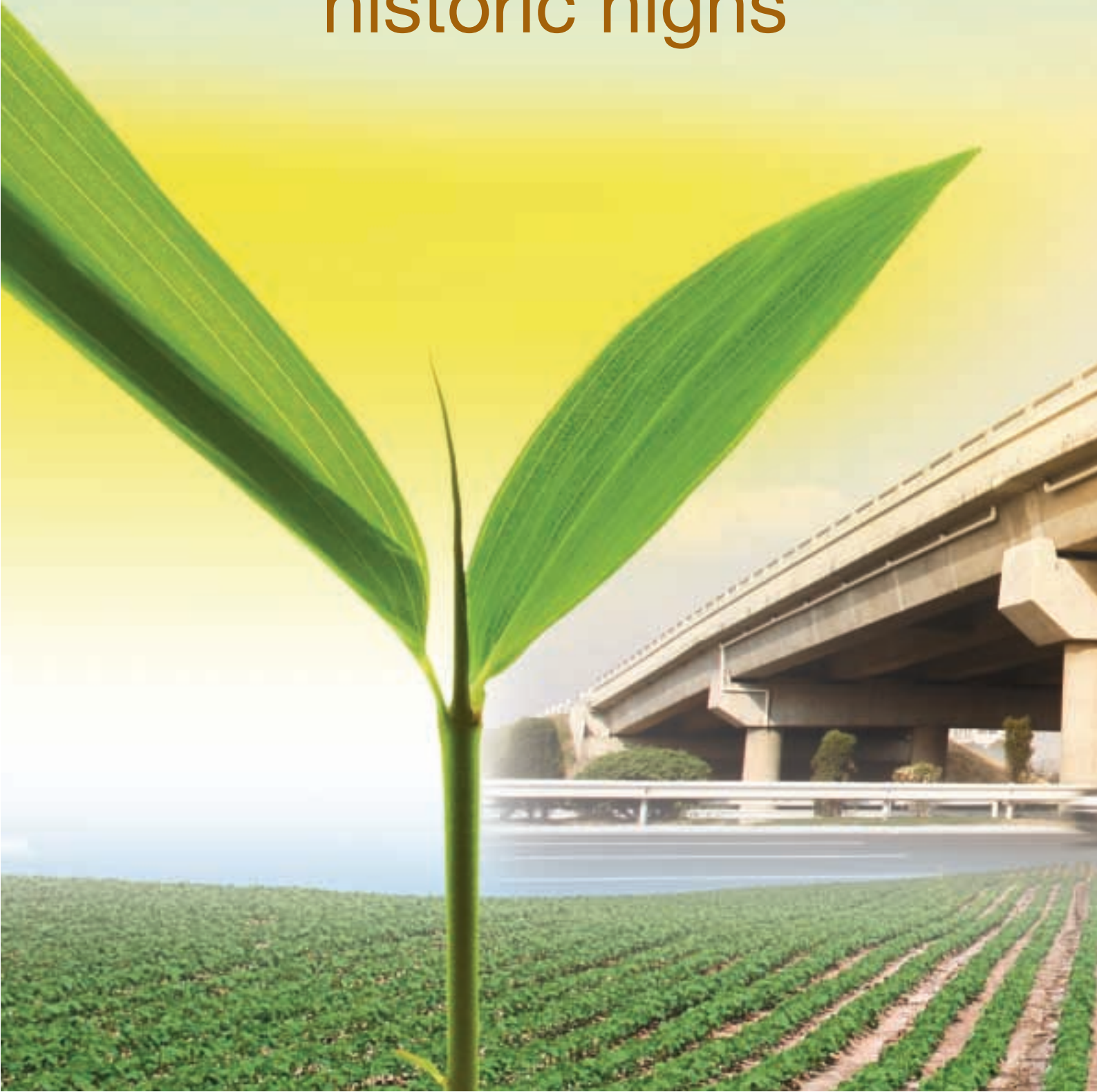
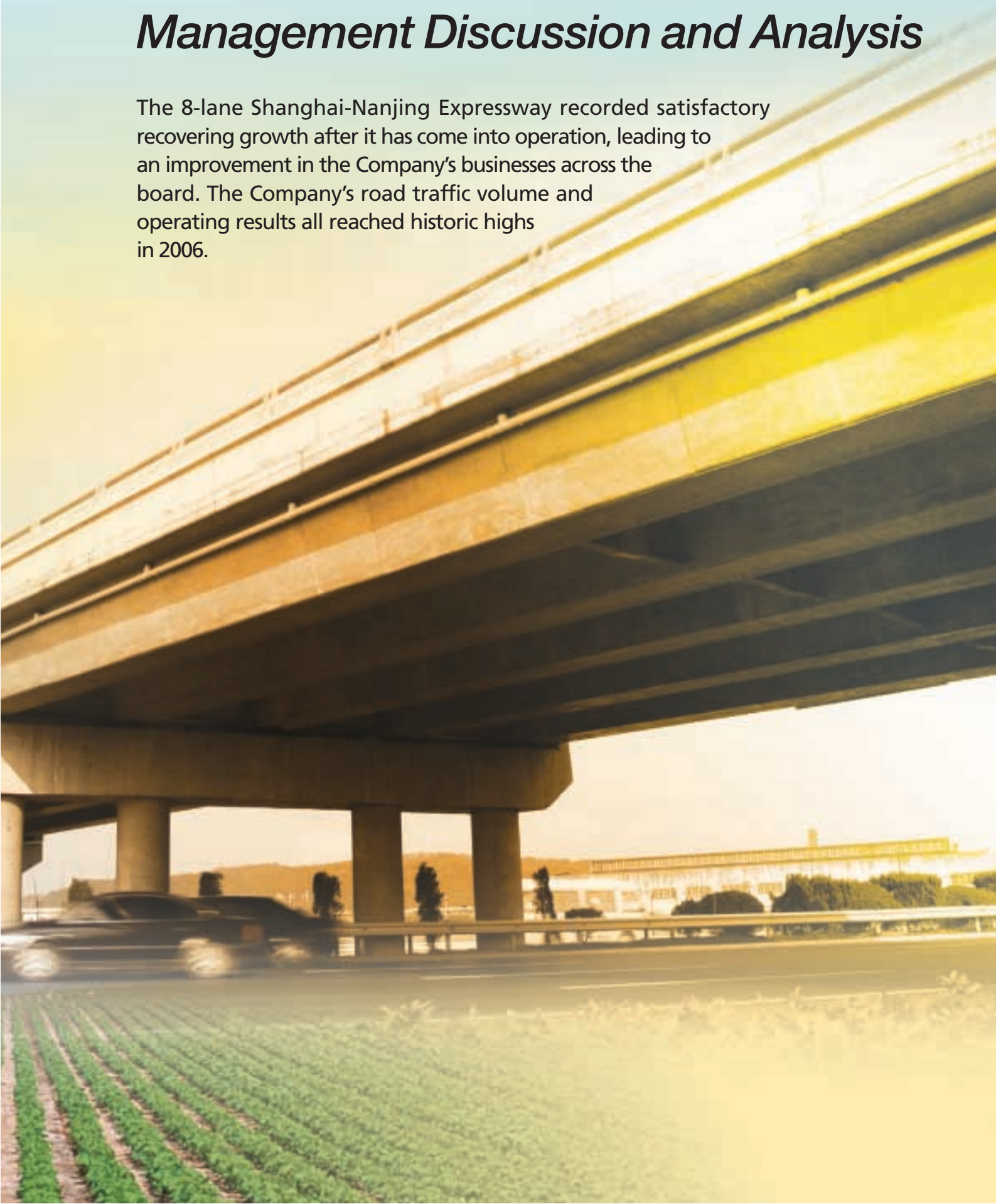


