Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 177)

Driving Steadily Ahead

with Pragmatism and Innovation

2008 Annual Report

Corporate Mission

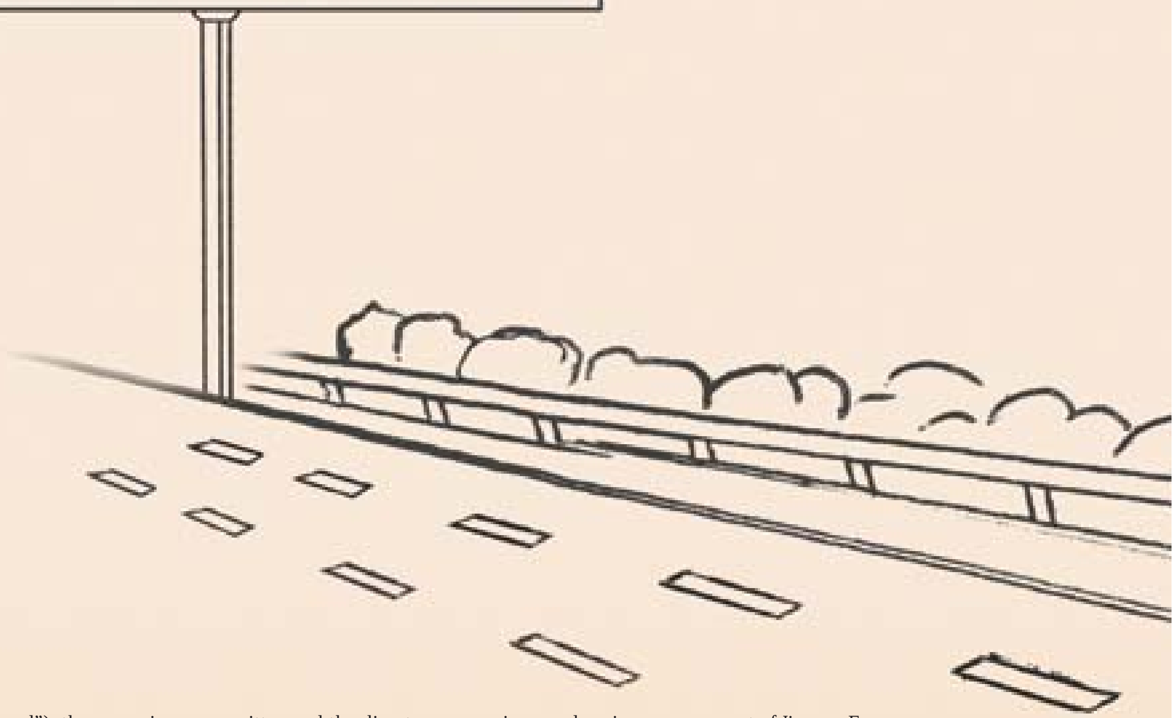
Contributing to the harmony and development of the society through dedicated efforts to provide quality expressway services and continuous enhancement of corporate value.

Management Principle

Integrity, Responsible, Caring and Continuous Improvement.

Staff Spirit

To serve with sincerity; To team up with unity; To dedicate with a sense of duty.

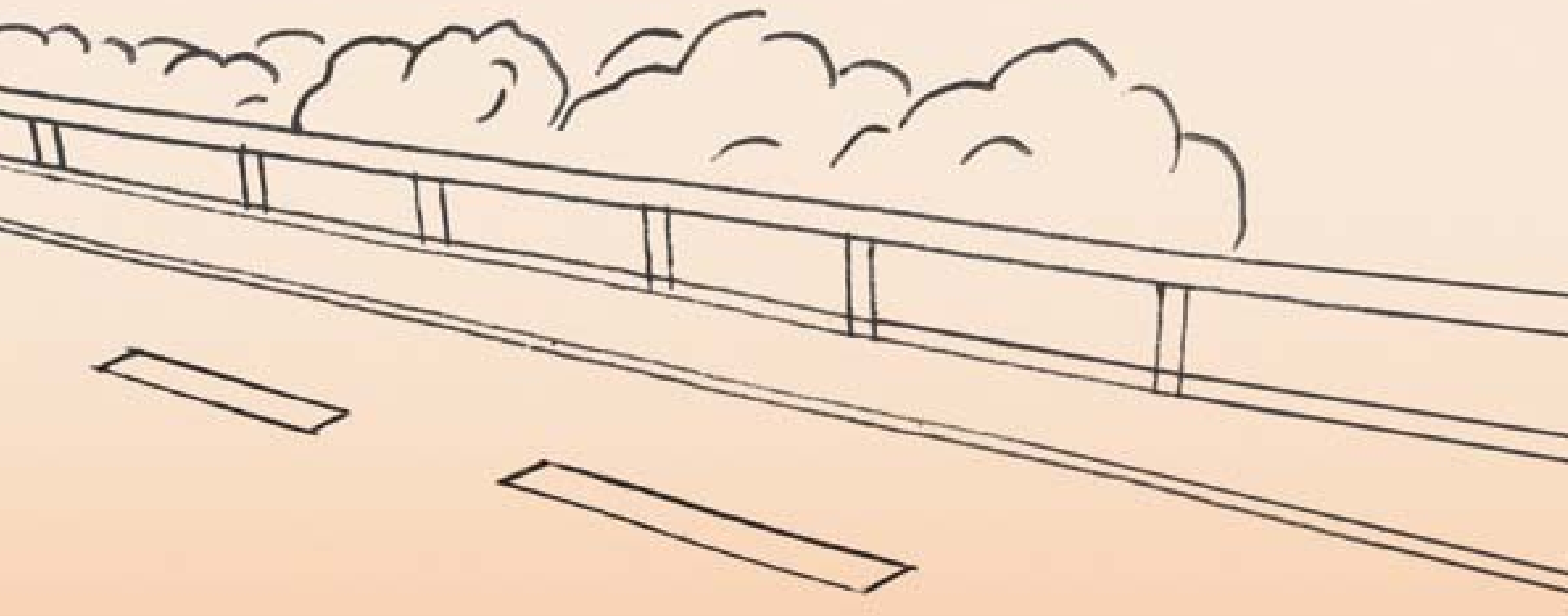


IMPORTANT

The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of Jiangsu Expressway Company Limited (the "Company") warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

Mr. Shen Chang Quan, Chairman of the Company, Mr. Qian Yong Xiang, Director and General Manager of the Company, and Ms. Liu Wei, Deputy General Manager and Financial Controller of the Company, warrant the truthfulness and completeness of the financial statements in this annual report. The audit committee of the Company has reviewed the financial statements for the year.

Contents



As at 31 December 2008, the highway mileage managed by the Company exceeded 700 km, with total assets amounting to RMB24.78 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets managed.

The Company is principally engaged in investment, construction, operation and management of the Jiangsu Section of Shanghai-Nanjing Expressway ("Shanghai-Nanjing Expressway") and other toll highways within Jiangsu Province owned or invested by the Group. It also develops passenger transportation and other ancillary services along these highways (including refueling, catering, retailing, automobile repair and maintenance, advertising and accommodation, and so forth).

The Company is the only listed company in the transportation and infrastructure industry of Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the Shanghai Stock Exchange ("Shanghai Stock Exchange"). The Company established Sponsored Level I American Depositary Receipt Program ("ADR") which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31st December 2008, the total share capital of the Company was 5,037,747,500 shares.

