



REPORT OF THE
DIRECTORS

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(I) Chairman's Statement



To the Shareholders:

In 2005, the management of the Company aggressively pushed ahead with the expansion project and the operational management enhancement of Shanghai-Nanjing Expressway. The expansion project of Shanghai-Nanjing Expressway progressed rapidly but orderly in stages, while road management and internal management of the Company were strengthened. The Company's management made rational decisions, continued to innovate management mechanisms, improved the way of work, and overcame numerous disruptions that the expansion works made to the usual road operations. On the basis of ensuring safe and smooth traffic on the road and smooth implementation of the works, the Company endeavoured to minimize the impact of the expansion works upon the Company's operating revenues and profits, and to assure a return for shareholders. The Company's various operations were run smoothly in 2005, with its

internal management obtaining notable results and the expansion project achieving strategic accomplishments.

Results and Dividend Distribution

In 2005, the Group realized an operating revenue (including revenue and other income) of approximately RMB2,232,679,000, a drop of approximately 28.09% over the corresponding period of the previous year. Under the PRC Accounting Standards, net profit realized was approximately RMB 696,456,000 and earnings per share was approximately RMB 0.138, a decrease of approximately 15.76% over the corresponding period of the previous year. Under the HKGAAP, net profit realized was approximately RMB668,028,000 and earnings per share was approximately RMB0.133, a decrease of approximately 31.79% over the corresponding period of the previous year. The negative impact of the expansion project on the Group's business and operating results materialized the most in the current year. Nevertheless, the management was still commendable for having achieved such results under various operational and management pressures.

In 2005, the Company maintained a high-ratio and stable dividend payout policy, and was dedicated to bringing good return to its shareholders. The Board recommended the distribution of a final dividend of RMB0.145 per share for 2005, which will be tabled for consideration and approval at the 2005 general meeting.



2005 Review

In 2005, the expansion project progressed rapidly. Subsequent to the attainment of two milestone steps, namely the opening of the Nanjing-to-Shanghai 4-lane road on 1st July and the Nanjing-Changzhou 8-lane road on 1st October, the whole 8-lane expressway was completed by the end of 2005 and was fully opened for truck traffic on 1st January 2006. The project was completed one year ahead of schedule, breaking the record among PRC's expressway construction projects. The project was also recognized by experts as having achieved construction quality that puts it "a pioneer domestically, an advanced player internationally".

The expansion of Shanghai-Nanjing Expressway was a strategic move of the Company for its development as well as a necessity for the regional economic development. During the two years of expansion works, the Company and the road administration authorities have ensured smooth traffic on Shanghai-Nanjing Expressway by appropriate and efficient traffic arrangements and on-site management, providing unmeasurable social-macro benefits to the regional economic development. As such, the Company has not only maximized its own profitability, but has also contributed greatly to the community.

In 2005, the Company has also made headway in its internal management and has further enhanced its basic management. The formulation and tracking of various work plans by the management were strengthened. The Company's project management, assets management, cost control, human resources reforms and standardization of operations as a whole proceeded steadily. The quality, health and international safety standardization systems established by the Company were upgraded during the year to further regulate the flow of operations, to strengthen the self-improvement ability of the Company's management system, and to further integrate with the daily operational management.



Meanwhile, the Company strived to enhance profitability and prioritized revenue-raising and cost-cutting measures as the primary goals of the operational management. It was also committed to cutting down the closure duration of toll stations caused by construction in progress so as to reduce loss of toll revenue. Control over operating costs was further strengthened with a full-scale implementation of budget planning to keep check of expenses at an expected level. To reduce finance costs, the Company capitalized on a favorable market opportunity and became the first among the PRC's expressway operators to issue RMB4 billion short-term commercial papers. It also made appropriate arrangements for its loan portfolio to capture the benefit of interest spread. This series of financial initiatives has enabled the Company to reduce financial costs by nearly RMB100 million.



The Company committed great efforts to reform its human resource and remuneration framework through rationalizing the management and salary structures. Under the revised framework, capable staff were allowed to demonstrate their abilities and gain better prospects, so as to stimulate the staff's dynamism and to enhance the overall competitiveness of the Company. The new remuneration framework has better reflected the relationships between staff salaries and their workload, value of their positions and work performance.

