

Important

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.

Ms. Chang Yung Tsung and Mr. Fang Keng, Independent Non-executive Directors, did not attend the board meeting but had authorised Mr. Shen Chang Quan, Chairman of the Board of Directors, to vote on their behalf.

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

The financial statements in this interim report are the unaudited operating results prepared in accordance with HK GAAP and have been reviewed by the Audit Committee of the Company.

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I. Corporate Information

Statutory Names of the Company in Chinese and English:	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Abbreviations of Chinese Name and English Name:	寧滬高速 Jiangsu Expressway
Stock Exchanges where the Company's Shares are Listed:	A Share Shanghai Stock Exchange Stock Name of A Shares: 寧滬高速 Stock Code of A Shares: 600377 H Share The Stock Exchange of Hong Kong Limited Stock Name of H Shares: Jiangsu Expressway Stock Code of H Shares: 0177 ADR the United States of America Stock Name of ADR: JEXWW Security United Code: 477373104
Legal Representative of the Company:	Shen Chang Quan
Secretary to the Board of Directors:	Yao Yong Jia
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Company Secretary in Hong Kong:	Lee Wai Fun, Betty
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Registered Office and Place of Business:	Jiangsu Communications Building 69 Shigu Road, Nanjing Jiangsu, the PRC
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E-mail Address of the Company:	nhgs@public1.ptt.js.cn
Newspapers Designated for Regular Announcements:	Shanghai Securities News, China Securities News, South China Morning Post, Hong Kong Economic Times
Website Designated for Information Disclosure:	www.sse.com.cn www.hkex.com.hk



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Wanchai
Hong Kong

The Headquarters
Jiangsu Communications Building
69 Shigu Road, Nanjing, Jiangsu, the PRC

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 5 to 16.

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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 Institute of Certified Public 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 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19 August 2005

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	NOTES	Six months ended	
		30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Unaudited) (Restated)
Turnover	4	954,864	1,813,796
Cost of sales and other direct operating costs		(390,031)	(581,663)
Gross profit		564,833	1,232,133
Other operating income		5,367	5,648
Administrative expenses		(65,285)	(173,071)
Profit from operations		504,915	1,064,710
Finance costs	6	(56,427)	(18,440)
Amortisation of goodwill of associates		—	(6,258)
Release of negative goodwill of associates		—	260
Share of results of associates		68,022	70,288
Profit before taxation	7	516,510	1,110,560
Taxation	8	(145,117)	(344,842)
Profit for the period		<u>371,393</u>	<u>765,718</u>
Attributable to:			
Equity holders of the parent		354,109	744,877
Minority interests		17,284	20,841
		<u>371,393</u>	<u>765,718</u>
Dividend	9	<u>730,473</u>	<u>730,473</u>
Earnings per share			
- Basic	10	<u>RMB 0.07</u>	<u>RMB 0.15</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005

	NOTES	30.6.2005 RMB'000 (Unaudited)	31.12.2004 RMB'000 (Audited) (Restated)
Non-current assets			
Property, plant and equipment	11	15,548,204	13,802,729
Prepaid lease payments		1,316,602	1,348,953
Interests in associates		1,541,453	1,566,231
Investment in securities		—	2,000
Available for sale financial assets		3,000	—
Prepayment for acquisition of toll highway operating rights		2,500,000	1,750,000
Deferred tax assets	16	82,584	82,584
		<u>20,991,843</u>	<u>18,552,497</u>
Current assets			
Inventories		7,152	6,409
Prepayments and other receivables	12	168,123	77,695
Prepaid lease payments		63,646	63,646
Loan to an associate		—	15,000
Bank balances and cash		669,626	524,774
		<u>908,547</u>	<u>687,524</u>
Current liabilities			
Other payables		112,233	116,731
Construction costs payable		418,343	339,875
Taxation		95,152	58,158
Dividend payable		34,206	9,709
Long-term borrowings - due within one year	13	6,813	6,813
Short-term borrowings	14	3,280,000	1,950,000
		<u>3,946,747</u>	<u>2,481,286</u>
Net current liabilities		<u>(3,038,200)</u>	<u>(1,793,762)</u>
Total assets less current liabilities		<u>17,953,643</u>	<u>16,758,735</u>
Non-current liability			
Long-term borrowings - due after one year	13	4,643,936	3,077,864
		<u>13,309,707</u>	<u>13,680,871</u>
Capital and reserves			
Share capital	15	5,037,748	5,037,748
Reserves		7,856,150	8,229,659
Equity attributable to equity holders of the parent		12,893,898	13,267,407
Minority interests		415,809	413,464
Total equity		<u>13,309,707</u>	<u>13,680,871</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	
At 1 January 2004 as originally stated	5,037,748	5,730,454	510,920	255,461	1,544,544	13,079,127	400,250	13,479,377
Effects of changes in accounting policies (Note 3)	—	—	—	—	(60,638)	(60,638)	—	(60,638)
As restated	5,037,748	5,730,454	510,920	255,461	1,483,906	13,018,489	400,250	13,418,739
Profit for the period (restated)	—	—	—	—	744,877	744,877	20,841	765,718
Dividend	—	—	—	—	(730,473)	(730,473)	—	(730,473)
Dividend paid to minority shareholders	—	—	—	—	—	—	(9,044)	(9,044)
At 30 June 2004	<u>5,037,748</u>	<u>5,730,454</u>	<u>510,920</u>	<u>255,461</u>	<u>1,498,310</u>	<u>13,032,893</u>	<u>412,047</u>	<u>13,444,940</u>
At 1 January 2005 as originally stated	5,037,748	5,730,454	617,028	308,515	1,652,048	13,345,793	413,464	13,759,257
Effects of changes in accounting policies (Note 3)	—	—	—	—	(75,531)	(75,531)	—	(75,531)
As restated	5,037,748	5,730,454	617,028	308,515	1,576,517	13,270,262	413,464	13,683,726
Profit for the period	—	—	—	—	354,109	354,109	17,284	371,393
Dividend	—	—	—	—	(730,473)	(730,473)	—	(730,473)
Dividend paid to minority shareholders	—	—	—	—	—	—	(14,939)	(14,939)
At 30 June 2005	<u>5,037,748</u>	<u>5,730,454</u>	<u>617,028</u>	<u>308,515</u>	<u>1,200,153</u>	<u>12,893,898</u>	<u>415,809</u>	<u>13,309,707</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended	
	30.06.2005 RMB'000 (Unaudited)	30.06.2004 RMB'000 (Unaudited)
Net cash generated from operating activities	575,144	1,151,246
Net cash used in investing activities		
Purchase of property, plant and equipment	(1,896,987)	(1,363,757)
Deposits paid for acquisition of toll highway operating rights	(750,000)	(1,000,000)
Other investing cash flows	97,964	(14,159)
	<u>(2,549,023)</u>	<u>(2,377,916)</u>
Net cash generated from financing activities		
Dividends paid	(705,976)	—
New borrowings raised	4,650,000	2,150,000
Repayment of borrowings	(1,753,928)	(803,407)
Other financing cash flows	(71,365)	(7,265)
	<u>2,118,731</u>	<u>1,339,328</u>
Net increase in cash and cash equivalents	144,852	112,658
Cash and cash equivalents at beginning of the period	524,774	1,537,029
Cash and cash equivalents at end of the period	<u>669,626</u>	<u>1,649,687</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>669,626</u>	<u>1,649,687</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

