

A. Analysis of Business Operations

1. General Description of Results

The Company is principally engaged in the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (“Shanghai-Nanjing Expressway”) and other related toll expressways within Jiangsu Province, as well as the provision of passenger transport and other ancillary services along these expressways.

The Company is part of the Group that comprises also Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”) and Nanjing Shuangshilou Hotel Co., Ltd.

In the first half of 2002, the Company continued to implement its business strategy of focusing on its principal operations while developing ancillary businesses. Projects were actively pursued on the basis of economic efficiency. During the reporting period, the Group’s operating revenue amounted to approximately RMB1,077,741,000. Net revenue after income-related taxation amounted to approximately RMB1,025,422,000, representing a 24.11% growth over the corresponding period of the previous year.

Revenue composition and its percentage are as follows:

Project	Revenue in the first half of 2002 (RMB'000)	Percentage of the total revenue (%)	Increase over the corresponding period of the previous year (%)
Toll revenue of Shanghai-Nanjing Expressway	670,534	62.22	25.99
Toll revenue of Nanjing-Shanghai Class 2 Highway	113,565	10.54	8.53
Toll revenue of the Nanjing Section of Nanjing-Lianyungang Highway	25,872	2.40	2.90
Toll revenue of Guangjing-Xicheng Expressway	128,235	11.90	48.89
Revenue from other operations	139,535	12.94	13.96
Total	1,077,741	100.00	24.11

The Group’s profit after taxation for the reporting period, calculated in accordance with the PRC Accounting Standards and reviewed by the Audit Committee of the Board of Directors of the Company, amounted to approximately RMB407,872,000. Earnings per share amounted to approximately RMB0.081, an increase of 10.96%, year-on-year. In accordance with IAS, profit after taxation amounted to approximately RMB429,927,000 and earnings per share amounted to approximately RMB0.085, an increase of 9.22%, year-on-year.

Profit growth during the reporting period was mainly attributable to:

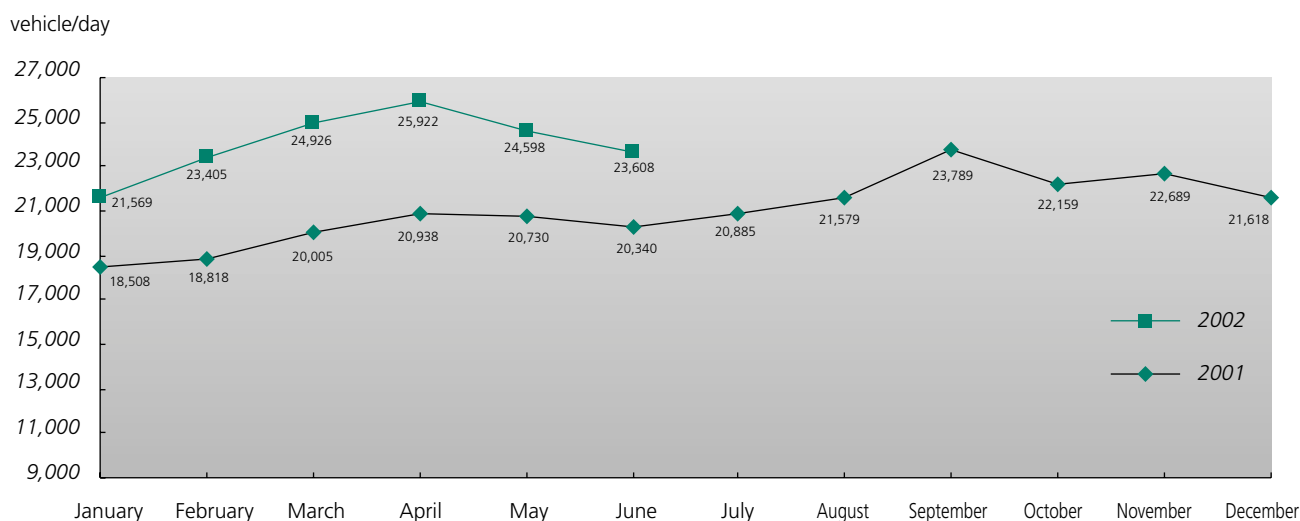
1. The regional economy maintained a stable growth. In the first half year of 2002, the GDP growth rate of Jiangsu Province of approximately 11.20% surpassed that of the national average by 3.4 percentage points;
2. Year-on-year growth of 20.97% in the traffic volume of Shanghai-Nanjing Expressway which in turn led to an increase in toll revenue;
3. Year-on-year growth of 39.44% and 47.01%, respectively, of the traffic volume of Xicheng and Guangjing Expressways, both of which continued to undergo rapid growth;
4. Increase in investment gains as a result of increase of shareholding in Yangtze Bridge Co.;
5. Cost saving and expenses reducing measures that helped to control expenses within the scope determined at the beginning of the year.