The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from Shanghai-Nanjing Expressway, the Company also owns entire or partial interests of other toll roads and bridges located in Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2008, the highway mileage managed by the Company exceeded 700 km, with total assets amounting to RMB24.78 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets managed.

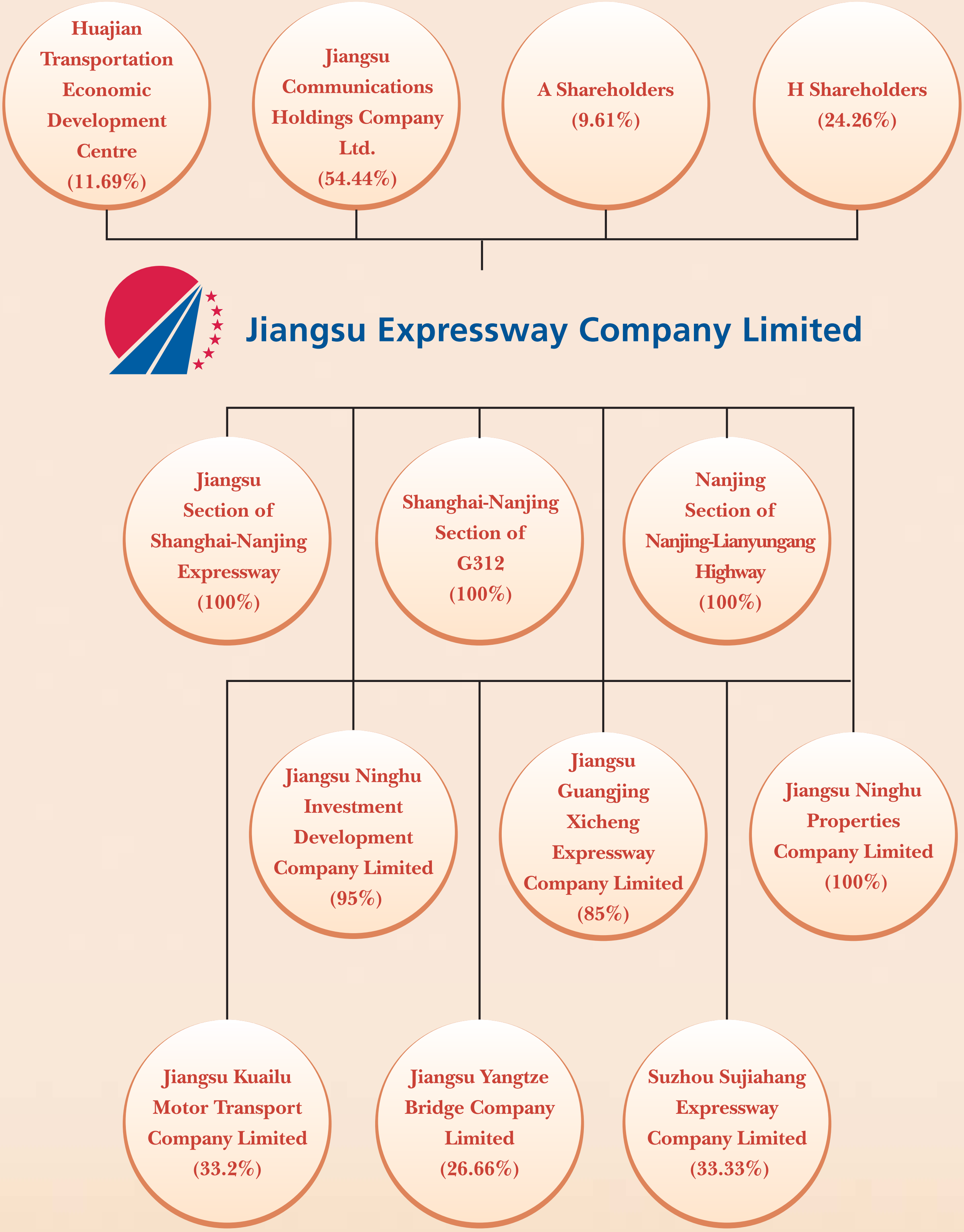
The Company's operations are located in one of the most energetic economic regions in the PRC - the Yangtze River Delta. The roads and bridges owned or invested by the Company are major road transportation corridors linking east-to-west and south-to-north in Jiangsu Province. Such an active economy leads to heavy flows of transportation. The Jiangsu Section of Nanjing-Shanghai Expressway, the Company's core asset, connects six major cities, including Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC.

On 18 December 2007, the Company and Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng")entered into a Share Transfer, Capital Increase and Share Enlargement Contract of Jiangsu Sundian Engineering Co., Ltd. with Jiangsu Communications Holdings Limited. Upon completion of the share transfer and share increase on 1 January 2008, the Company and Guangjing Xicheng each held 7.5% equity interest in Jiangsu Sundian. Accordingly, during the reporting period, Jiangsu Sundian has not been consolidated into the scope of the consolidated financial statements.

Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties"), solely established by the Company, completed the business registration on 9 July 2008. Since July 2008, Ninghu Properties has been consolidated into the Company's scope of consolidated financial statements.

The Company, Ninghu Properties, Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment") and Guangjing Xicheng are collectively referred to as the "Group".

Asset Structure of the Group



Financial and Operating Highlights

Financial statements for the year 2008 prepared by the Company in accordance with the PRC Accounting Standards for Business Enterprises (the "PRC Accounting Standards") and Hong Kong Financial Reporting Standards ("HKFRS") were audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu, whose audited report expressed an unqualified opinion on the financial statements.

According to the PRC Accounting Standards, the financial data of the Group for the year ended 31 December 2008 are as follows:

Item	RMB'000
Operating profit	2,107,440
Gross profit	2,101,741
Net profit attributable to equity holders of the listed company	1,554,011
Net profit attributable to equity holders of the listed company after non-recurring profit/loss	1,556,241
Net cash flow from operating activities	2,765,104

According to the HKFRS, the financial data of the Group for the year ended 31 Decemeber 2008 are as follows:

Item	RMB'000
Revenue	5,095,356
Profit before taxation	2,139,939
Profit attributable to equity holders of the Company	1,592,209
Net cash flow from operating activities	2,766,004

Differences between the PRC Accounting Standards and HKFRS:

The differences between the statutory financial statements of the Group prepared in accordance with the PRC Accounting Standard and the financial statements of the Group prepared in accordance with HKFRS are summarized as follows:

Unit: RMB'000

	Net Profit		Net Assets	
	2008	2007	**As at 31 December 2008**	As at 31 December 2007
Under PRC Accounting Standards for Business Enterprises	**1,599,424**	1,638,989	**16,407,736**	16,137,720
HKFRS adjustments:				
Valuation increase, depreciation and amortization on fixed assets (operating right of toll road)	**38,198**	41,504	**(1,333,573)**	(1,371,771)
As reported in these financial statements prepared in accordance with HKFRS	**1,637,622**	1,680,493	**15,074,163**	14,765,949

The related statement of adjustments:

During the issue of A shares, the Company re-evaluated its fixed assets and operating right of toll road. The increased amount in evaluation has been incorporated in the respective financial statements prepared under the PRC Accounting Standards. However, such an increase in evaluation is not recognized under HKFRS. The discrepancy has resulted in the abovementioned adjustments.

