

Report of the Directors

(1) The Company's Investments

1. Acquisition of equity interests in Suzhou-Jiading-Hangzhou Expressway Co., Ltd. ("Sujiahang")

At the ninth session of the third Board of Directors meeting held on 8th April 2002, the "Agreement for the Sale and Purchase of 33.33% interests in Sujiahang, which concerns the purchase of an approximately 33.33% stake in Sujiahang from Jiangsu Communications Holdings Ltd for a consideration of RMB315,400,000 was approved. The acquisition was implemented after being reviewed and approved at the 2001 Annual General Meeting held on 28th May 2002. The consideration was funded by the Company's own resources in cash.

Sujiahang Expressway is an important split-flow of the trunk line of Tong Jiang Sanya National Highway and a major constituent of the expressway network planned by Jiangsu Province, serving as a traffic hub between Jiangsu and Zhejiang Provinces. Sujiahang Expressway intersects with the Jiangsu Section of Shanghai-Nanjing Expressway at Suzhou, where vehicles from Northern Jiangsu Province, Zhejiang Province, Shanghai and Nanjing are directed to Shanghai-Nanjing Expressway, thus increasing the traffic flow of the Jiangsu Section of Shanghai-Nanjing Expressway, the Company's major operating asset. As such, the acquisition is set to bring significant enhancement to the Company's profitability and expanding the Company's existing assets, both of which align with the Company's business development focus.

2. Incorporation of the Jiangsu Ninghu Investment Development Co., Ltd. ("Investment Company")

At the eighth session of the third Board of Directors meeting of the Company, the establishment of an investment company in the form of a joint venture with Suzhou Investment Company was reviewed and approved. The Investment Company completed business registration on 23rd September 2002 with a registered capital of RMB100 million. Its legal representative is Mr Chen Xianghui (Director and General Manager of the Company). The Company contributed RMB95 million in capital with its internal resources for a 95% stake, while Suzhou Investment Company contributed RMB5 million or 5% of the registered capital.

The Investment Company shall be involved mainly in investments in infrastructure projects and various industries. The Investment Company will conduct research on traffic-related industries as well as other industries after its incorporation, and will make opportune investments in incubation projects, with a view to bringing profit contribution to the Group in the long term.

3. Investment in China Transportation HEAD New Technology (Shanghai) Co., Ltd. ("HEAD Technology")

The eighth session of the third Board of Directors meeting of the Company passed a resolution to form Haide Technology in the form of a joint venture with other partners. During the period, the incorporation of HEAD Technology with the Company as one of its sponsors was approved by the Shanghai Municipal Government on 30th May 2002 pursuant to the approval document Hu Fu Ti Gai Shen (2002) No. 008.

HEAD Technology shall continue to reinforce its market position in its existing business of engineering design and project management software, while embarking on extensive joint ventures with foreign as well as domestic partners to explore opportunities in highway resource management and consultant services on intelligent traffic tools such as GIS and GPS applications. The Company, holding a 35.71% stake in HEAD Technology with a capital contribution of RMB7.50 million to its total registered capital of RMB21 million, is the largest shareholder of HEAD Technology together with China Communications No. 1 Highway Prospecting Design and Research Institute.

The incorporation of HEAD Technology represents a pro-active attempt in exploring new frontiers for investment and identifying new bases for profit growth, leveraging on the Company's existing resources to form joint ventures with enterprises of complementary strengths, which was consistent with the Company's business development strategy.

4. Investment in Jiangsu Provincial Leasing Co., Ltd. ("Jiangsu Leasing")

At the 11th session of the third Board of Directors meeting, the investment of RMB100 million by Guangjing Xicheng, a subsidiary of the Company, for an approximately 20% stake in the enlarged registered share capital of Jiangsu Leasing was reviewed and approved. Yangtze Bridge Company, an associated company of the Company, will also invest RMB170 million in Jiangsu Leasing for an approximately 34% of the enlarged registered capital of Jiangsu Leasing. Following the completion of the investment, the Company would be indirectly interested in 26.1% of Jiangsu Leasing.

Jiangsu Leasing is the only company in Jiangsu Province and the 12th company throughout the nation which engages in the leasing business. Through the share capital expansion, the registered capital of Jiangsu Leasing was increased to RMB500 million, further enhancing its tangible assets and the capacity of the leasing business. In 2002, Jiangsu Leasing booked gross revenues of RMB19.04 million.