2. Analysis of Various Operations

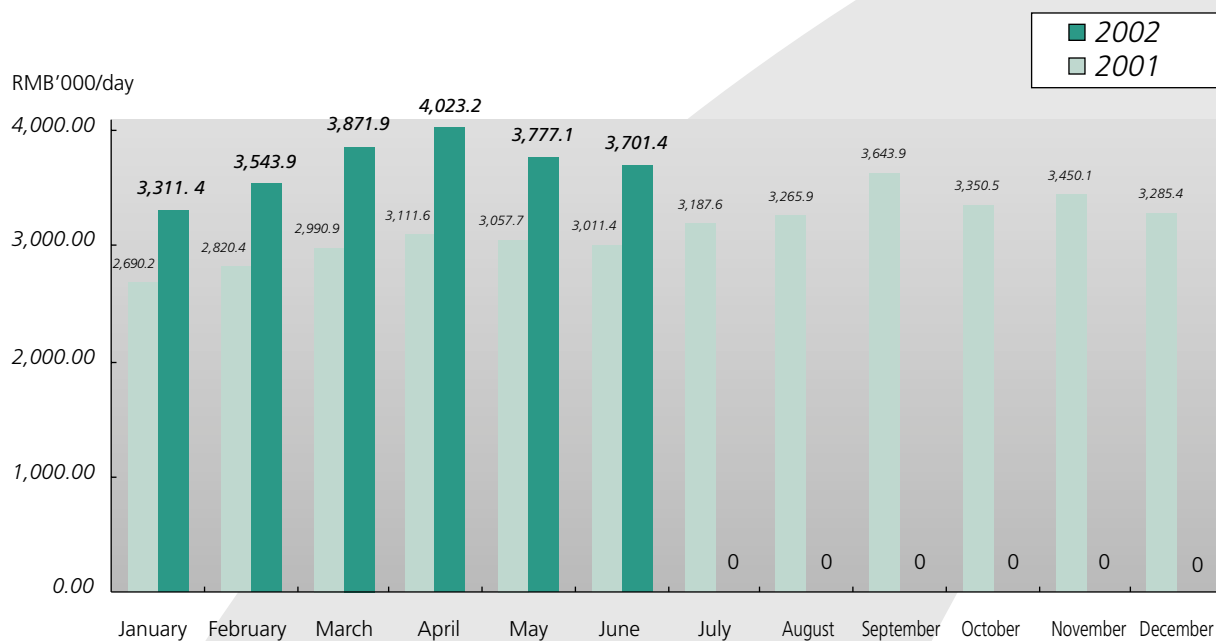
Shanghai-Nanjing Expressway

During the reporting period, the traffic volume and toll revenues of Shanghai-Nanjing Expressway continued to grow rapidly. The distance weighted average daily traffic volume in the six months ended June amounted to 24,006 vehicles, representing a 20.97% growth compared to the corresponding period of the previous year. Average daily toll revenues amounted to RMB3,704,600, a year-on-year growth of 25.99%. The mix of vehicle composition has been stable.

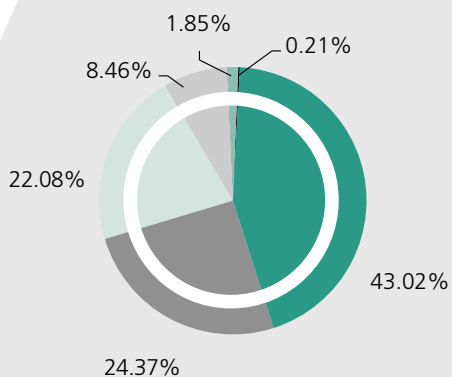
Average Daily Traffic Volume of Shanghai-Nanjing Expressway - 2001 and 2002



