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Important: The Board of Directors of Jiangsu Expressway Company Limited (the “Company”) and the Directors confirm that there are no false representations or misleading statements contained in or material omissions from this report. The Directors severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

Mr. Shen Chang Quan, Chairman of the Board of Directors, Mr. Xie Jia Quan, General Manager, and Madam Liu Wei, Finance Manager, guarantee the accuracy and completeness of the financial statements in this interim report.

The financial statements in this interim report are unaudited and have been prepared in accordance with Hong Kong Accounting Standards and reviewed by the Audit Committee of the Company.

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I. Corporate Information

(I) Description of the Corporate Information

1. Name of Company in Chinese:	江蘇寧滬高速公路股份有限公司
Abbreviation of Chinese Name:	寧滬高速
Name of Company in English:	Jiangsu Expressway Company Limited
Abbreviation of English Name:	Jiangsu Expressway
2. Stock Exchange on which A Shares of the Company are Listed:	Shanghai Stock Exchange
Stock Name of A Shares:	寧滬高速
Stock Code of A Shares:	600377
Stock Exchange on which H Shares of the Company are Listed:	The Stock Exchange of Hong Kong Limited
Stock Name of H Shares:	Jiangsu Expressway
Stock Code of H Shares:	0177
Place where the Company's ADRs are Quoted:	United States
Stock Name of ADRs:	JEXWW
Stock Code of ADRs:	477373104
3. Registered Office and Place of Business:	Jiangsu Communications Building 69 Shigu Road, Nanjing, Jiangsu, the PRC
Postcode:	210004
Website of the Company:	http://www.jsexpressway.com
Email Address:	nhgs@public1.ptt.js.cn

4. Legal Representative: Shen Chang Quan
5. Secretary to the Board of Directors: Yao Yong Jia
- Telephone: 8625-84469332
- Company Secretary: Lee Wai Fan, Betty
- Telephone: 852-28108008 ext 712
- Securities Officers: Jiang Tao, Lou Qing
- Telephone: 8625-84200999-4706, 4716
- Fax: 8625-84466643
- E-mail Address: cso@jsexpressway.com
6. Newspapers Designated for Regular Announcement: Shanghai Securities, China Securities, South China Morning Post, Hong Kong Economic Times
- Website Designated for Regular Announcement: <http://www.sse.com.cn>, www.hkex.com.hk
- Regular Reports Available at: Shanghai Stock Exchange
528 Pudong Road South, Shanghai City;
- Hong Kong Registrars Limited
19/F, Hopewell Centre, 183 Queen's Road East,
Hong Kong;
- Jiangsu Communications Building
69 Shigu Road, Nanjing, Jiangsu, the PRC;
- Richards Butler
20/F, Alexandra Horse
16-20 Chater Road, Central, Hong Kong



II. Financial Report

Deloitte.
德勤

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF JIANGSU EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

Introduction

We have been instructed by the directors of Jiangsu Expressway Company Limited (the "Company") to review the interim financial report set out on pages 6 to 19.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 June 2003 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2004



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

	NOTES	Six months ended	
		30/6/2004	30/6/2003
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Note 20)
Turnover	3	1,813,796	1,200,737
Cost of sales and other direct operating costs		(572,661)	(457,966)
Gross profit		1,241,135	742,771
Other operating income		5,648	13,011
Administrative expenses	5	(173,071)	(38,332)
Profit from operations	6	1,073,712	717,450
Finance costs	7	(18,440)	(3,253)
Amortisation of goodwill of associates		(6,258)	(6,258)
Release of negative goodwill of associates		260	260
Share of results of associates		93,962	31,464
Profit before taxation		1,143,236	739,663
Taxation	8	(371,487)	(236,239)
Profit before minority interests		771,749	503,424
Minority interests		(20,841)	(12,901)
Profit for the period		750,908	490,523
Dividend	9	730,473	654,907
Earnings per share			
- Basic	10	RMB0.15	RMB0.10

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2004

		30/6/2004	31/12/2003
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	11	13,190,462	12,119,028
Interests in associates		1,524,053	1,517,468
Prepayment for acquisition of toll highway operating rights		1,000,000	—
		<u>15,714,515</u>	<u>13,636,496</u>
Current assets			
Inventories		14,901	9,875
Prepayments and other receivables	12	160,145	95,265
Designated deposits		—	255
Bank balances and cash		1,649,687	1,536,774
		<u>1,824,733</u>	<u>1,642,169</u>
Current liabilities			
Other payables		150,709	109,967
Construction costs payable		142,793	77,251
Taxation		179,487	113,808
Dividend payable		739,672	7,265
Long-term borrowings - due within one year	13	6,813	6,813
Short-term borrowings	14	2,550,000	1,400,000
		<u>3,769,474</u>	<u>1,715,104</u>
Net current liabilities		<u>(1,944,741)</u>	<u>(72,935)</u>
Total assets less current liabilities		<u>13,769,774</u>	<u>13,563,561</u>



CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)

At 30 June 2004

		30/6/2004	31/12/2003
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Audited)
Non-current liabilities			
Long-term borrowings - due after one year	13	251,270	54,677
Deferred taxation	16	6,895	29,507
		<u>258,165</u>	<u>84,184</u>
Minority interests			
		<u>412,047</u>	<u>400,250</u>
		<u>13,099,562</u>	<u>13,079,127</u>
Capital and reserves			
Share capital	15	5,037,748	5,037,748
Reserves		8,061,814	8,041,379
		<u>13,099,562</u>	<u>13,079,127</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2003	5,037,748	5,730,454	401,631	200,816	1,357,612	12,728,261
Undistributed profit at beginning of the period	—	—	—	—	(829)	(829)
Profit for the period	—	—	—	—	490,523	490,523
Dividend declared	—	—	—	—	(654,907)	(654,907)
At 30 June 2003	<u>5,037,748</u>	<u>5,730,454</u>	<u>401,631</u>	<u>200,816</u>	<u>1,192,399</u>	<u>12,563,048</u>
At 1 January 2004	5,037,748	5,730,454	510,920	255,461	1,544,544	13,079,127
Profit for the period	—	—	—	—	750,908	750,908
Dividend declared	—	—	—	—	(730,473)	(730,473)
At 30 June 2004	<u>5,037,748</u>	<u>5,730,454</u>	<u>510,920</u>	<u>255,461</u>	<u>1,564,979</u>	<u>13,099,562</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	Six months ended	
	30/6/2004	30/6/2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	1,151,246	637,605
Net cash used in investing activities	(2,377,916)	(73,063)
Net cash generated from (used in) financing activities	1,339,328	(677,406)
Net increase (decrease) in cash and cash equivalents	112,658	(112,864)
Cash and cash equivalents at 1 January	1,537,029	819,611
Cash and cash equivalents at 30 June	<u>1,649,687</u>	<u>706,747</u>
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	<u>1,649,687</u>	<u>706,747</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

3. TURNOVER

	Six months ended	
	30/6/2004	30/6/2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover comprises:		
Toll revenue	1,678,321	1,035,010
Sales of petrol	152,317	124,049
Sales of food and beverages	57,662	65,629
Emergency assistance income	19,797	35,311
Advertising income	2,625	3,198
	<hr/>	<hr/>
	1,910,722	1,263,197
Less: Business tax and other related taxes	(96,926)	(62,460)
	<hr/>	<hr/>
	<u>1,813,796</u>	<u>1,200,737</u>



4. SEGMENT INFORMATION

All the Group's operations are located and carried out in the People's Republic of China (the "PRC"), and the principal activities of the Group are the operations and management of toll roads. Accordingly, no segment information by business and geographical segment is presented.