The Company's
operating results
reached
historic highs



Management Discussion and Analysis

The 8-lane Shanghai-Nanjing Expressway recorded satisfactory recovering growth after it has come into operation, leading to an improvement in the Company's businesses across the board. The Company's road traffic volume and operating results all reached historic highs in 2006.





(1) Review of Operations

In 2006, the 8-lane Shanghai-Nanjing Expressway came into full operation. Its excellent road facilities offer a solid platform of hardware for operational management. The Company rapidly achieved the strategic transition of its work focus from project construction to operational management, weathering challenges on traffic control, road maintenance and repair, safety management and cost control posted by the operation of the 8-lane expressway. New breakthroughs were observed in operational management, with operating results exceeding expectations. Full-fledged progress was seen in all operations, giving the Company a solid start as it entered a new stage of development of its “second venture”.



1. Results of Operational Management

- The expansion project of Shanghai-Nanjing Expressway was completed one year ahead of schedule and was successfully delivered and inspected on 28 June, setting a national record in terms of expressway construction. The quality of the construction works has achieved the highest level among current expressway expansion projects in the PRC.
- Research work for the expansion project yielded remarkable results. During the year, 16 research items were verified and 3 passed the delivery and inspection processes. A significant number of research results are trailblazing in the domestic scene and are of advanced level by international standards.
- In its first year of operation, the 8-lane Shanghai-Nanjing Expressway provided road users with a safe, comfortable and fast traffic environment of high quality. The Company was actively developing the on-site management and operating mechanisms for the 8-lane expressway, and has basically fulfilled the new management requirements. The overall operation was steady and in good order, and the Company’s service quality and responsiveness were highly acclaimed by the public at large.
- As the Company’s core asset, the 8-lane Shanghai-Nanjing Expressway recorded satisfactory recovering growth after it has come into operation, leading to an improvement in the Company’s businesses across the board. The Company’s road traffic volume and operating results all reached historic highs in 2006.
- The Company further stepped up its efforts in enhancing its internal management system, implementation of decisions and risk control. Thorough improvement was observed in the Company’s asset management, cost control, human resource reform, regulated operation, management procedures and so forth.



- Striking a balance between the interests of shareholders of circulating shares and those of non-circulating shares: The Company's A-share segregation reform proposal was passed by 76.83% of affirmative votes among A-share holders entitled to vote, achieving the best scenario of benefiting all sides and completing the share segregation reform in total success.
- The Company is dedicated to enhancing profitability, through continuous supervision of budget execution, with budget indicators such as operating revenue, costs and profit fully tracked. Cost control was strengthened, and rational debt structure arrangements were made. New financing channels were explored, effectively lowering financing costs.
- Continued progress was made with regard to corporate governance issues such as company management, equity management and investor relations. Nine large-scale roadshows and promotional activities were held in the year, including two roadshows in Hong Kong and one in the U.S.A. At the end of 2006, the Company won the Diamond Award (the top prize in the category) in the H-share Companies Category of the Best Corporate Governance Disclosure Awards organized by Hong Kong Institute of Certified Public Accountants.
- The Company carried out a full implementation of the remuneration system reforms transforming the technical skill-based salary policy into a position-based salary policy determined by performance, thereby rationalizing the remuneration system. The Company treats its staff with respect, care and nurturing, creating a sound development platform for the staff. This enhances the Company's internal vigor as well as its overall competitiveness. In 2006, the Company was awarded the title — "Model Enterprise with Integrity in Labor Protection".
- By creating a corporate spirit and nurturing a corporate culture, the Company has developed a harmonious, healthy and progressive corporate atmosphere. The Company strives to instill enthusiasm, creativity and a sense of belonging in the staff, seeking harmonious and unified development between the Company and its staff.



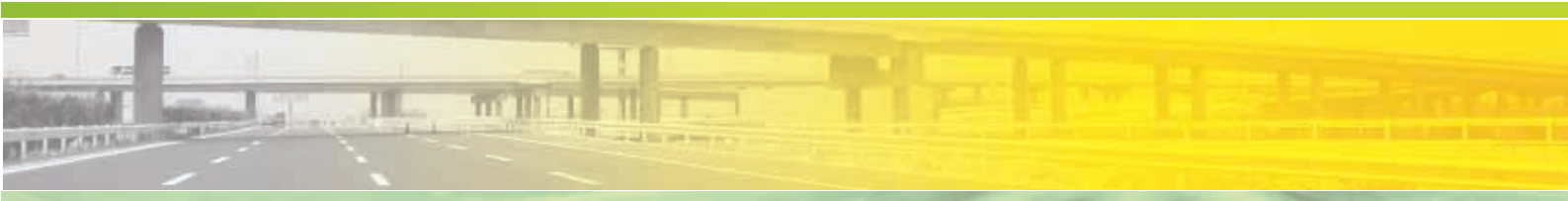
2. Key Tasks of the Year

• Road Operational Management

- Moving forward with the remaining ancillary works of the Shanghai-Nanjing Expressway expansion project at full speed, while completing the main construction and traffic facilities of the project;
- Completing the review of over 2600 design amendments on the main construction works and basically finishing the account settlement of works, thereby exercising effective control on overall investments;
- Actively exploring the on-site management and operating mechanisms for 8-lane roads, and improving road traffic control and safety management;
- Stepping up the crackdown on toll evasion of vehicles at Jiangsu Section of G312's toll stations and the communication and coordination with government authorities;
- Establishing maintenance and repair work areas for the organic integration of maintenance, repair and hindrance prevention works, thereby enhancing efficiency;