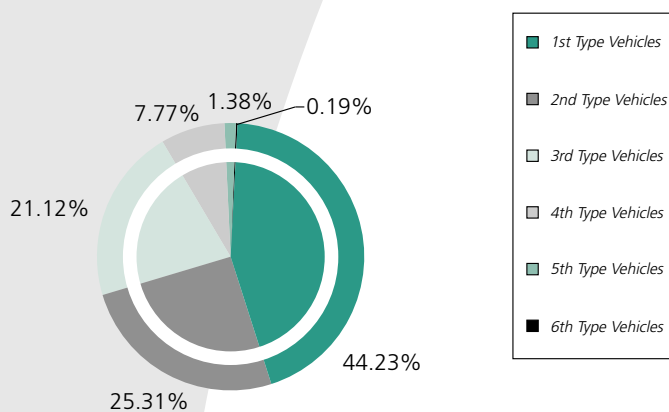
Average Daily Toll Revenue of Shanghai-Nanjing Expressway - 2001 and 2002



Vehicle Breakdown
Shanghai-Nanjing Expressway
January - June 2002



Vehicle Breakdown
Shanghai-Nanjing Expressway
Year 2001



Nanjing-Shanghai Class 2 Highway

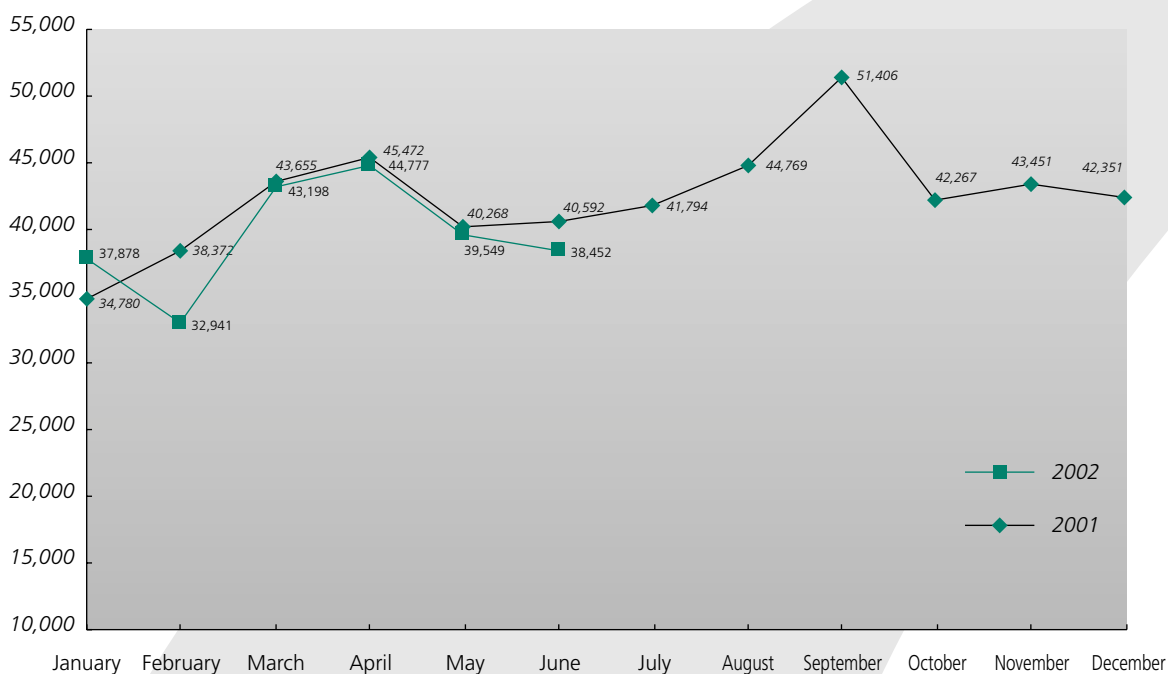
During the reporting period, an average of 39,550 vehicles passed through the toll station of Nanjing-Shanghai Class 2 Highway every day. Average daily toll revenues increased by 8.53% to approximately RMB627,400.

Baiyang Toll Station of Nanjing-Shanghai Class 2 Highway was moved to the border of Shanghai on 28th December 2001 and renamed as Gunan Toll Station. Toll was collected on a single-way basis (toll on vehicles heading for Jiangsu but no toll on vehicles travelling from Jiangsu). The toll fees of Gunan Toll Station versus other toll stations are as follows:

