



江蘇寧滬高速公路股份有限公司

JIANGSU EXPRESSWAY COMPANY LIMITED

(established in the PRC with limited liability)

(Stock Code: 177)

2006 First Quarterly Report

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT

- 1.1 The board of directors (the “Board of Directors”) and its directors of Jiangsu Expressway Company Limited (the “Company”) confirm that there are no false representations or misleading statements contained in, or material omissions from this report, and jointly and severally accept responsibility for the authenticity, accuracy and completeness of the content of this report.
- 1.2 Independent non-executive director Mr. Fang Hung, Kenneth did not attend the Board of Directors. He had appointed Mr. Fan Chong Lai, independent non-executive director, to vote on his behalf. Ms. Chang Yung Tsung, an independent non-executive director, was engaged in work and did not attend the Board of Directors.
- 1.3 This quarterly report is prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies by the China Securities Regulatory Commission. This report is published simultaneously in Hong Kong and the People’s Republic of China. All financial information set out in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises “PRC Accounting Standards”. Shareholders of the Company and public investors should be aware of the risks of investment when trading in shares.
- 1.4 The financial statements in this 2006 first quarterly report are unaudited and have been reviewed by the Audit Committee of the Company.
- 1.5 Mr. Shen Chang Quan, the Chairman of the Company, Mr. Xie Jia Quan, the General Manager, and Madam Liu Wei, Financial Controller, guarantee the correctness and completeness of the financial statements in the quarterly report.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic Corporate Information

	A Shares	H Shares	ADR
Abbreviation of Stock Name	寧滬高速	江蘇寧滬	JEXWW
Stock Code	600377	0177	477373104
	Secretary to the Board of Directors	Securities Officers	
Name	Yao Yong Jia	Jiang Tao and Lou Qing	
Correspondence Address	Jiangsu Communications Buildings, 69 Shigu Road, Nanjing, Jiangsu, the PRC		
Telephone Number	8625-84469332	8625-84200999 (ext. 4706, 4716)	
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E-mail Address	nhgs@jsexpressway.com		

2.2 Financial Information

2.2.1 Major accounting data and financial indicators

Unit: RMB'000

	End of the reporting period (unaudited)	End of last reporting year (audited)	% Increase/ (decrease) at end of the reporting period compared to end of last reporting year
Total assets	27,351,650	27,223,147	0.47
Shareholders' equity (excluding minority interests)	14,885,260	14,632,560	1.73
Net assets per share (RMB)	2.95	2.90	1.73
Adjusted net assets per share (RMB)	2.95	2.90	1.73
	The reporting period (unaudited)	Beginning of the year to end of the reporting period (unaudited)	% increase (decrease) for the reporting period compared to the corresponding period of the previous year
Net cash flow from operating activities	545,429	545,429	53.67
Earnings per share (RMB)	0.05	0.05	38.96
Return on net assets (%)	1.70	1.70	increase 0.41 percentage point
Return on net assets after deduction of non-recurring profit/loss (%)	1.70	1.70	increase 0.40 percentage point
Non-recurring profit/loss (unaudited)		Amount	
Non-operating income/expenses		-411	
Income tax effect		135	
Total		-276	

2.2.2 Income statement

Unit: RMB

Item	Consolidated		The Company	
	The reporting period (unaudited)	Corresponding period of the previous year (unaudited)	The reporting period (unaudited)	Corresponding period of the previous year (unaudited)
1. Revenue from principal business	834,568,032	545,776,808	697,092,425	411,599,662
Less: Costs of principal business	313,182,328	189,067,138	274,350,450	156,318,365
Principal business tax and levy	26,431,827	28,874,498	21,973,651	21,385,432
2. Gross profit	494,953,877	327,835,172	400,768,324	233,895,865
Add: Other operating profit	1,944,620	(83,567)	—	—
Less: General and administrative expenses	44,784,350	49,278,354	41,144,332	44,594,892
Financial expenses	100,457,123	27,319,236	101,170,481	27,810,178
3. Profit from operations	351,707,024	251,154,015	258,453,511	161,490,795
Add: Investment income	22,658,275	23,985,706	75,269,805	73,139,125
Non-operating income	2,184,255	2,887,928	2,182,355	2,426,287
Less: Non-operating expenses	2,594,769	1,282,292	1,379,918	474,017
4. Profit before tax	373,954,785	276,745,357	334,525,753	236,582,190
Less: Income tax	112,100,875	85,561,475	81,798,491	54,732,487
Minority interests	9,153,432	9,334,179	—	—
5. Net profit	252,700,478	181,849,703	252,727,262	181,849,703
Add: Undistributed profits at the beginning of year	317,221,038	484,125,200	444,144,060	582,403,438
6. Distributable profits	569,921,516	665,974,903	696,871,322	764,253,141
7. Distributable profits to shareholders	569,921,516	665,974,903	696,871,322	764,253,141
8. Undistributed profits	569,921,516	665,974,903	696,871,322	764,253,141