- Expanding the operation of service area projects to cultivate a pleasant environment and improve the quality of service;
- Strengthening road inspection to enhance the ability and responsiveness towards unexpected incidents, so as to ensure road safety and smooth traffic.
- **Financial and Financing Management**
 - Strengthening budget control, effectively monitoring the whole process of the implementation of budgets and enhancing control over operating costs;
 - Arranging fundraising and financing plans to ensure sufficient funding for the Company's expansion projects and daily operational management;
 - Expanding financing channels through the issuance of short-term trust financial products of RMB1,500,000,000 and the application for asset securitization;
 - Rationalizing the arrangement of loan sizes, loan terms and loan structures to strive for lower financing costs.
- **Governance of the Listed Company**
 - Successfully completing the share segregation reform, balancing the interests of different parties and achieving benefits for all involved parties;
 - Completion of electing directors and supervisors of a new session, with formation of the fifth session of the Board, Supervisory Committee and relevant committees;
 - Actively developing investor relations management with nine large-scale roadshows and promotional activities held;
 - Protecting the legitimate interests of minority shareholders by completing the shareholding trust and consideration repayment procedures for social legal person shares.
- **Project Investment Management**
 - Commencing studies for solutions through a complete study and analysis on the sectional traffic volumes and the evasion routes of vehicles of the Jiangau Section of G312;
 - Focusing on the core businesses and effectively integrating the Company's assets by completing the transfer of China HEAD's equity interests;
 - Implementing the planning and contract management system to strengthen the Company's control over investment risks;
 - Regulating operational procedures for resources procurement and project sub-contracting and expanding the scopes of public tenders, thereby effectively reducing operating costs.



- **Human Resources Management**

- Fully implementing the position-based salary policy and enhancing the relevant performance appraisal methods;
- Rationalizing workforce arrangement for positions and enhancing staff deployment management;
- Focusing on staff development and training, and developing staff training programs to meet the Company's operational management needs;
- Showing care for the staff and protecting their legitimate rights and interests through contributions to the corporate annuity scheme, social insurances and supplementary insurances;
- Establishing the Labor Dispute Settlement Committee and entering into collective contracts with the staff to boost the labor union's membership rate from 60% to 99%.



- **Internal Integrated Management**

- Improving and revising the quality, health and safety systems in accordance with international standards, achieving an amendment rate of 38% with 58 off-system management documents rectified and verifications from China Quality Certification Center obtained;
- Establishing QC groups and adopting the 6S management method for frontline staff to enhance frontline management skills;
- Upgrading and expanding the functions of the Company's integrated information management system and its respective sub-systems;
- Establishing the legal affairs management system of the Company to control potential legal risks;
- Initiating the "Forum on the Jiangsu Expressway Spirit" among staff to cultivate a corporate spirit and promote our corporate culture.



3. Annual Operating Results

In 2006, the Group realized an operating revenue of RMB4,098,477,000, an increase of 83.57% as compared to the corresponding period of the previous year. Under the PRC Accounting Standards, net profit realized was approximately RMB1,127,781,000 and earnings per share was approximately RMB0.224, an increase of approximately 61.93% as compared to the corresponding period of the previous year. Under HKFRS, net profit realized was approximately RMB1,174,111,000 and earnings per share was approximately RMB0.233, an increase of 75.76% as compared to the corresponding period of the previous year.

The substantial growth in results was mainly attributable to the following factors:

- **Continued economic growth**

Economic growth is a determinant of a rising demand for transportation. In 2006, China's GDP recorded an increase of 10.5% over the corresponding period of the previous year, maintaining the rapid and steady growth momentum which has been sustained for years. The GDP of Jiangsu Province (the "Province"), where the Group's operating region is located, recorded an increase of approximately 14.9% over the corresponding period of the previous year and remained at a high level. The GDP's of neighboring Shanghai, Zhejiang, Shandong and Anhui in 2006 increased respectively by 12%, 13.6%, 14.7% and 12.9% over the corresponding period of the previous year. All such growth rates were above the national average level. Overall, the economy is staying robust.

With a sustained and speedy growth in the economy across Jiangsu Province and a remarkable rise in the frequency of travels by local residents as a result of an increase in their personal incomes and consumption levels, the transportation sector in Jiangsu Province was heading towards a favorable and speedy development trend in 2006. The volumes of passenger and cargo transportation increased by approximately 11.9% and 18.8% respectively over the corresponding period of 2005. Of such increases, the volumes of passenger and cargo transportation by means of highways increased by approximately 11.2% and 10.5% respectively over 2005.

- **Significant increase in automobile ownership**

In 2006, ownership of automobiles, private cars in particular, continued to surge at a fast pace in Jiangsu Province. By the end of 2006, the number of civilian motor vehicles owned by local residents in the Province reached 2,408,000, up by approximately 25.3% over 2005. Among these, the number of private car ownership amounted to 1,483,700, representing an increase of approximately 35.6% over 2005.



- **Full Opening of the 8-Lane Shanghai-Nanjing Expressway**

As from 1 January 2006, owing to the full opening of the 8-lane main road of the Group's core asset – Shanghai-Nanjing Expressway – with the whole expressway opened to trucks, the adverse impact brought to the Group by the expansion project has fully vanished. Operating activities of all the roads and bridges affected by the works during the expansion period were back to normal with satisfactory recovering growth recorded, which served as the determinant of a substantial rebound of the Group's 2006 operating results.