5. ADMINISTRATIVE EXPENSES

In view of the widening project of Shanghai-Nanjing Expressway, the Group had demolished certain safety equipment, communication and signalling equipment, toll stations and ancillary equipment. Accordingly, an amount of RMB1 10,979,000 (Six months ended 30 June 2003: Nil) had been written off during the period and was included in administrative expenses.

6. PROFIT FROM OPERATIONS

	Six months ended	
	30/6/2004	30/6/2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration	46,427	39,106
Retirement benefits scheme contributions	10,608	5,329
	<hr/>	<hr/>
Total staff costs	57,035	44,435
Depreciation and amortisation of property, plant and equipment	274,125	198,136
Write off of property, plant and equipment	114,508	5,461
Cost of inventories recognised as expenses	158,667	126,010
and after crediting:		
Interest income from bank deposits	5,267	4,645
Interest income from designated deposits	1,300	9,000
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7. FINANCE COSTS

	Six months ended	
	30/6/2004	30/6/2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable:		
Within five years	52,232	2,837
Over five years	416	416
	<u>52,648</u>	<u>3,253</u>
Total borrowing costs	52,648	3,253
Less: Amount capitalised	(34,208)	—
	<u>18,440</u>	<u>3,253</u>

8. TAXATION

	Six months ended	
	30/6/2004	30/6/2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
PRC income tax	370,425	218,014
Deferred taxation (Note 16)	(22,612)	(2,909)
	<u>347,813</u>	<u>215,105</u>
Taxation attributable to the Company and its subsidiaries	347,813	215,105
Share of taxation attributable to associates	23,674	21,134
	<u>371,487</u>	<u>236,239</u>



The Company and its subsidiaries are subject to PRC income tax rate of 33% (Six months ended 30 June 2003: 33%) pursuant to the relevant PRC income tax laws.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

9. DIVIDEND

During the period, the shareholders' meeting approved the final dividend for 2003 of RMB730,473,000 (Six months ended 30 June 2003: 2002 final dividend of RMB654,907,000).

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend (Six months ended 30 June 2003: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited Group's profit for the six months ended 30 June 2004 of RMB750,908,000 (Six months ended 30 June 2003: RMB490,523,000) and 5,037,747,500 (Six months ended 30 June 2003: 5,037,747,500) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares for the current and prior period.

II. PROPERTY, PLANT AND EQUIPMENT

	Toll roads and structures	Land use rights	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST										
At 1 January 2004	9,639,997	1,747,268	490,336	499,921	212,708	244,130	129,621	202,551	922,520	14,089,052
Additions	—	—	818	189	413	24,206	9,566	10,241	1,414,634	1,460,067
Transfers	—	—	3,064	—	—	—	703	—	(3,767)	—
Write off	(3,111)	—	(38)	(180,098)	(74,604)	(46,544)	(2,022)	—	—	(306,417)
At 30 June 2004	9,636,886	1,747,268	494,180	320,012	138,517	221,792	137,868	212,792	2,333,387	15,242,702
DEPRECIATION AND AMORTISATION										
At 1 January 2004	1,015,251	179,462	107,792	316,123	90,649	103,606	49,018	108,123	—	1,970,024
Provided for the period	176,475	23,240	7,618	24,289	8,005	14,607	4,354	15,537	—	274,125
Eliminated on write-off	(311)	—	—	(129,548)	(39,131)	(21,588)	(1,331)	—	—	(191,909)
At 30 June 2004	1,191,415	202,702	115,410	210,864	59,523	96,625	52,041	123,660	—	2,052,240
NET BOOKVALUES										
At 30 June 2004	8,445,471	1,544,566	378,770	109,148	78,994	125,167	85,827	89,132	2,333,387	13,190,462
At 31 December 2003	8,624,746	1,567,806	382,544	183,798	122,059	140,524	80,603	94,428	922,520	12,119,028

All the Group's buildings and toll roads are situated in the PRC and held under medium-term land use rights.

Included in construction in progress is net interest capitalised of RMB34,208,000 (31 December 2003: Nil).



12. PREPAYMENTS AND OTHER RECEIVABLES

	30/6/2004	31/12/2003
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayment for materials and equipment	25,319	19,863
Receivable from liquidation of a former joint venture	23,812	23,812
Others	112,364	52,892
	<u>161,495</u>	<u>96,567</u>
Less: Allowance for doubtful debts	(1,350)	(1,302)
	<u><u>160,145</u></u>	<u><u>95,265</u></u>

13. LONG-TERM BORROWINGS

	Interest rate	30/6/2004	31/12/2003
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Unsecured bank loans with maturities 2009-2015	5.18% per annum	200,000	—
USD denominated Spain government loans with maturities 2007 - 2026 (Note)	1% per annum	41,013	41,013
USD denominated buyer's credit loans with maturities 2001 - 2006 (Note)	6.77% per annum	17,070	20,477
		<u>258,083</u>	<u>61,490</u>
		<u><u>258,083</u></u>	<u><u>61,490</u></u>

The maturity of the long term loans is as follows:

	30/6/2004	31/12/2003
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	6,813	6,813
More than one year but not exceeding two years	6,813	6,813
More than two years but not exceeding five years	9,596	10,952
More than five years	234,861	36,912
	<u>258,083</u>	<u>61,490</u>
Less : Amount due within one year included in current liabilities	<u>(6,813)</u>	<u>(6,813)</u>
Amount due after one year	<u><u>251,270</u></u>	<u><u>54,677</u></u>

Note: These long-term borrowings were guaranteed by the ultimate holding company, Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司, a state owned enterprise incorporated in the PRC.

14. SHORT-TERM BORROWINGS

	30/6/2004	31/12/2003
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unsecured	<u><u>2,550,000</u></u>	<u><u>1,400,000</u></u>

The borrowings are unsecured and repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China.

15. SHARE CAPITAL

There was no movement in the Company's authorised and issued share capital during the interim report period.