Vehicle	Toll Fee on Nanjing-Shanghai Class 2	
	Gunan Toll Station (one-way)	Other toll stations
Motorcycle (included light motorcycle), motor tricycle	RMB 10/vehicle	RMB 3/vehicle
Mini Tractor, tricycle	RMB 20/vehicle	RMB 5/vehicle
Passenger vehicle (1-20 seats)	RMB 30/vehicle	RMB 10/vehicle
Goods vehicle below 2 tons (2 tons included)		
Passenger vehicle (21-50 seats)	RMB 40/vehicle	RMB 20/vehicle
Goods vehicle between 2 tons to 5 tons (5 tons included)		
Passenger vehicle: over 50 seats	RMB 80/vehicle	RMB 30/vehicle
Goods vehicle between 5 tons to 10 tons (10 tons included)		
Goods vehicle: above 10 tons	For vehicle over 10 tons the part over 10 tons will be charged per 10 tons (less than 10 tons will be counted as 10 tons) as one level. RMB 40 will be charged for each level. The part over 40 tons will be entitled to 50% discount.	RMB 3/ton (RMB 1.5/ton if over 40 tons)
Additional fee for trailer vehicle travelling along with main vehicle on top of the toll for main vehicle		RMB 30/vehicle

Average Daily Traffic Volume of Nanjing-Shanghai Class 2 Highway - 2001 and 2002

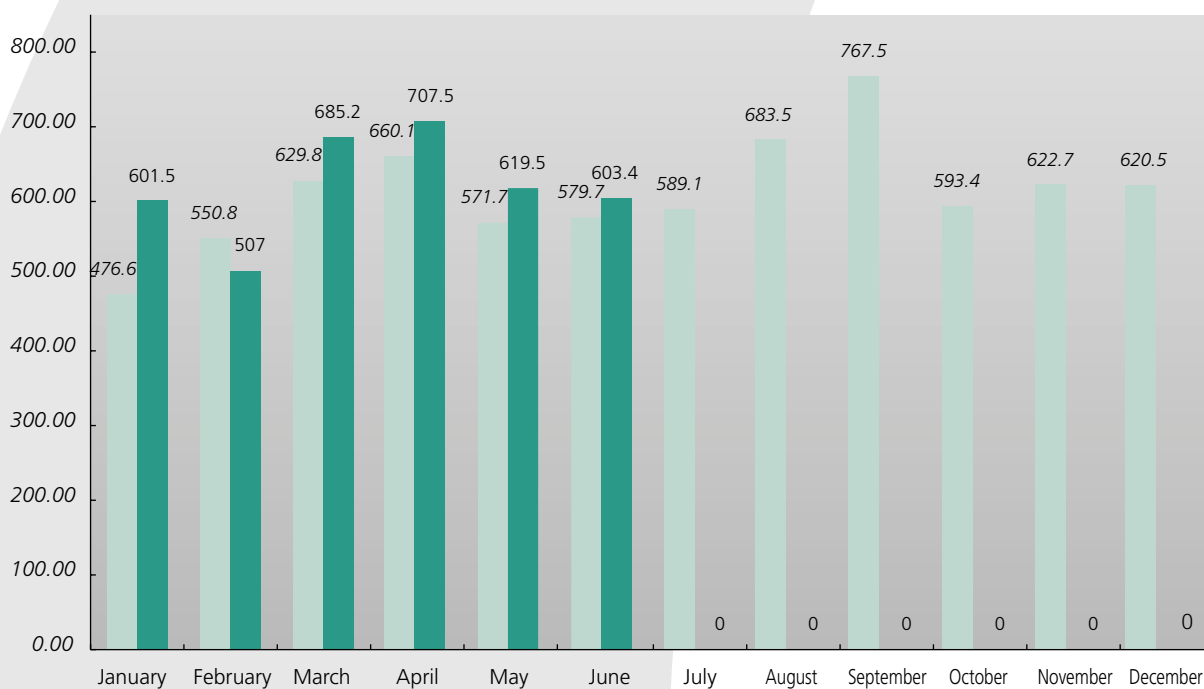
Vehicle/day



Average Daily Toll Revenue of Nanjing-Shanghai Class 2 Highway - 2001 and 2002

RMB'000/day

2002
2001

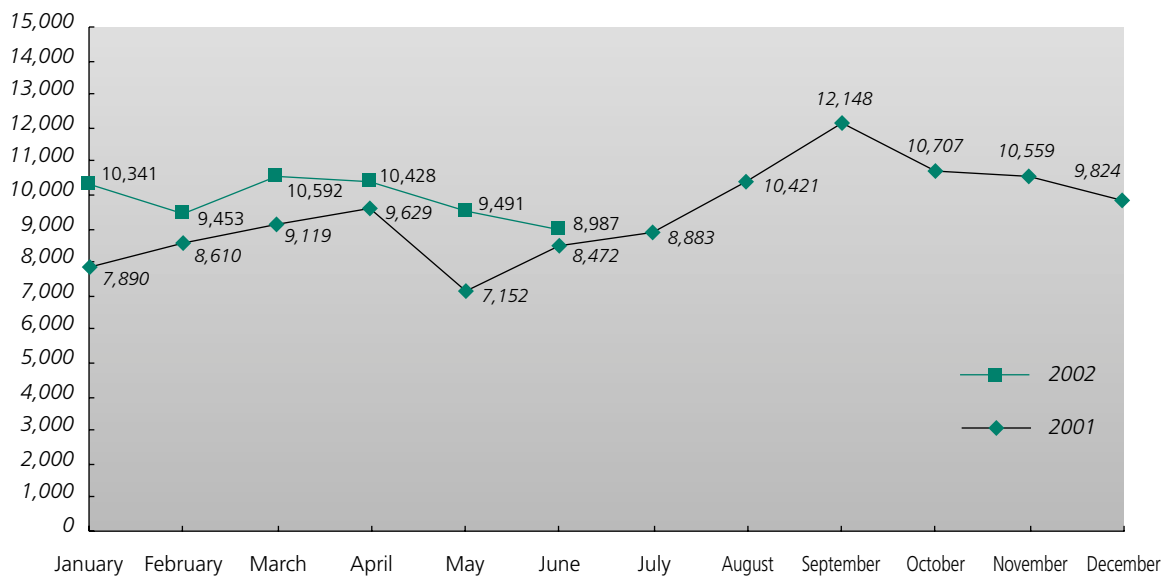


Nanjing Section of Nanjing-Lianyungang Highway

During the reporting period, an average of 9,892 tolled vehicles passed through the Nanjing Section of Nanjing-Lianyungang Highway every day, an increase of 16.78% compared to the corresponding period of the previous year. Average daily toll revenue was approximately RMB142,900, a year-on-year increase of 12.90%. No negative impact was seen from major road maintenance works carried out during the period, as toll revenues generated were higher than expected.

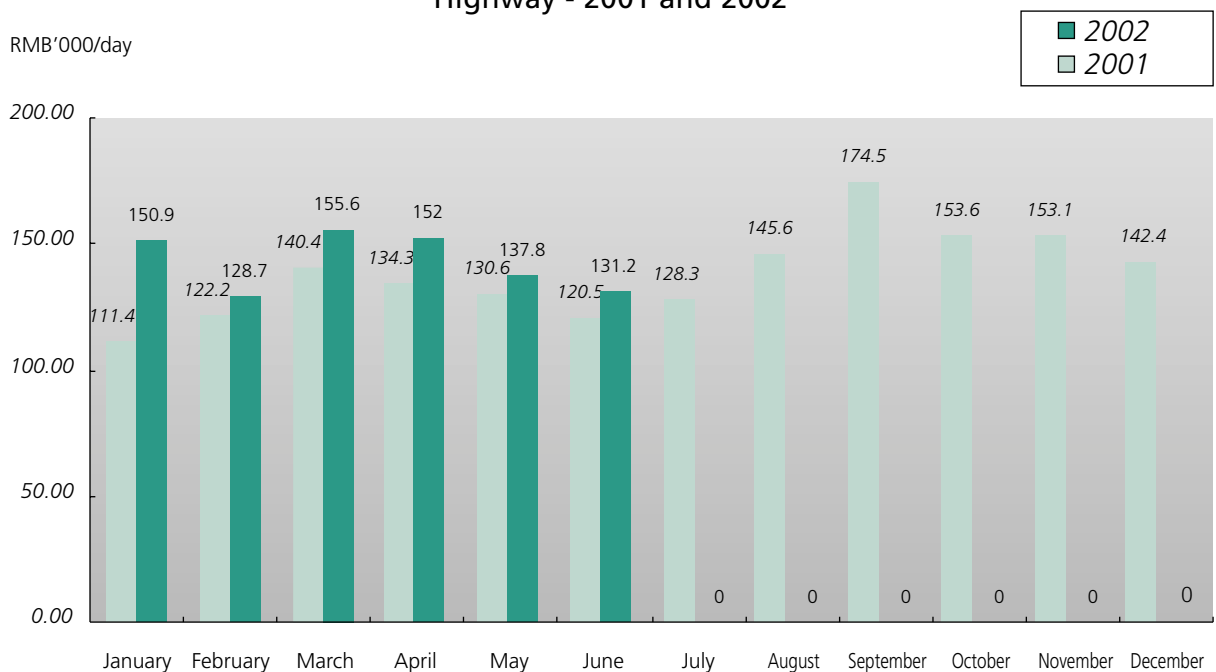
Average Daily Traffic Volume of Nanjing Section of Nanjing-Lianyungang Highway - 2001 and 2002

vehicle/day



Average Daily Toll Revenue of Nanjing Section of Nanjing-Lianyungang Highway - 2001 and 2002