Non-recurring profit/loss in 2008 comprises the following:

Unit: RMB'000

Item	**Amount**	**Description**
Profit from disposal of a subsidiary	1,072	Profit from disposal of equity interest in Jiangsu Sundian
Loss from disposal of non-current assets	(1,374)	Fixed assets written off and loss from disposal
Loss from change in fair value	(1,500)	Loss from change in fair value of held-for-trading investment
Profit form held-for-trading investment	22	Profit from held-for-trading investment such as stock and gold
Reverse of various impairment provision made in previous years	2,416	Reverse of impairment provision made
Other non-operating incomes and expenses, net	(4,325)	Other non-operating incomes and expense except for the above items
Effects of income tax	1,151	Tax effect of non-recurring profit/loss
Effects of minority shareholders profit/(loss)	308	—
Total	(2,230)	—

Principal accounting data of the Group under the PRC Accounting Standards for the past five years:

Unit: RMB'000

Item	**2008**	2007	Increase/ Decrease over previous year %	2006	2005	2004
Operating revenue	**5,277,139**	5,309,835	-0.62	4,100,824	2,232,679	3,104,839
Gross profit	**2,101,741**	2,408,549	-12.74	1,728,116	959,288	1,402,201
Net profit attributable to equity holders of the company	**1,554,011**	1,600,827	-2.92	1,139,809	719,291	842,901
Net profit attributable to equity holders of the company after non-recurring profit/loss	**1,556,241**	1,592,160	-2.26	1,143,220	729,347	1,109,743
Net cash flow form operating activities	**2,765,104**	3,157,808	-12.44	2,442,479	1,285,000	1,675,403

	End of 2008	End of 2007	Increase/ Decrease over end of previous year %	End of 2006	End of 2005	End of 2004
Total Assets	**24,775,429**	25,937,848	-4.48	26,459,242	27,245,981	20,667,191
Shareholders' equity attributable to equity holders of the listed company	**15,968,921**	15,708,385	1.66	15,064,730	14,655,395	14,694,575

Principal financial indicators of the Group under the HKFRS for the past five years:

Unit: RMB'000

Item	2008	2007	Increase / Decrease over previous year %	2006	2005	2004
Revenue	**5,095,356**	5,068,913	0.52	3,925,569	2,104,904	2,951,996
Profit before tax	**2,139,939**	2,450,053	-12.66	1,762,326	990,608	1,461,238
Net profit attributable to equity holders of the Company	**1,592,209**	1,642,331	-3.05	1,174,111	668,028	979,391
Net profit attributable to equity holders of the company after non-recurring profit / loss	**1,594,439**	1,633,664	-2.40	1,178,505	678,085	1,256,874
Net cash flow from operating activities	**2,766,004**	3,159,632	-12.46	1,936,501	868,637	1,502,916

	End of 2008	End of 2007	Increase / Decrease over end of previous year %	End of 2006	End of 2005	End of 2004
Total assets	**23,441,854**	24,566,078	-4.58	25,046,796	25,798,403	19,240,021
Equity attributable to equity holders of the Company	**14,635,347**	14,336,614	2.08	13,651,455	13,207,817	13,267,407

Principal financial indicators of the Group under PRC Accounting Standards for the past five years:

Unit: RMB

Principal financial indicator	2008	2007	Increase / Decrease over previous year %	2006	2005	2004
Basic earnings per share	**0.308**	0.318	-2.92	0.226	0.143	0.167
Diluted earnings per share	**0.308**	0.318	-2.92	0.226	0.143	0.167
Basic earnings per share after non-recurring profit / loss	**0.309**	0.316	-2.26	0.227	0.145	0.22
Fully diluted return on net assets (%)	**9.73**	10.21	Decreased by 0.48 percentage points	7.57	4.91	5.74
Weighted average return on net assets (%)	**10.03**	10.45	Decreased by 0.42 percentage points	7.67	4.90	5.74
Fully diluted return on net assets after non-recurring profit / loss (%)	**9.75**	10.15	Decreased by 0.4 percentage points	7.59	4.98	7.55
Weighted average return on net assets after non-recurring profit / loss (%)	**10.04**	10.39	Decreased by 0.35 percentage points	7.69	4.97	7.55
Net cash flow per share from operating activities	**0.55**	0.63	-12.44	0.48	0.26	0.33

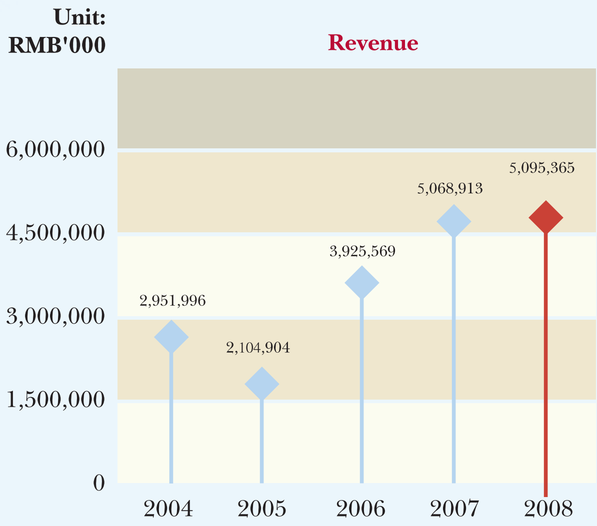
	End of 2008	End of 2007	Increase / Decrease over end of previous year %	End of 2006	End of 2005	End of 2004
Net assets per share attributable to equity holder of the Company	**3.17**	3.12	1.66	2.99	2.91	2.92

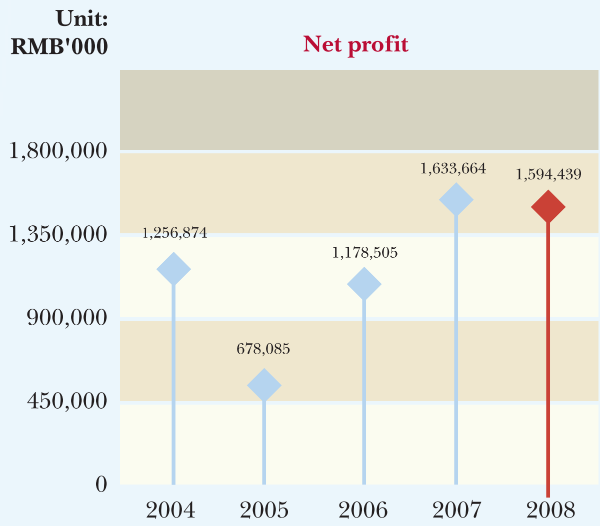
Principal financial indicators of the Group under the HKFRS for the past five years:

