

***Pro-active Investor
Relations Activities,
Aimed at Enhancing
Transparency.***



Good corporate governance affirms investor confidence and is the basis of healthy development for an enterprise. The Company works towards the enhancement of corporate governance, in order to build a trustworthy and committed image in the market, thus maintaining its competitive edge.





CORPORATE GOVERNANCE REPORT

Good corporate governance affirms investor confidence and is the basis of healthy development for an enterprise. Since its listing, the Company has consistently complied with The Company Law, The Securities Law, the listing rules for the stock exchanges in Hong Kong and Shanghai and other relevant laws and regulations of the CSRC. The Company has adopted strict implementation policies to perform its obligations as prescribed in the Standard on the Governance of Listed Companies of the CSRC and The Code of Best Practice of the Hong Kong Stock Exchange, and directed daily activities strictly in accordance with the prescribed rules for 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.

(I) CORPORATE GOVERNANCE REVIEW

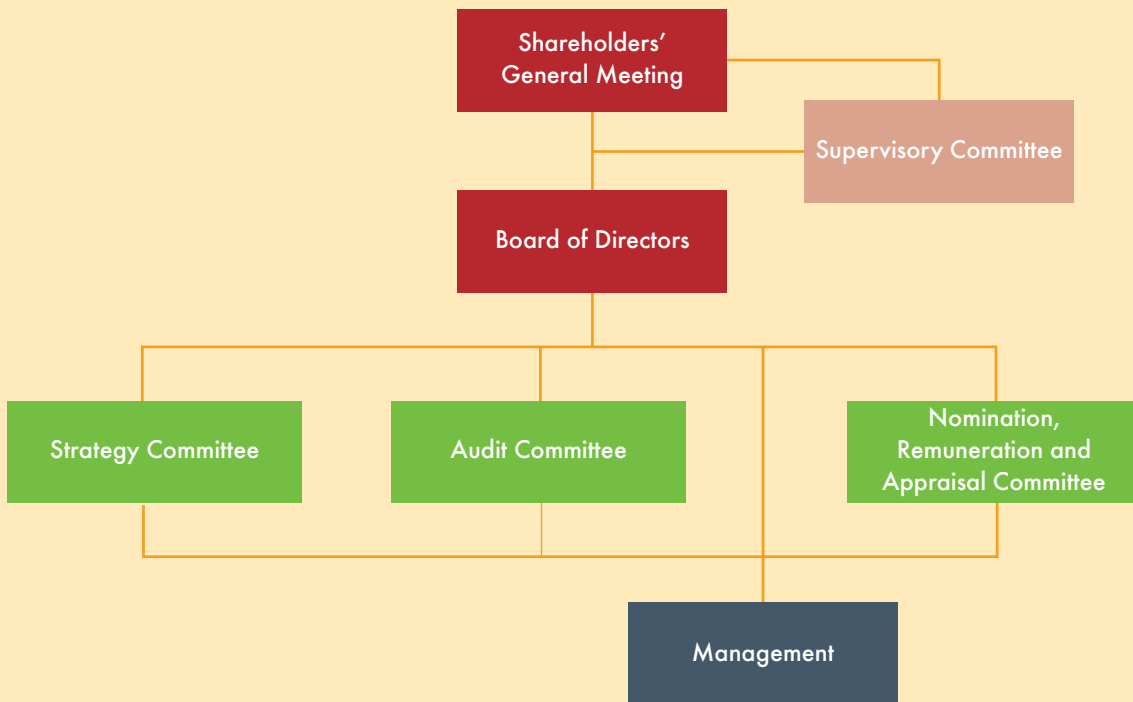
During the reporting period, the Company amended and supplemented the relevant terms in its Articles of Association to comply with the Standard on the Governance of Listed Companies (上市公司治理準則) and the “Notice of Certain Issues Relating to the Standards of Capital Dealings with Related Parties by Listed 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, and the Hong Kong laws and regulations and the newly revised Listing Rules, so as to improve the content of the Articles of Association. Amendments to the Articles of Association involved six articles thereto. The main content includes the legal voting procedures at the shareholders’ general meetings, improvements on the election system for directors and supervisors, and the provisions of external guarantees by the Company. The amendments to the Articles of Association have been considered and approved in accordance with the legal procedures.