- **Effective Control over Operating Costs**

In 2006, the Company exercised cost control through the full-scale implementation of budget management and supervised the whole process of operating activities. As for determining the focus of cost control, the Company conducted a detailed analysis on the cost structure and exercised specific control over “Class A Costs” which had substantial impact on the profit, such as financing costs and maintenance and repair costs, so as to achieve the aims of cost reduction and efficiency enhancement.

(2) Analysis of Business Operations

In 2006, the Group’s operating revenues aggregated about RMB4,098,477,000, up by approximately 83.57% over the corresponding period of 2005. The composition of revenues and changes in 2006 over the corresponding period of 2005 are indicated in the table below:

Item	Operating Revenue (RMB'000)	As percentage of total revenue (%)	Increase/ decrease over corresponding period of previous year (%)	Operating costs (RMB'000)	Margin (%)
Jiangsu Section of Shanghai-Nanjing Expressway	2,564,642	62.58	137.33	584,204	77.22
Jiangsu Section of G312	203,371	4.96	-33.98	293,550	-44.34
Nanjing Section of Nanjing-Lianyungang Highway	103,060	2.51	27.72	38,449	62.69
Guangjing Xicheng Expressway	561,369	13.70	13.16	147,261	73.77
Revenue from ancillary services	613,814	14.98	167.67	601,427	2.02
Revenue from other operations	52,221	1.27	37.63	49,221	5.75
Total	4,098,477	100.00	83.57	1,714,112	58.18

- During the reporting period, the 8-lane Shanghai-Nanjing Expressway was opened to all vehicle traffic, while normal operation of ancillary services at all service areas along the expressway resumed as well. Accordingly, its vehicle toll revenue and revenue from ancillary services reported substantial increases over the corresponding period of the previous year.
- Due to the full opening of Shanghai-Nanjing Expressway, part of the vehicle traffic diverted to G312 during the expansion period began to return to Shanghai-Nanjing Expressway. Accordingly, vehicle toll revenue of G312 recorded a significant decrease over the corresponding period of the previous year.
- During the reporting period, outdoor billboards along Shanghai-Nanjing Expressway were gradually re-installed. Accordingly, a considerable increase in revenue from other operations over the corresponding period of the previous year was recorded.

In 2006, operating costs of the Group totalled about RMB1,714,112,000, an increase of approximately 79.37% (which was lower than the growth rate of revenue) over the corresponding period of 2005. The composition and changes over the corresponding period of 2005 are as indicated in the table below:

Item	Operating costs for the reporting period (RMB'000)	As percentage of total costs (%)	Operating costs for corresponding period of previous year (RMB'000)	Increase/decrease over corresponding period of previous year (%)
Jiangsu Section of Shanghai-Nanjing Expressway	584,204	34.08	342,962	70.34
Jiangsu Section of G312	293,550	17.13	128,648	128.18
Nanjing Section of Nanjing-Lianyungang Highway	38,449	2.24	33,882	13.48
Guangjing Xicheng Expressway	147,261	8.59	148,474	-0.82
Costs of ancillary services	601,427	35.09	270,712	122.16
Costs of other operations	49,221	2.87	30,976	58.90
Total	1,714,112	100.00	955,654	79.37

- During the reporting period, operating costs of Shanghai-Nanjing Expressway reported a year-on-year increase of 70.34%, primarily due to an increase in depreciation charges for road and bridge assets and ancillary facilities. In 2006, depreciation charges for the road and bridge assets and ancillary facilities of Shanghai-Nanjing Expressway amounted to approximately RMB385,735,000, up by approximately RMB205,687,000 over the corresponding period of the previous year and accounted for 85.26% of the total increase in its operating costs.
- During the reporting period, the increase in depreciation charges for the assets of the Jiangsu Section of G312 led to a year-on-year increase of 128.18% in operating costs.
- During the reporting period, the costs of ancillary services (including resources procurement costs and operating costs) increased by 122.16%, mainly attributable to the sales of petroleum products. As a result of an increase in sales volume and a rise in procurement prices of petroleum products, the operating costs of the sales of petroleum products reported a significant change as compared to the corresponding period of the previous year, which was in line with the change in revenue from petroleum products.
- During the reporting period, the reasons for the cost increase in other operations corresponded to those for income increases.



2. Toll Road Operations

During the reporting period, the Group realized a toll revenue of approximately RMB3,432,442,000, up by approximately 74.64% over the corresponding period of 2005, representing approximately 83.75% of the total operating revenue.

Comparisons of average daily traffic volumes and toll revenues:

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB '000/day)		
	2006	2005	Change %	2006	2005	Change %
Shanghai-Nanjing Expressway	39,468	21,688	81.98	7,026.4	2,960.6	137.33
Jiangsu Section of G312	31,665	42,871	-26.14	557.2	843.9	-33.98
Nanjing Section of Nanjing-Lianyungang Highway	13,951	12,043	15.84	282.4	221.1	27.72
Guangjing Expressway	35,240	32,806	7.42	624.8	639.2	-2.25
Xicheng Expressway	31,441	25,041	25.56	913.2	719.9	26.85
Jiangyin Yangtze Bridge	37,180	34,155	8.86	2,061.8	2,103.9	-2.00
Sujiahang Expressway	18,621	17,005	9.50	1,480.6	1,552.5	-4.63

Road and Bridge Operations

Shanghai-Nanjing Expressway

Since the full opening to traffic on 1 January 2006, the 8-lane Shanghai-Nanjing Expressway has been performing satisfactorily in terms of road operation and management. Safety and good order was achieved with regard to traffic control, with smooth traffic observed in all toll sections. Overall operation is in good order.

Since the full opening to truck traffic, the recovery growth of road traffic volume has been accelerating, with the proportion of truck traffic maintaining an encouraging trend of month-on-month growth. By December, truck traffic accounted for 34.55% of the total traffic, a figure basically close to the January-May 2004 average of 35.45% before the implementation of traffic diversion measures for trucks. In 2006, the average daily traffic volume of Shanghai-Nanjing Expressway was 39,468 vehicles, up 81.98% and 6.29% respectively over the levels of 2005 and January-May 2004. The proportions of passenger vehicles and trucks in the total traffic volume were 70.85% and 29.15% respectively.

