

REPORT OF THE BOARD OF DIRECTORS

To all shareholders:

The Board of Directors hereby presents to shareholders the Report of the Board and the audited financial report of the Group for the year ended 31st December 2001. The Board of Directors confirms that there are no material omission from, or misrepresentations or misleading statements contained in this report, and is severally and jointly accept full responsibility for the truthfulness, accuracy and completeness.

1. Operations and financial results

The Company is mainly engaged in the investment, construction, operation and management of the Shanghai-Nanjing Expressway and highways within Jiangsu Province, and the development of passenger transport and its ancillary services (including refueling, catering, shopping, car maintenance, advertising and accommodation) along the expressways.

Financial position of the Group (under the PRC Accounting Standards)

Items	2001 (RMB'000)	2000 (RMB'000) (Restated)	Difference (%)
Total assets	14,914,400	15,057,227	-0.94
Current liabilities	1,014,683	1,350,577	-24.87
Long-term liabilities	297,813	257,786	15.53
Minority Interests	131,345	129,451	1.46
Shareholders' equity	13,470,559	13,319,413	1.13
Gross profit from operations	1,017,568	881,805	15.40
Net profit	780,864	691,487	12.93

Main reasons for the movement:

- Reduction in the total assets and current liabilities was mainly due to the repayment of RMB 370,000,000 of bank loans by the Company.
- The increase of long-term liabilities was mainly due to payment of construction fee of Guangjing Xicheng by Huajian Transportation Economic and Development Center in accordance with contractor's contract.
- The increase of profit from core operations and net profit was due to profit generated from operating and investing activities.

The consolidated results of the Group for the year ended 31st December 2001 and the financial statements of the Company and the Group as at 31st December 2001 prepared in accordance with IAS are set out in the Auditor's Report of this report.

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2. Distribution of profit for the year

The Board of Directors recommends the following proposed profit distribution scheme for the year ended 31st December 2001.

	RMB'000 (According to IAS)
Profit before taxation and minority interests	1,027,871
Taxation	(173,892)
Minority interests	(12,739)
Profit attributable to shareholders	841,240
Transferred to:	
Statutory surplus reserve	(78,086)
Statutory public welfare fund	(39,043)
Discretionary common reserve	—
Distributable profit for the year	724,111
Retained profit brought forward	1,023,947
Dividend of 2000	(453,397)
Retained profit carried forward	1,294,661
Proposed dividend of 2001	629,718
Earnings per share	RMB 0.167

	RMB'000 (According to the PRC Accounting Standards)
Profit before taxation and minority interests	940,590
Less: income tax	(146,987)
minority interests	(12,739)
Net profit	780,864
Add: retained profit at the beginning of year	462,530
Distributable profit	1,243,394
Less: appropriation of Statutory surplus reserve	(85,350)
appropriation of Statutory public welfare fund	(42,674)
Distributable profit	1,115,370
Less: dividend payable	(629,718)
Retained profit	485,652

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The Board of Directors submits the aforesaid profit distribution scheme to the 2001 Annual General Meeting 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 profit arises, the lower of the two shall prevail.

3. Profit Distribution Scheme

As audited by Arthur Anderson • Hua-Qiang Certified Public Accountants: The net profit of the Company was \$780,864,000 in 2001. Pursuant to the Articles of Association of the Company, 10% of statutory surplus reserve fund and 5% of statutory public welfare fund was appropriated. By adding the retained profit at the beginning of previous year of RMB462,530,000, the total distributable profit is RMB1,243,394,000. The Board of Directors has proposed to pay final dividend of RMB 1.25 (tax inclusive) per ten shares for all shareholders, calculated on the basis of total share capital of 5,037,747,500 shares.

The above profit distribution scheme proposed by the Board of Directors was presented to the Annual General Meeting of 2001 for review and approval. The date and procedure of distribution of final dividend will be announced later.

Holders of H Shares whose names appear on the register of members of the Company on 26th April 2002 are entitled to receive the final dividend. The register of members of the Company will be closed for transfer of H Shares from 26th April 2002 to 28th May 2002. The method and timing of the dividend payment and registration of shareholdings in respect of the holders of A Shares will be announced separately.