16. DEFERRED TAXATION

The following are the deferred taxation (assets) liabilities recognised and movements thereon during the current and prior period:

	Interest capitalised RMB'000	Write-off of property, plant and equipment RMB'000	Allowance for doubtful debts RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2003	—	—	—	22,237	2,991	25,228
(Credit) charge to income statement	—	—	(359)	7,629	(2,991)	4,279
At 31 December 2003	—	—	(359)	29,866	—	29,507
Charge (credit) to income statement	11,288	(36,851)	(20)	2,971	—	(22,612)
At 30 June 2004	11,288	(36,851)	(379)	32,837	—	6,895

17. OTHER COMMITMENTS

At 30 June 2004, the Company is committed to pay Jiangsu Province Ninglian Ningtong Management Office, an independent third party, a service charge at a fixed rate of 17% of the total toll revenue collected on Nanjing-Lianyungang Class I Highway-Nanjing Section per annum for a term of 30 years commencing from 1 January 2000.

18. CAPITAL COMMITMENTS

	30/6/2004 RMB'000 (Unaudited)	31/12/2003 RMB'000 (Audited)
Commitments for the acquisition of toll highway operating rights and property, plant and equipment in respect of the toll roads expansion project contracted for but not provided in the financial statements	3,641,299	3,049,193

19. THE EFFECT ON THE FINANCIAL STATEMENTS ARISING FROM THE DIFFERENCES BETWEEN PRC GENERALLY ACCEPTED ACCOUNTING PRACTICE (“GAAP”) AND HONG KONG GAAP

	Net profit		Net assets	
	For the six months ended			
	30/6/2004	30/6/2003	30/6/2004	31/12/2003
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
As reported under PRC accounting standards	656,635	463,460	14,487,936	14,562,325
Adjustments made to conform with principles generally accepted in Hong Kong				
- Amortisation of land use rights	9,002	14,461	99,506	90,504
- Valuation, depreciation and amortisation of property, plant and equipment	29,002	16,496	(1,506,956)	(1,535,958)
- Loss on disposal of staff quarters	—	—	(8,237)	(8,237)
- Deferred taxation	22,612	(2,909)	(6,895)	(29,507)
- Capitalised interest	34,208	—	34,208	—
- Others	(551)	(985)	—	—
As reported under accounting principles generally accepted in Hong Kong	<u>750,908</u>	<u>490,523</u>	<u>13,099,562</u>	<u>13,079,127</u>

20. COMPARATIVE FIGURES

- Interest income of RMB13,645,000 included in finance costs in prior period was reclassified to other operating income in the condensed consolidated income statement to conform with current period's presentation.
- Amortisation of goodwill of RMB6,258,000 and release of negative goodwill of RMB260,000 respectively included in share of results of associates in prior period were presented as separate items in the condensed consolidated income statement to conform with current period's presentation.



III. Changes in Share Capital and Profiles of Shareholders

(1) Change in Share Capital

During the Reporting Period, there has been no change in the total number of shares or in the capital structure of the Company.

(2) Number of Shareholders at the end of the period

As at 30 June 2004, there were a total of 40,390 shareholders registered on the register of members of the Company, among whom 39,395 were domestic shareholders and 995 were foreign shareholders.

(3) Shareholding of Major Shareholders

I. As at 30 June 2004, shareholding of the top ten shareholders of the Company were as follows:

No.	Name of shareholder	Number of shares held at the end of the period (shares)	Change during the period	Shareholding proportion in the entire capital (%)	Category of shareholders (holders of State-owned shares or foreign investment shares)
1	Jiangsu Communications Holding Company Ltd.	2,781,743,600		55.22	Stated-owned Shares
2	Huajian Transportation Economic Development Centre	597,471,000		11.86	Stated-owned Legal Person Shares
3	Sumitomo Life Insurance Company	86,380,000	9,744,000	1.71	H Shares
4	J.P. Morgan Chase & Co.	85,442,700	85,442,700	1.70	H Shares
5	HSBC Asset Management (Hong Kong) Limited	78,228,000	78,228,000	1.55	H Shares
6	The Capital Group Companies, Inc.	71,682,000	-22,138,000	1.42	H Shares

No.	Name of shareholder	Number of shares held at the end of the period (shares)	Change during the period	Shareholding proportion in the entire capital (%)	Category of shareholders (holders of State-owned shares or foreign investment shares)
7	Galaxy Securities Co., Ltd.	24,207,583	-3,791,940	0.48	A Shares
8	Huaxia Securities Company	16,660,000		0.33	Social Legal Person Shares
9	Shenyin Wanguo Securities Stock Company Limited	14,450,000		0.29	Social Legal Person Shares
10	Winner Glory Development Ltd.	12,000,000		0.24	H Shares

Note: Explanation on the shareholding of the top ten shareholders:

- (a) For holders of H Shares, based on their disclosure made pursuant to the Securities and Futures Ordinance and the register of members;
- (b) The Company is not aware whether the top ten shareholders of the Company are connected with each other or acting in concert;
- (c) During the Reporting Period, the Company has not been notified of any pledge or moratorium or custody of shares held by legal person shareholders holding more than 5 percent of the shares;
- (d) During the Reporting Period, there were no connected persons, strategic investors or general legal persons who have become one of the top ten shareholders of the Company as a result of the placing of new shares.



2. As at 30 June 2004, the top ten shareholders holding outstanding shares of the Company were as follows:

No.	Name of shareholder	Number of shares held as at the end of the period (shares)	Class (A, B, H Shares or Others)
1	Sumitomo Life Insurance Company	86,380,000	H Share
2	J.P. Morgan Chase & Co.	85,442,700	H Share
3	HSBC Asset Management (Hong Kong) Limited	78,228,000	H Share
4	The Capital Group Companies, Inc.	71,682,000	H Share
5	Galaxy Securities Co., Ltd.	24,207,583	A Share
6	Winner Glory Development, Ltd.	12,000,000	H Share
7	Guolian Andesheng Small Cap Selected Securities Investment Fund	1,567,894	A Share
8	Yuyang Securities Investment Fund	732,419	A Share
9	Gansu Real Estate Investment and Development Corporation	644,000	A Share
10	Wang Cuihong	520,100	A Share

Note:

- (a) For holders of H Shares, based on their disclosure made pursuant to the Securities and Futures Ordinance and the register of members.
- (b) The Company is not aware of any connected relationships among such top ten shareholders holding outstanding shares.
3. Persons directly or indirectly holding interests of 5 percent or more in each class of shares of the Company as at 30 June 2004:

(1) State-owned Shares

Jiangsu Communications Holding Company, Ltd. held 2,781,743,600 State-owned Shares, representing 100% of the State-owned Shares and approximately 55.22% of the total issued share capital of the Company, as beneficial owner on behalf of the State.

(2) Legal Person Shares

Huajian Transportation Economic Development Centre held 597,471,000 Legal Person Shares, representing 67.8% of the Legal Person Shares and approximately 11.86% of the total issued share capital of the Company, as beneficial owner.