(1) BASIS OF PREPARATION

The condensed consolidated 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

(2) PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

(a) Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/ in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

(b) Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005, with a corresponding increase to retained earnings.

Leasehold land

In previous periods, leasehold land was included in property, plant and equipment and amortised to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by management or by reference to traffic projection reports prepared by independent traffic consultants. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (please see Note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 "Financial Instruments: Recognition and Measurement" with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group's investments in equity securities are classified as "investment securities" and are carried at cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies its equity securities as "available-for-sale financial assets" in accordance with HKAS 39. Under HKAS 39, "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in equity except for those investments in equity securities that do not have a quoted market price in an active market which are carried at cost less impairment as their fair value cannot be reliably measured.

The Group has not early applied the new HKFRSs that have been issued by the HKICPA before 30 June 2005 but are not yet effective for the accounting periods on or after 1 January 2005. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

(3) SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above on the results for the current and prior period are as follows:

	Six months ended	
	30.6.2005 RMB'000	30.6.2004 RMB'000
Decrease in amortisation of goodwill	6,349	—
Decrease in release of negative goodwill	(260)	—
Effect of amortisation of leasehold land on a straight-line basis	(23,968)	(9,002)
Decrease in deferred taxation relating to amortisation of leasehold land	7,910	2,971
Decrease in profit for the period	<u>(9,969)</u>	<u>(6,031)</u>

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 (originally stated) RMB'000	Adjustment arising from HKAS 17 RMB'000	31.12.2004 (restated) RMB'000	Adjustment arising from HKFRS 3 RMB'000	1.1.2005 (restated) RMB'000
Balance sheet items					
Property, plant and equipment	15,332,322	(1,529,593)	13,802,729	—	13,802,729
Prepaid lease payments	—	1,412,599	1,412,599	—	1,412,599
Interests in associates	1,566,231	—	1,566,231	2,855	1,569,086
Deferred tax assets	43,976	38,608	82,584	—	82,584
Total effects on assets	<u>16,942,529</u>	<u>(78,386)</u>	<u>16,864,143</u>	<u>2,855</u>	<u>16,866,998</u>
Retained profits	<u>1,652,048</u>	<u>(78,386)</u>	<u>1,573,662</u>	<u>2,855</u>	<u>1,576,517</u>

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated RMB'000	Adjustment RMB'000	As restated RMB'000
Retained earnings	<u>1,544,544</u>	<u>(60,638)</u>	<u>1,483,906</u>

(4) TURNOVER

	Six months ended	
	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Unaudited)
Turnover comprises:		
Toll revenue	918,773	1,678,321
Sales of petrol	63,738	152,317
Sales of food and beverages	18,790	57,662
Emergency assistance income	2,444	19,797
Advertising income	—	2,625
	<u>1,003,745</u>	<u>1,910,722</u>
Less: Business tax and other related taxes	(48,881)	(96,926)
	<u>954,864</u>	<u>1,813,796</u>

(5) 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.

(6) FINANCE COSTS

	Six months ended	
	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable:		
Within five years	167,808	52,232
Over five years	412	416
	<u>168,220</u>	<u>52,648</u>
Total borrowing costs	(111,793)	(34,208)
Less: Amount capitalised		
	<u>56,427</u>	<u>18,440</u>

(7) PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Unaudited) (Restated)
Profit before taxation has been arrived at after charging:		
Staff costs including directors' remuneration	51,551	46,427
Retirement benefits scheme contributions	8,431	10,608
Total staff costs	59,982	57,035
Depreciation and amortisation of property, plant and equipment	221,341	250,775
Operating lease rental in respect of land use rights	32,351	32,351
Write-off of property, plant and equipment	4,996	114,508
Cost of inventories recognised as expenses	93,769	158,667
Share of tax of associates (included in share of results of associates)	27,665	23,674
and after crediting:		
Interest income from bank deposits	2,731	5,267

(8) TAXATION

	Six months ended	
	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Unaudited) (Restated)
The charge comprises:		
PRC income tax	145,117	370,425
Deferred taxation (see Note 16)	—	(25,583)
Taxation attributable to the Company and its subsidiaries	145,117	344,842

The Company and its subsidiaries are subject to PRC income tax rate of 33% (Six months ended 30 June 2004: 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 final dividend for 2004 of RMB730,473,000 (Six months ended 30 June 2004: 2003 final dividend of RMB730,473,000) had been approved by the shareholders in general meeting.

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend (Six months ended 30 June 2004: 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 2005 of RMB354,109,000 (Six months ended 30 June 2004: RMB744,877,000) and 5,037,747,500 (Six months ended 30 June 2004: 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 outstanding for each of the six months ended 30 June 2005 and 30 June 2004.