During the reporting period, the two stock exchanges in Hong Kong and Shanghai have made extensive amendments to the Listing Rules. Pursuant to the provisions of the new rules, the Company immediately identified the differences between the old rules and the new rules and carried out follow-up work to ensure our operating and management activities would be in compliance with the new rules. The new Hong Kong Listing Rules requires that the senior management should appoint for the Company a qualified full-time accountant recognised by the Hong Kong Institute of Certified Public Accountants. The Company has submitted a waiver application in September 2004 pursuant to the Hong Kong Listing Rules, and has employed Mr. Yim Hing Wah as our financial accounting consultant to assist the Company’s accountant during the transition period permitted by the Stock Exchange.

The corporate governance system was further strengthened and improved. Apart from strict compliance with various by-laws in respect of duties and procedural rules, during the year under review the Company compiled the “Work System on Investor Relation Management” to develop and strengthen investor relations management. In addition, in order to regulate connected transactions conducted between the Company and its subsidiaries and shareholding companies to ensure that they strictly carry out their statutory information disclosure obligations, the Company has reorganised and prepared specific regulations on connected transactions entered into with the Company’s subsidiaries or shareholding companies, as well as specific requirements for information disclosure thereon. This will serve as guidelines on their ordinary operating activities.



(II) CORPORATE GOVERNANCE STRUCTURE



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. The Company ensures that all shareholders, especially medium and small shareholders, have equal status and can fully exercise their rights. Any shareholders and insiders of the Company are prohibited from any insider dealings with any insiders of the Company or any act that may damage the interests of shareholders and the Company.

Shareholders' General Meeting

The General Meeting is the highest organ of authority. It shall perform its functions and powers according to the law and make decisions on significant matters of the Company. The annual general meeting or the extraordinary general meeting provides a direct communication channel between the Board of Directors and the shareholders. 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.



CORPORATE GOVERNANCE REPORT

Substantial shareholders

Jiangsu Communications Holding Company Ltd. and Huajian Transportation Economic Development Centre are our substantial shareholders, holding 55.22% and 11.86% of the Company's shares respectively. These two companies have not intervened the decision making process and operation of the Company directly or indirectly bypassing the general meetings.

The Company's businesses, assets, staff, organisation and finance are separated from those of the controlling shareholder, allowing the Company to have complete autonomy over its businesses and operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the laws. There has been no circumstance in which the controlling shareholder makes use of its special position to pursue benefits that are beyond the entitlement of its legal rights.

2. Directors and the Board of Directors

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. This was the fourth session of the Board of Director since the Company was established. The term of office of the directors was from May 2003 or the elected date up to the next election date for the new session at the 2006 Annual General Meeting.

The Board of Directors is always accountable to the General Meeting. It shall exercise its decision making right under its terms of reference as stipulated in the Articles of Association and strictly in accordance with the procedural requirements of the Rules of Proceedings for Board of Directors Meetings.

The Board of Directors has separate functions and duties from the management. The functions and duties of the Board include convening the Shareholders' General Meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the annual budget, final accounts and profit distribution scheme; formulating merger, separation, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the Shareholders' General Meetings. The management is accountable to the Board of Directors. Its main functions and duties include production and operation management, organisation and implementation of the annual operational plans and investment proposals approved by the Board of Directors, and implementation of the resolutions passed by the Board of Directors.

The Company held six Board meetings in 2004. The resolutions approved at each meeting are set out below:

(1) The fourth session of the fourth Board meeting held on 30th January 2004

Ten directors attended the meeting. The appointments of Mr. Xie Jia Quan as General Manager and Mr. Qian Yong Xiang as Deputy General Manager were considered and approved, and the date of the first extraordinary general meeting in 2004 was confirmed during the Board meeting.

(2) The fifth session of the fourth Board meeting held on 1st April 2004

Eleven directors attended the meeting. The 2003 results report was considered and approved at the meeting. The distribution scheme in respect of the final dividends for year 2003 was confirmed, pursuant to which a cash bonus of RMB1.45 (incl. tax) would be paid for every 10 shares. The appointments of Deloitte Touche Tohmatsu Certified Public Accounts Limited and Deloitte Touche Tohmatsu as the Company's PRC and international auditors, and the appointments of Mr. Xie Jia Quan as a director of the Company were considered and approved. The investment in the expansion works of the Jiangsu Section of Shanghai-Nanjing Expressway and in the acquisition of the new toll collection operating right of Shanghai-Nanjing Class 2 Highway, the amendments to the relevant provisions of the Articles of Association, and the proposal to pay RMB6,423,000 to the employees qualified under the cash housing allowance scheme were considered and approved.

