

**(1) Material Litigation or Arbitration**

During the year, the Company was not involved in any material litigation or arbitration.

**(2) Material Connected Transactions**

**1. Principal related parties (as defined in the Listing Rules of the Shanghai Stock Exchange) of the Company:**

Name	Relationship with the Company
Communications Holding	Ultimate controlling shareholder of the Company
Guangjing Xicheng Investment Co.	Subsidiary of the Company
Jiangsu Sundian	Subsidiary of the Company
Shuangshilou	Subsidiary of the Company
Jiangyin Yangtze Bridge	Associate of the Company
Kuailu Transportation	Associate of the Company
Sujiahang	Associate of the Company
HEAD Technology	Associate of the Company
Jiangsu Zulin	Associate of the Group

**2. Connected Transactions**

The Company and its subsidiaries entered into the following material transactions with connected parties during the period under review:

- (1) The Company and Guangjing Xicheng entered into an agreement on 20 March 2003 to jointly establish Jiangsu Sundian in which the Company has 70% equity interest. The Company and Guangjing Xicheng invested RMB24,500,000 and RMB10,500,000 as registered capital of Jiangsu Sundian respectively. As Guangjing Xicheng is owned as to 85% by the Company and 15% by the Company's 11.86% substantial shareholder Huajian Transportation Economic Development Centre, the transaction is a connected transaction under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

Details were announced in the designated newspapers on 21st March 2003.

- (2) The Company entered into an agreement with Investment Co. on 20 March 2003 pursuant to which the Company transferred its interests in the advertising billboards and their pertinent rights to Jiangsu Ninghu Investment at a consideration of RMB27,290,000. As Investment Co. is a 95% subsidiary of the Company, the transaction is a connected transaction under the Hong Kong Listing Rules.

Details were announced in the designated newspapers on 21st March 2003.

- (3) The Company and its 85% subsidiary, Guangjing Xicheng, entered into maintenance contracts on 30 June 2003 with Jiangsu Sundian in respect of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway. As Guangjing Xicheng is a 85% subsidiary of the Company and a 30% substantial shareholder of Jiangsu Sundian (a 70% subsidiary of the Company), the transactions were connected transactions under the Hong Kong Listing Rules. For the year ended 31 December 2003, the aggregate maintenance fee payable by the Company and Guangjing Xicheng amounted to RMB87,550,530 and RMB15,860,452 respectively, of which RMB6,566,630 and RMB1,123,000 will be payable before the expiry of the relevant one-year quality warranty periods, which would be prior to 31 December 2004.

Details were announced in the designated newspapers on 1 July 2003 in the PRC and on 2 July 2003 in Hong Kong.

The Company has complied with the disclosure requirements under the Hong Kong Listing Rules. The above transactions were not subject to disclosure requirements under the Listing Rules of the Shanghai Stock Exchange.

- (4) Guangjing Xicheng, the Company's 85% subsidiary, entered into an agreement with Jiangsu Zulin in respect of the appointment of Jiangsu Zulin as agent to arrange for the leasing of transport electrical engineering equipment to Jiangsu Ningjingyan Expressway Company Limited with a total consideration amounting to RMB19,000,000.

### 3. Opinions of Independent Director

The Board of Directors of the Company has carried out lawful and valid resolutions on the above-mentioned connected transactions. The independent directors have carried out conscientious reviews of the matters concerned and confirmed:

- a. the transactions were entered into by the relevant companies in the ordinary and usual course of its business;
- b. the transactions were conducted on normal commercial terms (i.e. terms of contract of similar transactions in the PRC) (or on terms no less favourable than terms available from independent third parties) or on terms that are fair and reasonable so far as the shareholders are concerned;
- c. entered into in accordance with the terms of the relevant contracts;
- d. for the year ended 31st December 2003, the aggregate maintenance fees under the maintenance contracts referred to in paragraph 2(3) above, did not exceed the lower of:-
  - (i) RMB100,000,000 for the Company's maintenance contract and RMB20,000,000 for Guangjing Xicheng's maintenance contract;
  - (ii) the higher of.
    - (1) HK\$10,000,000; or
    - (2) 3% of the book value of the consolidated net tangible assets of the Company as disclosed in the latest published consolidated accounts, adjusted to take into account of subsequent transactions in the manner as described in rule 14.04(6) of the Hong Kong Listing Rules.

### (3) Significant Contract and their Implementations

#### 1. Material trusts, subcontracting or leasing

During the reporting period, the Company had no material trusts, subcontracting or leasing arrangement.

#### 2. Material guarantees

During the reporting period, the Company had not provided any guarantee to any shareholder or connected party or any other companies.

#### 3. Entrusted deposits

During the reporting period, the Company had not placed any entrusted deposits with PRC financial institutions. There had been no time deposits that were not repaid on maturity.

#### 4. Entrusted financial management

The principal amount of the sum of RMB100 million that the Company placed for entrusted investment management for Suzhou Investment Company in 2002 was fully recovered in the period under review together with an investment gain of RMB9 million generated from the entrusted investment. The Company had not entered into any other entrusted investment management agreement.

Guangjing Xicheng, the 85% owned subsidiary of the Company, (as principal) entered into an engagement contract with Jiangsu Zulin the 33.33% owned associate of the Company, on 12th March 2003 and provided financial leasing to Jiangsu Ningjingyan Expressway Company Limited for an amount of RMB19,000,000.

## **5. Other material contracts**

During the reporting period, material contracts being performed by the Company include the following

The Company entered into the Contract on Management of Operation and Maintenance of Nanjing Section of Nanjing-Lianyungang Expressway (which is currently being performed) with the Nanjing-Lianyungang Expressway Management Office on 8th April 1999, pursuant to which the Management Office was entrusted by the Company for the management of operation and maintenance of the Nanjing Section of Nanjing-Lianyungang Expressway, for a fee equivalent to 17% of the aggregate toll revenues of the section each year.

### **(4) Undertakings**

1. The Board of Directors of the Company has undertaken, in respect of the profit distribution proposal for 2003, one cash dividend distribution of no less than 50% of the net profit of the year. The profit distribution proposal for 2002 was in full compliance with the above resolution of the Board of Directors. Details of the distribution plan are set out in the section headed "Profit Distribution Scheme" in the Report of the Directors.
2. During the period, there were no disclosures regarding any undertakings made by shareholders holding 5% or more of the shares capital of the Company in press or on websites designated.

### **(5) Appointment of Auditors**

During the reporting period, the Company's contract with PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. had expired and was terminated.

Through a selection process, Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd. and Deloitte Touche Tohmatsu were appointed as the international and domestic auditors of the Company, respectively, and their annual remuneration was determined at RMB1,180,000. The Company had not paid any other expenses in this respect. The traveling expenses were borne by the auditors. There were no expenses that might have affected the auditors' independence. The auditors did not provide other consultancy services other than auditing. The aforesaid resolution was approved at the first extraordinary general meeting on 23rd March 2004.

### **(6) Regulatory Sanctions**

During the period, there was no punishment, reprimand or public censures imposed against the Company, any of its Directors or Senior Management Officers by any regulatory authorities.

### **(7) Customers and Suppliers**

1. The Company's customers are road users in general. Therefore, there were no statistics on the largest or five largest customers.
2. As to the largest and five largest suppliers, the value on the supplies provided during 2003 accounted for 50% and 79% of the Company's purchase costs. None of the directors and supervisors of the Company had any interest in such supplies.