2.3 Total number of shareholders as at the end of the reporting period and the top ten holders of listed shares

Unit: share

Total number of shareholders at the end of the reporting period	As at 31 March 2006, there were 27,658 shareholders registered on the registers of members of the Company, among whom 26,873 were holders of domestic shares and 785 were holders of foreign shares.	
Top ten holders of listed shares		
Name of shareholder	Number of listed shares held as at the end of the reporting period	Class of shares
Genesis Fund Managers, LLP	137,206,372	H shares
HSBC Halbis Partners (Hong Kong) Limited	131,040,000	H shares
JPMorgan Chase & Co.	75,069,500	H shares
Sumitomo Mitsui Asset Management Company, Limited	71,462,000	H shares
China Galaxy Securities Co., Ltd. (銀河證券有限責任公司)	17,201,566	A shares
Winner Glory Development Ltd.	12,000,000	H shares
Industrial Commercial Bank of China - 諾安平衡證券投資基金	9,306,338	A shares
Bank of China - 海富通收益增長證券投資基金	6,500,000	A shares
Bank of China - 工銀瑞信核心價值股票型證券投資基金	5,931,829	A shares
Bank of China - 嘉實服務增值行業證券投資基金	4,913,241	A shares

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Brief Analysis on the Overall Situation of the Company's Operating Activities during the Reporting Period

Starting from 1 January 2006, the main 8-lane driveway of Shanghai-Nanjing Expressway, the Group's core asset, has been fully completed and trucks have been allowed for the whole expressway. Various operating activities of the Group have gradually returned to normal.

Since the re-opening of the whole Shanghai-Nanjing Expressway for traffic, the recovery of traffic flow has been progressing well. Between January and March of 2006, the average daily traffic volume was 35,736 vehicles, an increase of approximately 59.71% over the same period of 2005 which has basically regained the same level of traffic as the period before the implementation of truck diversion measures in 2004. As regards vehicles mix, trucks constituted approximately 22.03% of the overall traffic between January and March of 2006, indicating that truck traffic is still on the way of further recovery.

For the period of January to March, the average daily toll revenue of Shanghai-Nanjing Expressway was approximately RMB5,785,400, an increase of approximately 82.31% as compared to the corresponding period of 2005, while its total toll revenue amounted to approximately RMB520,683,000, accounting for approximately 62.05% of total Group revenue which was an increase of 13.65 percentage points as compared to 2005. This has indeed brought a strong growth of the Group's results for this quarter. Following a further recovery of truck traffic, toll revenue will continue to rise and toll revenue per single vehicle will also go up.

During the reporting period, the finishing works on the Shanghai-Nanjing Expressway expansion project progressed smoothly. Core works on the main 8-lane driveway have all been completed and inspected. Except for the Yangchenghu service area and part of the monitoring and communications projects as well as greenery projects, all other projects of the expansion project have been delivered for use. As at 31 March 2006, an accumulated capital of approximately RMB8,478,000,000 had been invested in the expansion project, of which an amount of approximately RMB284,000,000 was capitalised interest.

After Shanghai-Nanjing Expressway was opened for truck traffic, a portion of the trucks previously diverted onto G312 during the expansion period has started to come back, resulting in a decrease of traffic volume and toll revenue on G312. For the period of January to March 2006, the average daily traffic volume on G312 was 34,688 vehicles, while its average daily toll revenue was approximately RMB628,000, representing decreases of approximately 11.65% and 11.75%, respectively, over the same period of last year.

Affected by the newly-opened 8-lane Shanghai-Nanjing Expressway, the other road and bridge assets of the Group showed good growth trends. Xicheng Expressway and Sujiahang Expressway were amongst those which benefited directly, achieving average daily traffic volumes of 29,905 and 16,674 vehicles, respectively, for January to March 2006, representing increases of approximately 21.03% and 15.39% respectively as compared to the same period in 2005. The above two expressways registered average daily toll revenues of approximately RMB855,600 and RMB1,315,300 respectively, representing increases of approximately 17.01% and 3.68% respectively over the same period in 2005. Guangjing Expressway, Jiangyin Yangtze Bridge and the Nanjing Section of Nanjing-Lianyungang Highway also achieved stable growth.