(3) The sixth session of the Fourth Extraordinary Board meeting held on 3rd April 2004

Eight directors attended the meeting. The assessment report on the investment in the expansion works of the Jiangsu Section of Shanghai-Nanjing Expressway and in the acquisition of the new toll collection operating right of Shanghai-Nanjing Class 2 Highway made by an appraisal organisation, and the opinions of the Board of Directors on the assessment report were considered and approved at the meeting.

(4) The seven session of the Fourth Board meeting held on 26th April 2004

Ten directors attended the meeting. The first quarterly report of 2004, the provision of RMB50 million for impairment of fixed assets for the expansion project of Shanghai-Nanjing Expressway, and the signing of the Road Maintenance Service Contract with Guangjing Xicheng and Jiangsu Sundian were considered and approved at the meeting.

(5) The eight session of the Fourth Board meeting held on 20th August 2004

Ten directors attended the meeting. The 2004 Interim Report, the write-off on disposal of assets with respect to the communication, surveillance and toll collection systems and the write-off on the demolition of assets as a result of the expansion project, amounting to RMB110,979 in total, were considered and approved at the meeting. The "Investor Relations Work System" for Jiangsu Expressway Company Limited was considered and approved. The appointment of Ms. Lee Wai Fun, Betty as the Company Secretary in Hong Kong was considered and approved.

CORPORATE GOVERNANCE REPORT

(6) The ninth session of the Fourth Board meeting held on 27th October 2004

Nine directors attended the meeting. At the meeting, the third quarterly report of 2004 and a provision for impaired assets of RMB95,720,000 made for office fixed assets affected by the expansion project of Shanghai-Nanjing Expressway were considered and approved.

Note: The above fourth, fifth, seventh, eighth and ninth sessions of the Fourth Board meetings were regular board meetings of the Company. Most of the directors with right to attend the meeting attended the meeting in person or participated in voting by other communication methods. Most of the directors who were not able to attend had appointed proxies to attend on behalf of them. The relevant notices of meetings were issued ten days before the meetings. Relevant information on the meetings was delivered to each director at least three days prior to each meeting.

Directors

Directors are elected or removed at General Meetings. The Company has introduced a cumulated voting system for the election of Directors. The term of office of Directors is three years. The appointment of all directors shall be decided upon at the Shareholders' General Meetings. They can be re-elected upon expiry of the term. Members of the Board of Directors are not related to each other in terms of financial, business, relative or other important relationships, 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, with clear separation of duties to ensure check-and-balance between decision-making by the Board of Directors and implementation by the management. The Chairman will chair the Board meetings, ensure all directors have due knowledge of prevailing issues, and examine Board meeting procedures. He will also ensure that the directors receive adequate information in a timely manner. The General Manager is responsible for day-to-day operation and management activities, implementation of the resolutions passed at the Board meetings and day-to-day decision making.



Independent Non-executive Directors

The four independent directors were Chang Yung Tsung, Fang Keng, Hong Yin Xing and Yang Xiong Sheng. Mr. Hong Yin Xing resigned in October 2004. The Company has found a suitable succeeding candidate, and will put forward the appointment at the 2004 Annual General Meeting to be held on 18th May 2005.

The independent directors have been able to perform their obligations of acting faithfully and diligently in compliance with the relevant laws and 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 specialised 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 that their acts are not influenced by the 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 contribution 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.

During the reporting period, the independent directors of the Company have not raised any objection to any matter of the Company.

The Company has received the yearly confirmation letters in respect of their independence from each of the independent non-executive directors, written pursuant to the requirements of the paragraph 3.13 of the Hong Kong Listing Rules. The Company is of the view that the independent non-executive directors are independent parties.

3. Specialised Committees of the Board of Directors

There are the strategy 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 Strategy Committee

The Strategy Committee members included Sheng Chang Quan, Sun Hong Ning, Chen Xian Hui, Hong Yin Xing and Cui Xiao Long, one of whom is an independent non-executive director. Mr. Sheng Chang Quan is the chairman of the committee.

