

Our management, service and operational concepts

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To the Shareholders:

2004 was a year full of challenges and tall orders to the Company. With the construction of the 8-lane expansion project of Shanghai-Nanjing Expressway commenced in full swing, the rapid progress of the construction works brought about great pressure to the Company's traffic flow arrangements as well as to its operational management. The traffic diversion measures for trucks, implemented since June, led to a significant reduction in toll revenue on Shanghai-Nanjing Expressway, which has directly affected the Company's operating results.

Despite the above, the Company's management and staff stayed focused on two major activities, namely the expansion project and operational management, and capitalised on the favourable external conditions such as the sustained rapid development of the macro economy, the upward adjustment in toll rates and the implementation of the toll-byweight policy for goods vehicles. The Company's various operations in 2004 have been able to proceed steadily, with the expansion project obtaining milestone results.

RESULTS AND DIVIDEND DISTRIBUTION

In 2004, the Group realised operating revenues of approximately RMB3,104,839,000, an increase of approximately 10.47% over the corresponding period of the previous year. Under the PRC Accounting Standards, net profit realised was approximately RMB826,725,000 and earnings per share was approximately RMB0.164, a decrease of approximately 13.02% over the corresponding period of the previous year. Under the Hong Kong GAAP, net profit realised was approximately RMB997,139,000 and earnings per share was approximately RMB0.198, a decrease of approximately 0.86% over the corresponding period of the previous year.

In 2004, the Company still maintained a high-ratio and stable dividend payout policy, and is dedicated to bringing good return to its shareholders. The Board of Directors recommended the distribution of a final dividend for 2004 of RMB0.145 per share, with a dividend payout ratio of 88.36%, which will be presented for consideration and approval at the general meeting to be convened on 18th May 2005.



2004 REVIEW

Although in 2004 the Company experienced its first decline in operating results since its inception, the Board of Directors and the management are confident that this would only be temporary in view of the Company's long-term and sustained development, and that this would only accumulate a stronger impetus and build a more consolidated platform at a higher level for our future advances. Meanwhile, we were still pleased and relieved to achieve such results under various operational and management pressures.

In 2004, faced with various challenges and obstacles, the Company's management made rational decisions, continued to innovate management mechanisms, improved the way of work, and overcame numerous disruptions to the usual road operations during the expansion works. On the basis of ensuring safe and smooth traffic on the road and smooth implementation of the works, the impact of the expansion works upon the Company's operating revenues and profits was minimised, and returns to our shareholders were assured.

At the same time, as various measures on comprehensive management were properly adopted and practically implemented, and the setting and tracking of various work plans by the management were strengthened, the Company's project management, assets management, cost control, human resources reforms and standardisation of operations as a whole proceeded ahead steadily. The development of the integrated information system commenced in full swing, moving further ahead towards modern management in terms of techniques.

In 2004, the expansion works proceeded rapidly as planned. Various targets on investment and engineering construction were completed ahead of schedule. Surface works on 130 km of the southern 4-lane road was completed, marking a new record in the expansion works of expressways. The overall quality of the works was under control, and has laid a solid foundation for the smooth achievement of overall targets of the expansion works in 2005.

"on the **Road** towards **Expansion**"



OPPORTUNITIES AND CHALLENGES

The expansion project of Shanghai-Nanjing Expressway is a strategic project relating to the Company's long-term development, and is regarded as its "second venture". In order to ensure that the Company grows synchronously with the economy of the Yangtze River Delta, the core competitiveness of the Company's key assets must be enhanced, which is also an effective means to achieve its long-term steady development and to maintain its leadership position in the industry, carrying important implications to the course of development for the Company.

The overall target of the expansion project in 2005 is to basically complete the 8-lane main road, which is demanded by the social economic development and required by the Company's operational management. The initial connection of the road will ease the pressure upon traffic management to a great extent. At the same time, with the completed road sections commencing operations successively, the Company's operating revenues will increase, and return on investment will gradually materalise. It is contemplated that the Company's operating results will also gradually recover by then.

However, an early completion of the 8-lane main road will bring forward certain impediment and room for improvement in terms of progress and quality of the works, traffic organisation and management, as well as cost control and efficiency. In 2005, traffic diversions for trucks and traffic control measures on certain road sections will still continue, and there will still be certain impact upon the Company's operating results. It will be a year that puts most pressure on the operation and management, and requires us to devote more efforts.

