

Good corporate governance affirms investor confidence and is the basis of healthy development of an enterprise. The Company has consistently complied with the Listing Rules for the stock exchanges in Hong Kong and Shanghai and performed its obligations as prescribed in the Standard on the Governance of Listed Companies and Practice Code of Corporate Governance, as well as directed daily activities strictly in accordance with the prescribed rules of decision making. The Company also reviews its operation and management regularly and worked towards the enhancement of corporate governance, in order to build a trustworthy and committed image in the market, thus maintaining its competitive edge.

(1) Shareholders and the General Meeting

The Company treats all shareholders equally and ensures that all shareholders have the right to be informed and to make decisions on material matters relating to the Company. Any insiders of the Company are prohibited from any insider dealings or any act that may damage the interests of shareholders of the Company.

The General Meeting is the highest organ of authority. The Company has strictly complied with the Rules of Proceedings of Shareholders' General Meetings, and has ensured that the holding of general meetings and its decision-making procedures are legal and valid and the shareholders' rights are legally exercised.

The Company's businesses, assets, staff, organization and finance are separated from those of the controlling shareholder, allowing it to have complete and autonomous ability over its businesses and operation. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the laws. There has been no circumstance that the controlling shareholder makes use of its special position to pursue benefits that are beyond what its legal right is entitled to.

The Company has amended the relevant provisions of the Articles of Association in accordance with rules and regulations. The Company has introduced a "cumulative voting system" to improve the election system of directors. It has also increased the ratio of staff representatives in the Supervisory Committee and has laid down the requirements relating to provision of guarantees to external parties by the Company.

(2) Directors and the Board of Directors

The Board of Directors of the Company comprises 11 directors, of whom one is an executive director, six are non-executive directors and four are independent non-executive directors. Independent non-executive directors account for over one-third of the members of the Board of Directors. Members of the Board of Directors are not related to each other and its composition offers diversification in terms of experiences and expertise.



The posts of Chairman and General Manager of the Company are performed by different persons. They are respectively responsible for Board matters and day-to-day operation management, which will ensure check-and-balance between decision-making and implementation by the Board of Directors and the management respectively.

The Board of Directors represents the interests of all the shareholders and is always accountable to the General Meeting. The Board of Directors is authorized to make decisions on the Company's development strategies, planning management and financial management activities strictly in accordance with the procedures prescribed in the Rules of Proceedings for Board of Directors Meetings. It is also responsible for supervising and reviewing the development and operation activities of the Company.

The four Independent Directors have been able to perform their obligations of acting faithfully and diligently in compliance with the relevant laws, regulations and the Detailed Rules for the Operation of Independent Directors. The Independent Directors have participated in the meetings of the Board of Directors, as well as its various specialized committees, and have given their opinions on the decision-making on significant matters by making use of their professional knowledge and experience. They have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. They have ensured not to be affected by substantial shareholders, the effective controlling parties of the Company or any other units or individuals that have interests in the Company. The Independent Directors have made active contributions to protecting the interests of the Company as a whole and the legal rights of all of our shareholders, as well as promoting the healthy development of the Company.

(3) Specialized Committees of the Board of Directors

There are the Strategic Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee under the Board of Directors. Each committee has adopted its own code of practice to provide guidance on its decision-making procedures and performance of duties.

The Strategic Committee

The Strategic Committee comprises five directors, one of whom is an independent director. Mr. Sheng Chang Quan is the chairman of the committee.

The Strategic Committee is responsible for reviewing and providing recommendations in respect of long term development strategic planning, material investment financing proposals, material capital applications, assets operation projects and material matters relating to the development of the Company.

The Audit Committee

The Audit Committee comprises three directors, two of whom are independent directors. One independent director with professional qualification and professional experience in financial management was appointed to the committee. Mr. Yang Xiong Sheng is the chairman of the committee.

The Audit Committee is principally responsible for supervising the internal audit system of the Company and its implementation; auditing the financial information of the Company and its disclosure; supervising the internal control system of the Company and auditing material connected transactions, as well as communicating, supervising and reviewing the internal and external audits of the Company.

The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee comprises five directors, three of whom are independent directors. Mr. Hong Yin Xing is the chairman of the committee.

The Nomination, Remuneration and Appraisal Committee is principally responsible for nomination, selection criteria and selection procedures of directors and management members of the Company and advising on such matters; formulating appraisal standards and conducting appraisals with the directors and management members of the Company; formulating and reviewing the emolument policies and proposals for directors and management members of the Company.

(4) Supervisors and the Supervisory Committee

The Supervisory Committee comprises five supervisors, three of whom are representatives of shareholders and the other two are staff representatives of the Company.

The Supervisory Committee is accountable to all shareholders. Financial monitoring is the core responsibility of its specific duties. Besides, it is also responsible for supervising the due performance of directors, managers and other senior management, securing the assets of the Company, reducing financial and operating risks, as well as protecting the legal rights of the Company and its shareholders.

(5) Dealings of securities by the directors, supervisors and senior management

During the period under review, there is no record showing that any directors, supervisors and senior management of the Company and any of their associates hold any interest in the registered capital of the Company and its associated companies.

During the year, none of the directors, supervisors, senior management and any of their respective associates (including their spouses and children under 18) were granted any interests under any arrangement to subscribe for the equity or debenture of the Company or its associated companies.

(6) Investor relations

In order to ensure that all shareholders be informed in an equal and comprehensive manner, and to perform the obligation of disclosing information faithfully, the Company truly, accurately and completely disclosed such information that may materially affect the decision-making of the public investors strictly in accordance with the contents and formats as required under the laws and regulations for disclosing such information.