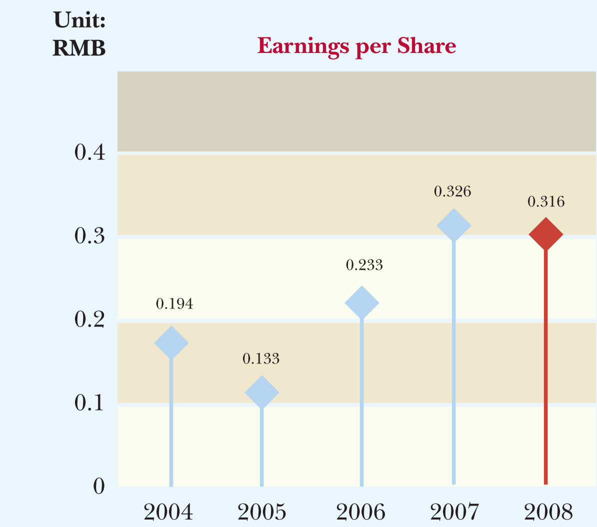
Unit: RMB

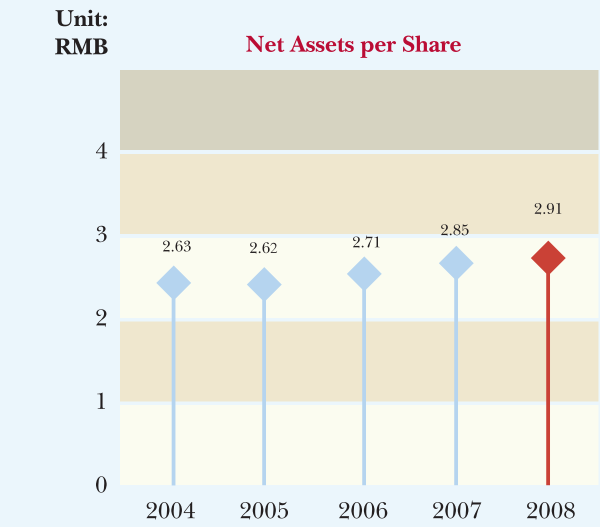
Principal financial indicator	**2008**	2007	Increase / Decrease over previous year %	2006	2005	2004
Basic earnings per share	**0.316**	0.326	-3.05	0.233	0.133	0.194
Diluted earnings per share	**0.316**	0.326	-3.05	0.233	0.133	0.194
Basic earnings per share after non-recurring profit / loss	**0.316**	0.324	-2.40	0.234	0.135	0.249
Fully diluted return on net assets (%)	**10.88**	11.46	Decreased by 0.58 percentage points	8.60	5.06	7.38
Weighted average return on net assets (%)	**11.26**	11.77	Decreased by 0.51 percentage points	8.81	5.08	7.50
Fully diluted return on net assets after non-recurring profit / loss (%)	**10.89**	11.40	Decreased by 0.51 percentage points	8.63	5.13	9.47
Weighted average return on net assets after non-recurring profit / loss (%)	**11.27**	11.71	Decreased by 0.44 percentage points	8.84	5.16	9.63
Net cash flow per share from operating activities	**0.55**	0.63	-12.46	0.38	0.17	0.30

	End of 2008	End of 2007	Increase / Decrease over end of previous year %	End of 2006	End of 2005	End of 2004
Net assets per share attributable to equity holders of the company	**2.91**	2.85	2.08	2.71	2.62	2.63


Unit:
RMB'000
Revenue
6,000,000
4,500,000
3,000,000
1,500,000
0
2,951,996
2,104,904
3,925,569
5,068,913
5,095,365
2004
2005
2006
2007
2008


Unit:
RMB'000
Net profit
1,800,000
1,350,000
900,000
450,000
0
1,256,874
678,085
1,178,505
1,633,664
1,594,439
2004
2005
2006
2007
2008


Unit:
RMB
Earnings per Share
0.4
0.3
0.2
0.1
0
0.194
0.133
0.233
0.326
0.316
2004
2005
2006
2007
2008


Unit:
RMB
Net Assets per Share
4
3
2
1
0
2.63
2.62
2.71
2.85
2.91
2004
2005
2006
2007
2008

January

The Company issued RMB1 billion short-term commercial papers.

March

The expansion project of the Shanghai-Nanjing Expressway was awarded the "Yangzi Cup" of the 2007 Jiangsu Outstanding Project Awards.

The Company announced the 2007 annual results and held the annual results roadshow in Hong Kong.

April

The Company announced the 2008 first quarterly results.

June

The Company held the 2007 annual general meeting and distributed the dividends for 2007.

July

The Company issued RMB1.1 billion corporate bonds.

Jiangsu Ninghu Properties Co., Ltd., which the Company wholly owned, was incorporated.

The Company ranked fourth in the 2008 Corporate Governance Reports of Top 100 Chinese Listed Companies released by the China Corporate Governance Centre of the Chinese Academy of Social Sciences.

August

The Company's RMB1.1 billion corporate bonds were listed on the Shanghai Stock Exchange.

The Company announced the 2008 interim results and held the interim results roadshow in Hong Kong.

October

The Company announced the 2008 third quarterly report.

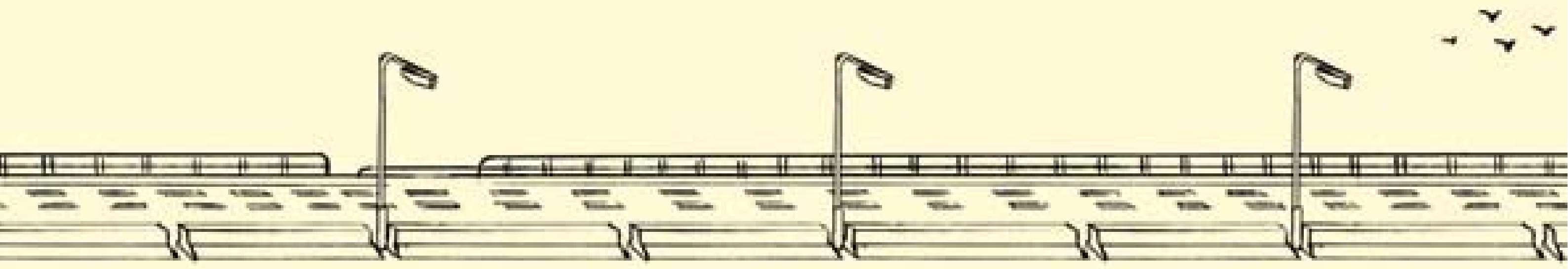
Mr. Xie Jia Quan, General Manager, resigned from his office due to re-assignment of work. The Board appointed Mr. Qian Yong Xiang as the General Manager of the Company.

November

The Company was awarded the Platinum Award of the "H-share Company Category" of the "2008 Best Corporate Governance Disclosure Awards" organized by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Report of the Directors

It is our duties and responsibilities to ensure road safety and free flow of traffic on the roads and to provide our customers with a safe, speedy and comfortable traffic environment. Ensuring “Safety, Free-flow, Supplies and Services” on our roads at any time remains to be the raison d’etre and goal of all our management tasks. We motivate staff’s dedication and enthusiasm to their jobs and carry out operations management and services with a high sense of responsibility.



(I) Chairman's Statement

To the Shareholders:

2008 was a challenging year for our operations management. As a result of the impact of the financial crisis triggered by the subprime mortgage meltdown in the US, the global and Chinese domestic economies underwent dramatic changes, with a slowdown in the region's economic growth. Moreover, our toll road and bridge business was hit by a number of unfavourable factors such as the snowstorms, the expansion project of the Shanghai section of Shanghai-Nanjing Expressway, diversions due to the launch of railway speed train units, structural adjustments to the road network, and the "Green Passage" toll free policy. As a result, the business environment became complex and changing, and our core asset, namely, Shanghai-Nanjing Expressway recorded a drop in average daily traffic volume for the year for the first time since its commencement of operation (other than that during the expansion period). In spite of this, our management remained aggressive, maintained stable operations and executed an array of specific and effective policies and initiatives in order to cope with the numerous challenges and obstacles arising from the changes in the operating environment, so as to ensure the operations management objectives set by the Board could be achieved successfully.