(11) PROPERTY, PLANT AND EQUIPMENT

	Toll roads and structures RMB'000	Land use rights RMB'000	Buildings RMB'000	Safety equipment RMB'000	Communication and signalling equipment RMB'000	Toll stations and ancillary equipment RMB'000	Motor vehicles RMB'000	Other machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST										
At 1 January 2005										
- as originally stated	9,542,080	1,747,268	481,213	335,581	131,553	222,028	141,170	207,137	4,747,019	17,555,049
Prior period adjustment	—	(1,747,268)	—	—	—	—	—	—	—	(1,747,268)
As restated	9,542,080	—	481,213	335,581	131,553	222,028	141,170	207,137	4,747,019	15,807,781
Additions	—	—	102	1,231	48	303	28,626	576	1,944,569	1,975,455
Transfers	—	—	—	—	—	—	1,977	28,123	(30,100)	—
Write-off/disposals	—	—	(6,980)	—	(3)	(1,670)	(2,309)	(2,199)	—	(13,161)
At 30 June 2005	9,542,080	—	474,335	336,812	131,598	220,661	169,464	233,637	6,661,488	17,770,075
DEPRECIATION AND AMORTISATION										
At 1 January 2005										
- as originally stated	1,332,065	217,675	115,956	235,155	57,535	92,199	55,875	116,267	—	2,222,727
Prior period adjustment	—	(217,675)	—	—	—	—	—	—	—	(217,675)
As restated	1,332,065	—	115,956	235,155	57,535	92,199	55,875	116,267	—	2,005,052
Provided for the period	151,516	—	7,589	14,666	7,217	13,183	12,113	15,057	—	221,341
Eliminated on write-off/disposals	—	—	(1,391)	—	—	—	(1,837)	(1,294)	—	(4,522)
At 30 June 2005	1,483,581	—	122,154	249,821	64,752	105,382	66,151	130,030	—	2,221,871
NET BOOK VALUES										
At 30 June 2005	8,058,499	—	352,181	86,991	66,846	115,279	103,313	103,607	6,661,488	15,548,204
At 31 December 2004	8,210,015	1,529,593	365,257	100,426	74,018	129,829	85,295	90,870	4,747,019	13,802,729

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 RMB141,985,000 (31 December 2004: RMB30,192,000).

(12) PREPAYMENTS AND OTHER RECEIVABLES

	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Audited)
Prepayment for materials and equipment	57,569	20,717
Receivable from liquidation of a former joint venture	20,812	20,812
Others	102,762	49,170
	<u>181,143</u>	<u>90,699</u>
Less: Allowance for doubtful debts	(13,020)	(13,004)
	<u>168,123</u>	<u>77,695</u>

(13) LONG-TERM BORROWINGS

	Interest rate	30.6.2005 RMB'000 (Unaudited)	31.12.2004 RMB'000 (Audited)
Unsecured bank loans with maturities 2009-2016	5.18% per annum	4,600,000	3,030,000
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	9,736	13,664
		<u>4,650,749</u>	<u>3,084,677</u>

The maturity of the above loans is as follows:

	30.6.2005 RMB'000 (Unaudited)	30.6.2004 RMB'000 (Audited)
Within one year	6,813	6,813
More than one year but not exceeding two years	2,924	206,850
More than two years but not exceeding five years	1,600,000	706,152
More than five years	3,041,012	2,164,862
	<u>4,650,749</u>	<u>3,084,677</u>
Less: Amount due within one year included in current liabilities	(6,813)	(6,813)
Amount due after one year	<u>4,643,936</u>	<u>3,077,864</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

	30.6.2005 RMB'000 (Unaudited)	31.12.2004 RMB'000 (Audited)
Unsecured	<u>3,280,000</u>	<u>1,950,000</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 capital during the reporting period.

(16) DEFERRED TAXATION

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

	Write-off of property, plant and equipment RMB'000	Allowance for doubtful debts RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2004 - as originally stated	—	(359)	29,866	29,507
Prior period adjustment	—	—	(29,866)	(29,866)
At restated	—	(359)	—	(359)
Credit to income statement	<u>(78,044)</u>	<u>(4,181)</u>	<u>—</u>	<u>(82,225)</u>
At 31 December 2004 and 30 June 2005	<u>(78,044)</u>	<u>(4,540)</u>	<u>—</u>	<u>(82,584)</u>

(17) OTHER COMMITMENTS

At 30 June 2005, the Group and the Company is committed to pay 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 1 Highway-Nanjing Section per annum for a term of 30 years from 1 January 2000.

(18) CAPITAL COMMITMENTS

	30.6.2005 RMB'000 (Unaudited)	31.12.2004 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	<u>2,708,399</u>	<u>3,534,217</u>

III. Changes in Share Capital and Profiles of Shareholders

(1) Changes 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 30th June 2005, there were a total of 30,068 shareholders registered on the registers of members of the Company, among whom 29,146 were domestic shareholders and 922 were foreign shareholders.

(3) Shareholding of Major Shareholders

1. As at 30th June 2005, shareholdings of the top ten shareholders of the Company were as follows:

Rank	Name of shareholder	Number of shares held at the end of the period (shares)	Change during the period (+/-)	Shareholding proportion in the total share capital (%)	Category of the shares held
1	Jiangsu Communications Holding Company Ltd.	2,781,743,600	0	55.22	State-owned Shares
2	Huajian Transportation Economic Development Centre	597,471,000	0	11.86	State-owned Legal Person Shares
3	HSBC Investments (Hong Kong) Limited	114,332,000	36,104,000	2.27	H Shares
4	Sumitomo Mitsui Asset Management Limited	97,302,000	-458,000	1.93	H Shares
5	J.P. Morgan Chase & Co.	90,814,500	-17,334,000	1.80	H Shares
6	Huaxia Securities Co., Ltd.	21,160,000	0	0.42	Social Legal Person Shares
7	Galaxy Securities Co., Ltd.	17,201,566	-310,100	0.34	A Shares
8	Shenyin Wanguo Securities Stock Company Limited	14,450,000	0	0.29	Social Legal Person Shares
9	Shanghai Haiji Property Development Company Limited (上海海基物業發展有限公司)	14,150,000	0	0.28	Social Legal Person Shares
10	Industrial and Commercial Bank of China - Nuoan Balanced Securities Investment Fund (中國工商銀行－諾安平衡證券投資基金)	12,271,191	0	0.24	A Shares

(1) The Company is not aware whether the top ten shareholders are connected to each other or acting in concert.

- (2) 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.
- (3) 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.
- (4) The numbers of shares held by H-Share holders were extracted from the register required to be maintained under the Securities and Futures Ordinance of Hong Kong (Cap 571 of the Laws of Hong Kong) (the "Securities and Futures Ordinance").