(3) H Shares

As at 30 June 2004, the interests or short positions of the person or entities, other than the directors, supervisors or chief executive of the Company, in the Share or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance are as follows:

Long Position

Name	Capacity	Direct Interests	Number of H Shares	Percentage of H Shares (total shares)
Sumitomo Life Insurance Company	Interests in controlled corporation	No	86,380,000	7.07 (1.71)
Sumitomo Mitsui Asset Management Company, Limited (Note 1)	Investment manager	Yes	86,380,000	7.07 (1.71)
J.P.Morgan Chase & Co. (Note 2)	Interests in controlled corporation	No	85,442,700	6.99 (1.70)
JPMorgan Chase Bank	Custodian corporation/ approved lending agent	Yes	76,039,100	6.22 (1.51)
HSBC Asset Management (Hong Kong) Limited	Investment manager	Yes	78,228,000	6.40 (1.55)
The Capital Group Companies, Inc. (Note 3)	Interests in controlled corporation	No	71,682,000	5.87 (1.42)
Capital Research and Management Company (Note 3)	Investment manager	Yes	71,682,000	5.87 (1.42)

Note 1: The two references to 86,380,000 H Shares relate to the same block of shares of the Company. Sumitomo Life Insurance Company was the controlling shareholder of Sumitomo Mitsui Asset Management Company, Limited.



Note 2: The 85,442,700 H Shares which J.P.Morgan Chase & Co. was deemed to be interested in included:

- (1) 76,039,100 H Shares (reported as lending pool) which JP Morgan Chase Bank (a 100% subsidiary of J.P. Morgan Chase & Co) was deemed to be interested in the capacity of custodian corporation/ approved lending agent;
- (2) 6,205,600 H Shares which a 100% subsidiary of J.P.Morgan Chase & Co. was deemed to be interested in because of its interests in a corporation controlled by it, such corporation was reported as beneficial owners of the H Shares; and
- (3) 3,198,000 H Shares which a 100% subsidiary was deemed to be interested in because of its interests in a corporation controlled by it, such corporation was taken to have a duty of disclosure as an investment manager.

Note 3: The Capital Group Companies Inc. was taken to have interested in the 71,682,000 H Shares held by its 100% subsidiary Capital Research and Management Company in the capacity as an investment manager (which in turn was taken to have a duty of disclosure).

- (4) A Shares

Galaxy Securities Co., Ltd. held 24,207,583 listed A Shares, representing approximately 16.14% of the listed A Shares and approximately 0.48% of total share of the Company.

(4)Change in Controlling Shareholders

During the Reporting Period, there has been no change in the controlling shareholder.

(5)Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities during the Reporting Period.

(6)Pre-emptive Rights

There are no provisions for pre-emptive rights under the laws of the People's Republic of China and the Company's Articles of Association which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

IV. Directors, Supervisors and Senior Management

(1) Shareholding of Directors, Supervisors and Senior Management

During the Reporting Period, there was no record showing that any directors, supervisors, chief executive, senior management of the Company or any of their associates hold any interest or short position in the share, underlying shares, or debentures of the Company or its associated corporations, whether pursuant to the register required to be kept under section 352 of the Securities and Futures Ordinance or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

At no time during the Reporting Period was the Company or any other associated corporations a party to any arrangements to enable the directors, supervisors or senior management of the Company or any of their associates to acquire benefits by means of acquisition of shares in or debentures of the Company or any other corporations.

(2) Appointments and Resignations of Directors, Supervisors and Senior Management

In January 2004, the Company's General Manager Mr. Chen Xiang Hui and Deputy General Manager Mr. Liu Bu Cun resigned from their positions with the Company due to job change. At the fourth session of the fourth Board of Directors, Mr. Xie Jia Quan was appointed as the General Manager of the Company. Mr. Qian Yong Xiang resigned as Supervisor and took up the position of Deputy General Manager. Both appointments have a term of 3 years.

Mr. Wang Zheng Yi resigned as a director due to his job. At the 2003 Annual General Meeting, Mr. Xie Jia Quan was appointed as a director of the Company commencing from 28 June 2004 (being the date of 2003 Annual General Meeting) until the date of 2006 Annual General Meeting.

On 30 July 2004, at the working conference of the labour union of the Company, Ms. Shang Hong was elected as the supervisor representing the staff of the Company.

(3) Information on the Staff of the Company

During the Reporting Period, the Company continued to advance its reform on personnel management system. The standardisation of employment methods and the implementation of equal pay - equal work have provided the foundation for the comprehensive implementation of salary system reform. The Company has further strengthened its staff training and implemented a competitive promotion mechanism, and has carried out substantial preparations for the establishment of a pension scheme.

As at 30 June 2004, the Company had 2,788 staff. At the fifth meeting of the fourth session of the Board of Directors, the directors approved the total salaries of the staff for 2004 in the amount of RMB 100,980,000. During the first half of 2004, a total of RMB34,000,000 was paid by the Company as salaries. The Company did not have any incentive scheme such as bonus and share options during the Reporting Period.



V. Management Discussion and Analysis

(I) Analysis of Business Operations

I. Overview

During the Reporting Period, in accordance with the generally accepted accounting principles in the PRC ("PRC GAAP"), the Group recorded operating revenue of approximately RMB1,898,634,000, representing an increase of approximately 50.72% over the corresponding period of the previous year. In accordance with the PRC GAAP, profit after taxation of the Group for the Reporting Period was approximately RMB656,635,000. Earnings per share was approximately RMB0.130, an increase of 41.68% over the corresponding period of the previous year. In accordance with Hong Kong generally accepted accounting principles and standards ("HKGAAP"), profit after taxation of the Group was approximately RMB750,908,000. In accordance with the PRC GAAP, earnings per share was about RMB0.15, an increase of approximately 53.08% over the corresponding period of the previous year. The operation results for various business segments were as follows (prepared in accordance with PRC GAAP):

Item	Operating revenue (RMB'000)	As percentage of total revenues (%)	Operating revenue Year-on-year change (%)	Operating costs (RMB'000)	Gross margin Year-on-year change (%)
Jiangsu Section of Shanghai-Nanjing Expressway	1,258,992	66.31	73.04	233,043	81.49
Jiangsu Section of Nanjing-Shanghai Class 2 Highway	111,441	5.87	-9.64	56,984	48.87
Nanjing Section of Nanjing-Lianyungang Highway	32,995	1.74	25.46	14,898	54.85
Guangjing Xicheng Expressways	274,892	14.48	74.21	50,638	81.58
Auxiliary services	214,966	11.32	3.36	206,286	4.04
Revenues from other operations	5,348	0.28	-84.45	5,757	-7.65
Total	1,898,634	100.00	50.72	567,606	70.10

Explanation on the reclassification of business operations in accordance with the PRC GAAP:

During the Reporting Period, in order to enhance the comprehension of the information disclosed the Group's operating activities were reclassified in terms of revenues from expressway operation and revenues from non-expressway operation. Comparative figures for the corresponding period set out in this announcement were restated so as to conform with the re-classification.