2008 Results and Dividend

In 2008, the Group realized an operating revenue of RMB5,277,139,000, a decrease of approximately of 0.62% over the same period of 2007. Under the PRC Accounting Standards, net profit attributable to equity holders of the Company was approximately RMB1,554,011,000 and earnings per share was approximately RMB0.308, a decrease of approximately 2.92% as compared to the same period of 2007. Under HKFRS, net profit attributable to equity holders of the Company was approximately RMB1,592,209,000 and earnings per share was approximately RMB0.316, a decrease of approximately 3.05% as compared to the same period of 2007.

Although the Group's results for the year saw a slight decline, the Company maintains a stable dividend policy of high payout ratio so as to deliver satisfactory returns to shareholders. The Board proposes to distribute a 2008 final cash dividend of RMB0.27 per share to all shareholders, representing 98.8% of the profit available for distribution for the year. The proposal will be submitted to the 2008 annual general meeting for consideration and approval.

Business Review

Faced with the challenging business environment in 2008, the Company adopted effective initiatives aimed at strengthening the control of production and operational costs, fully exploring innate potential and enhancing efficiency to control costs and expenses within budget. The Company also adopted an aggressive financing strategy, capitalized on opportune times available in the market, expanded financing channels and adjusted the debt structure appropriately, with a view to reducing financial costs and enhancing profitability. During the year, the Company successfully issued RMB1 billion short-term commercial papers and RMB1.1 billion corporate bonds, and secured low-interest RMB2 billion postal saving loans. The Group's composite borrowing cost was 6.06%, approximately 1.04 percentage points below the banks' borrowing rates during the same period.

In 2007, we embarked on the establishment of an internal control system and made achievements at different stages of the establishment during the year. We have formulated the general direction of an internal control system, defined an internal control guidelines and published and enforced in batches 33 first-tier policies and 69 second-tier policies that played an active role in risk control and risk prevention in every aspect of production and management. With the gradual implementation of the internal control system at every level, our standardized and systematized management has been further enhanced such that the foundation of our management became more solid. During the year, the Board conducted a self-assessment of the Company's internal control, where no material defects in the design or implementation of the internal control were detected. The Board will also conduct ongoing inspection and supervision of the effectiveness of the internal control in the future, effectively preventing operations management risks to ensure we can maintain stable and sound development in a complex and evolving market environment.

In 2008, the Company formed Ninghu Properties with capital contribution, while Guangjing Xicheng made an equity investment in Suzhou Nanlin Hotel, as a move to explore ways to diversify our business mix moderately. The Board acted with great caution about the investment in these two cross-industry projects. A lot of assessment and discussions had been conducted at the initial stage. The investment amounts of these projects were relatively small and will not have an impact on the status or the development direction of our principal toll road business. We hope that these projects, through their own stable and sound operations, can develop at a progressive speed under favourable conditions. The Board will step up control and supervision of such business operations in the future so as to effectively prevent any operating risks.

Development Environment and Strategies

— **Development Environment**

Looking ahead into 2009, the international and Chinese domestic macro economic situations will not look optimistic as a result of the impact of the global financial crisis on the real economic growth. Jiangsu, especially southern Jiangsu area which has an export-oriented economy, will be more severely hit, and a fall in the level of economic activities in that area will have a direct impact on traffic volume. On the policy aspect, there are growing concerns about the social benefits of expressways. It has become particularly important as to how to coordinate the relationships and achieve a balance between the economic benefits of an expressway operator and its social responsibilities. Following the implementation of the scheme for fuel tax reform and the measure to abolish the toll policy for roads (built with loans to be repaid by the government) below Class 2 within the Jiangsu Province, there will also be new changes in the transportation structure. The Company will be faced with a more complex business environment subject to numerous uncertainties, and as a result, pressure on its operation will be mounting as well.

In spite of the above, our business development prospects embrace both opportunities and potentials. To accelerate the construction of traffic infrastructures is one of the State's major initiatives for "ensuring growth, expanding domestic demand and adjusting structure". To cope with the financial crisis and to stimulate economic development, the State has introduced an array of policies and initiatives for expanding domestic demand and maintaining steady and fast economic growth. It has implemented a proactive fiscal policy and a moderately relaxed monetary policy, and specified the need for accelerating the construction of transportation infrastructures. With the gradual implementation of the RMB4 trillion economic stimulus package, the construction of transportation infrastructures within the province will be proceeding more rapidly, thereby generating new opportunities for the Company's business expansion.

As to the Group's business operation, negative impacts on traffic have been eliminated following the completion of the expansion project for the Shanghai section of the Shanghai-Nanjing Expressway at the end of 2008. Although some diversion impacts due to the speed train units on the Shanghai-Nanjing Rail Line and by the Sutong Bridge and other road networks will remain in 2009, the extent of such impact will gradually stabilize. The overall business environment will improve slightly as compared to 2008. Once the economy begins to improve, traffic volume on our roads will gradually pick up.

— **Development Strategies**

Faced with an opportunistic and challenging market environment in the future, the Company will devise effective initiatives to cope with the situation and seek new development opportunities to cultivate a sustainable, healthy and steady development.

We manage and maintain expressways. It is our duties and responsibilities to ensure road safety and free flow of traffic on the roads and to provide our customers with a safe, speedy and comfortable traffic environment. Ensuring "Safety, Free-flow, Supplies and Services" on our roads at all time remain to be the raison d'etre and goal of all our management tasks. We will maintain a stable staff team by stepping up the education, cultivation and management and care for our staff. We motivate staff's dedication and enthusiasm to their jobs and carry out operations management and services with a high sense of responsibility just as what we did in the past. We aim to ensure the quality, safety and free flow of traffic of our roads, as well as providing civilized services and be responsive to emergencies so as to enhance our management continuously and effectively.

In the near future, as our debt ratio begins to drop gradually, we will actively explore new operations management models as well as new investment and development directions in the market, so as to enhance our overall competitiveness and to grow into a vigorous, creative and modern listed conglomerate. We will fully capitalize on existing opportunities, concentrate on the analysis and research of our principal toll road business, and keep an eye on the investment opportunities arising from the State policy on expanding basic infrastructure investments implemented, with a view to identifying right opportunities for a further expansion of our core business. In addition, we will keep an eye on the development of other industries other than our principal business that are in line with our development strategies. Without prejudice to our principal business development, we will try to explore ways for carrying out appropriate diversifications, actively fostering new profit growth areas and identifying directions for continued development.

For future development, the Company will remain fully committed to the aforesaid strategic objectives and strengthen its reserves of human resources, building up a more market-oriented, aggressive and professionally dedicated management team. We will explore new development directions and grow for the common interest of the Company and our shareholders.

Shen Chang Quan
Chairman

Nanjing, the PRC
27 March 2009

(II) Investment of the Company

(1) Established Jiangsu Ninghu Properties Co., Ltd.

The Company aims to explore a reasonable diversified business mix; to identify non-major operations in which the Company could capitalize on its own advantage in resources; to seek new profit platforms; and to realize a sustainable development of the Company, on the premise of a stable operation of the toll road operation, the principal operation of the Company. To achieve such aims, during the reporting period, the Strategy Committee of the Company decided to set up a wholly-owned property company after due consideration, and engaged a professional team to engage in property development and operation. The relevant resolution was considered and approved at the Fourteenth Meeting of the Fifth Session of the Board and the Fifteenth Meeting of the Fifth Session of the Board.