In 2006, Shanghai-Nanjing Expressway realized about RMB2,564,642,000 in total toll revenue, representing 74.72% of the Group's toll revenue and 62.58% of the Group's total revenue. Its position as a core asset among the Group's assets is thereby further established. During the reporting period, the average daily toll revenue of Shanghai-Nanjing Expressway was approximately RMB7,026,400, representing a substantial increase of approximately 137.33% over the corresponding period of 2005. Of such increase, revenue from passenger vehicles contributed approximately 52.93%, while revenue from trucks accounted for approximately 47.07%. The proportion of revenue from trucks is still on the rise.



Comparative Analysis of Traffic Volume and Toll Revenue Structures of Shanghai-Nanjing Expressway

	Traffic Volume			Toll Revenue			Average Daily Full-trip Revenue per Vehicle (RMB/ Vehicle)
	Average Daily Traffic Volume (Vehicle/ Day)	Passenger Vehicles %	Trucks %	Average Daily Toll Revenue (RMB/ Day)	Passenger Vehicles %	Trucks %	
1st Half of 2006	37,215	74.45	25.55	6,289.6	58.69	41.31	169
2nd Half of 2006	41,685	67.68	32.32	7,751.2	48.26	51.74	186
Full-Year 2006	39,468	70.85	29.15	7,026.4	52.93	47.07	178
Full-Year 2005	21,688	93.23	6.77	2,960.6	93.38	6.62	136
Jan-May 2004	37,132	64.55	35.45	7,551.7	46.37	53.63	203

The above comparison illustrates the fact that in 2006, traffic volumes and revenue structures of passenger vehicles and trucks for Shanghai-Nanjing Expressway were in the course of adjustment. An apparent upswing is observed in the proportion of trucks in traffic volume, but still below the January-May 2004 average before the implementation of truck traffic diversion measures. The 2006 average truck traffic volume had already surpassed the pre-truck diversion level, but the average daily toll revenue for this segment was still 6.96% below the average for January-May 2004, mainly due to the gradual nature of truck traffic recovery: the proportion of truck traffic had gradually risen from 18.17% as in January 2006 to 34.55% as in December 2006. In addition, due to the revision of toll charging standards effective from January 2005 and the increase in the proportion of small-sized passenger vehicles and small-sized trucks, the average daily full-trip revenue per vehicle recorded a decline. It is expected that the growth in traffic volume and revenue will be even better in 2007.

— Jiangsu Section of G312

During the reporting period, the Jiangsu Section of G312 reported an average daily tolled traffic volume of 31,665 vehicles and an average daily toll revenue of approximately RMB557,200, representing respective decreases of approximately 26.14% and 33.98% over the corresponding period of the previous year.

That the opening of the 8-lane Shanghai-Nanjing Expressway led to the gradual return of some of the truck traffic which had been diverted to G312 during the expansion period was the direct cause for a significant decline in both traffic volume and toll revenue for G312. In addition, after the completion of G312's widening project, the highway's traffic quality was improved with an increased number of joints with local roads, resulting in a rising number of evading vehicles. Accordingly, in 2006, the Company had repeatedly coordinated with the local governments and traffic control authorities to seek effective solutions. Check points were set up at certain road sections which were evasion hot spots to prevent vehicles from evading. At the same time, toll station inspection was reinforced to stop and prevent vehicles from maliciously barging through toll stations for toll evasion.



— Nanjing Section of Nanjing-Lianyungang Highway

During the reporting period, as the local governments had increased toll stations along the local roads parallel to the Nanjing Section of Nanjing-Lianyungang Highway, this led to a remarkable surge in traffic volume, in particular truck traffic, on the Nanjing Section of Nanjing-Lianyungang Highway. The average daily tolled traffic was 13,951 vehicles, up approximately 15.85% as compared to the corresponding period of 2005. The average daily toll revenue amounted to approximately RMB282,400, up by approximately 27.72% as compared to the corresponding period of 2005.

In December 2006, Nanjing-Lianyungang Expressway, another highway which was parallel to Nanjing-Lianyungang Highway, was opened to traffic and led to a considerable traffic diversion effect on Nanjing-Lianyungang Highway. As the toll revenue from Nanjing-Lianyungang Highway accounted for only 2.51% of the Group's total revenue and its profit accounted for only 3.65% of the Group's net profit, the traffic diversion would not hinder the future growth of the Group's results.

— Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge

The sectional traffic distributions and structures of Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge are highly correlated, as they combine to form a single project. Following the rapid growth in the past few years, the three projects are gradually maturing and entering into a stage of stable operation.

In 2006, driven by the opening of the 8-lane Shanghai-Nanjing Expressway, Xicheng Expressway was the most significant beneficiary as it was directly connected to the former. Xicheng Expressway's average daily traffic volume and average daily toll revenue increased respectively by approximately 25.56% and 26.85% as compared to the corresponding period of 2005. The operations of Guangjing Expressway and Jiangyin Yangtze Bridge remained stable, with their respective average daily traffic reporting increases of 7.42% and 8.86% as compared to the corresponding period of 2005. As a result of the downsizing trend of vehicles, a slight decline in the toll revenues of these two projects was witnessed as compared to the corresponding period of 2005.

— Sujiahang Expressway

The growth of traffic volume on Sujiahang Expressway was maintained at a normal level, with the average daily traffic volume being 18,621 vehicles, up 9.50% as compared to 2005. However, due to the increasing proportion of small-sized passenger vehicles and small-sized trucks, the expressway's average daily full-trip revenue per vehicle in 2006 recorded a decrease as compared to 2005, with the total revenue decreasing by 4.63% as compared to the previous year.

3. Ancillary Services

In 2006, the expansion works of various service areas along Shanghai-Nanjing Expressway were fully completed and such areas were re-opened for operation. Business operations were re-deployed in the re-constructed service areas to fit the consumption patterns of drivers and passengers, so as to enhance services. In addition, a clean environment for consumers and an excellent service atmosphere were created to attract customer flow, leading to new development in both the operating scale and operation models. The operating results achieved were within expectations.



