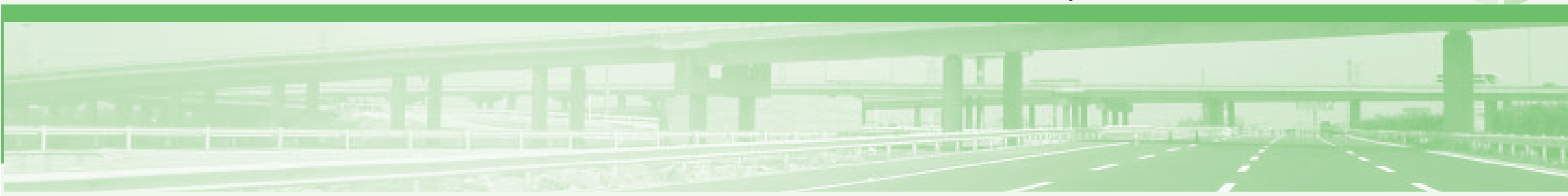

1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its parent is Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司 ("Jiangsu Communications"), a state-owned enterprise incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Shanghai-Nanjing Expressway"), the Jiangsu section of the 312 National Highway (the "Nanjing-Shanghai Class 2 Highway"), Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Class 1 Highway") and other toll roads in Jiangsu Province, and the provision of passenger transport services and other supporting services along the toll roads.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions[7]
HK(IFRIC) - INT 12	Service concession arrangements[8]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

The directors anticipate that the adoption of these new standards and interpretations in future periods will have no material impact on the consolidated financial statements, except HK(IFRIC) – INT 12 "Service concession arrangements", which the directors are currently considering this interpretation and are not yet in a position to determine the impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain held-for-trading investments which are measured at fair value as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1 January 2005 onwards, the Group discontinued amortisation of previously capitalised goodwill and such goodwill (net of cumulative amortisation as at 31 December 2004) is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes.

Toll revenue, net of business tax, is recognised on a receipt basis.

Sale of petrol are recognised when delivery has taken place.

Sale of food and beverages are recognised when goods and services are provided.

Emergency assistance income and advertising income are recognised when services are rendered.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the bank deposits to their net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Property, plant and equipment

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period attributable to the development of toll roads, buildings and structures for the Group's own use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The expected useful lives of assets are the shorter of the expected useful lives of the assets or the remaining concession period. The expected useful lives of the assets are as follows:

Buildings	30 years
Safety equipment	10 years
Communication and signalling equipment	10 years
Toll stations and ancillary equipment	8 years
Motor vehicles	8 years
Other machinery and equipment	5 - 8 years

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Toll roads infrastructures

Toll roads infrastructures, which include toll roads infrastructures work and operating rights, are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation and amortisation of the toll roads infrastructures are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

Land use right

Land use rights are accounted for as prepaid lease payments and are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are recognised in the consolidated income statement when they become receivable and reported separately as 'other income'.

Retirement benefit costs

The employees of the Company and its subsidiaries are members of state-managed retirement pension schemes, under which the Group's obligations are equivalent to those arising in a defined contribution retirement pension plan. Payments made to the state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Properties under development

Properties under development, representing leasehold land located in PRC under development for future sale in ordinary cost of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are classified into financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets held for trading is measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including bank balances and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including bank and other borrowings, dividend payable, construction costs payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the entity's accounting policies

Depreciation of toll roads infrastructures

Depreciation of the toll roads infrastructures are calculated to write off their cost, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

The management exercises their judgement in estimating the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment of toll road infrastructures

Note 3 describes that the Group reviews the carrying amounts of its assets, including the toll road infrastructures, to determine whether there is any indication that those assets have suffered an impairment loss. In the process of reviewing whether there is any impairment of toll road infrastructures, the management considered relevant factors including the traffic volume, toll fee level, length of operating rights, maintenance costs, and assistance from the relevant government (which includes potential future toll fee adjustment and extension of toll road operating rights) (the "Relevant Factors") in estimating the recoverable amount of the toll road infrastructures. In arriving at the recoverable amount of the toll road infrastructure, the management exercised their judgement with reference to these Relevant Factors in estimating the recoverable amounts of the toll road infrastructures. As a result, the management considered that the recoverable amounts of the toll road infrastructures are above their carrying amounts and no impairment was accordingly made.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, other receivables, other payables and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Fair value interest rate risk

