase of 40.96% in comparison with those over the corresponding period in last year.

The main reasons for the growth in the profit include:

- The traffic volume of Shanghai-Nanjing Expressway grew by 14.48% in comparison with that over the corresponding period in last year;
- Both Xicheng Expressway and Guangjing Expressway were just opened to traffic and in their rapid growth stage. Their respective traffic volumes increased by 32.40% and 54.64% in comparison with those over the corresponding period in last year;
- The Company received tax rebate income of financial refunds in the first half of this year;
- The toll collection and the management of Nanjing-Shanghai Class 2 Highway were enhanced effectively;
- Additional emphasis was put on the non-core business and extra revenue was generated from the non-core business;
- Better use and reasonable allocation of funds substantially reduced the financial expenditure;
- Measures were taken to economize on the expenditure and consumption making the expenditure be within the budget formulated at the beginning of the year.

Shanghai-Nanjing Expressway

In the first half of 2001, following the consistent steady growth of the economy of the PRC and Jiangsu, and the opening of the expressway from Beijing to Shanghai to traffic, both the traffic volume and the toll revenue of Nanjing-Shanghai Expressway, which is at its fifth year of operation, continue having a double-digit growth.

From January to June of 2001, the aggregate traffic volume of Shanghai-Nanjing Expressway reached 11,570,000 vehicles, its

average daily volume reached 63,921 vehicles, and its distance weighted average daily volume was approximately 19,899 vehicles, indicating an increase by approximately 14.48% in comparison with that over the corresponding period in last year. The ratios of the average vehicles of types 1 to 6 in the first half year were approximately 45.44%, 25.43%, 20.73%, 7.17%, 1.22% and 0.18% respectively, which were relatively stable as compared with the structure of the vehicle types in the corresponding period of last year.

A comparison of the distance weighted average daily traffic volume

Month	2001 (Vehicles/day)	2000 (Vehicles/day)
January	18,508	16,797
February	18,818	14,733
March	20,005	18,001
April	20,938	19,184
May	20,730	18,204
June	20,340	17,254
Average for the first half of the year	19,899	17,382