OBJECTIVES AND STRATEGIES

The objective for the expansion of Shanghai-Nanjing Expressway is to achieve "First class quality, pleasant environment, advanced management and safe travelling". Upon completion, the expanded expressway will be in a leading position in the industry in terms of standards, quality and road conditions. The competitive edge of Shanghai-Nanjing Expressway thereafter will not only be seen in terms of its location, but also in terms of excellent quality of the road itself.

Correspondingly, our management, service and operational concepts will have to strive for innovation and leadership in the industry, thus realising a steady and sustainable operation that aims to develop rapidly so as to create greater values to the society and shareholders and a healthy, harmonious development environment for the Company and the staff.

In this respect, we are required to continue upgrading our comprehensive management level. Upon completion of the expansion project, the infrastructure will be enhanced as a whole, whilst corresponding enhancements in management will also be needed for preparing the Company to enter into a new stage of its development.

As a social service enterprise, service is our product. The Company will enhance its service skills through further focusing on the staff

operational training, and cultivate the service concept of integrity and selfdiscipline through strengthening the establishment of professional ethics, thereby creating a service brand-name with corporate characteristics and establishing a good reputation in the society at large.



Surrounding the objective of creating a harmonious enterprise, the Company will also be dedicated to creating harmony between the enterprise and the society, and in return, offering the society with first-class service and the shareholders with excellent results. The Company will be dedicated to creating harmony between the enterprise and the staff, realising a unified harmonious development of the enterprise and the staff, and creating a harmonious corporate culture where all the staff will have a strong team spirit and the ambition to advance, working as a harmonious and happy family.

To all the investors who have always been concerned about and supporting the Company, we would like to express our sincere gratitude. The Company will continue to actively communicate with the investors, and to increase their understanding of the Company's operations and to obtain their recognition of the Company's development strategies. We will patiently listen to the opinions and queries of the investors through daily contacts and communications, and improve our work accordingly.

The Company is fully confident about its future business development and operating results, because we have a good working foundation of 2004; precious experience accumulated from years of work and tests; a harmonious, healthy and inspiring internal environment; and an experienced and high-quality team of management and staff who are ready to follow the Company for a continued quest for excellence and future leadership!

We also hope that all the shareholders will continue to support the Company, as they have in the past, and to advance hand-in-hand with the Company to create an even brighter future!

By Order of the Board

Shen Chang Quan

Chairman

18th March 2005



INVESTMENTS

Investments in the Expansion Projects of Shanghai-Nanjing Expressway and Nanjing-Shanghai Class 2 Highway

During the reporting period, the proposed investments in the 8-lane expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway and in the acquisition of the new toll collection operating right of the extended 12-year term after expanding Nanjing-Shanghai Class 2 Highway into a 4-lane Class 1 highway were approved by the Board of Directors and by the shareholders of the Company at the general meeting.

The impact of the two projects on the sustainability of the Company's operations and stability of the management was disclosed in detail in the relevant announcements and circulars. For details of the progress of the expansion works during the reporting period and their impact upon the operating results and financial situations, please refer to the content in the chapter entitled "Management Discussion and Analysis" in this report.

2004 PROFIT DISTRIBUTION SCHEME

1. Realisation of 2004 profits

In accordance with the PRC accounting standards

ltem	RMB′000
Gross profit	1,390,204
Less: Profit tax	(523,954)
Minority interests	(40,118)
Add: Unrealized loss on investments	593
Net profit	826,725
Add: Retained earnings at the beginning of the year	547,036
Profits available for distribution	1,373,761
Less: Appropriations of statutory surplus reserve funds	(106,108)
Appropriations of surplus reserve funds	(53,054)
Profits available for distribution to shareholders	1,214,599
Less: Dividends distributed	(730,473)
Retained earnings	484,126
Earnings per share (RMB)	0.164

In accordance with HKGAAP

Item	RMB'000
Profit before tax and minority interests	1,545,244
Taxation	(507,987)
Minority interests	(40,118)
Profit attributable to shareholders	997,139
Profit appropriations	
Statutory surplus reserve funds	(106,108)
Statutory public welfare funds	(53,054)
Discretionary reserve funds	-
Profit available for distribution to shareholders for the year	837,977
Retained earnings brought forward	1,544,544
Dividends for 2003	(730,473)
Retained earnings carried forward	1,652,048
Proposed dividends for 2004 (RMB per share)	0.145
Earnings per share (RMB)	0.198