(1) Revenues from principal businesses

Revenues from principal operations comprised toll revenues from Jiangsu Section of Shanghai-Nanjing Expressway and Guangjing Xicheng Expressways as well as revenues from auxiliary services closely related to the expressway operations:-

- i. Toll revenues refer to the toll revenues from the operation of tolled highways.
- ii. Revenues from auxiliary services included those from all the operations within the gated toll road areas other than the toll operations, such as refueling, catering, accommodation, vehicle repair and merchandise retail.

(2) Revenues from other businesses

Revenues from other businesses mainly comprised revenues from repair and maintenance of roads and bridges and advertising.



Explanation on the change in revenues from operations over the corresponding period

During the Reporting Period, there was considerable growth in the principal business over the corresponding period of the previous year, which was mainly attributable to the following, apart from the impact of SARS and the large scale intensive repairs of the road surface of Shanghai-Nanjing Expressway during the first half of 2003:

- (1) The promising trend of steady and rapid development in the national and regional economies was maintained. During the first half of 2004, good results were achieved from macro-economic control measures as implemented by the State, economic efficiency improved steadily. GDP grew by 9.7% during the first half of the year, an increase of 1.5 percentage points over the corresponding period of the previous year. GDP in Jiangsu Province grew by 15.1%, an increase of 2.1 percentage points over the corresponding period of the previous year. Rapid development in the economy facilitated the increase in volume of passenger and goods transportation within the region. Increase in traffic flow for most of the Company's road and bridge assets was accelerated.
- (2) Since 1 January 2004, toll rates for passenger vehicles in Jiangsu Province were increased by 12.5%, which in turn increased toll revenues.
- (3) Remarkable results were achieved from the implementation of the calculation of tolls for goods vehicles on the basis of weight with effective from 28 December 2003. The proportion of overloaded vehicles was greatly reduced as compared with that before the implementation of such measure. The usual operation of roads as well as expenses incurred on daily maintenance was improved. At the same time, additional tolls collected from overloaded vehicles also increased toll revenues.

There was a fall in the revenues from other operations as a result of the reduction in revenues from repair and maintenance of roads and bridges. For the six months ended 30 June 2004, the Group recorded a revenue of RMB14,810,000 from repair and maintenance of roads and bridges, whilst RMB26,562,000 was recorded for the same in the corresponding period of the previous year.

Figures for daily average traffic volumes and toll revenues generated from all road and bridge projects in the first half of 2004:

Road and bridge project	Daily average traffic volume	Increase over the corresponding period of the previous year	Daily average toll revenue	Increase over the corresponding period of the previous year
	(vehicle)	(%)	(RMB'000)	(%)
Shanghai-Nanjing Expressway	35,088	30.92	6,917.5	72.09
Nanjing-Shanghai Class 2 Highway	35,069	-13.80	612.3	-10.14
Nanjing Section of Nanjing-Lianyungang Highway	10,887	11.46	181.3	24.77
Guangjing Expressway	28,451	29.78	582.1	54.40
Xicheng Expressway	25,561	35.62	927.3	87.57
Jiangyin Yangtze Bridge	30,437	33.94	1,875.8	74.38
Sujiahang Expressway	17,794	—	1,696.2	125.98

2. Progress on the Expansion Works

(1) Progress of the Widening Works of the Jiangsu Section of Shanghai-Nanjing Expressway

The project for expanding the Jiangsu Section of Shanghai-Nanjing Expressway into an eight-lane expressway was approved by the State Development and Reform Commission on 20 February 2004. The investment in this project was approved at the 2003 Annual General Meeting of the Company.

In accordance with the progress as scheduled, the expansion project is proceeding rapidly. Project works benchmarks, such as works designs, treatment of soft foundation, excavation of earth and stone for roadbeds and demolition of bridges were carried out smoothly. Works quality and progress as well as fund application were well under control.

The Company formulated control measures at various intersecting points. Traffic management was also conducted on-site, so as to ensure safety and a smooth traffic flow. Traffic diversion plans on goods vehicles travelling on Shanghai-Nanjing Expressway were implemented in stages since 1 June 2004, so as to ensure that the expansion project would be carried out smoothly.



For the second half of this year, the expansion project will complete all excavation of earth and stone for roadbeds and the construction of medium and small bridges. Works on main structures for intersecting roads, as well as road-surface works and construction of main structures of large bridges and extra large bridges on the southern side of the expressway, will commence.

(2) Progress of the Widening Works of the Jiangsu Section of Nanjing-Shanghai Class 2 Highway

The widening works of Nanjing-Shanghai Class 2 Highway into a four-lane Class I highway was managed and constructed by the Highway Bureau under the Jiangsu Communications Department. The works is in smooth progress as planned. Pursuant to the contract between the Company and the Highway Bureau, the Company has already made payments aggregated RMB1,000 million to the Highway Bureau.

3. Implementation of Traffic Diversions

In order to cope with the need of the expansion works in the Jiangsu Section of Shanghai-Nanjing Expressway, with the approval of the Public Securities Department and the Communications Department of Jiangsu Province, the Company implemented traffic diversions at the Jiangsu Section of Shanghai-Nanjing Expressway from 1 June 2004. Targets of such traffic diversions are large goods vehicles (goods vehicles with three axles and above) and medium to small goods vehicles (goods vehicles with two axles or below). Specific arrangements of the control plan included not allowing goods vehicles with three axles above (including three) to pass through the Nanjing-to-Changzhou intersecting section, and not allowing any goods vehicles to pass through the section between Changzhou Interchange and Huaqiao (at the border of Shanghai and Suzhou).

After the implementation of the goods vehicle traffic diversions, the roads and bridges of the Company were affected to different degrees. Shanghai-Nanjing Expressway and Xicheng Expressway were more affected. Daily average traffic volumes in June fell by 33.4% and 27.28%, respectively, as compared with those between January and May.

Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway were less affected. Daily average traffic volumes in June fell by 4.06%, 8.34% and 2.65%, respectively, as compared with those between January and May.

As part of the goods vehicle traffic was diverted from Shanghai-Nanjing Expressway to Nanjing-Shanghai Class 2 Highway, significant increase in traffic flow was recorded for the latter. Daily average traffic volume and daily average toll revenue in June grew 48.72% and 122.53%, respectively, as compared with the averages between January and May. The toll station of Yanqiao commenced operation and collected toll from 1 July 2004 onwards.