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The Strategy 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 Strategy Committee did not convene any meeting in 2004.



The Audit Committee

The Audit Committee members comprise Yang Xiong Sheng, Fan Yu Shu and Fang Keng, of whom two are independent non-executive 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 and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company.

The Audit Committee held four meetings in 2004. The resolutions approved at each meeting are set out below:

(1) The third session of the Fourth Audit Committee held on 31st March 2004

The financial statement and major connected transactions of 2003 were considered and approved at the meeting. The committee has examined the internal audit system, and proposed to appoint Deloitte Touche Tohmatsu Certified Public Accounts Limited and Deloitte Touche Tohmatsu as the Company's PRC and international auditors of the Company.

(2) The fourth session of the Fourth Audit Committee held on 26th April 2004

The first quarterly financial report in 2004 of the Company was reviewed at the meeting.

(3) The fifth session of the Fourth Audit Committee held on 20th August 2004

The interim financial report in 2004 of the Company was reviewed at the meeting.

(4) The sixth session of the Fourth Audit Committee held on 27th October 2004

The third quarterly financial report in 2004 of the Company was reviewed at the meeting.

The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal (“NRA”) Committee members comprise Hong Yin Ying, Chang Yung Tsung, Chen Xian Hui, Zhang Wen Sheng and Yang Xiong Sheng, of whom three are independent non-executive directors. Mr. Hong Yin Xing was the chairman of the committee. As Mr. Hong Yin Xing has tendered his resignation, the committee will appoint a new candidate to take up the position.

The NRA Committee is principally responsible for nomination, selection criteria and selection procedures of directors and management members of the Company, as well as providing advice on such matters; formulating appraisal standards and conducting appraisals for directors and management members of the Company; formulating and reviewing the emolument policies and proposals for directors and management members of the Company.

The NRA Committee held two meetings in 2004. The resolutions approved at each meeting are set out below:

(1) The first session of the Fourth NRA Committee held on 30th January 2004

The appointment of Mr. Xie Jia Quan as General Manager of the Company and the term of his service contract were proposed at the meeting.

(2) The second session of the Fourth NRA Committee held on 31st March 2004

The appointment of Mr. Xie Jia Quan as a director of the Company and the term of his service contract were proposed at meeting.

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4. Records of Attendance of Meetings of the Board and Specialised Committees

Name	Position	Board of Directors (attendance/ No. of meetings)	Strategy Committee (attendance/ No. of meetings)	Audit Committee (attendance/ No. of meetings)	Nomination, Remuneration and Appraisal Committee (attendance/ No. of meetings)
Sheng Chang Quan	Chairman and Non-executive Director	6/6	–	–	–
Xie Jia Quan	Executive Director	2/2	–	–	–
Sun Hong Ning	Non-executive Director	6/6	–	–	–
Chen Xian Hui	Non-executive Director	6/6	–	–	2/2
Zhang Wen Sheng	Non-executive Director	5/6	–	–	2/2
Fan Yu Shu	Non-executive Director	5/6	–	3/4	–
Cui Xiao Long	Non-executive Director	6/6	–	–	–
Chang Yung Tsung	Independent Non-executive Director	4/6	–	–	2/2
Fang Keng	Independent Non-executive Director	4/6	–	2/4	–
Hong Yin Xing	Independent Non-executive Director	5/6	–	–	2/2
Yang Xiong Sheng	Independent Non-executive Director	6/6	–	4/4	2/2

5. Dealings of Securities by Directors

Please refer to the chapter entitled "Directors, Supervisors, Senior management and Staff".

6. Supervisors and the Supervisory Committee

The Supervisory Committee comprises five supervisors, of whom three are representatives of shareholders and the other two are staff representatives of the Company. The number of members and composition of the Supervisory Committee comply with the requirements of the relevant laws and regulations. This Supervisory Committee is the fourth committee since the establishment of the Company. The term of office of each supervisor is from May 2003 or the elected date up to the election date of the 2006 Annual General Meeting.

The Supervisory Committee is accountable to all shareholders and exercises monitoring right independently and legally. Financial monitoring is the core responsibility of its specific duties. Besides, it is also responsible for supervising the due diligence of directors, managers and other senior management members, protecting the assets of the Company, reducing financial and operating risks, and protecting the legal interests of the Company and its shareholders.