Investor relations is a way for a listed company to actively maximize its value. Therefore, the Company emphasizes mutual and interactive communication with investors. The Company actively keeps contact with investors mainly through different ways such as establishing the Company website, conducting results announcement roadshows, participating in investors promotion activities, holding analysts conferences and communicating with investors individually, with an aim to improve communication with investors, increase their recognition and enhance the image of the Company in the market.

In addition, by making use of media reports, sending information to shareholders, inviting investors and analysts to visit our highways and service areas, convening teleconferences and providing phone answering services to investors, the Company has adequately disclosed its information which has in turn increased its transparency.

(7) Capital dealings with related parties and external guarantees

During the period under review, the Company carefully reviewed its capital dealings with related parties and external guarantees in accordance with "Notice of certain issues relating to the standards of capital dealings with related parties by listed companies and provisions of external guarantees by listed companies (關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知)" issued by the CRSC. According to our review, none of the controlling shareholder(s) and other related parties have appropriated the Company's capital, and no guarantee has been provided by the Company to the controlling shareholder or other related parties.

The independent directors and local auditors of the Company have provided their independent opinion and professional explanatory statement respectively:

Dear Sirs,

RE: The Independent opinion given by the independent directors in respect of capital appropriations by the controlling shareholder and the related parties of Jiangsu Expressway Company Limited

Pursuant to the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" issued by the China Securities Regulatory Commission and State-owned Assets Supervision and Administration Commission under the State Council, the Company has prepared an investigation statement of the capital appropriations by its related parties as at 31st December 2003 (hereinafter referred to as the "Investigation Statement") attached to this letter.

The independent directors confirm after review that the information set out in the Investigation Statement was consistent with the relevant content in the audited financial report for year 2003 issued by Deloitte Touche Tohmatsu CPA Ltd. Apart from that, the controlling shareholder and the other related parties did not appropriate funds of the Company. The Company did not provide any guarantee to its controlling shareholder and other related parties.

Chang Yung Tsung, Fang Keng, Hong Yin Xing and Yang Xiong Sheng

Independent Directors

1st April 2004

Ref: De Shi Bao [Shen] Zhi (04) No.0015

Dear Sirs,

Re: Specific statement in in respect of capital appropriations by the controlling shareholder and the related parties of Jiangsu Expressway Company Limited

We have been appointed to audit the balance sheet as at 31st December 2003, the profit and profit appropriation statement and the cash flow statement for the year 2003 of Jiangsu Expressway Company Limited (the "Company") in accordance with the Independent Auditing Standards of the Certified Public Accountants of the PRC, and issued an unqualified audit opinion (De Shi Bao [Shen] Zhi (04) No.P0424) on 1st April 2004.

Pursuant to the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" issued by the China Securities Regulatory Commission (the "CSRC") and State-owned Assets Supervision and Administration Commission under the State Council, the Company has prepared an investigation statement of the capital appropriations of the Company as at 31st December 2003 (hereinafter referred to as the "Investigation Statement") attached to this letter.

The Company accepts the responsibility as to warrant the truthfulness, lawfulness and completeness of the Investigation Statement prepared and disclosed. We have compared the information set out in the Investigation Statement to the accounting information presented to us during audit and the relevant information of the audited financial statements of the Company for the year 2003. There exists no material inconsistency between the above-said sets of information. Apart from the audit procedures on the related party transactions conducted by the Company as set out in the financial statements in 2003, we have not carried out additional audit procedure on information set out in the Investigation Statement.

This letter is solely for the purpose of reporting the capital appropriations by the controlling shareholder and the related parties to the CSRC. It shall not be used for other purposes without prior written consent from us.

Deloitte Touche Tohmatsu CPA Ltd.

1st April 2004

Annex 1

Unit: RMB'000

Capital appropriation	Name of the related party	Relation	Amount	Accounting Item	Balance as at year end	Remark
Investment entrusted to the related party	Jiangsu Zulin Co., Ltd.	an associated company	19,000	Long-term debt investment	19,000	1

1. Jiangsu Guangjing Xicheng Expressway Co., Ltd., a subsidiary of the Company, entrusted Jiangsu Zulin Co., Ltd. as its agent to arrange for financial leasing on transport electrical engineering equipment leasing, to Jiangsu Ningjingyan Expressway Company Limited (the lessee).

(8) Code of Best Practice

The Board of Directors considers that the Company has been in compliance with the Code of Best Practice set out in Appendix 14 to the Listing Rules of Hong Kong during the reporting period. The directors are not aware of any circumstance that reasonably indicates that the Company is in breach of, or has not complied with, the Code.

(9) Independent Non-Executive Director

The Board of Directors of the Company comprised 11 directors, four of whom were independent non-executive directors and accounted for one third of the Board of Directors. An independent director with professional qualification and experience in professional finance management was also appointed.

(10) Model Code for Securities Transactions by Directors of Listed Companies

Pursuant to the listing rules of Shanghai Stock Exchange, during their terms of office, the directors, supervisors and their respective associates may not dispose their holding of securities in the Company. Therefore, it did not exist the position of dealing in the shares for profit. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules for the Hong Kong Stock Exchange.

(11) Public Float

So far as the Company's directors are aware, as at 31st March 2004, the last practicable date for the purpose of ascertaining information in respect of the Company's Annual Report, the Company maintained sufficient public float of its shares.