RMB'000/day



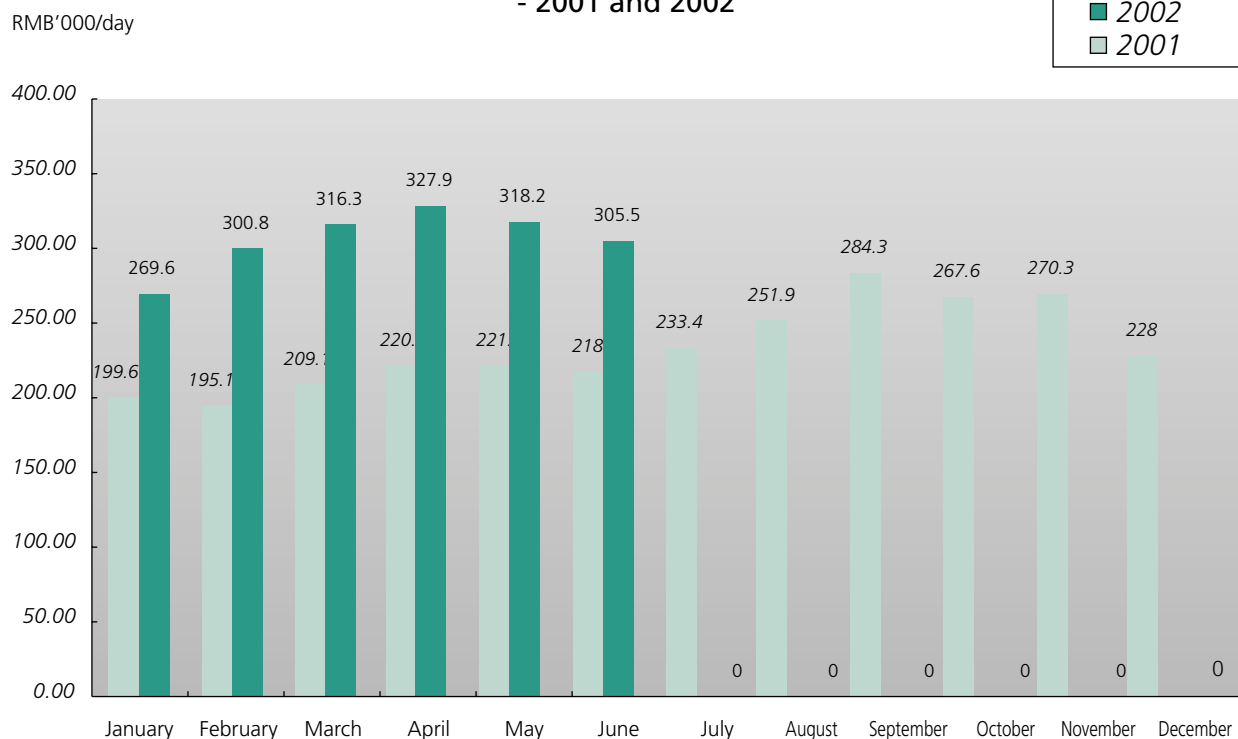
Guangjing Expressway and Xicheng Expressway

During the reporting period, Guangjing Expressway and Xicheng Expressway maintained rapid growth. During the six months ended June, Xicheng Expressway and Guangjing Expressway registered distance weighted average daily traffic volumes of 15,198 vehicles and 17,565 vehicles, respectively, representing growth of 39.44% and 47.01% over the corresponding period of the previous year, respectively. Average daily toll revenues amounted to RMB402,000 and RMB306,400, respectively, representing year-on-year growth of 46.56% and 45.34%, respectively.

