

The board of directors (the “Board of Directors”) of Jiangsu Expressway Company Limited (the “Company”) is pleased to announce the financial position and the condensed consolidated financial statements on the operating results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 which have been prepared in accordance with International Accounting Standards (“IAS”) and which have been reviewed by the Audit Committee of the Board of Directors of the Company, together with comparative figures for the corresponding period in 2001, as follows:

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH JUNE, 2002

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

(With comparatives for the six months ended 30th June, 2001)

	For the six months ended 30th June	
	2002 (unaudited) RMB'000	2001 (unaudited) RMB'000
Revenue, net	1,025,672	826,956
Operating cost	(381,384)	(351,110)
Gross profit	644,288	475,846
Administrative expenses	(30,821)	(27,760)
Other revenue from operations	8,564	4,552
Profit from operations	622,031	452,638
Finance income	6,870	7,687
Share of profits from investments under equity method	24,977	5,652
Profit before taxation and minority interests (Note 3)	653,878	465,977
Income tax expense (Note 4)	(214,743)	(65,426)
Profit after taxation but before minority interests	439,135	400,551
Minority interests	(9,208)	(7,043)
Net profit for the period	429,927	393,508
Dividends (Note 5)	629,718	453,397
Earnings per share (Note 6)		
— Basic	RMB0.0853	RMB0.0781
— Diluted	Not applicable	Not applicable

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE, 2002

(With comparatives as at 31st December, 2001)

	As at 30th June, 2002 (unaudited) RMB'000	As at 31st December, 2001 (audited) RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,767,595	9,903,191
Land use rights	1,594,474	1,610,256
Investment in associates	1,055,861	702,172
Long-term receivable, net of current portion	—	73,157
Intangible assets	113,963	79,155
Total non-current assets	12,531,893	12,367,931
Current assets		
Inventories	7,900	5,815
Due from related parties	1,297	997
Prepaid tax	—	3,482
Prepayments and other receivables (Note 8)	123,532	56,615
Current portion of long-term receivable	77,112	7,910
Short-term investments	100,000	116,311
Cash and cash equivalents	655,698	775,623
Total current assets	965,539	966,753
TOTAL ASSETS	13,497,432	13,334,684

CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 30TH JUNE, 2002

(With comparatives as at 31st December, 2001)

	As at 30th June, 2002 (unaudited) RMB'000	As at 31st December, 2001 (audited) RMB'000
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital (Note 9)	5,037,748	5,037,748
Reserves (Note 7)	7,265,995	7,465,786
Total shareholders' equity	12,303,743	12,503,534
Minority interests	388,053	378,845
Non-current liabilities		
Long-term bank loans, non-current portion	64,902	50,313
Deferred tax liabilities	17,464	14,351
Total non-current liabilities	82,366	64,664
Current liabilities		
Short-term bank loans	330,000	210,000
Current portion of long-term bank loans	6,821	4,703
Payables on construction projects	39,454	68,041
Other payables	78,359	92,228
Provision for tax	46,748	—
Dividends payable	221,888	12,669
Total current liabilities	723,270	387,641
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	13,497,432	13,334,684

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

(With comparatives for the six months ended 30th June, 2001)

	For the six months ended 30th June	
	2002 (unaudited) RMB'000	2001 (unaudited) RMB'000
Net Cash inflow from operating activities	625,412	493,394
Net cash outflow from investing activities	(575,322)	(214,676)
Net cash outflow from financing activities	(286,326)	(509,119)
Decrease in cash and cash equivalents	(236,236)	(230,401)
Cash and cash equivalents, beginning of period	891,934	970,993
Cash and cash equivalents, end of period	655,698	740,592

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2002**

(With comparatives for the six months ended 30th June, 2001)