(2) Profit Distribution Scheme

The Board of Directors has proposed a profit distribution scheme for 2002 as follows:

In accordance with PRC accounting standards

	RMB'000
Gross profit	1,235,272
Less: Profit tax	(400,500)
Minority interests	(20,384)
Unrealized loss on investments	2,445
Net profit	816,833
Plus: Retained earnings, beginning	468,814
Profit available for distribution	1,285,647
Less: Appropriation of statutory surplus reserve fund	(93,218)
Appropriation of statutory public welfare fund	(46,609)
Profit available for distribution to shareholders	1,145,820
Less: Appropriation of dividend	(654,907)
Retained earnings, ending	490,913
Earnings per share	RMB0.162

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In accordance with HKGAAP

	RMB'000
Profit before tax	1,308,949
Taxation	(434,120)
Minority interests	(20,384)
Profit attributable to shareholders	854,445
Profit appropriation:	
Statutory surplus reserve fund	(107,851)
Statutory public welfare fund	(53,925)
Profit available for distribution to shareholders for the year	692,669
Retained earnings, beginning	1,294,661
Dividends for 2001	(629,718)
Retained earnings, ending	1,357,612
Proposed dividends for 2002	(654,907)
Earnings per share	RMB0.1696

Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, the Company's financial statements shall be prepared according to both the PRC accounting standards and the HKGAAP. The profit available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under HKGAAP. As audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (domestic auditor), the net profit of the Company was RMB816,833,308 in 2002. After deducting the appropriation of 10% as statutory reserve fund and 5% as statutory public welfare fund and adding the retained earnings at the beginning of the year of RMB468,813,520, the total amount of profit available for distribution was RMB1,145,819,878. The Board of Directors has proposed to pay a final dividend of RMB1.3 (tax inclusive) for every ten shares to all shareholders, based on a total share capital of 5,037,747,500 shares.

The aforesaid profit distribution scheme proposed by the Board of Directors shall be submitted to the 2002 Annual General Meeting for consideration and approval. The date and procedure of the final dividend payment will be announced separately.

Holders of H Shares whose names appear on the register of members of the Company on 16th April 2003 are entitled to receive the final dividend. The register of members of the Company will be closed for transfer of H Shares from 16th April 2003 to 15th May 2003. 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 instrument of transfer together with the relevant share certificates to the Registrar of shares of the Company, Hong Kong Registrars Limited, 19/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, for registration of share transfer no later than 4:00 p.m. on Tuesday, 15th April 2003.

Payment of final dividend in respect of A Shares and H Shares is subject to the approval of the 2002 Annual General Meeting to be held on 15th May 2003. 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 15th May 2003.

(3) Day-to-day Operation of the Board of Directors

1. The ninth session of the third Board of Directors meeting held on 8th April 2002

The following matters were reviewed and approved at the meeting: adoption of the Directors' Report, audited accounts and auditors' report 2001; appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as international and domestic auditors of Company, respectively; the payment of a cash bonus of RMB1.25 (tax inclusive) for every ten shares as final dividend for 2001; the amendments to the Articles of Association and meeting procedures in relation to corporate governance; and the proposal to convene the 2001 Annual General Meeting.

Re-election of Directors was also conducted at this meeting, whereby Mr Wang Guo Gang and Mr Yang Hong Sheng were appointed as independent directors; Mr Zhang Wen Sheng was appointed as director, and the resignations of Mr Li Da Peng, Mr Liu Bu Cun and Mr Zhu Yao Ting as directors were approved.

Notice of the resolutions was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 9th April 2002.

2. The tenth session of the third Board of Directors meeting held on 29th April 2002

2002 First Quarterly Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 30th April 2002.

3. The 11th session of the third Board of Directors meeting held on 28th May 2002

The following matters were reviewed and approved at the meeting: the election of members and conveners for the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Performance Review Committee; the implementation of the Company's entrusted investment; and the investment in Jiangsu Leasing by Guangjing Xicheng.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 29th May 2002.

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4. The 12th session of the third Board of Directors meeting held on 21st June 2002

The internal investigation report on Listed Companies' Establishment of Modern Corporate Systems was reviewed and approved at the meeting.

5. The 13th session of the third Board of Directors meeting held on 24th July 2002

The dissolution of Yicao Company was reviewed and approved at the meeting.