The Company is dedicated to enhancing its transparency and improving its communication with investors through pro-active investor relations initiatives. During the year, in addition to organizing roadshows on results announcements and attending a number of major investor forums, the Company also invited overseas investors and analysts and Hong Kong financial reporters to visit its road assets. These visits enhanced the investors' understanding of, and trust in, the Company's operations as well as their confidence in the future growth of the Company, thereby promoting market recognition and support of the Company.

Outlook and Strategies

Year 2006 is a year of opportunities for the Company. During the "Eleventh Five-year Plan" period, economic development of the Yangtze River Delta region will continue. With the early opening of the 8-lane Shanghai-Nanjing Expressway, the core competitiveness of the Group's principal assets has been enhanced. The expressway's daily design capacity of 110,000 vehicles will provide room for continued traffic growth. A solid platform has thus been provided for elevating the Company's operational management performance and operating results, fully preparing the Company for the "second venture".

Year 2006 is also a year of challenges for the Company. The operation of the 8-lane expressway will pose greater challenges than before as to traffic control, road maintenance, safety management and cost control. High expectations from the public for the new Shanghai-Nanjing Expressway will trigger higher demand for the Company's service quality and responsiveness. The potential competition and diversion effects due to an expanded road network, as well as the fact that road users have yet to change their driving habit, imply that a traffic rebound on Shanghai-Nanjing Expressway may take some time. Additionally, the substantial increase in depreciation of assets and in financial costs will also make a rapid growth of operating results of the Company rather difficult in the short-run.

In view of the above, the primary mission of the Group in 2006 is to expedite the completion of remaining ancillary projects to ensure that all projects will be ready for delivery and inspection before June. The strategic focus can then be swiftly shifted from construction to operational management, the Group will pay attention to tightening traffic control and safety management and to enhancing responsiveness and service quality. Through exploration and practice, a comprehensive 8-lane expressway operational management system will be gradually established, enabling the Group to elevate its business to a new level.



The completion of the construction projects will mark a new beginning for the Group's business operation, which represents the "second venture" requiring renewed dedication and passion of the management and the entire staff. Through an innovative management philosophy, an enhanced risk control awareness and improved service skills and quality, the Group will build a positive public image, pay back the society with first-grade services and to the shareholders with excellent operating results. The Group intends to achieve long-term, stable development and maintain its leadership position in the sector.



With respect to the share reform scheme in progress, the Company will devote pro-active mediation efforts to enhance communication between holders of non-circulating shares and A shares, so as to create the best outcome of a win-win situation. In addition, aggressive initiatives will be adopted by the Company to improve and enhance investor relations during the coming year. It is the Company's objective that the potential and actual value of its business be fully reflected in the market.

Year 2006 also marks the first year for the "second venture" of the Company and the 10th anniversary of the Company's operations. Over the past decade, the Company has accumulated a wealth of experience in operational management and market operations, which will facilitate the Company in its pursuit of excellence and greater achievements.

During the two years of the expansion project, investors have joined hands with the Company sharing the difficult time in setting up a "new business". In the future, we will be devoted to regaining strong operating results, so that we will share the fruit of our renewed business operation with our investors.

By Order of the Board

Shen Chang Quan
Chairman

7th April 2006

Report of the Directors



(II) 2005 Profit Distribution Scheme

1. 2005 Profit Performance

In accordance with the PRC Accounting Standards

Item	RMB'000
Gross profit	944,436
Less: Profit tax	215,126
Minority interests	32,854
Net profit	696,456
Add: Retained earnings at the beginning of the year	484,125
Profits available for distribution	1,180,581
Less: Appropriations of statutory surplus reserve funds	88,591
Appropriations of public welfare funds	44,296
Profits attributable to shareholders	1,047,694
Less: Post balance sheet date appropriated cash dividends	730,473
Unappropriated profits	317,221
Earnings per share (RMB)	0.138