2. As at 30th June 2005, shareholdings of the top ten holders of listed shares were as follows:

Rank	Name of shareholder	Number of shares held at the end of the period (shares)	Category of the shares
1	HSBC Investments (Hong Kong) Limited	114,332,000	H Shares
2	Sumitomo Life Insurance Company	97,302,000	H Shares
3	J.P. Morgan Chase & Co.	90,814,500	H Shares
4	Galaxy Securities Co., Ltd.	17,201,566	A Shares
5	Industrial and Commercial Bank of China - Nuoan Balanced Securities Investment Fund (中國工商銀行－諾安平衡證券投資基金)	12,271,191	A Shares
6	Winner Glory Development Ltd	12,000,000	H Shares
7	Industrial and Commercial Bank of China - Dongwu Jiahe Performance Selected Portfolio Open-ended Securities Investment Fund (中國工商銀行－東吳嘉禾優勢精選混合型開放式證券投資基金)	10,820,072	A Shares
8	Bank of China - Jiashi Value-added Servicing Industry Securities Investment Fund (中國銀行－嘉實服務增值行業證券投資基金)	8,169,497	A Shares
9	Bank of China -Haifutong Income Growth Securities Investment Fund (中國銀行－海富通收益增長證券投資基金)	5,880,000	A Shares
10	State Social Security Fund Portfolio 103 (全國社保基金 103 組合)	2,000,000	A Shares

- (1) The Company is not aware if the top ten shareholders of listed shares of the Company are connected to each other or acting in concert.
- (2) The Company is not aware whether or not there are connected relationships between the top ten holders of listed shares and the top ten shareholders.
- (3) The numbers of shares held by H-Share holders were extracted from the register required to be maintained under the Securities and Futures Ordinance.

3. As at 30th June 2005, as far as the Company is aware, the following individuals or companies held 5% or more of the interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance:

Name	Capacity	Direct Interests	Number of H Shares	Percentage of H Shares (total shares)
HSBC Investments (Hong Kong) Limited	Investment Manager	Yes	114,332,000	9.36 (2.27)
Sumitomo Life Insurance Company (Note 1)	Interests in controlled corporation	No	97,302,000	7.96 (1.93)
J.P. Morgan Chase & Co. (Note 2)	Interests in controlled corporation	No	90,814,500	7.43 (1.80)

Note 1: Sumitomo Life Insurance Company was the controlling shareholder of Sumitomo Mitsui Asset Management Company, Limited which was deemed to hold interest in the shares in the capacity of an investment manager.

Note 2: The 90,814,500 H Shares in which J.P. Morgan Chase & Co. was deemed to hold interest included:

- (1) 75,674,900 H Shares (reported as lending pool) in which J.P. Morgan Chase Bank NA (a 100% subsidiary of J.P. Morgan Chase & Co.) was deemed to hold interest in the capacity of a custodian corporation/approved lending agent;
- (2) 7,277,600 H Shares in which a 100% subsidiary of J.P. Morgan Chase & Co. was deemed to hold interest because of its controlling interests in a corporation, while such corporation was reported as the beneficial owner of the H Shares concerned; and
- (3) 7,862,000 H Shares in which a 100% subsidiary was deemed to hold interest because of its controlling interests in a corporation while such corporation was regarded as having disclosure obligations as an investment manager.

Save as disclosed above, as far as the Company is aware, as at 30th June 2005, there was no other person who was required to make disclosure under the Securities and Futures Ordinance.

(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

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the reporting period.

(6) Pre-emption rights

In accordance with the laws of the People's Republic of China and the Company's Articles of Association, no pre-emption rights were granted by the Company.

(7) Public Float

As at 30th June 2005, the Company complied with the 25% public float requirement under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

(1) Shareholding of Directors, Supervisors and Senior Management

During the reporting period, there was no record showing that any directors, supervisors, key senior management of the Company or any of their associates had any interest in the registered capitals of the Company and its subsidiaries or associated companies that was required to be disclosed pursuant to the Securities and Futures Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies of the Hong Kong Listing Rules.

The Company and its subsidiaries or associated companies have not entered into any arrangements to enable the directors, supervisors, 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 and its subsidiaries or associated companies.

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

Mr. Hong Yin Xing, Independent Non-executive Director of the Company, resigned from his position due to his appointment as a State civil servant, effective from the date of the 2004 Annual General Meeting. The Company has appointed Mr. Fan Cong Lai as Independent Non-executive Director for a term from the date of the 2004 Annual General Meeting until the date of the Annual General Meeting to be held in 2007.

In June 2005, Mr. Li Da Peng, Deputy General Manager of the Company, resigned from his management position due to job change.

The Company would like to thank Mr. Hong and Mr. Li for their outstanding contribution to the Company during their respective terms of office.

(3) Information on the Staff of the Company

As at 30 June 2005, the Company had 2,716 staff. During the first half of 2005, a total of RMB36,054,000 was paid by the Company as salaries. The Company did not have any incentive scheme such as bonus or share options during the reporting period.

During the reporting period, the Company continued to advance reforms on its personnel management system. The former management offices at Nanjing and Zhenjiang were merged and reorganised into the Ningzhen office, with the organisation and staff deployment becoming more systematic. All management positions of newly established offices will be recruited at the corporate level and on a competitive basis, which will create opportunities for high-calibre staff and will further improve the general qualities of our front-line management staff.

During the reporting period, the Company further strengthened staff training, focusing on the promotion of the Company's core corporate culture so as to induce the staff to perform in their positions and to observe the code of conduct of their profession.

(1) Business Review

In the first half of 2005, the Company continued to seek new advancements by vigorously implementing the expansion project, organising the traffic operation in a prudent manner and strengthening internal controls, so as to establish a strong foundation for achieving the operation and management objectives in the year.

1. Progress of the Expansion Project

During the reporting period, the Shanghai-Nanjing Expressway expansion project has completed an investment of RMB2,768 million. As at 30th June 2005, the project has completed a total investment of RMB7,142 million. The road surface connection works for the southern 4-lane road was entirely completed and was initially opened for traffic, while 100 km of the road surface connection works for the northern road was completed. The renovation and expansion works of the service areas, traffic projects and auxiliary facilities have proceeded smoothly. The expansion project has been progressing smoothly because the project procedural arrangements were much systematic and efficient and construction works were well-organised. Starting from 1st July, there are more than 4 lanes opened for traffic along the whole expressway, thus traffic conditions are greatly improving. It is expected that on 1st October, all 8 lanes along the whole 130-km section between Nanjing and the Henglin intersection (in Changzhou) will be opened for traffic and trucks will then be allowed to travel along that road section. According to the current construction progress, it is anticipated that the whole of the 8-lane main road of Shanghai-Nanjing Expressway will be opened for traffic by the end of 2005.