On 9 July 2008, Ninghu Properties, which is wholly-owned by the Company, completed the business registration with a registered capital of RMB200 million. Its business scope includes property development and operation, property consultancy, property leasing, interior and exterior decoration and property management. Since July 2008, Ninghu Properties was consolidated into the Company's consolidated statements.

(2) Investment in Suzhou Nanlin Hotel

On 22 August 2008, Guangjing Xicheng, an 85% owned subsidiary of the Company, entered into an agreement regarding registered capital enlargement of Suzhou Nanlin Hotel Co., Ltd ("Suzhou Nanlin Hotel") with Jiangsu Communications Holdings Limited ("Communications Holdings") and Jiangsu Yanjiang Expressway Company Limited ("Yanjiang Expressway"). Guangjing Xicheng invested an aggregate of RMB160,000,000 in Suzhou Nanlin Hotel, represented 7.61% of the Company's profit before tax for year 2008, and owned 41.73% interest of the enlarged registered capital of Suzhou Nanlin Hotel. The consideration for this transaction was based on the valuation of the net assets of Suzhou Nanlin Hotel as at 30 June 2008. Upon completion of the registered capital enlargement, Communication Holdings and Yanjiang Expressway held 46.62% and 11.65% equity interests, respectively, of Suzhou Nanlin Hotel.

(III) Schedule of Work of the Board of Directors

Board Session	Date of Meeting	Designated Website and Newspapers for Information disclosure on which Board Resolutions were Published	Date of Disclosure
14th Meeting of the Fifth Session of the Board	28 March 2008	www.sse.com.cn www.hkex.com.hk www.jsexpressway.com China Securities Journal Shanghai Securities News	28 March 2008
15th Meeting of the Fifth Session of the Board	29 April 2008		29 April 2008
16th Meeting of the Fifth Session of the Board	12 June 2008		
17th Meeting of the Fifth Session of the Board	18 July 2008		30 July 2008
18th Meeting of the Fifth Session of the Board	22 August 2008		25 August 2008
19th Meeting of the Fifth Session of the Board	24 October 2008		24 October 2008
20th Meeting of the Fifth Session of the Board	8 December 2008		8 December 2008

(IV) Implementation of Resolutions Approved at the General Meetings

(1) 2007 Profit Distribution Scheme

The following profit distribution scheme for 2007 was considered and approved at the annual general meeting: on the basis of a total share capital of 5,037,747,500 shares at the end of 2007, a cash dividend of RMB0.27 per share was distributed to all shareholders, while domestic shareholders received a cash dividend of RMB0.243 per share after deduction of tax. The Board of the Company, with authorization given by the shareholders in the annual general meeting, decided that the record date for determining the entitlements of domestic shareholders was 24 June 2008, the ex-dividend date was 25 June 2008, and the dividend payment date was 2 July 2008. Dividends for H-share holders were denominated in RMB and payable in HK dollar, and a cash dividend of HK$0.304 was paid for every share held. The deadline for registering transfer of H shares for dividends was 7 May 2008. The dividends were declared on 6 June 2008 and were paid on 30 June 2008. The profit distribution scheme for the previous year has been completed.

(2) Issue of Corporate Bonds

The issue of corporate bonds of not exceeding RMB1.5 billion was considered and approved at the 2007 Second Extraordinary General Meeting held on 4 January 2008. The Board was authorized to deal with all matters in connection with the issue of corporate bonds in view of market conditions and the needs of the Company. On 27 June 2008, the application for the Company's issue of corporate bonds was approved by the China Securities Regulatory Commission. The Company had successfully issued RMB1.1 billion corporate bonds via on-line and off-line during 28 – 30 July 2008. The proceeds had been used to adjust the Company's liabilities structure. The nominal amount for each corporate bond was RMB100 and each corporate bond was issued at par. With a term of 3 years, the corporate bonds bear an annual interest rate of 5.40% and interests are paid half yearly. Principal amount will be repaid on maturity. The corporate bonds were listed on the Shanghai Stock Exchange on 12 August 2008 with bond abbreviation "08 Ninghu Bond" (08 寧滬債) and bond code "122010".

(V) 2008 Profit Distribution Scheme Proposed by the Board

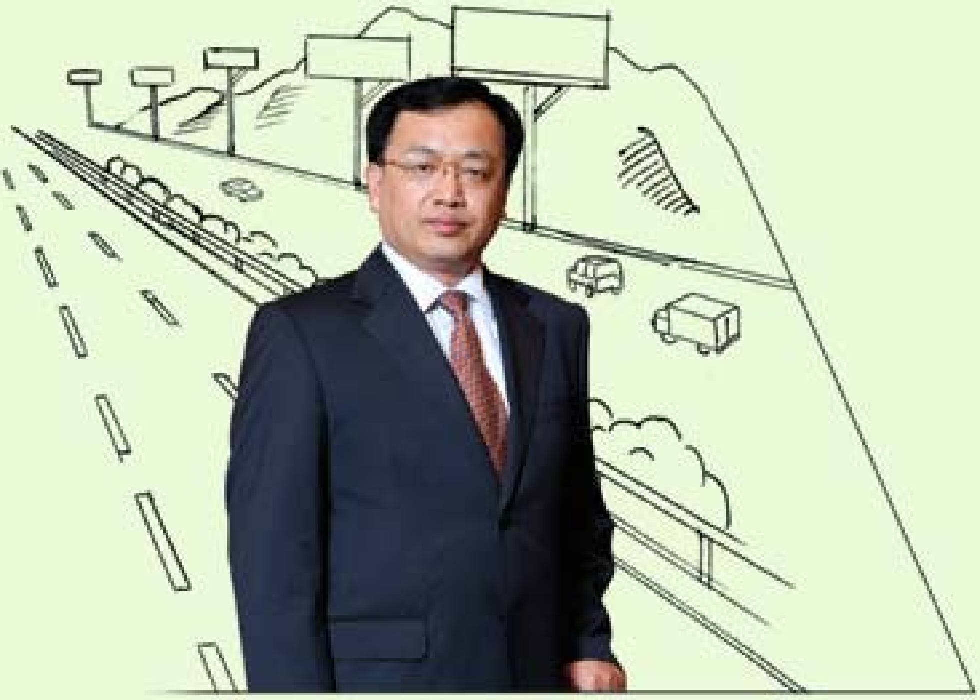
According to the audited results reported by auditors, the Group realized a net profit attributable to the parent company of RMB1,554,011,000 in 2008 under the PRC Accounting Standards. Earnings per share was RMB0.308. Under HKFRS, the net profit was RMB1,592,209,000, and earnings per share was RMB0.316. Pursuant to relevant provisions of the Ministry of Finance and the Articles of Association of the Company, in the event of any discrepancy between the profit of the Company calculated in accordance with the PRC Accounting Standards and that as calculated in accordance with HKFRS, whichever is lower will prevail.

For 2008, based on the total share capital of the Company of 5,037,747,500 shares, the Board has proposed to pay a final dividend of RMB0.27 (tax inclusive) per share to all shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2008 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

As stipulated in the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which are Overseas Non-resident Enterprises (Guoshuihan No. 897 (2008)), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-Share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%. After receiving dividends, Non-resident Enterprise may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by a person who has obligation for withholding or paying dividend and provide information to prove it is a actual beneficiary under the requirement of taxation treaties (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement).

As stipulated in the "Circular on Some Policy Questions Concerning Individual Income Tax" (Cai Chui Zi [1994] No.20), the dividends and bonuses received by foreign individuals from foreign investment enterprise shall be temporarily exempted from individual income tax.