In accordance with HKGAAP

Item	RMB'000
Profit before taxation	990,608
Less: Taxation	289,726
Profit attributable to minority interests	32,854
Profit attributable to equity holders of the Company	668,028
Profit appropriations	
Statutory surplus reserve funds	88,591
Statutory public welfare funds	44,296
Profit available for distribution to shareholders for the year	535,141
Retained earnings brought forward (Restated)	1,576,517
Less: Dividends for 2004	730,473
Retained earnings carried forward	1,381,185
Proposed dividends for 2005	730,473
Earnings per share (RMB)	0.133



2. 2005 Profit Distribution Scheme of the Company Proposed by the Board:

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. Based on the total share capital of the Company of 5,037,747,500 shares, the Board proposes to pay a final dividend of RMB0.145 (tax inclusive) per share to all shareholders.

The aforesaid profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2005 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

(III) Investments

During the reporting period, the Company continued to invest in the expansion project of the 8-lane road of the Jiangsu Section of Shanghai-Nanjing Expressway and paid for the acquisition of the new toll collection operating right of the Shanghai-Nanjing Section of G312 (formerly was Shanghai-Nanjing Class 2 Highway) pursuant to the agreement. During the year, the Company has contributed RMB3,077 million to the expansion project of Shanghai-Nanjing Expressway and RMB850 million to the Shanghai-Nanjing Section of G312.

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 circulars. For details of the progress 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.

(IV) Implementation of Resolutions Approved at the General Meetings

During the reporting period, the Board strictly implemented the resolutions approved at the general meetings, fiducially performed their duties and completed the profit distribution for year 2004. The details were as follows:

The 10th meeting of fourth session of the Board considered and approved the 2004 profit distribution scheme of the Company: based on the total share capital of the Company amounted to 5,037,747,500 shares as at the end of 2004, a cash dividend of RMB1.45 (tax inclusive) for every ten shares was proposed to declare to all shareholders. The proposal was considered and approved at the 2004 annual general meeting.

According to the mandate granted to the Board of the Company at the general meeting, the share register closure date for holders of domestic shares was confirmed to be on 2nd June 2005; the ex-dividend date was 3rd June 2005. 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\$1.367 for very ten shares. The share register closure date was 18th April 2005 and dividend was declared on 18th May 2005.

Dividends were paid on 10th June 2005. Profit distribution scheme of the previous year were duly implemented.



(V) Meetings of the Board for the Year

The Company has held five meetings to consider and approve various matters during the reporting period. The relevant resolutions of the meetings were published in China Securities Journal, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post. For details, please refer to the newspapers on respective dates or browse websites of Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.jsexpressway.com). Each meeting is set out as follows:

1. The 10th Meeting of Fourth Session of the Board

The meeting was held on 18th March 2005. The relevant resolutions of the meeting were published in the designated newspapers and websites on 21st March 2005.

2. The 11th Meeting of Fourth Session of the Board

The meeting was held on 22nd April 2005. The relevant resolutions of the meeting were published in the designated newspapers and websites on 25th April 2005.

3. The 12th Meeting of Fourth Session of the Board

The meeting was held on 18th July 2005. The relevant resolutions of the meeting were published in the designated newspapers and websites on 19th July 2005.

4. The 13th Meeting of Fourth Session of the Board

The meeting was held on 19th August 2005. The relevant resolutions of the meeting were published in the designated newspapers and websites on 22nd August 2005.

5. The 14th Meeting of Fourth Session of the Board

The meeting was held on 25th October 2005. The relevant resolutions of the meeting were published in the designated newspapers and websites on 26th October 2005.



(VI) Specific Statement 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 the "Notice to Regularize the Funds Transfer Between the Listed Companies and Related Parties and Certain Issues on External Guarantees Provided by Listed Companies" issued by China Securities Regulatory Commission ("CSRC"). Appropriation of funds by the Company's controlling shareholders and other related parties or by its subsidiaries which are incorporated into the consolidated accounting statements of the Company was not discovered in such audit. The auditors have issued specific statements on this matter.

(VII) The Independent Opinion Given by the Independent Directors in Respect of the Flow of Funds between the Company and 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 2005 (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 2005 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, Yang Xiong Sheng and Fan Chong Lai

Independent Directors

7th April 2006