Data of average daily traffic volumes and average daily toll revenues of various roads and bridges during January - March 2006:

Expressway or bridge operation	Average daily traffic volume (Vehicle/Day)	Growth over the corresponding period of the previous year (%)	Average daily toll revenue (RMB'000/Day)	Growth over the corresponding period of the previous year (%)
Jiangsu Section of Shanghai — Nanjing Expressway	35,736	59.71	5,785.4	82.31
Shanghai-Nanjing Section of G312	34,688	-11.65	628.0	-11.75
Nanjing Section of Nanjing — Lianyungang Highway	14,389	16.15	269.0	21.44
Guangjing Expressway	35,924	8.83	631.9	3.12
Xicheng Expressway	29,905	21.03	855.6	17.01
Jiangyin Yangtze Bridge	37,389	7.86	2,105.7	9.03
Sujiahang Expressway	16,674	15.39	1,315.3	3.68

According to the PRC Accounting Standards, during January to March 2006, the Group realised an operating revenue of approximately RMB839,142,000, representing an increase of approximately 52.39% over the corresponding period of 2005. The Group realised a net profit of approximately RMB252,700,000 and earnings per share of RMB0.05, an increase of approximately 38.96% over the corresponding period of 2005.

As at 31 March 2006, the Group's total assets amounted to approximately RMB27,351,650,000 while total liabilities amounted to approximately RMB12,040,330,000, with a gearing ratio of approximately 44.02%. Minority interests stood at approximately RMB426,060,000, while shareholders' equity amounted to approximately RMB14,885,260,000. The balance of loans of the Company totalled approximately RMB9,584,176,000.

3.1.1 Principal operating activities or products accounting for more than 10% of revenue or profit from principal business

Applicable Not applicable

Unit: RMB'000

Industry	Revenue from principal business	Cost of principal business	Gross profit margin (%)
Shanghai-Nanjing Expressway	520,683	116,702	77.59
Guangjing Xicheng Expressways	133,879	33,932	74.66

3.1.2 Seasonal or cyclical characteristics of the Company's operation

Applicable Not applicable

3.1.3 Structure of the Group's profit contributions during the reporting period

Applicable Not applicable

Unit: RMB'000

Item	January — March 2006	As percentage to total profit (%)	January — March 2005	As percentage to total profit (%)
Profit from principal business	474,954	132.36	327,835	118.46
Other operating profit	1,995	0.53	(84)	(0.03)
Expenses for the period	(145,241)	(38.84)	(76,598)	(27.68)
Investment income	22,658	6.06	23,986	8.67
Non-operating income/expenses, net	(411)	(0.11)	1,606	0.58
Total Profit before taxation	373,955	100	276,745	100

3.1.4 Circumstances and reasons for substantial changes in principal business and its structure compared to the previous reporting period

Applicable Not applicable

3.1.5 Circumstances and reasons for substantial changes in the profitability (gross profit margin) of the principal business compared to the previous reporting period

Applicable Not applicable

3.2 Analysis of impact of major events and solutions

✓ Applicable Not applicable

Lease of business to Connected Party

During the reporting period, Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”), a 85%-owned subsidiary of the Company, leased its petroleum product sales business at the gas station in the Yanqiao Service Area to Jiangsu Expressway Petroleum Development Co., Ltd. (江蘇高速公路石油發展有限公司) (“Jiangsu Expressway Petroleum”) for operation for a term of three years.

Jiangsu Expressway Petroleum is a 51.17% owned subsidiary of Jiangsu Communications Holdings Company Limited, the controlling shareholder of the Company. The transaction constitutes a continued connected transaction exempt from reporting, announcement and Independent Shareholder’s approval under rule 14A.33(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Listing Rules of the Shanghai Stock Exchange and not subject to announcement requirement. Given the continued increase in petroleum product wholesale prices, there has been limited space for Guangjing Xicheng to reap profits by operating the petroleum product sales business on its own. To improve the operating efficiency of the company, it leased the business to Jiangsu Expressway Petroleum for operation. Pursuant to the agreement entered into by both parties, the lease fee is calculated based on RMB100 for each tonne of oil products sold. The minimum annual fee is RMB500,000. The lease period is from 1 January 2006 to 31 December 2008.

Loan from Connected Parties

During the reporting period, the Company secured a loan of RMB200 million from its subsidiary, Jiangsu Guangjing Xicheng Expressway Co., Ltd., by way of entrusted loan. The term for the loan is from 16 January 2006 to 15 July 2006 and bears interest at a monthly rate of 3.915%.

Progress of Shareholding Segregation Reform

During the reporting period, the Company has officially commenced its shareholding segregation reform. Upon obtaining the consent from the Shanghai Stock Exchange by the Company, trading of A Share circulating shares of the Company has been suspended starting from 20 February 2006.