Management discussion and analysis



In 2008, the management of the Company led all the staff to carry out its operation aggressively and steadily and to proceed practically with various tasks in line with the operations management objectives set by the Board. It strove to cope with numerous challenges and obstacles as a result of the changes in the market environment by enforcing an array of specific and effective policies and initiatives. Consequently, remarkable achievements were made in the operation and management of roads, internal integrated management, financial and financing management and project investment management.

(I) Regional Economic and Transportation Environment in 2008

• The Macro Economic Environment

Economic growth is a determinant of a rising demand for transportation. As a result of major impacts such as the financial crisis triggered by the subprime mortgage meltdown in the US and the slowdown in global economic growth, international and Chinese domestic economies underwent dramatic changes in 2008. The financial market, foreign trade export, commodity prices and many other aspects in China were severely hit, leading to a slowdown in economic growth this year and an increase of 9% in GDP year-on-year which was lower than expected at the beginning of the year.

Jiangsu Province is a coastal province with an export-oriented economy that assumes a leading position. The impact on its GDP growth was significant. In 2008, Jiangsu Province's gross product increased by approximately 12.5% year-on-year, down 2.3 percentage points year-on-year. Under such circumstances, the fall in the level of economic activities led to the reduced use of motor vehicles which in turn slowed down the growth in traffic volume on highways.

GDP Growth	Shanghai	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou
2008	9.7%	12.1%	13.6%	12.4%	12.4%	12.5%
2007	13.3%	15.6%	15.5%	15.6%	15.3%	16.0%

• The Transportation Environment

In 2008, the transportation sector of Jiangsu Province witnessed a stable development, with the yearly volumes of passenger and cargo transportation increased by approximately 11.2% and 13.0% respectively over the previous year. Passenger and cargo traffic turnover increased by 10.6% and 6.4%. Cargo throughput by ports amounted to 1.15 billion tons, up 9.0%. Of this throughput, cargo throughput handled by foreign trade amounted to 160 million tons, up 2.5%. Passenger and cargo transportation by means of highways accounted for approximately 95.6% and 66.2% of the respective total transportation volumes of all means.

Four expressways in the province, namely the Jiangsu Section of Shanghai-Jiangsu-Zhejiang Expressway, the Xuyi Southern Section of Ningsuxu Network Expressway, the Yancheng Northern Section of Ningjingyan Expressway and the phase 2 project of Nanjing-Hangzhou Expressway, as well as Sutong Bridge, all commenced operation smoothly in 2008. Such new expressways represented an increase of 167 km, bringing the total traffic mileage of expressways to 3,725 km in the province.

At the end of the year, the vehicle fleet for civilian use was 3,731,000, an increase of 13% or a net increase of 430,000 year-on-year, down 18.1% in terms of growth rate; private vehicle fleet was 2,633,000, an increase of 16% or a net increase of 364,000, down 14.4% in terms of growth rate. Of this vehicle fleet, private sedan fleet was 1,602,000, representing an increase of 28.3% or a net increase of 353,000, up 1.8% in terms of growth rate.

Vehicle fleet ('000 vehicles)	Shanghai	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou
End of 2008	1,321	542	129	290	495	840
End of 2007	1,197	462	104	251	432	698

- ***Toll Road Policies***

According to the arrangement of the Ministry of Communications, on 2 March 2008, the Communications Department, the Price Administration and the Finance Department of the Jiangsu Province made a joint announcement that with effect from 00:00 on 3 March 2008, a "Green Passage" for the transportation of fresh and live stock would be launched on "one vertical and two horizontal" expressways (the Xuzhou Dongraocheng Section of Jingfu Expressway, Lianxu Expressway and the Jiangsu Section of Shanghai-Nanjing Expressway) within the province and there will be no tolls chargeable on vehicles carrying such fresh and live stock traveling on the specified zone.

On 20 August 2008, the Ministry of Communications, the National Development and Reform Commission and the Ministry of Finance jointly announced the "Measures for the Transfer of Rights and Interests in Toll Roads" (《收費公路權益轉讓辦法》) to regulate the transfers of rights and interests in toll roads with effect from 1 October 2008,

On 5 December 2008, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Communications and the State Administration of Taxation announced the "Scheme for the Price and Tax Reform of Refined Oil(Consultation Draft) (《成品油價稅費改革方案（徵求意見稿）》) to waive six charges, including the road maintenance fees, the waterway maintenance fees, road transport management fees, surcharges on road transport of passengers and cargos, waterway transport management fees, and surcharges on waterway transport of passengers and cargos; and to gradually and orderly abolish the charges on approved secondary roads for which the government repays the loans . Also, the unit tax amount of the consumption tax of refined oil will be increased provided that the current prices of petroleum products were not increased. The specific date for the implementation of the scheme was 1 January 2009.

(II) Review of Operations Management

In 2008, the management of the Company led all the staff to carry out its operation aggressively and steadily and to proceed practically with various tasks in line with the operations management objectives set by the Board. It strove to cope with numerous challenges and obstacles as a result of the changes in the market environment by enforcing an array of specific and effective policies and initiatives. Consequently, remarkable achievements were made in the operation and management of roads, internal integrated management, financial and financing management and project investment management. The Company continued to assume a leading position in the industry in terms of road service level; the level of its standardized and refined management was further enhanced; and new achievement was made in the cultivation of a corporate culture. In a very complex and unfavorable business environment, the Company achieved the anticipated targets for operating income and results.

In 2008, the Company's strategies and measures carried out specifically for various key tasks as well as their results and performances are set out below:

Key Tasks	Strategies and Measures	Results and Performances
Operation & management of roads	◇ Mobilizing all efforts to deal with the post-snowstorm difficulties and restoring normal road accessibility in the shortest possible time. ◇ Strictly enforcing toll collection policies and reinforcing the management of order at toll stations; mobilizing multi-parties joint efforts to eliminate potential crimes in a timely manner and ensure no evasion of toll payment. ◇ Enhancing the dynamic management of road conditions; conducting centralized rectification activities to improve traffic order, safeguarding road safety and free flow of traffic. ◇ Strengthening equipment development and maintenance of tolling, monitoring and communication systems to ensure a stable operation; successfully carrying out the construction of the ETC non-stop electronic toll collection system within the road network. ◇ Improving the management system for road maintenance and hindrance clearance; increasing the investment on relevant equipment; promoting a regulated and standardized management of the maintenance and clearance services. ◇ Establishing long-term management measures for ensuring a safe operation as well as a organization network for safety management; improving the emergency plan for accidents handling, rolling out a system of accountability.	☆ 2008 toll revenue reached RMB4 billion, achieving expected target. ☆ Maintained sound operating conditions; ensured road safety and free flow of traffic. ☆ Realized regulated and standardized management of the road maintenance and clearance services, maintained road quality at the rate of 100%. ☆ No incidents that hindered accountability during the year.