2. 2004 Profit Distribution Scheme of the Company Proposed by the Board of Directors

Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, in the event that the profit of the Company calculated in accordance with the PRC accounting standards is different from that as calculated in accordance with HKGAAP, the lower will be adopted. As audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited, the Company's net profit for 2004 as calculated in accordance with the PRC accounting standards is approximately RMB826,724,975. After deducting the appropriations of 10% as statutory reserve funds and 5% as statutory public welfare funds and adding the retained earnings at the beginning of the year of approximately RMB547,036,108, the total amount of profit available for distribution is approximately RMB1,214,598,588. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of Directors proposes to pay a final dividend of RMB1.45 (tax inclusive) for every ten shares to all shareholders.

The aforesaid profit distribution scheme proposed by the Board of Directors will be submitted for consideration and approval at the 2004 Annual General Meeting to be convened on 18th May 2005. The date and procedures for the payment of final dividends will be announced separately.



IMPLEMENTATION OF RESOLUTIONS APPROVED AT THE GENERAL MEETINGS

During the reporting period, the Board of Directors strictly implemented the resolutions approved at the General Meetings, fiducially performed their duties and completed the profit distribution for year 2003. The details were as follows:

According to the mandate granted to the Board of Directors of the Company at the General Meeting, the share register closure date for holders of domestic shares was confirmed to be on 9th July 2004; the exdividend date was 12th July 2004. Dividend distribution for the H Shareholders was calculated in Renminbi and paid in Hong Kong dollars, on the basis of a cash dividend of HK\$1.366 for every ten shares. The share register closure date was 28th May 2004 and dividend was declared on 28th June 2004.

Dividends were paid on 16th July 2004. Dividends for the holders of the A Shares in issue were distributed by China Securities Depository & Clearing Corporation Limited, Shanghai Branch in a unified manner. Dividends for H Shareholders were distributed by the Bank of China, Hong Kong on behalf of the Company. Dividends for shareholders of State-owned Shares and Legal Person Shares were distributed by Hua Tai Securities Co., Ltd. on behalf of the Company. Profit distribution scheme of the previous year were duly implemented.

INDEPENDENT OPINIONS MADE BY INDEPENDENT DIRECTORS ON THE COMPANY'S EXTERNAL GUARANTEES

As at the end of the reporting period, nether the Company nor its subsidiaries has incurred any external guarantees. Each of the independent Directors of the Company has made independent opinions respectively in accordance with the "Notice regarding the Governing of the Appropriation of Funds by Listed Companies and Related Parties and Certain Problems on External Guarantees by Listed Companies" issued by the CSRC.

The Independent Opinion Given by the Independent Directors in Respect of Capital Appropriations by Related Parties and Provision of Guarantees to External Parties of Jiangsu Expressway Company Limited

Pursuant to the relevant requirements under 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 (Zheng Jian Fa (2003) No. 56), the Company has prepared an investigation statement on the capital appropriations by its related parties and provision of guarantees to external parties as at 31st December 2004 (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 audit report for year 2004 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 and Yang Xiong Sheng

Independent Directors

* Mr. Hong Yin Xing, an independent director, has resigned and did not have any opinion to the content of this letter.

18th March 2005

SPECIFIC STATEMENTS MADE BY ACCOUNTANTS ON APPROPRIATION OF FUNDS BY CONTROLLING SHAREHOLDERS AND RELATED PARTIES

During the reporting period, the Company's auditors have audited the appropriation of funds by the Company's controlling shareholders and other related parties pursuant to requirements under "Notice regarding the Governing of the Appropriation of Funds by Listed Companies and Related Parties and Certain Problems on External Guarantees by Listed Companies" issued by China Securities Regulatory Commission ("CSRC"). No appropriation of funds by the Company's controlling shareholders and other related parties, as well as those with its subsidiaries as consolidated with the Company was discovered in such audit. The auditors have issued specific statements on this matter.

De Shi bao [Shen] Zhi (05) No. 0018

SPECIFIC STATEMENT IN RESPECT OF CAPITAL APPROPRIATIONS BY THE CONTROLLING SHAREHOLDER AND THE RELATED PARTIES AND THE PROVISION OF GUARANTEES TO THE CONTROLLING SHAREHOLDER AND ITS SUBSIDIARIES OF JIANGSU EXPRESSWAY COMPANY LIMITED

To the Board of Directors of Jiangsu Expressway Company Limited:

We have been appointed to audit the balance sheet as at 31st December 2004, the profit and loss account and the cash flow statement for the year 2004 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 (05) No. P0253) on 18th March 2005.