4. Operations and Results of Subsidiaries

Names of company	Principal operations	Attributable equity interests	Asset size (RMB'000)	Profit/Loss generated (RMB'000)	Change (%)	Proportion of total net profit (%)
Jiangsu Sundian Engineering Co., Ltd	Special repair and maintenance of roads and bridges (including expressways), works on road surfaces and traffic safety facilities, and so forth	95.5%	71,664	34	-97.81	—
Jiangsu Ninghu Investment Development Co., Ltd.	Investments in various infrastructures, industrial concerns and industries	95%	132,334	-5,086	—	-0.43
Jiangsu Guangjing Xicheng Expressway Co., Ltd	Construction, management, maintenance and repair and toll collection of Guangjing Xicheng Expressway	85%	2,865,649	262,807	20.40	19.81

5. Operation and Results of Companies in which the Company had Equity Investments

Names of company	Scopes of business	Attributable equity interests	Asset size (RMB'000)	Revenue from investment (RMB'000)	Change (%)	Proportion of total net profit (%)
Suzhou Sujiahang Expressway Co., Ltd	Management and operation of the Jiangsu Section of Sujiahang Expressway	33.33%	4,920,889	14,525	-39.63	1.29
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road transportation, automobile repair and sales of automobiles and spare parts	33.2%	291,165	6,618	13.83	0.59
Jiangsu Yangtze Bridge Co., Ltd	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	26.66%	3,454,818	89,479	3.15	7.93

(3) Analysis of Operating Results and Financial Status

The Group adopts a proactive and prudent financial policy that adheres to the principles of expanding revenues, cutting costs and carrying out a diligent and frugal corporate operation. The Group views the cash flow and the generation of profit as the most important business tasks and applies such items as the major benchmarks for the evaluation of economic efficiency and operating quality. The Company adopts various financial protection measures to strengthen financial budgeting, reinforce cost control, plan capital arrangement and improve liabilities structure.

1. Assets of the Group

— Under the PRC Accounting Standards

Item	2006 (RMB'000)	2005 (RMB'000)	Change (%)
Total assets	26,425,207	27,223,147	-2.93
Current liabilities	6,530,753	7,233,689	-9.72
Long-term liabilities	4,436,759	4,939,990	-10.19
Minority interests	427,827	416,908	2.62
Shareholders' equity	15,029,868	14,632,560	2.72
Profit from principal operations	2,260,677	1,180,227	91.55
Net profit	1,127,781	696,456	61.93
Increase in cash and cash equivalents	-277,183	549,284	—

— Under the HKFRS

Item	2006 (RMB'000)	2005 (RMB'000)	Change (%)
Total assets	25,046,794	25,798,403	-2.91
Current liabilities	6,530,753	7,233,689	-9.72
Long-term liabilities	4,436,759	4,939,990	-10.19
Minority interests	427,827	416,908	2.62
Shareholders' equity	13,651,455	13,207,817	3.36
Profit before taxation	1,762,326	990,608	77.90
Profit attributable to equity shareholders of the Company	1,174,111	668,028	75.76
Increase in cash and cash equivalents	-277,183	549,283	-150.46

- During the reporting period, construction payables for the expansion project constituted a major part of the decrease in the Group's current liabilities. Long-term liabilities also decreased due to the repayment of medium/long-term bank loans.
- During the reporting period, the substantial increases in profit from principal operations and net profit after tax were attributed to the dramatic improvement of the Company's results.



2. Analysis of Operating Results

— Under the PRC Accounting Standards

Item	2006 (RMB'000)	2005 (RMB'000)	Change (%)
Revenue from principal operations	4,046,256	2,194,736	84.36
Profit from principal operations	2,260,677	1,180,227	91.55
Financial costs	(445,150)	(162,389)	174.13
Operating profit	1,606,297	829,238	93.71
Investment gains	117,801	128,945	-8.64
Total profit	1,716,027	944,436	81.70
Income tax	(549,079)	(215,126)	155.24
Minority interests	(39,167)	(32,854)	19.22
Net profit	1,127,781	696,456	61.93
Earnings per share (RMB)	0.224	0.138	61.93
Dividend per share (RMB)	0.190	0.145	31.03

— Under the HKFRS

Item	2006 (RMB'000)	2005 (RMB'000)	Change (%)
Revenue	3,925,569	2,104,904	86.50
Income from other operations	39,981	37,968	5.30
Share of results of associates	128,265	135,995	-5.68
Financial costs	(455,278)	(168,334)	170.46
Income tax	(549,048)	(289,726)	89.51
Profit attributable to minority interests	(39,167)	(32,854)	19.22
Profit attributable to equity holders of the Company	1,174,111	668,028	75.76
Reserves	8,613,707	8,170,069	5.43
Earnings per share (RMB)	0.233	0.133	75.76
Dividend per share (RMB)	0.190	0.145	31.03

- During the reporting period, the 8-lane Shanghai-Nanjing Expressway, the core asset which contributed 74.72% of the Company's total toll revenue, was opened to all vehicle traffic. Accordingly, operating result indicators including income from principal operations, profit from principal operations, operating profit and gross profit saw remarkable improvement as compared to the corresponding period of the previous year.
- During the reporting period, capitalization of interests on medium/long-term loans for the expansion project ceased upon the delivery and operation of Shanghai-Nanjing Expressway. Accordingly, financing costs increased significantly as compared to the corresponding period of the previous year. As at 31 December 2006, total loans amounted to RMB8,948,694,000, of which RMB4,510,000,000 represented short-term loans, RMB4,436,759,000 represented medium/long-term loans and RMB1,935,000 represented long-term borrowings due within one year.



3. Analysis of Financial Status

— The Group's capital structure

Under the PRC Accounting Standards, the capital structure of the Group as at 31 December 2006 and the comparative figures for 2005 are as follows:

Item	As at 31 December 2006		As at 31 December 2005	
	RMB'000	%	RMB'000	%
Current liabilities	6,530,753	24.71	7,233,689	26.57
Long-term liabilities	4,436,759	16.79	4,939,990	18.15
Liabilities at fixed interest rates	8,948,694	33.86	9,308,659	34.19
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	2,018,818	7.64	2,865,020	10.53
Shareholders' equity	15,029,868	56.88	14,632,560	53.75
Minority interests	427,827	1.62	416,908	1.53
Total assets	26,425,207	100.00	27,223,147	100.00
Gearing ratio	—	41.50	—	44.72

Under the HKFRS, the capital structure of the Group as at 31 December 2006 and the comparative figures for 2005 are as follows:

Item	As at 31 December 2006		As at 31 December 2005	
	RMB'000	%	RMB'000	%
Current liabilities	6,530,753	26.08	7,233,688	28.04
Long-term liabilities	4,436,759	17.71	4,939,990	19.15
Liabilities at fixed interest rates	8,498,694	35.73	9,308,659	36.08
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	2,018,818	8.06	2,865,019	11.11
Shareholders' equity	13,651,455	54.50	13,207,817	51.19
Minority Interests	427,827	1.71	416,908	1.62
Total Assets	25,046,794	100.00	25,798,403	100.00
Gearing ratio	—	35.73	—	36.08

Gearing ratio: Liabilities at fixed interest rates/total assets

Compared to 31 December 2005, there were no substantial changes and adjustments in the Company's capital structure as at 31 December 2006. Due to the decreases in construction payables and the repayment of part of the medium/long-term loans, the Company's total liabilities ratio decreased over the corresponding period of the previous year.