Average Daily Toll Revenue of Nanjing Section of Xicheng Expressway - 2001 and 2002



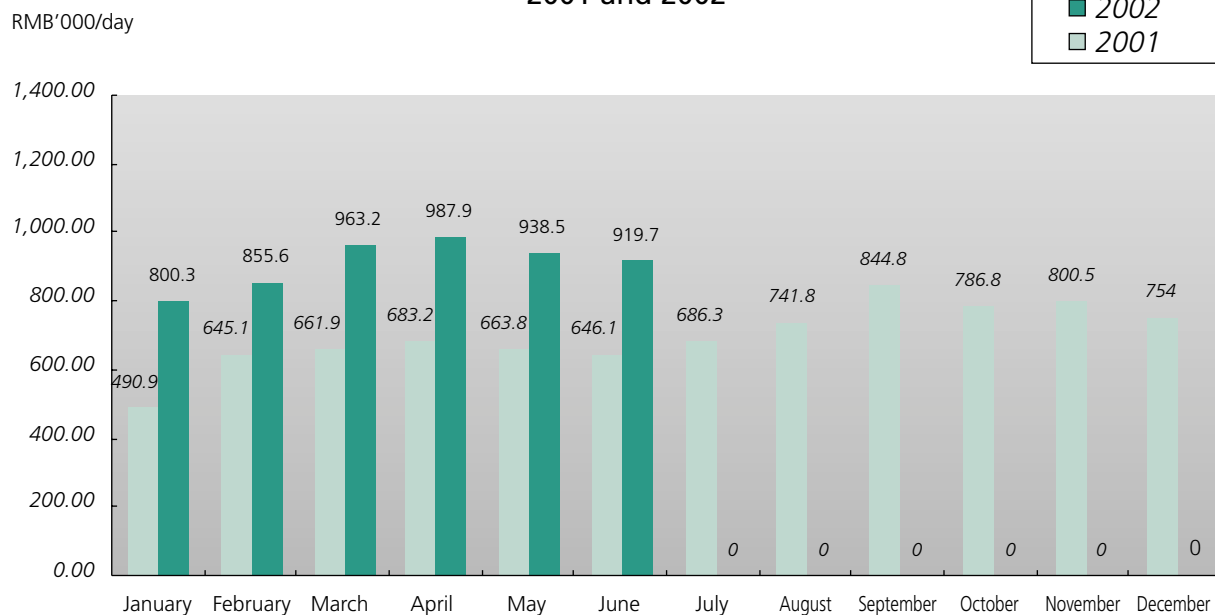
Average Daily Toll Revenue of Nanjing Section of Guangjing Expressway - 2001 and 2002



Jiangyin Yangtze Bridge

An average of 19,079 vehicles passed through Jiangyin Yangtze Bridge every day during the six months ended June and average daily toll revenues amounted to RMB911,300, representing year-on-year growth of 28.89% and 44.37%, respectively.

Average Daily Toll Revenue of Nanjing Section of Jiangyin Yangtze Bridge - 2001 and 2002



Non-core businesses

Revenue from non-core businesses in the first half of the year was RMB139,534,000, an increase of 13.96% over the corresponding period of the previous year.

B. Results of Principal Operations and Analysis of Financial Conditions

The Company adopts a pro-active and prudent financial policy, and reviews its financial conditions on a regular basis and makes necessary adjustments in a timely manner. Investment risks were strictly controlled to ensure optimal interests for shareholders as well as the Company.

Analysis of the Group's Operating Results

Item	Reporting period (RMB'000)	Corresponding period of the previous year (RMB'000)	% Change
Revenues from core operations	1,025,672	826,956	24.11
Profits from core operations	622,031	452,638	37.42
Net profit	429,927	393,508	9.25
Decrease of cash and cash equivalents	(236,236)	(230,401)	2.53

Main reason for decrease/increase:

Traffic volume of the highways and expressways operated by the Group increased substantially as compared to the corresponding period of the previous year, leading to an increase in revenues and profits from its core operations. Meanwhile, cancellation of the tax preferential policy of "collecting first and returning later" resulted in a growth rate of net profit lower than that of the profits from core operations.

The Group's Assets

As at 30th June 2002, the Group's assets are as follows:

Item	30th June 2002	31st December 2001	% Change
Total assets	15,073,528	14,914,400	1.07
Shareholders' equity interests	13,876,594	13,470,559	3.01

The main reason for decrease/increase:

The increase in shareholders' equity interests was mainly due to an increase in undistributed profit.

As at 30th June 2002, the capital structure of the Group was as follows:

	Amount (RMB'000)
Shareholders' equity	12,303,743
Minority interests	388,053
Liabilities at fixed interest rates	401,723
Liabilities at floating interest rates	—
Interest free liabilities	403,913
Total	13,497,432
Gearing ratio	5.97%

Under IAS at the end of the reporting period, the total liability of the Group was RMB805,636,000, of which RMB723,270,000 was current liabilities and RMB82,366,000 was non-current liabilities. The gearing ratio was 5.97%. Of the total liability of the Company, bank loans amounted to RMB401,723,000, representing 49.86% of the total liability. Net assets of the Company amounted to RMB12,303,743,000. For details of the repayment conditions of the long-term loans of the Company, please refer to the sections headed "Other Material Contracts and their Performance".