	From 1st January to 30th June 2002 (unaudited)					
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Unappropriated profit RMB'000	Total RMB'000
Balance as at 1st January 2002	5,037,748	5,730,454	293,780	146,891	1,294,661	12,503,534
Dividends declared after 31st December 2001	—	—	—	—	(629,718)	(629,718)
Consolidated profit after taxation and minority interests	—	—	—	—	429,927	429,927
Balance as at 30th June 2002	5,037,748	5,730,454	293,780	146,891	1,094,870	12,303,743

	From 1st January to 30th June 2001 (unaudited)					
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Unappropriated profit RMB'000	Total RMB'000
Balance as at 1st January 2001	5,037,748	5,730,454	215,694	107,848	1,023,947	12,115,691
Dividends declared after 31st December 2000	—	—	—	—	(453,397)	(453,397)
Consolidated profit after taxation and minority interests	—	—	—	—	393,508	393,508
Balance as at 30th June 2001	5,037,748	5,730,454	215,694	107,848	964,058	12,055,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30TH JUNE, 2002

(With comparatives for the six months ended 30th June, 2001 and as of 31st December, 2001)

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The accompanying condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The principal accounting policies adopted in preparing the interim financial statements of the Group are the same as those adopted in the preparation of the annual financial statements as at and for the year ended 31st December, 2001.

The Group adopted PRC Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises in preparing Statutory Accounts ("Statutory Accounts"). The differences between IAS and PRC Accounting Standards that affect Statutory Accounts are disclosed in note 12.

2. PRINCIPLES AND BASIS OF CONSOLIDATION

The accompanying condensed consolidated financial statements include the accounts of Jiangsu Expressway Company Limited (the "Company") and its subsidiary (hereinafter together with the Company referred to as the "Group").

All significant intercompany balances and transactions, including intercompany profits and losses and resulting unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is a company over which the Company exercises control. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

Details of the Group's consolidated subsidiaries:

As at 30th June, 2002 and 31st December, 2001

Name of subsidiaries	Country of establishment and date of establishment	Company's equity interest	Registered capital RMB'000	Principal activities
Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng")	PRC 16th September, 1997	85% (directly held)	850,000	Construction, management and operation of expressway
Shuangshilou Hotel Co., Ltd. ("Shuangshilou")	PRC 7th November, 2001	95.05% (directly held)	1,010	Provision of Chinese food

3. PROFIT BEFORE TAXATION AND MINORITY INTERESTS

Profit before taxation and minority interests in the condensed consolidated income statements was determined after (crediting) charging the following items:

	For the six months ended 30th June, 2002	
	2002 (unaudited) RMB'000	2001 (unaudited) RMB'000
Gain on disposal of short-term investment	(4,270)	(3,996)
Interest income	(9,409)	(16,229)
Interest expenses	2,539	9,755
Less: Amounts capitalised in construction-in-progress	—	(1,213)
Finance (income) cost	(6,870)	(7,687)
Depreciation of property, plant and equipment	155,904	130,197
Amortization of land use rights	15,782	12,836
Amortization of intangible assets	4,591	3,188
Impairment losses relating to property, plant and equipment included in operating cost	—	5,040

4. TAXATION

The Company and its subsidiaries are subject to EIT levied at a rate of 33% of taxable income based on its audited accounts prepared in accordance with the laws and regulations in the PRC.

Pursuant to relevant documents issued by the Finance Department of Jiangsu Province (the "Jiangsu Finance Department"), the Company was granted financial refunds equal to 18% of its taxable income in respect of EIT paid on the income generated from the operations of the Shanghai-Nanjing Expressway.

Pursuant to the relevant documents mentioned above, income generated from the operations of the Nanjing-Shanghai Class 2 Highway was granted financial refunds equal to 33% of its taxable income in respect of EIT. Pursuant to Cai Shui [2000]No.99 issued in October 2000, income generated from the operations of the Nanjing-Shanghai Class 2 Highway was granted financial refunds equal to 18% of its taxable income in respect of EIT.

Pursuant to the Cai Shui [2000] No.99 mentioned above, the above preferential tax treatment would remain effective until 31st December, 2001.