While the project was proceeding at an expeditious pace, the Company has adopted a four-tier inspection system to maintain stringent quality control. With this, the quality of the construction was well under effective control by maintaining continuous inspection on the quality control system during the course of operation. Sampling tests of all the quality indices maintained a passing rate of 100%. Meanwhile, the Company has widely adopted advanced technology in its construction works and has actively promoted the use of new materials to enhance the technical level of the project. At the same time, the Company has also fully utilised the reusable materials of the original route to minimise expansion costs.

The Nanjing-Shanghai Class 2 Highway expansion project moved forward in accordance with the working plan. It is expected that all the road sections will be completed and opened for traffic by the end of the year. During the reporting period, the Company paid RMB750 million to the Highway Bureau in accordance with the operating right transfer agreement. As at the end of the reporting period, the cumulative capital payment amounted to RMB2.5 billion.

2. Organisation of Traffic Operation

During the first half of the year, construction works was carried out consecutively on various sections of Shanghai-Nanjing Expressway on an extensive scale, and there were frequent closings / openings scheduling of road sections. This has increased the difficulty in organising traffic and construction works. The Company has conducted on-site management and established systematic construction procedures and a traffic organisation plan. While using its best endeavours to improve communication and coordination during the implementation of the traffic organisation plan as well as redesigning safety signposts along the roads, the Company also conducted remedial measures in a timely manner to cope with emerging problems, increased on-site supervision, and strengthened on-site protection and services. As such, the traffic conditions of different road sections under construction were kept in an orderly and organised manner, safety and smooth traffic were basically maintained, and the disturbance of construction works on the road sections was minimised.

3. Internal Controls of the Company

During the first half of this year, the Company made advancements in strengthening internal controls, thereby further optimising the basic management. Further upgrading on the international standardised system of quality, health and safety has been completed, thereby stabilising the operational flow, enhancing the self-development capabilities of the Company's management system, and further integrating the daily management and operation of the Company.

At the same time, the Company has been dedicated to enhancing its profitability by putting increasing income and reducing costs as the paramount duties of the corporate management and operation. In that regard, the Company minimised the time of closure for areas or stations under construction so as to reduce toll income loss. It also strengthened the control of operating costs, and implemented a comprehensive budget management which served as a control and review system to supervise the whole process of project implementation. As a result of the above efforts, costs and expenses were controlled within the predetermined limits.

(2) Analysis of Business Operations

1. Overview

During the reporting period, the Group recorded an operating revenue of approximately RMB1,020,338,000, representing a decrease of approximately 46.26% over the corresponding period of the previous year. In accordance with the PRC GAAP, profit after taxation of the Group for the reporting period amounted to approximately RMB331,960,000 and earnings per share was approximately RMB0.066, representing a decrease of 49.45% over the corresponding period of the previous year. In accordance with HK GAAP, profit after taxation of the Group amounted to approximately RMB354,109,000 and earnings per share was approximately RMB0.070, representing a decrease of approximately 52.46% on the restated profit after taxation and the restated earnings per share over the corresponding period of the previous year. For details of the re-statement of the accounts of the corresponding period, please refer to note 3 of Section II of this report.

The operating results for various business segments were as follows:

Item	Operating revenue (RMB'000)	Change over the corresponding period last year (%)	Operating cost (RMB'000)	Change over the corresponding period last year (%)	Gross margin ratio (%)	Change over the corresponding period last year (%)
Jiangsu Section of Shanghai-Nanjing Expressway	511,609	-59.36	146,984	-36.93	71.27	-12.54
Jiangsu Section of Nanjing-Shanghai Class 2 Highway	134,420	20.62	70,074	22.97	47.87	-2.05
Nanjing Section of Nanjing-Lianyungang Highway	39,055	18.37	16,739	12.36	57.14	4.18
Guangjing Xicheng Expressways	233,689	-14.99	48,602	-4.02	79.20	-2.91
Ancillary services	84,972	-60.47	91,541	-55.62	-7.73	—
Other operations	16,593	210.27	18,880	227.97	-13.78	—
Total	1,020,338	-46.26	392,820	-30.79	61.50	-12.27

Explanations on the changes in revenues from operations compared to the corresponding period of the previous year:

The construction works on Shanghai-Nanjing Expressway led directly to a decrease in operating revenue and gross margin of this asset during the reporting period. The service areas along the expressway were basically closed and normal operating activities were suspended during the process of renovation and expansion, which resulted in a sharp decline of revenues from the ancillary services.

Revenues from other operations included those from outdoor advertising and road and bridge maintenance. During the reporting period, the growth in such revenues was mainly attributable to the increase in revenues from road and bridge maintenance generated by the Company's subsidiary Jiangsu Sundian Engineering Co., Ltd ("Jiangsu Sundian").

Explanations on the changes in operating costs compared to the corresponding period of the previous year:

The decrease in operating costs for the toll road operation of the Jiangsu Section of Shanghai-Nanjing Expressway was mainly due to a year-on-year drop in traffic volume in the first half of the year which accordingly led to a decrease in road asset depreciation. At the same time, road repair and maintenance costs during the expansion period also decreased and the operating costs of service areas along the expressway were sharply reduced due to renovation / expansion.

The increase in other operating costs was due to increased operating costs of the Company's subsidiary Jiangsu Sundian as a result of the expanded scope of the company's road repair and maintenance business.

2. Operations of Toll Roads and Bridges

Comparisons of average daily traffic volumes and toll revenues:

Road/bridge project	Average daily traffic volume (vehicles/day)			Average daily toll revenue (RMB'000/day)		
	Reporting period	For the corresponding period of the previous year	Change %	Reporting period	For the corresponding period of the previous year	Change %
Shanghai-Nanjing Expressway	20,882	35,088	-40.49	2,826.6	6,917.5	-59.14
Nanjing-Shanghai Class 2 Highway	40,048	35,069	14.20	742.6	612.3	21.28
Nanjing Section of Nanjing-Lianyungang Highway	11,963	10,887	9.88	215.8	181.3	19.03
Guangjing Expressway	32,866	28,451	15.52	630.3	582.1	8.28
Xicheng Expressway	24,343	25,561	-4.77	660.8	927.3	-28.74
Jiangyin Yangtze Bridge	33,946	30,437	11.53	2,032.8	1,875.8	8.40
Sujiahang Expressway	16,229	17,794	-8.80	1,499.7	1,696.2	-11.58

During the reporting period, due to the impact of the expansion project, the average daily traffic volume and the average daily toll revenue on Shanghai-Nanjing Expressway dropped significantly as compared to the corresponding period of the previous year, but basically maintained at the same level as the average traffic level during a period in 2004 after truck traffic diversions had been implemented. After the southern 4-lane road of Shanghai-Nanjing Expressway was opened for traffic on 1st July, traffic conditions improved significantly and traffic volume started to re-ascend gradually.