In accordance with the scheduled progress on the expansion works, the Company has implemented the second stage traffic diversion plan for Shanghai-Nanjing Expressway from 1 August 2004 onwards where no goods vehicles are allowed to pass through along the whole expressway. It is expected that the implementation of such traffic control measures will further reduce the traffic volume on the Jiangsu Section of Shanghai-Nanjing Expressway by about 5% from the already reduced June/July levels.

4. Subsidiaries and Associated Companies

The Company's share of profits from subsidiaries and associated companies during the first half of 2004 amounted to RMB183,079,000 in aggregate, accounting for 28.04% of the Company's net profit.

Among this, net profit of Jiangsu Guangjing Xicheng Expressway Co., Ltd. amounted to RMB138,866,000, contributing an investment income of RMB118,036,000 and representing approximately 18.08% of the Company's net profit. Guangjing Xicheng is a 85%-owned subsidiary of the Company, mainly engaged in the management, operation maintenance and toll collection of Guangjing Expressway and Xicheng Expressway.

5. Issues and Difficulties Arising from the Operations

With the commencement of the construction works on the southern side of the expansion project of Shanghai-Nanjing Expressway, the implementation of traffic diversions for goods vehicles along that section will bear certain negative effect on the operating results of the Company during the whole period enforcing traffic diversions.

Pursuant to the arrangement on the work progress, the construction works on the southern side of the expressway will last about one year. Upon the completion of road surface for four lanes, the Company expects that the condition of traffic flow will be improved on Shanghai-Nanjing Expressway.



(II) Results of Principal Operations and Analysis of Financial Conditions (according to HKGAAP)

The Company has adopted a pro-active and prudent financial policy. Tight control was exercised over investment exposure. The composition of liabilities was reviewed and adjusted on a regular basis with reference to the continued development in future and the existing internal resources capabilities, so as to ensure optimal interests for the Company and its shareholders.

I. Analysis of the Group's Operating Results

(Unit: RMB'000)

Item	six months ended 30 June 2004	six months ended 30 June 2003	% Change
	Net income	1,813,796	
Operating profit	1,073,712	717,450	49.66
Net profit	750,908	490,523	53.08
Increase in cash and cash equivalents	112,658	-112,864	—

The main reasons for the change were as follows:

- (1) During the Reporting Period, significant increase was recorded for income, which was attributable to the increase in toll revenues. For the six months ended 30 June 2004, the Group recorded toll revenues of RMB1,678,321,000, which was an increase of RMB643,311,000 from RMB1,035,010,000 of the corresponding period in the previous year.
- (2) An increase in operating profit was attributable to the rapid increase of income from toll operations. On the other hand, the corresponding operating costs were well-contained. For the six months ended 30 June 2004, accrued costs of the Group's toll operations amounted to RMB355,564,000, an increase of RMB92,705,000 from RMB262,859,000 of the corresponding period in the previous year which was mainly due to increase of depreciation expenses.

2. Analysis of the Group's Assets

The Group's assets were as follows:

(Unit: RMB'000)

Item	As at 30 June 2004	As at 30 June 2003	% Change
Total assets	17,539,248	15,278,665	14.80
Shareholders' equity	13,099,562	13,079,127	0.16

3. Write-off on impairment in fixed assets, net

During the Reporting Period, the Company has written off fixed assets with respect to the safety facilities and communication, surveillance and toll collection system of the Jiangsu Section of the Shanghai-Nanjing Expressway as a result of the expansion project, in accordance with the Interim Measures on the Financial Treatment on Asset Impairment of Enterprises as published by the Ministry of Finance and the relevant provisions as provided in the Notice on Further Enhancing the Quality of Financial Information Disclosed by Listed Company (Zheng Jian Hui Ji Zi [2004] No. 1), and an aggregate write-off of RMB110,979,000 (net) was recorded and an aggregate of RMB3,529,000 was written off for other fixed assets. Total write-off of RMB114,508,000 was recorded by the Group for its fixed assets in the first half of the year.

(1) Impairment of safety facilities, net

In accordance with the relevant provisions published by the Ministry of Finance, CSRC and the Shanghai Stock Exchange, as well as the Company's internal procedures, safety facilities of Shanghai-Nanjing Expressway affected by the expansion project of an aggregate amount of RMB50,550,000 (net) was written off.

RMB'000

Item	Impairment (net)
Gate	17,550
Signage works	6,688
Lighting works	7,647
Other facilities	18,665
Total	50,550



(2) Impairment of communication, surveillance and toll collection system, net

In accordance with the relevant provisions published by the Ministry of Finance, CSRC and the Shanghai Stock Exchange, as well as the Company's internal procedures, detailed examination, analysis and classification were made on the communication, surveillance and toll collection system. A provision was made for those fixed assets that were technologically obsolete and of no further use and no sale value as a result of the expansion. An aggregate write-off of RMB60,429,000 (net) was recorded.

RMB'000

Item	Impairment (net)
Communication system	5,280
Surveillance system	30,194
Toll collection system	24,955
	<hr/>
Total	60,429
	<hr/> <hr/>

4. Capital Structure of the Group as at 30 June 2004

Item	Amount (RMB'000)
Shareholders' equity	13,099,562
Minority interests	412,047
Liabilities at fixed interest rates	2,808,083
Liabilities at floating interest rates	—
Interest-free liabilities	1,219,556
	<hr/>
Total	17,539,248
	<hr/> <hr/>
Gearing ratio	22.96%
	<hr/> <hr/>

5. Capital Expenditure

During the first half of 2004, the Group implemented its plan on capital expenditure of approximately RMB3,296,627,000, detailed as follows:

Capital expenditure items:

	RMB'000
Expansion of Shanghai-Nanjing Expressway	2,264,303
Widening of National-Shanghai Class 2 highway	1,000,000
Others	32,324
Total	<u>3,296,627</u>

Principal source of funding: The capital expenditure of the Company was mainly financed by internal resources and commercial loans. There was an increase of commercial loans of RMB1,350,000,000 in the first half of the year.

6. Management of Cash and Liabilities

As an operator of toll roads and bridges, the Group has been able to maintain a stable and substantial cash inflow from its daily operations, and therefore has a strong ability to repay debts when they fall due.

As at 30 June 2004, the Group had cash and cash equivalents of RMB1,649,687,000 and bank borrowings of RMB2,808,083,000. Gearing ratio remained at a relatively low level of 22.96%. Therefore, the management considers that the Group is not exposed to any risks in respect of the management of cash and liabilities.

7. Taxation Policies

The Company pays enterprise income tax in accordance with the statutory tax rate of 33%. The accumulated income tax for the first half of 2004 was RMB370,425,000.

8. Entrusted Deposits

During the Reporting Period, the Company did not have any entrusted deposits placed with financial institutions within the PRC. The Company did not experience any difficulties to receive repayment upon the maturity of time deposits.