Capital Expenditure and Financial Resources

Item	RMB'000
Liabilities at floating interest rates	—
Interest free liabilities	403,913
Total	13,497,432
Gearing ratio	5.97%

The capital expenditure of the projects carried out by the Group in the first half of 2002 amounted to approximately RMB21,190,000 as a result of an increase of production and operating activities of the Group.

With the operation of toll expressways as its core business, the Group has a stable and abundant operating cash flow. In the first half of 2002, net cash inflow from the Group's operating activities amounted to RMB625,412,000, representing a 26.76% growth as compared to the corresponding period of the previous year. Working capital amounted to RMB272,269,000.

C. Investments of the Company

1. Use of Proceeds

- i) The Company issued 1,222 million H Shares in 1997 and raised RMB4,069 million. The proceeds were fully applied up to the reporting period.
- ii) The Company issued 150 million A Shares in 2001 and raised RMB630 million. The proceeds had been fully applied as at last year.
- iii) All applications of the proceeds from share issues described above have been carried out in accordance with the undertakings made in the prospectuses. No changes have been made to the use of proceeds.

2. Project Investments

On 21st August 2001, at the eighth meeting of the third session of the Board of Directors of the Company, a resolution was passed that a joint venture company named Shanghai Zhongjiao Haide Transport Technology Co. Ltd. ("Haide Technology") be established with other partners. During the reporting period, the incorporation of Haide Technology with the Company as one of its promoters was approved by the Shanghai Municipal People's Government in an approval document numbered "Hu Fu Ti Gai Shen (2002) No. 008".

Haide Technology shall continue to reinforce its market position in its existing business of engineering design and project management software, while embarking on extensive joint ventures with foreign as well as domestic partners to explore opportunities in the area of intelligent traffic consultation such as highway resource management, GIS and GPS applications. The registered capital of Haide Technology is RMB21,000,000, of which RMB7,500,000 was contributed in cash by the Company. The Company owns a 35.71% shareholding of Haide Technology. Both the Company and Zhongjiao First Road Prospecting and Design Institute (中交第一公路勘察設計研究院) are the largest shareholders of Haide Technology.

The establishment of Haide Technology represents a pro-active attempt of the Company in exploring new frontiers for investment and identifying new niche for profit growth, leveraging on the Company's existing strengths and resources which is consistent with our strategy for business development. The Directors are confident that this project will generate sound investment returns.

D. Achievement of Business Objectives During the Reporting Period

During the reporting period, the management of the Company endeavoured to implement the business development plan formulated in the previous year. The acquisition of part of the equity interests in Sujiahang Expressway Co. and the incorporation in Haide Technology were completed during the period, while a study was conducted in respect of the widening of Shanghai-Nanjing Expressway and the adjustments to the toll stations of Nanjing-Shanghai Class 2 Highway. Initial results were achieved in all projects performed.

Under the PRC Accounting Standards, during the reporting period, the Company's operating revenue and profit after taxation amounted to RMB926,282,000 and RMB407,872,000, respectively, representing growth of 19.95% and 11.49%, respectively, and year-on-year improvements in operations.

E. Business Development Plans for the Second Half of the Year

On the basis of positive operating conditions achieved in the first half of the year, the Company shall base on the principle of sustainable development to complete the following projects:

1. The Company will commence studies on the proposal for widening and revamping Shanghai-Nanjing Expressway.
2. The Company will proceed with the redeployment of toll stations after obtaining approval from the Provincial Government on the strategic re-location studies of toll stations.
3. Certification programmes for quality, safety and environment will be rolled out. Preparatory work will be completed with the aim of commencing trial operations by the end of the year.
4. The Company will continue preparatory work for the establishment of an investment company and will begin analysis and research of related businesses as well as cross-sector development, with a view to selecting and carrying out appropriate projects.
5. Documents supporting the Company's application for the issue of American Depositary Receipts (ADR) have been submitted to the China Securities Regulatory Commission ("CSRC"). Preparatory procedures for the issue will begin as soon as an approval is obtained.

F. Prospects of Operating Results for the Next Reporting Period

The Company's principal businesses are infrastructure projects underpinned by relatively stable operations. The management of the Company shall adhere to in the principle of prudent operations to ensure steady growth in results.