On 27 February 2006, the Company convened the A Share non-circulating shareholders’ meeting to discuss the shareholding segregation reform. After reporting to the Jiangsu Provincial State-owned Assets Supervision and Administration and obtaining its consent, the Company published the prospectus for the shareholding segregation reform on 6 March 2006. Under the initial proposal, non-circulating shareholders will allocate 2.5 shares to A Share circulating shareholders for each 10 shares at nil consideration.

The shareholding registration date announced for the first proposal was 23 March 2006. The time for online voting was from 29 to 31 March 2006. The time for holding the on-site A Share relevant shareholders' meeting was 31 March 2006.

Following the announcement of the initial proposal, the Company communicated with A Share circulating shareholders through various means including media conferences and online investor seminars but failed to reach unanimous agreement, which required further revision. The Company issued the announcement on delaying the disclosure of the proposal for shareholding segregation reform adjustment and the announcement on delaying the A Share relevant shareholders' meeting on 15 March and 22 March 2006 respectively. Trading of A Share circulating shares of the Company continued to be suspended.

Upon sufficient communication with A Share circulating shareholders and pursuant to the proposal by relevant non-circulating shareholders, the Company has revised part of the content of the shareholding segregation reform proposal and issued the announcement on the revised proposal on 7 April 2006. The revised proposal was: Non-circulating shareholders will allocate 48,000,000 shares to A Share circulating shareholders at nil consideration. This represents the allocation of 3.2 shares by non-circulating shareholders to A Share circulating shareholders for each 10 circulating A Shares they hold. Meanwhile, some non-circulating shareholders have undertaken that: (1) the original non-circulating shares of the Company held by Jiangsu Communications Holdings Company Limited and Huajian Transportation Economic Development Centre will not be listed on the Shanghai Stock Exchange for sales within 60 months from the date of obtaining the listing and circulating right; (2) Jiangsu Communications Holdings Company Limited and Huajian Transportation Economic Development Centre will put forward a proposal and vote for the proposal at the general meeting for 2005/2008 of the Company: the cash dividend payment will not be less than 85% of the distributable profit of the Company realised in the relevant year; (3) the expenses incurred as a result of the shareholding segregation reform shall be borne upon discussion by Jiangsu Communications Holdings Company Limited, Huajian Transportation Economic Development Centre, Jiangsu Communications Construction Group Co., Ltd. and Jiangsu Provincial Transportation Engineering Corporation Co., Ltd.

The shareholding registration date announced for this proposal was 14 April 2006. Trading of A Share circulating shares of the Company has resumed from 10 April to 14 April 2006 and would be suspended on 17 April until the completion of the required procedures for the shareholding segregation reform. The time for online voting was from 20 April to 24 April 2006. The time for holding the on-site A Share relevant shareholders' meeting was 24 April 2006.

Upon the online voting and voting by poll at the on-site A Share relevant shareholders' meeting, the total number of effective voting right shares participating in the A Share relevant shareholders' meeting was 3,460,835,268 shares. The number of effective voting right shares of A Share circulating shareholders participating in the voting was 63,570,668 shares. The aggregate shareholding voting for the proposal of all shareholders participating in the voting

was 3,446,107,232 shares, representing 99.574% of the total votes of all shareholders. The aggregate shareholding voting for the proposal of all the A Share circulating shareholders participating in the voting was 48,842,632 shares, representing 76.83% of the total votes of all the A Share circulating shareholders. The shareholding segregation reform proposal of the Company was approved by above two-thirds of the voting rights held by all shareholders participating in the voting and was approved by above two-thirds of the voting rights held by A Share circulating shareholders participating in the voting.

3.3 Accounting policy, accounting estimation, changes in the scope of consolidation and major accounting errors and its reasons

Applicable Not applicable

3.4 Explanation of the Board and the Supervisory Committee in relation to “disclaimer of opinion” given in audited reports

Applicable Not applicable

3.5 Warning and explanation in the forecast of the possible aggregate net profits from the beginning of the year to the end of the next reporting period becoming a loss or significant changes compared to the corresponding period of the previous year

Applicable Not applicable

3.6 Rolling adjustments of the Company to the annual operating plans or budget as disclosed

Applicable Not applicable

For and on behalf of
Jiangsu Expressway Company Limited
Shen Chang Quan
Legal Representative

Nanjing, the PRC, 28 April 2006

As at the date of this notice, Directors of the Company are: Shen Chang Quan, Sun Hong Ning, Chen Xiang Hui, Zhang Wen Sheng, Xie Jia Quan, Fan Yu Shu, Cui Xiao Long, Chang Yung Tsung, Fang Hung, Kenneth*, Fan Chong Lai* and Yang Xiong Sheng**

** Independent non-executive directors*

Please also refer to the published version of this announcement in South China Morning Post.