9. Foreign Exchange Exposure

The Company did not have any significant foreign exchange exposure. In 1998, the Group was granted a loan facility of approximately US\$9,800,000 by the Spanish government. As at 30 June 2004, the balance of such loan was equivalent to RMB58,083,000. The Company has not adopted any hedging arrangement in respect of such loan.

10. Contingent Liabilities

As at 30 June 2004, the Company did not have any contingent liability.

(III) Business Development Plans for the Second Half of the Year

During the second half of 2004, the widening works of Nanjing-Shanghai Expressway entered into a critical stage with an escalation in the quantity and difficulties of works. It was necessary to accelerate the completion of the roadbeds works and other front-end works in preparation for the road surface works scheduled to be carried on the southern part of the Expressway. Besides, traffic diversion of goods vehicles has to be continued due to the road surface works, which will affect the Company's operating revenue to a certain extent.

In this connection, the Company will step up its works in site management to ensure the safety and smooth traffic flow on Nanjing-Shanghai Expressway during the work period, while seeking to carry out the widening works smoothly. Efforts will also be made to accelerate the modifications works on the various services areas along the road while maintaining their operations and services.

As to fund raising, the Company will fully leverage its advantageous position in terms of its cash flow, information and the project to secure funds for the expansion project at lower costs in a timely manner. Borrowing costs and financial charges will be reduced by way of rational adjustment of the composition and term of the loans. Costs and expenses will be effectively controlled through a standardised financial operation.

The Company believes that through the concerted efforts of the management and all staff, it will ensure the normal operation of the Company's various businesses during the time when Shanghai-Nanjing Expressway is under expansion construction.

VI. Significant Matters

(I) Corporate Governance

During the Reporting Period, the Company amended and supplemented the relevant terms in its Articles of Association in accordance with the 《Standard on the Governance of Listed Companies》 and 《Notice of certain issues relating to regulating capital dealings with related parties by listed companies and provisions of external guarantees by listed companies》(《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) issued by the CRSC, and the laws and regulations of Hong Kong and the newly revised Listing Rules. Amendments to the Articles of Association involved eight articles thereto. Pursuant to legal procedures, the Company has approved and submitted the amendments for relevant authority's approvals.

The newly revised Listing Rules of the Hong Kong Stock Exchange came into effect on 31 March 2004. The Company has reviewed and adjusted its projects in progress to ensure compliance with the new rules.

During the Reporting Period, the Company has formulated the Work System of Investor Relations Management (《投資者關係管理工作制度》) which sets out the basic principles and move-forward approach for the work of investor relations management with reference to the actual situation of the Company. Meanwhile, in order to ensure that transactions entered into the Company and its subsidiaries with connected parties will comply with the requirements, the Company has formulated standards of conduct governing connected transactions as a guidance for its normal and ordinary course of operations.

During the Reporting Period, the specialised committees of the Board of Directors convened four meetings at which the committees reviewed the appointments of management staff, changes of directors of the Company and review of the Company's periodic financial reports. Independent directors also provided independent opinions in an objective and fair manner in respect of substantial acquisitions and connected transactions.

The Board of Directors are of the view that the Company has conducted its operations in accordance with the relevant laws and regulations, implemented strict governance and complied with the Code of Best Practice as set out in Appendix 14 and the Model Code Governing the Securities Transactions by Directors of the Company as set out in Appendix 10 to the Hong Kong Listing Rules during the Reporting Period. The directors are not aware of any circumstance that reasonably indicates that the Company or any of the directors or supervisors are in breach of, or has not complied with, the Codes.



(2) Profit Distribution Scheme and Its Implementation

The following profit distribution scheme for 2003 was approved at the fifth meeting of the fourth session of the Board of Directors held by the Company: a cash dividend of RMB1.45 (tax inclusive) for every 10 shares shall be distributed to all shareholders on the basis of 5,037,747,500 shares in issue at the end of 2003. Such scheme was reviewed and approved at the 2003 Annual General Meeting.

The Board of Directors of the Company, with authorisation of the Shareholders' General Meeting, decided that the cut-off date for the purpose of determining the entitlements of domestic shareholders was 9 July 2004, and the ex-dividend date was 12 July 2004. Dividends for H Share shareholders are denominated in RMB and payable in HK Dollars, and a cash dividend of HK\$1.366 was paid for every 10 shares held. Latest time to register transfer of H Shares for the dividend was 28 May 2004. The dividend was declared on 28 June 2004.

The dividend for 2003 was paid on 16 July 2004 and the profit distribution scheme for the previous year has been implemented.

For the Reporting Period, the Board of Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2004.

(3) Material Litigation or Arbitration

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

(4) Material Acquisition and Sale of Assets

During the Reporting Period, the Company resolved to invest in the expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway and to acquire the extended new operating right of Nanjing-Shanghai Class 2 Highway upon the widening work.

Detailed analysis on the progress of the expansion project of Shanghai-Nanjing Expressway and its impact on operating results and financial condition during the Reporting Period was set out in the previous sections.

The widening works of Nanjing-Shanghai Class 2 Highway into a four-lane Class 1 highway was managed and constructed by the Highway Bureau under the Jiangsu Communications Department. The works is in smooth progress as planned. Pursuant to the contract between the Company and the Highway Bureau, the Company has already made payments aggregated RMB1,000 million to the Highway Bureau.

(5) Connected Transactions

The transactions entered into by the Company with connected companies during the Reporting Period were as follows:

Road Maintenance Service Contracts with Jiangsu Sundian

On 26 April 2004, the Company and Guangjing Xicheng entered into maintenance contracts with Jiangsu Sundian in respect of the repair and maintenance service of the Jiangsu Section of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, with the duration of the contracts from 1 May 2004 to 31 December 2004 and for maintenance service fees not exceeding RMB46 million and RMB20 million, respectively.

Maintenance service fees are determined as follows: tender prices accepted will be the fee basis for projects to be awarded through public tenders whereas the fee basis for other projects will be determined after arm's length negotiation and with reference to the prevailing market prices reviewed by an independent and qualified cost consultation institute. The limits of maintenance service fees are based on estimated works in 2004. The Company will supervise the situation to ensure that the total amount of works contracted will not exceed the relevant limits. The maintenance service fees will be financed by the own resources of the Company or Guangjing Xicheng.

As the aggregate maximum annual maintenance fees of these two maintenance contracts are RMB66,000,000, the maintenance contracts constituted ongoing continued connected transactions under rule 14A.34 of the Hong Kong Listing Rules, which required compliance with the reporting and announcement requirements but did not require independent shareholders' approval. The relevant announcement was published in the newspapers in Hong Kong and the PRC on 29 April 2004.

Opinion of the Independent Directors

The Board of Directors voted in a legal and valid manner for the connected transactions at the seventh meeting of the fourth session of the Board of Directors held by the Company. The independent directors of the Company have reviewed the connected transactions and confirmed that:

The two maintenance contracts are in the interest of all shareholders of the Company. They have been entered into by the Company in the usual and ordinary course of business and the terms are normal commercial terms. The transactions are fair and reasonable so far as the shareholders of the Company are concerned.