The fall in traffic volumes and toll revenues on Xicheng Expressway and Sujiahang Expressway in the first half of the year was mainly attributable to the diversion of trucks due to the Shanghai-Nanjing Expressway expansion project, but with the completion of construction works on the interchanges with Shanghai-Nanjing Expressway and with the improvement in the traffic conditions on Shanghai-Nanjing Expressway, traffic volumes on the two expressways will also be back to the rising trend.

Although the traffic volume on Nanjing-Shanghai Class 2 Highway continued to maintain a year-on-year growth during the reporting period, its rates of growth in traffic volume and income have dropped significantly compared to the second half of the previous year because of the dual influence caused by its own widening and renovation project and the traffic diversions to Yuan Jiang Expressway which had commenced operation.

The operations of the Nanjing Section of Nanjing-Lianyungang Highway, Guangjing Expressway and Jiangyin Yangtze Bridge remained stable and normal during the reporting period, with little impact from the Shanghai-Nanjing Expressway expansion project. They still maintained certain growth in traffic volume and income.

3. Subsidiaries and Associated Companies

The Company's share of investment income from subsidiaries and associated companies during the first half of 2005 amounted to RMB157,015,000 in aggregate, accounting for 47.21% of the Company's net profit.

Among this, Jiangsu Guangjing Xicheng Expressway Company Limited ("Guangjing Xicheng") achieved a net profit of RMB114,515,000 during the reporting period, thereby contributing an investment income of RMB97,338,000 which represented approximately 29.27% 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.

Jiangsu Yangtze Bridge Co., Ltd. ("Jiangsu Yangtze Bridge") achieved a net profit of RMB181,407,000 during the reporting period, thereby contributing an investment income of RMB44,096,000 which represented approximately 13.26% of the Company's net profit. Jiangsu Yangtze Bridge, a 26.66%-owned associated company of the Company, is mainly engaged in the management and operation of Jiangyin Yangtze Bridge.

(3) Major Operating Results and Financial Analysis

1. Operating Results

Item	Six months ended 30th June		Change (%)
	2005 (RMB'000)	2004 (RMB'000) (Restated)	
Turnover	954,864	1,813,796	-47.36
Other operating income	5,367	5,648	-4.98
Profit from operations	504,915	1,064,710	-52.58
Shares of results of associates	68,022	70,288	-3.22
Finance cost	56,427	18,440	206.00
Amortisation of goodwill	—	6,258	-100.00
Taxation	145,117	344,842	-57.92
Minority interests	17,284	20,841	-17.07
Net profit	354,109	744,877	-52.46
Reserves	7,856,150	8,229,659	-4.54
Earnings per share (RMB)	0.070	0.148	-52.46

Major reasons for the changes were:

- Since the core asset of the Group, the Jiangsu Section of Shanghai-Nanjing Expressway, was in the process of expansion, the operating results of the principal operations during the reporting period recorded a sharp decline compared to the corresponding period of the previous year.
- The year-on-year increase in finance costs was due to the fact that the Company raised short-term capital during the reporting period to pay for the acquisition of the operating right for Nanjing-Shanghai Class 2 Highway.
- The decrease in minority interests was mainly due to the distribution of dividends by Guangjing Xicheng, a subsidiary of the Company, during the reporting period.
- During the reporting period, the difference in amortisation of goodwill as compared to the previous year was due to the change of HK GAAP's accounting treatments in respect of goodwill.

2. Capital Structure

Item	30th June 2005		31st December 2004	
	RMB'000	%	RMB'000 (Restated)	%
Current liabilities	3,946,747	18.02	2,481,286	12.90
Long-term liabilities	4,643,936	21.20	3,077,864	16.00
Liabilities at fixed interest rates	7,930,749	36.21	5,034,677	26.17
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	659,934	3.01	524,473	2.73
Shareholders equity	12,893,898	58.88	13,267,407	68.96
Minority interests	415,809	1.90	413,464	2.14
Total assets	21,900,390	100.00	19,240,021	100.00
Gearing ratio	—	36.21	—	26.17

Major reasons for the changes were:

- The increase in current liabilities was mainly due to short-term loans from banks, required both for raising funds to acquire the operating right of Nanjing-Shanghai Class 2 Highway and for satisfying the need of cash flows for day-to-day operations.
- The increase in long-term liabilities was mainly due to medium-term and long-term loans from banks, required for raising funds to finance the Shanghai-Nanjing Expressway expansion project.
- The increase in total assets was mainly attributable to the increase in construction-in-progress (of the Shanghai-Nanjing Expressway expansion project) and the increase in other long-term assets (i.e. acquisition of the operating right of Nanjing-Shanghai Class 2 Highway).
- The change in shareholders equity was mainly attributable to the two reasons listed below: firstly, the distribution of dividends for 2004; secondly, the original remuneration method used to calculate the amortisation of land use rights was replaced by the straight line method applied for amortisation due to the change of HK GAAP, and the amortisation amount of the previous year has been adjusted retrospectively.

3. Capital Expenditure

During the first half of 2005, the Group has implemented its plan on capital expenditure of approximately RMB2,582,748,000, with details as follows:

Capital expenditure item	RMB'000
Expansion of Shanghai-Nanjing Expressway	1,747,033
Prepayment for the extended operating right of Nanjing-Shanghai Class 2 Highway	750,000
Others	85,715
Total	<u>2,582,748</u>

Principal sources of funding: The capital expenditure of the Company was mainly financed by internal resources and commercial loans, among which the cash flow generated from the operating activities of the Company in the first half of 2005 amounted to RMB1,005,675,000. There was an increase of commercial loans aggregating RMB2,900,000,000 in the first half of the year. Although the gearing ratio has increased, it was maintained at a reasonable level. As such, the management believes that the Group has no risks on cash and liabilities management.

4. Taxation Policies

The Company has paid its enterprise income tax in full in accordance with the statutory tax rate of 33%. Cumulative income tax expenses for the first half of 2005 amounted to RMB145,117,000.

In accordance with the "Notice regarding policies for business tax on toll income earned by highway operating enterprises" (關於公路經營企業車輛通行費收入營業稅政策的通知), the business tax rate applicable to the Group in respect of toll income generated from the Group's expressways was reduced from 5% to 3% starting from 1st June 2005.