Interest bearing financial assets are mainly bank balances which are all short-term in nature and is therefore not exposed to significant fair value interest rate risk. The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings (see Notes 26 and 27 for details of these borrowings). The Group's significant portion of borrowings is current and due within one year. For long-term portion of borrowings, the Group closely monitors the level of the borrowings and will negotiate with the banks granting the borrowings to adjust interest rate if the market rate of interest significantly exceeds the rate charged to the Group. In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is significantly reduced. The Group currently does not have an interest rate hedging policy.

(b) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Although the Group has certain long-term borrowings denominated in USD, the proportion to the Group's total assets is insignificant. Further the Group carries out majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

(c) Price risk

The Group's held-for-trading investments comprise gold bullion and listed equity shares, and are measured at fair value at each balance sheet date. Therefore, the Group is exposed to price risk. The Group established an internal investment division and a designated team is assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

5. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Credit risk

The Group's credit risk primarily relates to the Group's bank balances and other receivables. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the risk, the management of the Group closely monitors overdue debts. The recoverable amount of each individual debt is reviewed at each balance sheet date and adequate allowance for doubtful debts have been made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC.

Liquidity risk

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn long-term and short-term borrowing facilities (note 26 and 27) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities at the balance sheet date, the Group has well managed the liquidity risk.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

	2006 RMB'000	2005 RMB'000
Turnover comprises:		
Toll revenue	**3,312,426**	1,875,845
Sale of petrol	**504,954**	180,838
Sale of food and beverages	**97,100**	40,818
Emergency assistance income and others	**11,089**	7,403
	3,925,569	2,104,904

7. SEGMENT INFORMATION

All the Group's operations are located and carried out in the PRC, and the principal activities of the Group is the operation and management of toll roads. Accordingly, no segment information by business and geographical segment is presented.

8. FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	**324,513**	279,918
Over five years	**130,765**	142,375
Total borrowing costs	**455,278**	422,293
Less: Amount capitalised	**—**	(253,959)
	455,278	168,334

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of nil (2005: 5.74%) to expenditure on qualifying assets.

9. TAXATION

	2006 RMB'000	2005 RMB'000
The charge comprises:		
PRC income tax	**549,079**	215,125
Deferred tax charge (credit) *(note 21)*	**(31)**	74,601
Taxation attributable to the Company and its subsidiaries	**549,048**	289,726

The Company and its subsidiaries are subject to PRC income tax rate of 33% (2005: 33%) pursuant to the relevant PRC income tax laws.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

The tax charge for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	2006 RMB'000	2006 %	2005 RMB'000	2005 %
Profit before tax	**1,762,326**		990,608	
Tax at the domestic tax rate of 33% (2005: 33%)	**581,568**	**33.0**	326,900	33.0
Tax effect of expenses not deductible for tax purpose	**9,807**	**0.6**	7,704	0.7
Tax effect of share of profits of associates	**(42,327)**	**(2.4)**	(44,878)	(4.5)
Tax charge and effective tax rate for the year	**549,048**	**31.2**	289,726	29.2

10. PROFIT FOR THE YEAR

	2006 RMB'000	2005 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	**179,300**	136,099
Retirement benefits scheme contributions	**33,695**	27,456
Total staff costs	**212,995**	163,555
Auditors' remuneration	**1,700**	1,300
Impairment loss on other receivables	**297**	11,552
Depreciation of property, plant and equipment and toll roads infrastructures	**755,248**	415,241
Loss on disposal of property, plant and equipment and toll roads infrastructures	**15,271**	13,386
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	**64,593**	64,703
Cost of inventories recognised as an expense	**577,486**	246,984
Share of tax of associates (included in share of profits of associates)	**60,849**	61,478
and after crediting:		
Interest income from bank deposits	**10,186**	5,945
Government grants received *(note)*	**1,810**	800
Dividend income from unlisted available-for-sale investments	**200**	200