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 p.m. on 25th April 2002.

Payment of final dividend in respect of A Shares and H Shares is subject to the approval of the 2001 Annual General Meeting to be held on 28th May 2002. The date and procedure of payment of final dividend will be announced separately.

Pursuant to the Articles of Association of the Company, dividend of A Shares shall be paid in Renminbi, whereas dividend of H Shares shall be paid in Hong Kong dollars, the exchange rate of which shall 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 28th May 2002.

4. Anticipated dividend distribution policy for 2002

The Company will distribute cash dividend in 2002 once, the proportion of its distribution shall not be less than 50% of the net profit for the year. Accumulated retained profit from previous years will not be used for distribution as dividend of 2002.

5. Impact on the financial position of the Company due to changes in taxation policy

Pursuant to the document CaiShui [2000] No.99 issued by the Ministry of Finance in October 2000, a listed company shall pay an income tax at a statutory rate of 33%, and 18% of tax shall be refunded thereafter. The effective rate for a company is usually 15%. This preferential policy will continue to be effective until 31st December 2001. Starting from the year of 2002, the State will revoke the aforesaid preferential treatment, which will have a definite adverse impact on the profitability of the Company.

6. Day-to-day operation of the Board of Directors

(1) The fifth session meeting of the Third Board of Directors held on 20th February 2001

The following matters were reviewed and approved at the meeting: proposed election of Mr. Shen Chang Quan, Mr. Zhou Jian Qiang, Mr. Cui Xiao Lung, Mr. Zhu Yao Ting, Mr. Chen Xiang Hui as directors of the Company; the resignation of Mr. Zhang Jun Yuan, Mr. Le Jia Hua, Ms. Xu Yi Qun due to changes in positions be approved, and resignation of Mr. Zhang Quan Geng due to his retirement be approved; the 2001 First Extraordinary General Meeting of shareholders be convened on 9th April 2001.

Notice of the resolutions was published on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 21st February 2001 respectively.

(2) The sixth session meeting of the Third Board of Directors held on 9th April 2001

The following matter was reviewed and approved at the meeting: election of Mr. Shen Chang Quan as the Chairman of the Company.

Notice of the resolution was published on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 10th April 2001 respectively.

(3) The seventh session meeting of the Third Board of Directors held on 11th April 2001

The following matters were reviewed and approved at the meeting: the report of the Board of the Company of 2000; the audited accounts and auditors' report; the re-appointment of Arthur Andersen & Co. and Arthur Andersen • Hua-Qiang Certified Public Accountants as auditors of the Company; the final dividend distribution scheme of 2000 be confirmed; the investment in Suzhou-Jiading-Hangzhou Expressway be approved; the reduction for the Company's contribution plan in Yicao Highway be approved; the Articles of Association as amended subsequent to the A Shares issue be adopted.

Notice of the resolution was published on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 12th April 2001 respectively.

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- (4) The eighth session meeting of the Third Board of Directors held on 21st August 2001

The following matters were reviewed and approved at the meeting: report of the results of the Company for the first half of 2001, the non-distribution of interim dividend be confirmed; the Directors be authorized to increase the Company's shareholding in Yangtze Bridge Co.; the Directors' subcommittee to proceed with the establish of an investment company be authorized; the management be authorized to carry out capital operations which are less than 5% of the Company's net assets and to obtain bank loans which are less than 20% of the Company's total liabilities; participation in the shareholding of 上海海德交通科技股份有限公司; establishment of 滙獅樓酒店有限責任公司 (later renamed as Shuangshilou) .

Notice of the resolution was published on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 22nd August 2001 respectively.

- (5) Meeting of the Directors' subcommittee held on 4th September 2001

The following matter was reviewed and approved at the meeting: the agreement for the acquisition of certain shareholding in the Yangtze Bridge Co. from 國家開發投資公司 (National Communications Investment Enterprise Company) be approved.

7. Implementation by the Board of the resolution approved in General Meeting

Implementation of the Company's profit distribution plan for the year of 2000:

Having been resolved at the Annual General Meeting for 2000, the Company declared a cash dividend of RMB 0.90 (tax inclusive) per Share to the shareholders of the Company, with a total of RMB 453,397,275, on the basis of the total share capital of the Company of 5,037,747,500 Shares.