During the interim reporting periods, income tax expense in the condensed consolidated income statements comprised:

	For the six months ended 30th June, 2002	
	2002 (unaudited) RMB'000	2001 (unaudited) RMB'000
Taxation		
- current	203,553	135,074
- financial refunds	—	(77,350)
	203,553	57,724
Deferred taxation	3,113	6,156
	206,666	63,880
Share of income tax of associate companies	8,077	1,546
	214,743	65,426

There were no Hong Kong profits tax liabilities as the Group did not earn any income subject to Hong Kong profits tax.

As at 30th June, 2002, there was no material unprovided deferred tax.

5. DIVIDENDS

During this interim reporting period, the shareholders' meeting approved the dividend appropriation for 2001 of approximately RMB 629,718,438 (RMB 0.125 per share). (corresponding period of 2000: approximately 453,397,275, RMB 0.09 per share).

The Board of Directors of the Company do not recommend any interim dividend for the six months ended 30th June 2002 (corresponding period of 2001: nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the unaudited consolidated net profit of approximately RMB 429,927,000 for the six months ended 30th June, 2002 (Corresponding period of 2001: approximately RMB 393,508,000) divided by the weighted average number of ordinary shares 5,037,747,500 shares (Corresponding period of 2001: 5,037,747,500 shares) in issue during the period.

The diluted earnings per share was not calculated, because no potential shares existed.

7. RESERVES

In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries are required to appropriate 10 per cent. of their annual statutory net profit (after offsetting any prior years' losses) to a statutory surplus reserve account ("SSR") respectively. When the balance of such reserve reaches 50 per cent. of each entity's share capital, any further appropriation is optional. SSR can be utilised to offset prior years' losses or to increase share capital. However, SSR must be maintained at a minimum of 25 per cent. of share capital after such usage.

The directors have resolved that the statutory public welfare fund ("SPWF") is to be utilised to build or acquire capital items respectively, such as dormitories and other facilities for the Company and its subsidiaries' employees, and can not be used to pay for staff welfare expenses. Titles of these capital items will remain with the Company and its subsidiaries.

Pursuant to the Notice [1995] 31 issued by MOF on 24 August, 1995, the amount of profit available for distribution to the shareholders will be determined based on the lower of unappropriated profits determined in accordance with (i) PRC accounting standards and regulations, and (ii) IAS or Hong Kong Statements of Standard Accounting Practice.

There is no appropriation of net profit to SSR and SPWF during the six months ended 30th June, 2002. In accordance with the Company's articles of association, these appropriations will be proposed by the Board of Directors for the approval from the annual general meetings of shareholders.

8. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30th June, 2002 (unaudited) RMB'000	As at 31st December, 2001 (audited) RMB'000
Prepayments	54,911	8,859
Interest receivable	676	543
Due from Yicao Road	20,700	11,800
Others	47,245	35,413
	123,532	56,615

9. SHARE CAPITAL

There was no movement in the share capital of the Company in the interim reporting periods.

10. RELATED PARTY TRANSACTIONS

(a) Name of related party and relationship

Name	Relationship with the Company
Jiangsu Communications Holding Company Ltd. ("Jiangsu Communications Holding")	the ultimate holding company
Jiangsu Yangzte Bridge Co., Ltd. ("Yangzte Bridge Co.")	an associate company and an associate of Jiangsu Communications Holding

(b) Related party transactions

- (i) Pursuant to the agreement dated 8th April, 2002 between Jiangsu Communications Holding and the Company, the Company acquired Jiangsu Communications Holdings' capital contribution of RMB 276,000,000 in Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang"), approximately 33.33% of the paid-in capital of Sujiahang, for a cash consideration of RMB 315,400,000.