Note: Government grants of RMB1,810,000 (2005: RMB800,000) have been received in the current year as an incentive payment to the Company's subsidiary, Jiangsu Sundian Engineering Co., Ltd. (2005: Jiangsu Ninghu Investment Development Co., Ltd.). The incentive payment was unconditional and has been included in other income for the year.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors were as follows:

	Shen Changquan RMB'000	Xie Jiaquan RMB'000	Zhang Wensheng RMB'000	Sun Hongning RMB'000	Chen Xianghui RMB'000	Fan Yushu RMB'000	Cui Xiaolong RMB'000	Fang* Keng RMB'000	Chang* Yungtsung RMB'000	Yang* Xiongsheng RMB'000	Hong* Yinxing RMB'000	Fan* Conglai RMB'000	Total RMB'000
2006													
Fees	–	–	–	–	–	–	–	200	200	50	–	50	500
Other emoluments:													
Salaries and other benefits	–	330	–	–	–	–	–	–	–	–	–	–	330
Contributions to retirement benefits/pension schemes	–	38	–	–	–	–	–	–	–	–	–	–	38
Total emoluments	–	368	–	–	–	–	–	200	200	50	–	50	868
	Shen Changquan RMB'000	Xie Jiaquan RMB'000	Zhang Wensheng RMB'000	Sun Hongning RMB'000	Chen Xianghui RMB'000	Fan Yushu RMB'000	Cui Xiaolong RMB'000	Fang* Keng RMB'000	Chang* Yungtsung RMB'000	Yang* Xiongsheng RMB'000	Hong* Yinxing RMB'000	Fan* Conglai RMB'000	Total RMB'000
2005													
Fees	–	–	–	–	–	–	–	105	105	40	20	20	290
Other emoluments:													
Salaries and other benefits	–	310	–	–	–	–	–	–	–	–	–	–	310
Contributions to retirement benefits/pension schemes	–	26	–	–	–	–	–	–	–	–	–	–	26
Total emoluments	–	336	–	–	–	–	–	105	105	40	20	20	626

* *Independent non-executive directors*

During the year ended 31 December 2005, Mr. Hong Yinxing resigned and Mr. Fan Conglai was appointed as an independent director of the Company.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2005: one) is a director of the Company whose emoluments are included in note 11. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006 RMB'000	2005 RMB'000
Salaries and other benefits	**883**	810
Contributions to retirement benefits schemes	**146**	105
	1,029	915

Their emoluments were within the following bands:

	2006 No. of employees	2005 No. of employees
Nil to HK$ 1,000,000 (Nil to RMB1,000,000)	4	4

13. DIVIDEND

	2006 RMB'000	2005 RMB'000
Dividend recognised as distribution during the year:		
Final – RMB 0.145 (2005: RMB 0.145) per share	**730,473**	730,473