Notice in relation to the "Dividend Distribution" was published simultaneously on the China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 9th June 2001, which confirms that the record date be 14th June 2001, and the ex-dividend date be 15th June 2001 and despatch date for the dividend be 21st June 2001, thereby implementing the profit distribution plan for the previous year.

Dividend for the shareholders of the A Shares in issue shall be distributed by Shanghai Securities Central Clearing and Registration Corporation, whereas dividend of H Shareholders shall be distributed by Bank of China, Hong Kong. Dividend for shareholders of State-owned Shares and legal person Shares shall be distributed by Hua Tai Securities Co., Ltd.

8. Other Businesses

(1) Summary of Financial Information

The results and total assets of the Company as well as shareholders' equity for the year ended 31st December 2001 are set out in the Auditors' Report of this Annual Report.

(2) Bank loans and other Borrowings

Bank loans and other borrowings of the Company as at 31st December 2001 are detailed in the notes to the financial statements.

(3) Fixed assets

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

(4) Reserves

Movements in the reserves of the Company are set out in the notes to the financial statements.

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

(5) Staff Pension Scheme

The Company participates in the central retirement and pension fund scheme administered by the State. Pursuant to the scheme, the Company is required to make an annual contribution equivalent to 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 2001, which the Company has paid in full. The total amount was RMB 8,382,000 and was stated in the cost of expenditure of the Company. The retirement fund administered by the State shall undertake the responsibility to pay the pensions of the Company's retired employees.

When staff retire, they will be granted Company contribution and fund on retirement plan.

(6) Sale of Staff Quarters

Pursuant to the documents of "Proposal on Further Reform of Housing Policy in Urban Areas" issued by the State and the "Implementation Scheme for Staff Quarters of the Jiangsu Province" issued by the Jiangsu Provincial Government, the Company has sold the existing staff quarters to its employees at a price determined by the State. Pursuant to the document CaiKuai [2001] No.5 issued by the Ministry of Finance, loss on disposal of staff quarters in the amount of RMB 23,629,000 has been adjusted by reduction of the retained profit for the year of 2001.

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(7) Subsidiaries and Associated Companies

As at 31st December 2001, subsidiaries and associated Companies owned by the Company are as follows:

Names of subsidiaries and associates (status of legal entity)	Date and place of incorporation	Attributable equity interest	Registered capital (RMB '000)	Assets size (RMB '000)	Net profit (RMB '000)	Principal activities
Jiangsu Guangjing Xicheng Expressway Co., Ltd. (limited liabilities)	16th September 1997 The PRC	85%	850,000	2,578,871	85,451	Construction, operation, maintenance and toll collection of Xicheng 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)	21st June 1996 The PRC	33.2%	150,300	230,589	19,210	Road transportation, vehicle maintenance and sales of vehicles (excluding sedan cars) 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	26.66%	2,137,248	3,351,318	70,203	Mainly engaged in the construction, maintenance and operation of Jiangyin Yangtze Bridge and other communication infrastructures
Nanjing Shuangshilou Hotel Co., Ltd. (limited liabilities)	7th November 2001 The PRC	95.05%	1,010	12,683	(1,581)	Preparation and sale of Chinese food

(8) 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.

(9) Deposits

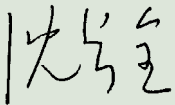
As at 31st December 2001, the Company did not have any trusted deposits with any financial institutions in the PRC, and there were no fixed deposits that could not be repaid upon maturity.

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(10) Income Tax

The actual tax rate for enterprise is 15%. Pursuant to the document CaiKuai [2000] No.3 issued by the Ministry of Finance in July 2000, a company shall pay its income tax before any refund can be effected, and may only set off the income tax charge of the current period when the company receives the actual tax refund. In 2001, the Company received an income tax refund of RMB 163,430,000 from the Provincial Finance Department.

By Order of the Board



Shen Chang Quan

Chairman

Nanjing, the PRC

8th April 2002