- (ii) On 28th May 2002, Guangjing Xicheng (a subsidiary) and Yangtze Bridge Co., Ltd. (an associate company) entered into a contract with Jiangsu Communications Holdings (the holding company), Suzhou Materials Holding (Group) Co., Ltd. and Jiangsu Zulin Co., Ltd ("Jiangsu Zulin") pursuant to which Guangjing Xicheng and Yangtze Bridge Co. invested RMB100,000,000 and RMB170,000,000, representing 20% and 34% of the enlarged registered Capital of Jiangsu Zulin, respectively.
- (iii) The Company had aggregate banking facilities of approximately USD 9,800,000 (RMB equivalent 81,140,000) to finance the purchase of imported equipment and technology. Such facilities were fully drawn down as at 30th June, 2002. As at 30th June, 2002, loans of approximately USD 8,664,000 (RMB equivalent 71,723,000) under such facilities were guaranteed by Jiangsu Communications Holding.

11. SUBSEQUENT EVENTS

On 25th December, 1998, the Company formed a joint venture named Jiangsu Yixing Yicao Highway Co., Ltd. ("Yicao Highway Co.") with Yixing Communications Construction and Development Co., Ltd. ("Yixing Communications Construction Co."). The joint venture period is 10 years from 25th December, 1998. Yicao Highway Co. is principally engaged in the construction, operation and management of highway linking Yixing and Caoqiao. The registered capital of Yicao Highway Co. is RMB120 million. The Company and Yixing Communications Construction Co. have contributed RMB 58,800,000 and RMB 61,200,000, representing 49% and 51% respectively of the registered capital of Yicao Highway Co.

Pursuant to the supplementary operating agreement dated 31st December, 1998, apart from the capital contribution of RMB58,800,000, the Company is required to provide an additional RMB117,600,000 as a construction loan. As at 31st December, 2000, the Company had contributed an aggregate amount of RMB 100,000,000 to Yicao Highway Co. in the form of capital and construction loan. According to the aforesaid agreement, Yixing Communications Construction Co. is authorized by the Company to be solely responsible for the operation and management of Yicao Highway Co. In addition, Yixing Communications Construction Co. shall pay the Company a fixed annual investment return of 17.8% during the operating period of Yicao Highway Co. from 1999. Yixing Investment Corporation, a controlling shareholder of Yixing Communications Construction Co., has guaranteed the payment of the aforesaid investment return. At the end of the operation period, the Company will not be entitled to any further distribution.

The above receivables from Yicao Highway Co. shall be presented as Long-term Receivables.

On 24th July, 2002, the Board of Directors of the Company declared that Yicao Highway Co. would be liquidated. Yixing Communications Construction Co. and the Company agreed to set up a liquidation team to deal with the liquidation of Yicao Highway Co.

12. IMPACT OF IAS ADJUSTMENTS ON PROFIT AFTER TAX AND MINORITY INTERESTS / SHAREHOLDERS' EQUITY

The Group has prepared a separate set of statutory accounts in accordance with PRC laws and financial regulations ("PRC GAAP"). Differences between PRC GAAP and IAS resulted in differences in the reported balances of shareholders' equity and profit after taxation and minority interests of the Group which are summarised and explained as follows:

	Profit after taxation and minority interests for the six months ended 30th June,		Shareholders' equity	
	2002 RMB'000	2001 RMB'000	as at 30th June, 2002 RMB'000	as at 31st December, 2001 RMB'000
As stated in statutory accounts	407,872	365,836	13,876,594	13,470,559
IAS adjustment:				
- Amortization of land use right	16,001	18,654	52,921	36,920
- Valuation, depreciation and amortization of property, plant and equipment	18,177	15,174	(1,599,975)	(1,618,152)
- Loss on disposal of staff quarters	—	—	(8,237)	(8,237)
- Deferred taxation	(3,113)	(6,156)	(17,464)	(14,351)
- Interest on hold-to-maturity investment	(7,077)	—	—	7,077
- Dividends proposed in subsequent period	—	—	—	629,718
- Others	(1,933)	—	(96)	—
As stated in this financial report	429,927	393,508	12,303,743	12,503,534