Pursuant to a director's meeting dated 23 March 2007, a final dividend of RMB 0.19 (2005: RMB 0.145) per share for the year ended 31 December 2006 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the equity holders of the Company of RMB1,174,111,000 (2005: RMB 668,028,000) and 5,037,747,500 (2005: 5,037,747,500) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2006.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Safety equipment RMB'000	Communication and signalling equipment RMB'000	Toll stations and ancillary equipment RMB'000	Motor vehicles RMB'000	Other machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2005	481,213	335,581	131,553	222,028	141,170	207,137	4,747,019	6,265,701
Additions	84	1,292	223	1,518	16,764	25,033	5,608,389	5,653,303
Transfers	392,679	–	121,141	94,226	21,708	77,317	(707,071)	–
Transfers to toll roads infrastructures	–	–	–	–	–	–	(8,527,267)	(8,527,267)
Disposals	(11,476)	–	–	(383)	(6,572)	(16,644)	–	(35,075)
At 31 December 2005	862,500	336,873	252,917	317,389	173,070	292,843	1,121,070	3,356,662
Additions	342	116	79	1,969	7,435	3,399	258,188	271,528
Transfers	93,749	353,037	131,299	(43,410)	(4,977)	29,547	(559,245)	–
Transfers to toll roads infrastructures	–	–	–	–	–	–	(788,609)	(788,609)
Disposals	(4,771)	–	(743)	(13,882)	(2,723)	(12,522)	–	(34,641)
At 31 December 2006	951,820	690,026	383,552	262,066	172,805	313,267	31,404	2,804,940
DEPRECIATION AND AMORTISATION								
At 1 January 2005	115,956	235,155	57,535	92,199	55,875	116,267	–	672,987
Provided for the year	20,306	30,242	14,347	26,882	20,208	26,069	–	138,054
Eliminated on disposals	(2,197)	–	–	(88)	(5,326)	(11,817)	–	(19,428)
At 31 December 2005	134,065	265,397	71,882	118,993	70,757	130,519	–	791,613
Provided for the year	22,487	41,655	26,824	39,066	14,407	40,419	–	184,858
Eliminated on disposals	(949)	–	(721)	(13,390)	(2,361)	(9,796)	–	(27,217)
At 31 December 2006	**155,603**	**307,052**	**97,985**	**144,669**	**82,803**	**161,142**	**–**	**949,254**
CARRYING VALUES								
At 31 December 2006	**796,217**	**382,974**	**285,567**	**117,397**	**90,002**	**152,125**	**31,404**	**1,855,686**
At 31 December 2005	728,435	71,476	181,035	198,396	102,313	162,324	1,121,070	2,565,049

All the Group's buildings are situated in the PRC and held under medium-term land use rights.

16. TOLL ROADS INFRASTRUCTURES

	RMB'000
COST	
At 1 January 2005	9,542,080
Additions	2,700,000
Transfers	8,527,267
At 31 December 2005	20,769,347
Transfers	788,609
Disposals	(11,572)
At 31 December 2006	21,546,384
DEPRECIATION	
At 1 January 2005	1,332,065
Provided for the year	277,187
At 31 December 2005	1,609,252
Provided for the year	570,390
Eliminated on disposals	(911)
At 31 December 2006	**2,178,731**
CARRYING VALUES	
At 31 December 2006	**19,367,653**
At 31 December 2005	19,160,095

The toll roads infrastructures are all located in the PRC. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for periods ranging from 27 to 36 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2006 RMB'000	2005 RMB'000
Medium-term lease in the PRC	**1,272,860**	1,347,896
Analysed for reporting purposes as:		
Non-current asset	**1,208,377**	1,283,193
Current asset	**64,483**	64,703
	1,272,860	1,347,896

18. INTERESTS IN ASSOCIATES

	2006 RMB'000	2005 RMB'000
Unlisted investments, at cost	**1,390,164**	1,397,664
Share of post-acquisition profits, net of dividends received	**197,227**	179,123
	1,587,391	1,576,787

At 31 December 2006, the Group had interests in the following associates, all of which are limited liability companies:

Name of entity	Place of registration and operations	Proportion of registered capital held by the Group: Directly	Proportion of registered capital held by the Group: Indirectly by subsidiaries	Principal activity
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	PRC	33.20%	—	Provision of passenger transportation service along the Shanghai-Nanjing Expressway
Jiangsu Yangzte Bridge Co., Ltd.	PRC	26.66%	—	Investment, construction, operation and management of Jiangjin Yangtze River Bridge

18. INTERESTS IN ASSOCIATES (Cont'd)

Name of entity	Place of registration and operations	Proportion of registered capital held by the Group		Principal activity
		Directly	Indirectly by subsidiaries	
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	—	Investment, construction, operation and management of Sujiahang Expressway
Jiangsu SEU Intelligent System Technology Co., Ltd.	PRC	—	20.69%	Computer software development
Jiangsu Leasing Co., Ltd. *(Note 3)*	PRC	—	20.00%	Leasing and financing activities

Notes:

(1) Disposal of an associate in 2006

Pursuant to a transfer agreement dated 30 May 2006, the Group transferred all of its equity interest in its associate, 上海中交海德交通科技股份有限公司 China Transportation HEAD New Technology (Shanghai) Co., Ltd. ("China Transportation") at a total consideration of RMB4,082,000 to 江蘇高速公路信息工程有限公司 Jiangsu Expressway Information Engineering Co., Ltd., a company which is controlled by the Company's parent, Jiangsu Communications, resulting in a loss of RMB714,000.