6. The first meeting of the Strategy Committee of the Board of Directors held on 2nd August 2002

The feasibility study report on establishing an economic and trade vocational training college was reviewed at the meeting.

7. The first meeting of the Audit Committee of the Board of Directors held on 15th August 2002

The accountant's report and the interim financial reports of the Company were reviewed and approved at the meeting.

8. The 14th session of the third Board of Directors meeting held on 15th August 2002

The 2002 Interim Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 16th August 2002.

9. The 15th session of the third Board of Directors meeting held on 29th October 2002

The 2002 Third Quarterly Report was reviewed and approved at the meeting.

Notice of the resolution was published in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times, respectively, on 30th October 2002 respectively.

(4) Board Implementation of Resolutions Approved at the General Meeting

Implementation of the Company's profit distribution plan for the year of 2001:

It was resolved at the 2001 Annual General Meeting of the Company that the Company declared a cash dividend of RMB1.25 (tax inclusive) for every ten Shares to the Company's shareholders, with a total of RMB629,718,438 payable, on the basis of the total share capital of the Company of 5,037,747,500 Shares.

A notice in relation to dividend distribution was published simultaneously in China Securities Daily, Shanghai Securities Daily, South China Morning Post and Hong Kong Economic Times on 11th June 2002. The share registrar closure date was 17th June 2002; the ex-dividend date was 17th June 2002; and dividends were paid out on 21st June 2002, thereby implementing the profit distribution plan for the previous year.

Dividends for the holders of the A Shares in issue were distributed by China Securities Depository & Clearing Corporation Limited Shanghai Branch in a uniform manner. Dividends for H Shareholders were distributed by the Bank of China, Hong Kong on the Company's behalf. Dividends for shareholders of State-owned Shares and legal person Shares were distributed by Hua Tai Securities Co., Ltd. on the Company's behalf.

(5) Other Matters

1. Staff housing subsidies

According to the Implementation Opinion on Payment of Staff Housing Subsidies issued by Provincial Grade Entities in Jiangsu Province, the Company has stopped providing subsidies in kind to employees and has implemented the payment of housing subsidies to employees.

Staff housing subsidies are provided by way of either a lump-sum payment or a monthly subsidy payment. Employees who joined the Company before 30th November 1998 and with 5 years of employment and who do not have their own housing or the area of their housing is smaller than stipulated are entitled to the lump-sum payment. Employees who joined the Company as from 1st December 1998 are entitled to the monthly subsidies. The rate of subsidies shall be determined according to local standards.

At 31st December 2002, there were 1,294 employees of whom were qualified for housing subsidies, and housing subsidies paid by the Company amounted to RMB16,838,000. In the statutory accounts, subsidies in the form of lump-sum payments were directly charged to retained earnings. Subsidies in the form of monthly payments were charged against the budget of the wages of the employees and would be managed in accordance with housing fund management principles.

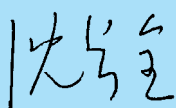
2. Staff medical insurance

The Company's staff medical insurance scheme was implemented in September 1999 with reference to the Implementation Opinion on Staff Medical Insurance Scheme Reforms promulgated by the Jiangsu Provincial Government. The payment ratio is capped at 9% of the total amount of an employee's wages, and annual gross expenses are capped at RMB6 million. The expenses is currently covered by general staff welfare fund which is accrued at 14% of the total amount of employees' wages, and therefore does not incur additional operating costs for the Company. The expenses also do not have any bearing on the Company's accounting treatment, consolidated profit and loss account or consolidated balance sheet.

3. Staff pension scheme

The Company participates in the central retirement and pension fund scheme administered by the State. In the first half of 2002, the Company is required to make an annual contribution equivalent to 20% of employees' wages, while employees are required to contribute 7%. Pursuant to documents issued by the Jiangsu Provincial Labour and Social Security Department, starting from 1st July 2002, the proportion of contributions to pension funds made by companies under the direct management of the provincial government was to be adjusted to 21% and the proportion of individual employees' contribution was to be adjusted to 8%. The Company has paid in full its required contributions to pension funds in 2002. The total amount paid was RMB9.357 million, which was included in the operating expenses of the Company. The retirement fund administered by the State shall undertake the pension payment to the Company's retired employees.

By Order of the Board



Shen Chang Quan
Chairman

Nanjing, the PRC
20th March 2003