Pursuant to the relevant requirements under 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 (Zheng Jian Fa (2003) No. 56), we have verified the information contained in the following annexes with the financial and accounting information of the Company for the year 2004, minutes of shareholders' general meetings and board of directors' meetings, intendition provided by the management with respect to the provision of guarantees to external parties, and the audited financial statement. There exists no material inconsistency between the above-said sets of information:

- Annex 1: Breakdown on capital appropriations; and
- Annex 2: Breakdown on non-complying provision of guarantees

It is the responsibility of the Company to prepare the above-said annexes and disclose relevant information to the public. Apart from the audit procedures on the related party transactions and the provision of guarantees to external parties conducted by the Company as set out in the financial statements in 2004, and the above-said verification procedures, we have not carried out additional audit or other procedures set out in Annex 1 and Annex 2.

This letter is solely for the purpose of reporting the capital appropriations by the controlling shareholders and related parties to the CSRC as well as the provision of guarantees to the controlling shareholder and its fellow subsidiaries. It shall not be used for other purpose or distributed to other parties with our consent in writing.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, the PRC 18th March 2005

Breakdown on capital appropriations As at 31st December 2004

ANNEX 1

AititeX									Unit: RMB'000
Party who has appropriated capital	Relationship of party who has appropriated capital with the listed company	Cut-off date for the balance of capita appropriated as at the end of the period	Cut-off date for I the balance of capital appropriated at the beginning of the period		Amount of capital appropriated as at the end of the period	Amount of capital appropriated at the beginning of the period	Accumulated amount debited during the year	Accumulated amount credited during the year	Remark
Jiangsu Zulin Company Limited	An associated company of a subsidiary	31st December 2004	31st December 2003	Investment in long term indebtedness	-	19,000	-	19,000	1
Shanghai Yinjian Property Company Limited	An associated company of a subsidiary	31st December 2004	31st December 2003	Investment in long term indebtedness due within one	15,000 year	-	15,000	-	2

- Jiangsu Guangjing Xicheng Expressway Co., Ltd., a subsidiary of the Company, entrusted Jiangsu Province Leasing Company Limited in 2003 to handle the investment in mechanical and electrical equipment leasing for transportation projects of Jiangsu Ningchengyan Expressway Company Limited (lessee). The interest rate for the capital leased on trust was 4.8% (withholding tax and expenses inclusive). In April 2004, a total of RMB19,399,700 as the capital and related interest was received by Jiangsu Guangjing Xicheng Expressway Co., Ltd.
- Jiangsu Ninghu Investment Development Co., Ltd., a subsidiary of the Company, additionally contributed RMB 15 million to Shanghai Yinjian Property Company Limited, its associated company on 26th May 2004. After the capital contribution, its shareholding was increased from the original 30.2% to 55.8%. It was stated in the capital contribution agreement that the capital contributed was applied to relieve the short term funding requirements of Shanghai Yinjian Property Company Limited, and that the capital contributed will be repaid before 31st May 2005. Therefore, the capital contributed was treated as an investment in indebtedness, and accounted for as an long term investment in indebtedness due within one year. The profit and loss arising from the investment in Shanghai Yinjian Property Company Limited was still recognized according to equity method pursuant to 30.2% of the original shareholding proportion.

Officer-in-charge of Accounting

Department Officer-in-charge of Accounting

Signature and seal

Signature and seal Shen Chang Quan Signature and seal Xie Jia Quan **Breakdown on non-complying provision of guarantees**As at 31st December 2004

Authorised representative of the Company

ANNEX 2

Company name in abbreviation	Guarantor (listed company/ subsidiary of listed company)	Name of subject for the guarantee	Relationship of the subject for the guarantee with the listed company		for the	tDate of expiry for the guarantee	Any obligation for the guarantee subsisting at present	Remark	Form of guarantee	
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Authorised representative of the Company				Officer-in-charge of Accounting			Department Officer-in-charge of Accounting			
Signature and seal Shen Chang Quan				Signature and seal Xie Jia Quan			Signature and seal Liu Wei			