(2) Disposal of an associate in 2005

Pursuant to a transfer agreement dated 8 June 2005, the Group transferred all of its equity interest in 上海銀建置業有限公司 Shanghai Yinjian Real Estate Co., Ltd. at a total consideration of RMB26,910,000 (including the loan of RMB15,000,000) to an independent third party, 蘇州市興達房地產開發有限公司 Suzhou Real Estate Development Co., Ltd.

(3) 9% of the equity interest of Jangsu Leasing Co., Ltd. is held indirectly through an associate which is not included in the above 20.00%.

18. INTERESTS IN ASSOCIATES (Cont'd)

Included in the cost of investment in associates is goodwill of RMB81,815,000 (2005: RMB81,815,000) arising on acquisitions of associates in prior years. The carrying amounts of goodwill at 31 December 2006 are related to the following associates:

	2006 & 2005 RMB'000
Jiangsu Yangzte Bridge Co., Ltd.	53,207
Suzhou Sujiahang Expressway Co., Ltd.	28,608
	81,815

The summarised financial information in respect of the Group's associates is set out below:

	2006 RMB'000	2005 RMB'000
Total assets	**10,022,867**	9,511,806
Total liabilities	**(4,702,011)**	(4,243,133)
Net assets	**5,320,856**	5,268,673
Group's share of net assets of associates	**1,505,576**	1,494,972
Revenue	**1,584,606**	1,556,001
Profit for the year	**474,737**	490,368
Group's share of result of associates for the year	**128,265**	135,995

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments at 31 December 2006 comprise:

	2006 RMB'000	2005 RMB'000
Unlisted equity securities, at cost	**5,500**	3,000

The above unlisted investments represent investments in unlisted equity securities. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

20. HELD-FOR-TRADING INVESTMENTS

Held for trading investments include:

	2006 RMB'000	2005 RMB'000
Equity securities listed in PRC	189	—
Gold bullion	37,595	—
	37,784	—

21. DEFERRED TAX ASSETS

The following are the deferred taxation (assets) liabilities recognised and movements thereon during the current and prior year:

	Write-off of property, plant and equipment RMB'000	Impairment loss on other receivables RMB'000	Total RMB'000
At 1 January 2005	(78,044)	(4,540)	(82,584)
Charge (credit) to consolidated income statement for the year, as restated	78,044	(3,443)	74,601
At 31 December 2005	—	(7,983)	(7,983)
Credit to consolidated income statement for the year	—	(31)	(31)
At 31 December 2006	**—**	**(8,014)**	**(8,014)**

22. INVENTORIES

Inventories comprise petrol for sales, materials and spare parts for repairs and maintenance of toll roads infrastructures. All inventories are stated at cost.

23. PROPERTIES UNDER DEVELOPMENT

	2006 RMB'000	2005 RMB'000
Medium-term land use rights	**10,443**	—
Development costs	**1,207**	—
	11,650	—

24. PREPAYMENTS AND OTHER RECEIVABLES

	2006 RMB'000	2005 RMB'000
Receivable from liquidation of a former joint venture	**18,812**	19,812
Prepayments	**4,377**	5,513
Toll road fee	**36,474**	15,201
Others	**58,529**	38,465
	118,192	78,991
Less: Accumulated impairment losses	**(24,853)**	(24,556)
	93,339	54,435

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at prevailing market rate at 0.72% (2005: 0.72%).