— Asset liquidity and financial resources

The Group is principally engaged in the operation of toll roads and bridges. Operating activities relating to the day-to-day toll business provide a substantial amount of steady cash inflow, with which the Group has a strong payment capacity. Despite the Company's great demand for capital expenditures in recent years, this did not have a remarkable impact on the Company's asset liquidity as most of the project investments and distribution of dividends to shareholders were funded by bank loans or other financing channels. In 2006, cash inflow from the Group's operating activities amounted to approximately RMB4,128,266,000; net cash inflow from operating activities amounted to approximately RMB2,441,451,000; and monetary capital at book value amounted to approximately RMB796,874,000. Accordingly, the management believes that the Group does not have any cash liquidity problem.

Cash and cash equivalents and loans are indicated in the table below:

Item	As at 31 December 2006 The Group (RMB'000)	As at 31 December 2005 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	266	191
Bank deposits	796,608	1,073,867
Total:	796,874	1,074,058
Loans		
Short-term bank loans	4,510,000	450,000
Short-term bonds	—	3,912,026
Long-term loans due within one year	1,935	6,643
Long-term bank loans	4,436,759	4,939,990
Total:	8,948,694	9,308,659

— Financing activities and financial costs

With steady cash flows, sound credit track records and a good reputation in the sector, the Company is entitled to the prime rates under the interest rate policy of the People's Bank of China. At the same time, the Company has adjusted its liability structure through fund-raising methods such as issuance of trust products and asset securitization, thereby reducing financing costs and interest risks simultaneously and facilitating the improvement of operating results. At present, the aggregate costs of the Company's short-term and long-term interest-bearing liabilities are both more than 10% below the bank's borrowing rates of the same terms. During the reporting period, the accrued financing costs amounted to approximately RMB445,150,000.



— **Major sources and application of cash**

	Unit: RMB'000	
	2006	2005
Net cash flow from operating activities	2,441,451	1,285,000
Net cash flow from investment activities	(1,125,214)	(3,850,340)
Net cash flow from fundraising activities	(1,593,420)	3,114,623
Net increase in cash and cash equivalents	(277,183)	549,283

— **Capital expenditures**

In 2006, the Group's planned capital expenditures amounted to approximately RMB1,288,723,000. The main composition of capital expenditures is as follows:

Capital Expenditure	RMB'000
Expansion of Shanghai-Nanjing Expressway	1,151,632
Others	137,091
Total	1,288,723

— **Taxation policy**

Enterprise income tax was paid in full by the Company at the statutory tax rate of 33%. In 2006, the accrued income tax expenses amounted to approximately RMB549,079,000. Business tax for toll revenue from expressways was charged at the rate of 3%.

— **Foreign exchange risks**

The Group operates its businesses principally in China. No major foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except dividend payments for H shares. A loan of US\$9,800,000 was secured from the Spanish Government in 1998 and will be due on 18 July 2027. As at 31 December 2006, the balance of the loan was approximately RMB38,694,000 after conversion from US dollars, against which no foreign exchange hedge was made. Fluctuations in exchange rates will not have any material impact on the Company's results.



— Reserves

Unit: RMB'000

	Share capital	Share premium	Statutory surplus reserve fund	Statutory public welfare fund	Undistributed profit	Total
1 January 2005	5,037,748	5,730,454	617,028	308,515	1,576,517	13,270,262
Profit for the year	—	—	—	—	668,028	668,028
Profit appropriation	—	—	88,591	44,296	(132,887)	—
Dividends	—	—	—	—	-730,473	-730,473
31 December 2005	5,037,748	5,730,454	705,619	352,811	1,381,185	13,207,817
Transfer from statutory public welfare fund to statutory surplus reserve fund	—	—	352,811	-352,811	—	—
1 January 2006	5,037,748	5,730,454	1,058,430	—	1,381,185	13,207,817
Profit for the year	—	—	—	—	1,174,111	1,174,111
Profit appropriation	—	—	135,704	—	-135,704	—
Dividends	—	—	—	—	-730,473	-730,473
31 December 2006	5,037,748	5,730,454	1,194,134	—	1,689,119	13,651,455

Note: In accordance with “Cai Qi [2006] No.67, Notice of accounting treatment as a result of the implementation of the PRC Company Law”, the balance of statutory public welfare fund at 31 December 2005 is transferred to the statutory surplus reserve. Further, effective from 1 January 2006, appropriation to the statutory public welfare fund is no longer required.

The above capital items belong to those companies forming the Group.

The above statutory reserves may not be used for purposes other than their intended purposes nor for distribution as cash dividends.

— Contingent liabilities

As at 31 December 2006, the Company did not have any contingent liabilities.

— Trust deposits

As at 31 December 2006, the Company did not have any trust deposits with any financial institutions in China or any fixed term deposits which were irrecoverable upon their maturity.

— Trust loans

During the reporting period, the Company secured a loan of RMB200,000,000 from its subsidiary Jiangsu Guangjing Xicheng Expressway Co., Ltd. by way of a trust loan for a term from 16 January 2006 to 15 July 2006 at a monthly interest rate of 3.915‰ which is better than general bank interest rates. The principal and interests of the loan were settled at the maturity date.

Upon maturity of the afore-mentioned loan, the Company secured a further loan of RMB300,000,000 from Jiangsu Guangjing Xicheng Expressway Co., Ltd. at favorable interest rates for a term of 6 months. Of such loan, RMB200,000,000 was at a monthly interest rate of 3.915‰ and RMB100,000,000 was at a monthly interest rate of 4.185‰.