(6) Other Material Contracts and Their Implementation

1. Material trusts, subcontracting or leasing

During the Reporting Period, the Company had no material trusts, subcontracting or leasing arrangement. As at 30 June 2004, the accumulated consideration of subcontracting contracts in respect of expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway amounted to RMB423 million in aggregate. The actual amount paid was RMB2,114 million.

2. Material guarantees and pledge of assets

During the Reporting Period, the Company had not provided any guarantee to any shareholders or connected parties or any other companies, nor was there any pledge of assets subsisting.

3. Entrusted financial management

During the Reporting Period, the Company had not entrusted any other person to carry out cash asset management.

4. Capital dealings with related parties and external guarantees

During the Reporting Period, pursuant to the 《Notice of certain issues relating to the standards of capital dealings with related parties by listed companies and provisions of external guarantees by listed companies》(《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) issued by the CRSC, none of the controlling shareholder or other related parties have appropriated the Company's capital. No guarantee has been provided by the Company to the controlling shareholder or other related parties and none of the controlling shareholder or related parties have provided any guarantee. No such events have occurred in respect of any subsidiaries which have been consolidated into the Company's financial statements.

The independent directors of the Company have provided their independent opinions in respect of the aforementioned matters.

5. Other material contracts

During the Reporting Period, material contracts being performed by the Company included the following:

- (1) On 6 April 2004, the Company entered into a maintenance contract with Jiangsu Sundian in respect of the repair and maintenance service of the Jiangsu Section of Shanghai-Nanjing Expressway, with duration of contract from 1 May 2004 to 31 December 2004 and estimated total contract sum not exceeding RMB46,000,000.
- (2) On 14 April 2004, the Company entered into a second supplementary contract with the Highway Bureau of Jiangsu in respect of the extension of the operation right after the Widening Project of Nanjing-Shanghai Class 2 Highway. The Company was granted a new operation right of the Nanjing-Shanghai Class 2 Highway in consideration of RMB2.7 billion. The term of the new operation right is from 27 June 2012 to 26 June 2024.

(7) Undertakings

1. The Board of Directors of the Company has undertaken, in respect of the profit distribution proposal for 2004, one cash dividend distribution of no less than 50% of the net profit of the year.
2. During the Reporting Period, there were no disclosures regarding any undertakings made by shareholders holding 5% or more of the share capital of the Company in the press or in websites designated that might have significant impact on the Company's operating results or financial conditions.

(8) Appointment of Auditors

At the first extraordinary general meeting of 2004 and the 2003 Annual General Meeting, Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd. and Deloitte Touche Tohmatsu were appointed as the domestic and international auditors of the Company for years 2003 and 2004 respectively, and their annual remuneration was fixed at RMB1,180,000. The Company had not paid any other expenses in this respect. The travelling expenses were borne by the auditors. There were no expenses that might have affected the auditors' independence.



(9) Regulatory Sanctions

During the Reporting Period, there was no punishment, reprimand or public censures imposed against the Company, the Board of Directors of the Company or any of its directors by any regulatory authorities.

(10) Miscellaneous

At the meeting of the Board of Directors convened by the Company on 1 April 2004, resolutions relating to the investment in the expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway and the acquisition of the extended new operating right of Nanjing-Shanghai Class 2 Highway upon the widening project were approved. An announcement relating to the results of the meeting was published in the PRC on 2 April 2004. Since the announcement did not comply with the new Listing Rules effective from 31 March 2004, the Hong Kong Stock Exchange required the Company to provide relevant supplementary information and delayed the publication of the announcement. As the relevant announcement was already published in the PRC, the trading in the Company's H shares was suspended on 2 April 2004. The Company provided the relevant supplementary information within the shortest possible period and the announcement was cleared by the Hong Kong Stock Exchange. Trading in the Company's H Shares was resumed on 15 April 2004. Since there were consecutive public holidays in Hong Kong during the period of the suspension of trading, the actual duration of the suspension of trading of the Company's H Shares was six business days.

(11) Other Information Sources

Announcements of the Company can be found in China Securities, Shanghai Securities, Hong Kong Economic Times and South China Morning Post. Please look for details in the newspapers on respective dates or browse: www.sse.com.cn, www.hkex.com.hk and www.jsexpressway.com:

1. Announcement of the fourth session of the fourth Board of Directors in respect of the appointments of Mr. Xie Jia Quan as the General Manager and Mr. Qing Yong Xiang as the Deputy General Manager, published on 31 January 2004;
2. Notice of the first extraordinary general meeting of 2004, published on 31 January 2004;
3. Announcement of the resolutions of the first extraordinary meeting of 2004 in respect of the appointment of the Company's domestic and overseas auditors and the approval of amendments to the Articles of Association of the Company, published on 24 March 2004;
4. Announcement of the fifth session of the fourth Board of Directors, announcement of the fourth session of the fourth Supervisory Committee and announcement of 2003 annual results, published on 2 April 2004;

5. Announcement of the investment in expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway and the acquisition of new toll collection operating rights of the Jiangsu section of Nanjing-Shanghai Class 2 Highway, published on 2 April 2004 in the PRC and on 15 April 2004 in Hong Kong;
6. Opinion of the Board of Directors on the valuation and conclusion of investment in expansion project of Nanjing-Shanghai Expressway and acquisition of the new operating rights of Nanjing-Shanghai Class 2 Highway and opinion of the independent directors on qualification and capability of professional parties who conducted the valuation, published on 15 April 2004;
7. Announcement of the second supplemental contract of the contract for the transfer of the operating rights of Nanjing-Shanghai Class 2 Highway, published on 15 April 2004 in the PRC;
8. Announcement of the seventh session of the fourth Board of Directors and announcement of 2004 first quarterly report, published on 27 April 2004;
9. Announcement of the connected transactions in respect of the road maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd., published on 29 April 2004;
10. Notice of the annual general meeting, dated 5 May 2004 was published in Hong Kong on 5 May 2004 and in the PRC on 10 May 2004;
11. Announcement of traffic control in respect of the Jiangsu Section of Shanghai-Nanjing Expressway, published on 1 June 2004;
12. Announcement of the resolutions of 2003 annual general meeting, published on 29 June 2004;
13. Announcement of dividend distribution, published on 6 July 2004.



VII. Documents Available for Inspection

1. Copies of the interim report under the hand of the Chairman.
2. Financial statements signed and sealed by persons in charge of various departments and the chief accounting officer of the Company.
3. All the documents disclosed in the announcements published in the designated press during the Reporting Period.
4. The Articles of Association of the Company.
5. Interim reports released in other stock exchanges.
6. Other relevant information.

By Order of the Board
Shen Chang Quan
Chairman

20 August 2004