26. LONG-TERM BORROWINGS

	Maturity date		Effective interest rate		Carrying amount 2006	Carrying amount 2005
	2006	2005	2006	2005	RMB'000	RMB'000
Unsecured bank loans	**2008-2016**	2008-2016	**5.71%**	5.68%	**4,400,000**	4,900,000
USD denominated Spain government loans *(Note)*	**2007-2026**	2007-2026	**1.00%**	1.00%	**38,694**	39,990
USD denominated buyer's credit loans *(Note)*	**–**	2001-2006	**–**	6.77%	**–**	6,643
					4,438,694	4,946,633

Note: These long-term borrowings were guaranteed by the Company's parent, Jiangsu Communications, which is a state-owned enterprise incorporated in the PRC.

The maturity of the above fixed-rate loans is as follows:

	2006 RMB'000	2005 RMB'000
Within one year	**1,935**	6,643
More than one year but not exceeding two years	**201,935**	1,999
More than two years but not exceeding three years	**501,935**	201,999
More than three years but not exceeding four years	**1,001,935**	702,000
More than four years but not exceeding five years	**501,935**	1,202,000
More than five years	**2,229,019**	2,831,992
	4,438,694	4,946,633
Less: Amount due within one year included in current liabilities	**(1,935)**	(6,643)
Amount due after one year	**4,436,759**	4,939,990

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are US$4,955,000 (2005: US$5,778,000).

26. LONG-TERM BORROWINGS (Cont'd)

At the balance sheet date, the Group has the following undrawn long-term borrowings facilities:

	2006 RMB'000	2005 RMB'000
Fixed rate		
– expiring beyond one year	**8,500,000**	9,850,000

27. SHORT-TERM BORROWINGS

	2006 RMB'000	2005 RMB'000
Short-term bond	**–**	3,912,026
Unsecured bank loans	**4,510,000**	450,000
	4,510,000	4,362,026

During the year ended 31 December 2005, the Company issued short-term bond of RMB4,000,000,000 to selected banking institutions. The net receipt of the short-term bond by the Company amounted to RMB3,886,400,000 after netting off the prepaid interest of RMB113,600,000, which is unsecured, at the effective interest at 2.92% per annum. The short-term bond was repaid on 22 September 2006 and 7 November 2006 respectively.

The bank loans are unsecured and repayable within one year and arranged at fixed interest rates at the range of 4.65% to 5.58% (2005: the range of 4.54% to 5.58%) and expose the Group to fair value interest rate risk. The fair value of the above Group's bank loans is estimated by discounting their future cash flows at the prevailing market borrowing rates based on the rates quoted by the People's Bank of China at the balance sheet date. The carrying amount of bank loans approximates to their fair value.

At the balance sheet date, the Group has the following undrawn short-term borrowings facilities:

	2006 RMB'000	2005 RMB'000
Fixed rate		
– expiring within one year	**200,000**	1,100,000

28. SHARE CAPITAL

	31.12.2005		Transfer		31.12.2006	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Non-tradable shares	3,665,747,500	3,665,748	(3,665,747,500)	(3,665,748)	**–**	**–**
2. Restricted tradable shares	–	–	3,617,747,500	3,617,748	**3,617,747,500**	**3,617,748**
3. Tradable shares						
H shares	1,222,000,000	1,222,000	–	–	**1,222,000,000**	**1,222,000**
A shares	150,000,000	150,000	48,000,000	48,000	**198,000,000**	**198,000**
Total	5,037,747,500	5,037,748	–	–	**5,037,747,500**	**5,037,748**

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006, the shareholders of the non-tradable shares which comprise the state shares, state legal person shares and legal person shares, in return for the conversion of those non-tradable shares into restricted tradable shares, offer a 3.2 shares for every 10 "A" shares held by the then holders of A-shares. As a result, an aggregate of 48,000,000 non-tradable shares are transferred to the then holders of A-shares by the non-tradable shareholders, and these 48,000,000 non-tradable shares are granted trading status on 16 May 2006.

The formerly non-tradable shares were also converted into tradable shares but subject to certain restrictions in their sale.