4. Impact of the Adoption of New Accounting Standards

As from 1 January 2007, the Company has adopted the Accounting Standards for Enterprises (the “New Accounting Standards”) announced by the Ministry of Finance (“MOF”) on 15 February 2006. To analyze and disclose the impact of adopting the New Accounting Standards on the Company’s financial conditions, the Company has compiled a Consolidated Statement on Adjustments to Changes in Equity Attributable to Shareholders’ Equity as at 31 December 2006 (under the current accounting standards) and as at 1 January 2007 (under the New Accounting Standards), in accordance with the requirements stipulated by the China Securities Regulatory Commission (“CSRC”)’s Zheng Jian Fa [2006] No.136 “Notice on How to Conduct Disclosure of Financial and Accounting Information In Relation to the New Accounting Standards” and “Accounting Standards for Enterprises No.38 – First Time Adoption of Accounting Standards for Enterprises”. Major items include:



(i) Changes to Long-Term Equity Investment Balance

Under the current accounting standards, the equity investment creditor balance and debtor balance of long-term equity investments (formed before the announcement of Cai Kuai [2003] No.10 Notice) are amortized on an average basis over a fixed period and accounted for in the income statement. Under the New Accounting Standard, no more equity investment balance will be incurred by the consolidation of enterprises under the same controlling entity, and no more equity investment creditor balance will be incurred for other long-term equity investments accounted for using the equity method.

The Company has written down RMB1,816,803 as unamortized creditor balance of other long-term equity investments as at 31 December 2006. Accordingly, the consolidated equity attributable to equity holders of the Company as at 1 January 2007 was increased by RMB1,816,803.

(ii) Income Tax

Under the current accounting standards, the Company’s income tax expense is accounted for using the tax payable method. Under the New Accounting Standards, the Company will adopt the balance sheet liability method to account for its corporate income tax, and deferred tax assets will be recognized to the extent that estimated taxable profits that are likely to be available against which deductible temporary differences and deductible losses can be utilized.

As the relevant deferred tax assets were recognized on 1 January 2007, the consolidated shareholders’ equity of the Company as at 1 January 2007 was increased by RMB8,013,475, of which RMB8,013,475 was the increase in equity attributable to equity holders of the Company.

(iii) Listing of Minority Interests

Under the current accounting standards, minority interests are separately listed between liabilities and equity attributable to equity holders of the Company in the consolidated financial statements. Under the new accounting standard, minority interests are required to be listed as one of the items of shareholders’ equity. Accordingly, the consolidated shareholders’ equity of the Company as at 1 January 2007 was increased by RMB427,827,147.



(4) Business Development Initiatives

1. Strategic Development Objectives

On the basis of scientific and harmonious corporate development, the Company will continue to focus on the investment, construction and operational management of toll highways, ensuring safe and smooth traffic on roads and the provision of high quality services. It will also reinforce the sophistication and standardization of corporate management to achieve thorough enhancement of management quality. In addition, the Company will continue to optimize resource allocation to enhance its development potential in a timely manner and to raise profitability, with a view to cultivating an internal and external environment of a harmonious and healthy nature.

2. Key Tasks for 2007

• Road Operation and Management

- Complete the financial settlement of the expansion project; arrange and prepare works inspection and delivery; finish the environmental impact assessment of the expansion project and the inspection and verification of relevant research and development projects.
- Ensure safe and smooth traffic under huge traffic volumes by strengthening the on-site management of roads with a focus on the sites; actively seeking innovation and breakthroughs in management mechanisms; introducing sophisticated management for the 8-lane expressway operation and enhancement of relevant regulatory systems; and establishing a highly efficient, practical and scientific management system.
- Facilitate better services for the road operation by achieving efficient operation of the maintenance, repair and hindrance prevention centers; establishing the road maintenance and repair system, strengthening efforts on inspection, maintenance and repair; and enhancing the responsiveness and emergency readiness in handling unexpected incidents.
- Provide high quality services and enhance social responsibility and a sense of duty; facilitate a rapid growth in traffic volume by attracting vehicles in the community with quality services and a smooth traffic environment.
- Cultivate a high quality service atmosphere by regulating the management activities of various operations in service areas; developing new operational projects; strengthening cost controls; and formulating a uniform service standard in line with the objective of “pleasant environment, first class quality”.





- **Corporate Quality Enhancement**

- Achieve gradual improvement in operational management and procedural controls by improving and enhancing various management systems and procedures; establishing a highly efficient, practical and scientific management system; and tightening the implementation of various management systems.

- Establish in the capital market an image of integrity and transparency, a dual-listed (domestically and internationally) company with internationalization as its goal, by striving to enhance corporate governance quality, improving the Company's management quality and operating procedures, strengthening the cultivation of integrity, and devoting efforts to nurture positive relationships and harmonious atmosphere between the Company, the market and the shareholders.



- Strengthen the control over costs and fund appropriation procedures; further expand financing channels; and actively explore and seek new financing approaches, with a view to reducing financing costs and operating risks and enhancing profitability.

- Strengthen the establishment of the human resources management system by pushing forward reforms on the salary and staff deployment systems to form an effective incentive mechanism, as well as clarifying the basic code of staff behavior through systematic staff training programs, with a view to elevating the comprehensive quality of staff and creating a reserve of human resources for the Company's long-term development.

- Enhance the Company's legal risk prevention system to improve its ability to avoid legal risks.

- Continue the push for corporate culture development, striving for an up-to-date corporate culture system bearing strong humanistic characters of the Company, so as to make the Jiangsu Expressway culture the driving force of the Company's development.

- **Strategic Development Planning**

- Commence comprehensive studies on the Company's medium/long-term development strategies as well as their implementation, with a view to the long-lasting development of the Company; thoroughly capitalize on the Company's advantages on resources, capital and brand, paying special attention to other possible sectors for future investment, selecting quality projects of good potential from a wider range of sectors and choosing investment projects with prudence, with a view to identifying new sources of profit growth and injecting healthy resources into the Company for its steady long-term growth.

Xie Jia Quan

General Manager

23 March 2007

Nanjing, the PRC