5. Entrusted Deposits

During the reporting period, the Company did not have any entrusted deposits placed with any financial institutions within the PRC. The Company did not experience any difficulties in receiving repayments upon the maturity of time deposits.

6. Loan on Assignment

In December 2004, the Company obtained a loan of RMB200,000,000 from Guangjing Xicheng, its subsidiary, by way of loan on assignment, for a term from 27th December 2004 to 26th December 2005 and at an annual interest rate of 5.022%.

7. Foreign Exchange Risks

The Company did not have any significant foreign exchange exposures. In 1998, the Group was granted a loan facility of approximately US\$9,800,000 by the Spanish government. As at 30th June 2005, the balance of such loan was equivalent to RMB50,750,000. The Company has not adopted any hedging arrangement in respect of foreign exchange.

8. Contingent Liabilities

As at 30th June 2005, the Company did not have any contingent liabilities.

(4) Problems and Difficulties in Operations

During the year, the Shanghai-Nanjing Expressway expansion project commenced the road surface connection works in full swing and embarked on the renovation and expansion of service areas, as well as the construction of traffic projects and auxiliary facilities. As all major projects will be basically completed within the year, work load has been intensive, thus exerting greater pressure on the traffic organisation, operation and management. At the same time, the operating results during the reporting period were substantially affected by the continued forbiddance of trucks from passing through Shanghai-Nanjing Expressway, and by traffic controls in certain road sections under construction in the first half of the year.

The impact of the expansion project on the operation of the Company will be largely reflected in the results of this year. Following successive openings of various road sections after construction in the second half of the year, and with certain road sections allowing truck traffic, the operating results of the Company will gradually re-climb. Upon the completion of the Shanghai-Nanjing Expressway expansion project and a full opening of the entire expressway in early 2006, the problems currently confronted by the Company will be resolved accordingly.

(5) Business Development Plan for the Second Half of the Year

In the second half of 2005, the Shanghai-Nanjing Expressway expansion project will enter the “sprint” phase. The Company will tighten its grip on the road surface connection works for the remaining northern section, the renovation and expansion of the service areas, and the construction of bridges, traffic projects and auxiliary facilities along the road, so as to ensure that the entire expressway (as expanded) will be completed as soon as possible. While accelerating the pace of construction works, the Company will also strictly control the quality of construction and the scale of investment.

Since the opening of the southern 4-lane road on 1st July, traffic conditions have improved significantly and traffic volume has been gradually re-climbing. However, traffic organisation and road safety will still be a challenge. Accordingly, the Company will focus on ensuring safety and orderly traffic in the operation and management of roads, and improve the setting of temporary traffic signposts, with a view to minimising the disturbance of construction works on the roads in the second half of the year.

In the aspects of capital and financial management, the Company will continue to carry out effective controls on costs and expenses by strengthening its financial management. Currently, the Company is actively preparing for the issuance of short-term commercial papers amounting to RMB4 billion. Aimed to be placed successfully within the 12-month period after approval from the People’s Bank of China, the commercial papers will help the Company expand its financing channel, thereby improving the Company’s liabilities structure and reducing its financing costs.

In order to better prepare itself for the soft opening for through-traffic on the 8-lane expressway by the end of this year, the Company will focus on researching on the management of 8-lane expressways in respect of traffic, maintenance, toll collection and safety in the second half of the year. The Company will explore new operational management models to enhance its service quality and improve its management standards in a comprehensive manner, ensuring safety and smooth traffic on the large-volume 8-lane expressway, and advancing the Company to a new stage of development.

(1) Corporate Governance

During the reporting period, the Company evaluated the operations and management of the Company in accordance with the requirements on corporate governance and regulations of operations issued by the China Securities Regulatory Commission (the "CSRC") and the provisions in the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, with an aim to enhance corporate governance standards.

1. Amendments to the Articles of Association

In accordance with the requirements of the CSRC, the Company made amendments and supplements to the relevant provisions of the Articles of Associations, the Rules of Proceedings for Shareholders' General Meetings, the Rules of Proceedings for Board of Directors Meetings and the Rules of Proceedings for Supervisory Committee Meetings. The scope of amendments concerned protection of shareholders' interests, fiduciary duties of the Company, internet voting, the system of independent directors and investor relations. The amendments and supplements were considered and approved in accordance with the statutory procedures.

2. The Code on Corporate Governance Practice

During the reporting period, the Company has reviewed its day-to-day governance practices in accordance with the provisions set out in the Code on Corporate Governance Practice under the Appendix 14 of the Hong Kong Listing Rules. The Company is of the view that it has complied with the relevant rules and regulations to regulate its operations and has adhered to strict corporate governance. It has strived to fulfill the "recommended best practices" and there was no act in breach of, or not complying with, the code provisions.

3. The Audit Committee

The Audit Committee of the Company comprises three members, all of whom are Non-executive Directors, including one who is an Independent Non-executive Director having the appropriate professional qualifications or appropriate accounting expertise or relevant expertise in financial management as required under Rule 3.10(2) of the Hong Kong Listing Rules. Independent Non-executive Directors represent a majority among the members of the Audit Committee, and the chairman is an Independent Non-executive Director.

The Audit Committee has reviewed the accounting principles, accounting standards and methods of review adopted by the Company. It has also reviewed the unaudited financial statements for the first quarter and the first half of 2005. The Audit Committee considered that the financial statements for the first quarter and the first half of 2005 complied with the applicable accounting standards and legal requirements, and that the Company has made appropriate disclosure thereof.

4. Internal Controls

The internal audit department established by the Company examined the financial conditions, operations and internal control activities under various businesses and work procedures for the first half of the year. No major shortcomings have been discovered.

5. Appointment of Independent Non-executive Directors

The Company has appointed a sufficient number of Independent Non-executive Directors in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules during the reporting period, and has appointed Independent Non-executive Directors with the appropriate professional qualifications or appropriate accounting expertise or relevant expertise in financial management.

6. The Model Code for Securities Transactions by Directors

Upon specific enquiries made to all the Directors and Supervisors of the Company, the Directors and Supervisors of the Company have complied with the provisions on securities transactions under the Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Hong Kong Listing Rules (the "Model Code"). During the reporting period, the Company formulated the Standard Regulations for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees governing the conduct of securities transactions by the relevant personnel pursuant to the Model Code.