The non-tradable shares, restricted tradable shares, H shares and A shares have a par value of RMB 1 each and rank pari passu in all respects, except that ownership of non-tradable shares, restricted tradable shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

29. CAPITAL COMMITMENTS

	2006 RMB'000	2005 RMB'000
Commitments for:		
– acquisition of property, plant and equipment in respect of the toll roads expansion project contracted for but not provided in the consolidated financial statements	**5,383**	9,416

30. OTHER COMMITMENTS

As at 31 December 2006, the Group is committed to pay Ninglian Ningtong Management Office, an independent third party, a management service charge of RMB17,520,000 (2005: RMB13,718,000) at a fixed rate of 17% of the total toll revenue collected on Nanjing-Lianyungang Class 1 Highway per annum for a term of 30 years from 1 January 2000.

31. RETIREMENT BENEFITS SCHEME

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2005: 21%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

The total cost charged to the consolidated income statement of RMB33,695,000 (2005: RMB27,456,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2006.

32. RELATED PARTY TRANSACTIONS

(a) During the year, the Group has the following significant transactions with the associates:

Name of associate	Nature of transactions	2006 RMB'000	2005 RMB'000
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road usage fee received	**8,400**	8,400
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Sales of petrol	**22,715**	—
Jiangsu Yangzte Bridge Co., Ltd.	Maintenance service income	**—**	959
Jiangsu Yangzte Bridge Co., Ltd.	Toll service expenses	**1,086**	1,034

32. RELATED PARTY TRANSACTIONS (Cont'd)

(b) At the balance sheet date, the Group have current accounts with the following related companies:

Name of associate

	2006 RMB'000	2005 RMB'000
Amounts due from:		
Suzhou Sujiahang Expressway Co., Ltd.	**15,270**	7,067
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	**2,598**	831
Jiangsu Yangzte Bridge Co., Ltd.	**2,017**	1,494
	19,885	9,392
Amounts due to:		
Suzhou Sujiahang Expressway Co., Ltd.	**2,094**	13,154
Jiangsu Yangzte Bridge Co., Ltd.	**1,565**	1,034
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	**1,000**	—
	4,659	14,188

The balances mainly represent receipts of toll fees collected, the deposit of petrol and expenses paid on behalf of the Group, which are unsecured, interest free and repayable within one year. The above current accounts were included in other receivables and other payables on the balance sheet.

(c) Disposal of an associate

Pursuant to a transfer agreement dated 30 May 2006, the Group transferred all of its equity interest in its associate, China Transportation at a total consideration of RMB4,082,000 to Jiangsu Expressway Information Engineering Co., Ltd., a company which is controlled by the Company's parent, Jiangsu Communication, details of which are set out in note 18.

32. RELATED PARTY TRANSACTIONS (Cont'd)

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2006 RMB'000	2005 RMB'000
Short-term benefits	**1,874**	1,612
Post-employment benefits	**208**	184
	2,082	1,796

The remuneration of directors and key executives are determined by reference to the performance of individuals and market trends.

(e) Transactions and balances with other state-controlled entities in the PRC

In view of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other stated-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries, all of which are limited liability companies, as at 31 December 2006 are as follows:

Name	Place of registration and operations	Paid up registered capital RMB	Proportion of registered capital held by the Company Directly	Indirectly	Principal activities
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	–	Construction, management and operation of expressway
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	–	Infrastructure and industrial investments
Jiangsu Sundian Engineering Co., Ltd.	PRC	35,000,000	–	95.50%	Construction and maintenance of expressway
Kunshan Feng Yuan Real Estate Development Co., Ltd.	Jiangsu, PRC	37,000,000	–	100%	Real estate development
Tong Yuan Trading Limited	Hong Kong, PRC	–	–	100%	Inactive

Kuanshan Feng Yuan Real Estate Development Co., Ltd. ("Feng Yuan") and Tong Yuan Trading Limited ("Tong Yuan") were newly established during the year ended 31 December 2006. Feng Yuan and Tong Yuan were all set up and funded by the subsidiary of the Company, Jiangsu Ninghu Investment Development Co., Ltd.

None of the subsidiaries had issued any debt securities at the end of the period.