The Supervisory Committee held two meetings in 2004. All members attended each meeting, and supervised whether the Company's finance and the performance of duties by Directors and senior management members were in compliance with laws and regulations. The Supervisory Committee also attended each Board meeting, and conscientiously performed their duties as supervisors.

(III) INTERNAL CONTROL SYSTEM

The Board authorised the management to establish and implement an internal control system for periodically evaluating the control procedures on finance, operation and supervision, and protecting the Group's assets and shareholders' interests.

The Company has established an internal audit department in its organisational structure. The department examines, monitors and assesses on a periodic basis the financial conditions, operations and internal control activities under various businesses and work procedures. It appoints external audit entities to periodically audit the financial reports of the Company in accordance with the PRC and Hong Kong accounting principles respectively. It provides independent and objective assessments and advice in the form of audit reports.

The Company has appointed a qualified accountant recognised by the Hong Kong Institute of Certified Public Accountants for assisting its own accountant in accordance with the requirements of the Hong Kong Stock Exchange. The accountant co-operates with the audit committee to periodically review the financial reports and the related accounts and to issue reports to the directors.

(IV) INFORMATION DISCLOSURE AND INVESTOR RELATIONS

1. Information Disclosure

In order to ensure that all shareholders be informed in an equal and comprehensive manner and to perform the Company's obligation of disclosing information faithfully, the Company truthfully, 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. The Secretary to the Board is responsible for performing information disclosure.

During the reporting period, the Company published different periodic reports and ad hoc announcements for about 20 times to disclose details of important corporate information and the progress on major matters in accordance with the requirements of the Shanghai and Hong Kong stock exchanges. We also laid down specific requirements for information disclosure on important issues for subsidiaries and holding companies to ensure complete and timely information disclosure.

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2. Investor Relations

Investor relations is a pro-active way for a listed company to maximise its value. The management of the Company puts a high regard on investor relations. The Company has adequately disclosed its information to investors, and has enhanced communication and relations with them through various channels, which has in turn increased its transparency.

During the reporting period, the Company has formulated the Work System of Investor Relations Management 《投資者關係管理工作制度》 which sets out the move-forward approach, content and scope of work and the corresponding work procedures for investor relations management with reference to the actual situations of the Company. The Company also prepared the Strategic Development Plan of Investor Relations Management 《投資者關係管理戰略發展計劃書》

describing specific proposals on investor relations management development, setting the long-term strategic development goals and formulating feasible action plans.

During the reporting period, the Company disclosed important information and matters which may affect investor interests by issuing periodic or ad hoc announcements aiming at raising its standards on information disclosure. It also fully utilised the Company's website to regularly publish relevant operating activities and information to update investors the latest developments of the Company.

Moreover, the Company emphasises two-way and interactive communication with investors. During the year, the Company held two roadshows for results announcement, and participated in two major marketing activities for investors. It has been involved in presentations and one-on-one meetings with over 50 fund management companies. It has received senior representatives and analysts from nearly 40 large reputable domestic and foreign fund management companies, meeting more than 60 persons. The Company also keeps close contact with domestic and foreign news media and institutional investors through press conferences, analysts' conferences, teleconferences, etc.

The Company, by making use of these investor relations activities, aims at increasing its transparency, enhancing communication, increasing investors' understanding and trust in our businesses. It also aims at building investor confidence in our future development and promoting market recognition and support, so that the Company's business development potential and actual value will be fully reflected in the market.



(V) AUDITORS' REMUNERATION

Please refer to the chapter entitled "Significant Matters" of this report.

(VI) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Upon specific enquiries to all of 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 Issuers in Appendix 10 of the Hong Kong Listing Rules. During the period under review, the Company did not adopt any stricter provisions on securities transactions of the directors than those provisions stipulated in the Model Code.

(VII) CODE OF BEST PRACTICE

The Board of Directors is of the view that the Company has conducted its operations in accordance with the relevant laws and regulations, implemented strict governance and complied with the Code of Best Practice as set out in Appendix 14. 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.

(VIII) CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices under the Appendix 14 of the Hong Kong Listing Rules has come into effect since 1st January 2005. The directors considered that the Company has complied with the restrictions and adhered to strict corporate governance pursuant to the code provisions from 1st January 2005 to the date of this report, and strives to fulfill the "recommended best practices". 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.