(2) Profit Distribution Scheme and its Implementation

The following profit distribution scheme for 2004 was approved at the 10th 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 as at 31st December 2004. Such scheme was reviewed and approved at the 2004 Annual General Meeting.

The Board of Directors of the Company, with authorisation of the Shareholders' General Meeting, decided that the record date for determining the entitlements of domestic shareholders was 2nd June 2005, and the ex-dividend date was 3rd June 2005. Dividends for H-Share holders are denominated in RMB and payable in HK dollar, and a cash dividend of HK\$1.367 was paid for every 10 shares held. The latest time for registering transfer of H Shares for dividends was 18th April 2005. The dividends were declared on 18th May 2005.

The dividends for 2004 were paid on 10th June 2005 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 30th June 2005.

(3) Material Litigation or Arbitration during the Reporting Period

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 did not conduct any material acquisition or sale of assets.

(5) Connected Transactions

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

Road Maintenance Service Contracts with Jiangsu Sundian

On 22nd April 2005, the Company and Guangjing Xicheng entered into maintenance contracts with Jiangsu Sundian in respect of the repair and maintenance services for the Jiangsu Section of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 1st May 2005 and terminating on 31st December 2005. Maximum maintenance service fees under the contracts were estimated at no more than RMB25 million and RMB25 million, respectively.

The 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 upper limits of maintenance service fees are based on estimated works in 2005. 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 internal resources of the Company and Guangjing Xicheng respectively.

As the aggregate maximum annual maintenance fees of these two maintenance contracts are RMB 50 million which is less than 2.5% of the audited consolidated total asset value, income and market capitalisation of the Company as at 31st December 2004, the maintenance contracts constituted 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 25th April 2005.

Opinion of the Independent Non-executive Directors

The 11th meeting of the fourth session of the Board of Directors of the Company has carried out lawful and valid resolutions on these connected transactions. The Independent Non-executive Directors of the Company have carried out conscientious reviews of the matters concerned and confirmed that:

The two maintenance contracts are in the interests of the shareholders as a whole. They have been entered into by the relevant companies in the ordinary and usual course of their businesses and the terms are normal commercial terms. The transactions have been entered into in accordance with the maintenance service contracts governing them on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

(6) Significant Contracts and their Implementations

1. Material trusts, subcontracting or leasing

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

The main material subcontracting activity is the entering into of subcontracting contracts with various subcontractors participating in the expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway. As at 30th June 2005, there were a total of 393 subcontracts entered into for the expansion project, amounting to RMB8.46 billion. The actual amount paid was RMB5.57 billion.

2. Material guarantees and pledge of assets

During the reporting period, the Company did not provide 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 did not entrust 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 CSRC, none of the controlling shareholder or other connected parties have appropriated the Company's capital. No guarantee has been provided by the Company to the controlling shareholder or other connected parties and none of the controlling shareholder or connected 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 Non-executive 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 entered into and being performed by the Company included the following:

1. On 14th April 2004, the Company entered into a second supplementary contract with the Highway Bureau of Jiangsu Province in respect of the extension of the operating right after the widening project of Nanjing-Shanghai Class 2 Highway. The Company was granted a new operating right of the Nanjing-Shanghai Class 2 Highway for a consideration of RMB2.7 billion. The term of the new operating right is from 27th June 2012 to 26th June 2024.
2. The Company obtained a loan of RMB200 million from Guangjing Xicheng, its subsidiary, in the form of loan on assignment in December 2004. The term of the loan is from 27th December 2004 to 26th December 2005. The loan interest is at 5.022% per annum.
3. On 22nd April 2005, the Company and Guangjing Xicheng entered into maintenance contracts with Jiangsu Sundian in respect of the repair and maintenance services for the Jiangsu Section of Shanghai-Nanjing Expressway and Guangjing-Xicheng Expressways, with duration of the contract being from 1st May 2005 to 31st December 2005 and with estimated total contract sum not exceeding RMB50 million.

(7) Undertakings

1. The Board of Directors of the Company has made an undertaking in respect of the profit distribution proposal for 2005 that one cash dividend distribution will be made for the year at a ratio of no less than 50% of the net profit of the year.
2. During the reporting period, there were no disclosures in press or on designated websites regarding any undertakings made by shareholders holding 5% or more of the share capital of the Company that might have significant impact on the Company's operating results or financial conditions.

(8) Appointment of Auditors

At the 2004 Annual General Meeting, Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd and Deloitte Touche Tohmatsu were continued to be appointed as the domestic and international auditors of the Company for 2005. The annual remuneration was increased to RMB1.3 million due to the increase in audit items and audit work in 2005. The Company has not paid any fees other than the above-mentioned or any charges that might have affected the auditors' independence.

(9) Regulatory Sanctions

During the reporting period, there was no punishment, reprimand or public censurs imposed against the Company, the Board of Directors or any of its directors by any regulatory authorities.

(10) Other Information Sources

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

1. Announcement of Adjustments to Toll Rate Policy, published on 10th January 2005;
2. Announcement of the Tenth Session of the Fourth Board of Directors, Announcement of the Sixth Session of the Fourth Supervisory Committee and Announcement of 2004 Annual Results, published on 21st March 2005;
3. Notice of the 2004 Annual General Meeting, published on 1st April 2005;
4. Published the 2004 Annual Report on 8th April 2005;
5. Announcement of the Eleventh Session of the Fourth Board of Directors, Announcement of the Seventh Session of the Fourth Supervisory Committee and Announcement of the 2005 First Quarterly Report, published on 25th April 2005;
6. Announcement of the Connected Transactions in Respect of the Maintenance Service Contracts with Jiangsu Sundian Engineering Co., Ltd., published on 25th April 2005;
7. Announcement of the Supplementary Notice of the Annual General Meeting, published on 25th April 2005;
8. Published the 2005 First Quarterly Report on 10 May 2005;
9. Announcement of the Resolutions of 2004 Annual General Meeting, published on 19th May 2005;
10. Announcement in relation to reduction of business tax rate on toll income of toll road operations, published on 24th May 2005;
11. Announcement of the Dividend Distribution in 2004, published on 28th May 2005;
12. Announcement regarding a waiver from strict compliance of Rule 3.24 of the Listing Rules, published on 15th June 2005.

VII. Documents Available for Inspection

1. Copies of the interim report signed by the Chairman.
2. Financial statements signed and sealed by the Legal Representative and the chief accounting officer of the Company.
3. All the public disclosure documents 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

19th August 2005