Key Tasks	Strategies and Measures	Results and Performances
Internal integrated management	◇ Adopting a comprehensive risk management-oriented approach; further promoting the establishment and improvement of the internal control system; promulgating and implementing 33 first-tier systems and 69 second-tier systems; effectively monitoring risk assessments and process controls over the operation, management and financial systems. ◇ Effectively implementing documentation for the "certification system"; achieving fruitful; results through staff participation in the QC team of quality management. ◇ Conscientiously implementing the Labor Contract Law; enhancing remuneration management and relevant systems; reinforcing performance appraisal and position evaluation; strengthening staff training programs. ◇ Further improving corporate governance standards in accordance with regulatory authorities' requirements; strengthening communication with investors; continuously enhancing information disclosure quality and transparency. ◇ Adhering to the objective of maximizing both economic efficiency and social efficiency at the service areas; fully exploring and capitalizing on resources advantages; developing characteristic business operations; enhancing regulated operation and management and quality, civilized services. ◇ Promoting the development of a corporate culture and a democratic management; strengthening staff awareness for excellence in their postions; enhancing the level of quality services; fostering a harmonious, healthy and progressive corporate environment.	☆ Strengthened the controls of various management measures over operating activities; steadily enhanced operations management and risk prevention capabilities. ☆ QC team won two national awards, three ministerial-level awards as well as two provincial-level awards; two of them obtained national patents. ☆ Gained positive comments from the public and regulatory bodies regarding its corporate governance. ☆ Retained the honour of Civilized and Safe 'Service Area" by all service areas. ☆ The campaign on "Striving for Corporate Civilisation" (企業文明爭創活動) won two national-level awards

Key Tasks	Strategies and Measures	Results and Performances
Financial and financing management	◇ Exploring and adopting different financing products and expanding financing channels through issuance of short-term commercial papers, trust products and corporate bonds; rationalizing the debt structure and debt terms so as to lower finance costs and enhance profitability. ◇ Implementing comprehensive budgetary control and monitoring the whole process of budget implementation; tracking on the state of budget indicators such as operating revenues, costs and profits; achieving an effective control on various costs and expenses such as operating costs, management costs and maintenance costs. ◇ Integrating with the internal control system implementation to strengthen internal auditing and financial monitoring; realizing a change in the functionality of internal auditing from traditional financial auditing to cost-saving and profit enhancing, and a change in the scope of auditing from purely an inspection on financial activities to an assessment of the efficiency, effectiveness and effect of economic activities.	☆ Made use of multiple channels of financing; successfully issued RMB 1 billion short-term commercial papers and RMB 1.1 billion corporate bonds. ☆ The effective interest cost borne by the Company was 6.06% in 2008, which was 1.04 percentage points below the bank borrowing rate under the same term. ☆ Control of all costs and expenses within budget.
Project investment management	◇ Enhancing tender/ bidding management and contract management, as well as establishing a supplier management and a vetting committee approval system; strengthening project entrustment and procurement process management. ◇ Proactively and prudently initiating studies and evaluations on investment projects in order to provide references for significant decision making. ◇ Exploring and experimenting a reasonably diversified business mix; identifying non-core operations for which the Company could capitalize on its own advantages; implementing the Company's strategy on sustainable development.	☆ Effectively controlled the entrusted project and materials procurement costs. ☆ Made progress on project investments and set up Jiangsu Ninghu Properties Co., Ltd.

Annual Operating Results

During the reporting period, the Group realized aggregated total operating revenues of approximately RMB5,277,139,000, down approximately 0.62% over the same period of 2007, of which toll revenue amounted to approximately RMB4,006,776,000, representing a decrease of approximately 5.15% as compared to the same period of 2007. Revenue from ancillary services amounted to approximately RMB1,231,987,000, up approximately 23.29% from a year ago. Revenue from other operations was approximately RMB38,376,000, down approximately 55.60% from the same period of 2007. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB2,107,440,000 during the reporting period, a decrease of approximately12.46% over the same period of 2007. Due to the adjustment of the income tax rate since 1 January 2008, net profit attributable to equity holders of the Company was approximately RMB1,554,011,000 and earnings per share was approximately RMB0.308, a decrease of approximately 2.92% over the same period of 2007. Under HKFRS, profit after taxation attributable to the equity holders of the Company was approximately RMB1,592,209,000 and earnings per share was approximately RMB0.316, a decrease of approximately 3.05% over the same period of the previous year.

(III) Analysis of Business Operations

(1) Toll Road Operations

In 2008, affected by the financial crisis and the global economic environment, the domestic macro economy witnessed a slowing growth rate and the level of economic activities decreased accordingly. Meanwhile, traffic volumes and toll revenues from the Group's toll road and bridge projects saw decreasing growth rates or declining trends under the combined impact of different unfavourbale factors such as the snowstorms in early 2008, continuous increases in the price index in the first half of 2008, the expansion of the Shanghai Section, diversions from speed train units, the opening of Green Passage, and the waiving of toll fees for vehicles carrying for earthquake relief supplies. In 2008, a total toll revenue from roads and bridges amounting to approximately RMB4,006,776,000 was realized, representing a decrease of approximately 5.15% as compared to the same period of 2007. The total toll revenue represented 75.93% of the Group's total operating revenue, a year-on-year drop of 3.62 percentage points. The operating performance of each road and bridge project is as follows:

Comparison of average daily traffic volumes and toll revenues

	Average daily traffic volume (vehicle / day)			Average daily toll revenue (RMB'000 / day)		
Road / Bridge	**2008**	2007	Change %	**2008**	2007	Change %
Shanghai-Nanjing Expressway	**46,315**	48,374	-4.26	**8,752.8**	9,348.4	-6.37
Shanghai-Nanjing Section of G312	**27,924**	29,184	-4.32	**488.7**	486.2	0.51
Nanjing Section of Nanjing-Lianyungang Highway	**6,018**	7,361	-18.24	**113.4**	171.5	-33.88
Guangjing Expressway	**34,971**	34,705	0.77	**572.4**	578.1	-0.98
Xicheng Expressway	**36,808**	35,231	4.48	**1,020.2**	988.7	3.19
Jiangyin Yangtze Bridge	**39,599**	38,165	3.76	**1,981.1**	1,919.3	3.22
Sujiahang Expressway	**27,137**	21,387	26.88	**1,870.4**	1,628.8	14.83

Traffic Volume and Toll Revenue Structures

Road/Bridge	Ratio of traffic volume of passenger /cargo		Ratio of toll revenue of passenger/cargo		Average Daily Full-trip Revenue per vehicle (RMB/Vehicle)		
	2008	2007	**2008**	2007	**2008**	2007	Change %
Shanghai-Nanjing Expressway	**66.6:33.4**	66.3:33.7	**46.6:53.4**	46.1:53.9	**189**	193.3	-2.2
Shanghai-Nanjing Section of G312	**51.2:48.8**	49.7:50.3	**30.2:69.8**	33.4:66.6	**17.5**	16.6	5.4
Nanjing Section of Nanjing-Lianyungang Highway	**49.5:50.5**	42.1:57.9	**30:70**	21.7:78.3	**18.8**	23.3	-19.3
Guangjing Expressway	**63.3:36.7**	64.4:35.6	**43.1:56.9**	44.2:55.8	**16.4**	16.6	-1.2
Xicheng Expressway	**66.4:33.6**	68:32	**48.3:51.7**	49.1:50.9	**27.8**	28.1	-1.1
Jiangyin Yangtze Bridge	**65.2:34.8**	67.2:32.8	**39.2:60.8**	41.4:58.6	**50**	50.3	-0.6
Sujiahang Expressway	**57:43**	52.8:47.2	**39:61**	35.9:64.1	**68.9**	76.1	-9.5

Road and Bridge Operations

— Shanghai-Nanjing Expressway

In 2008, Shanghai-Nanjing Expressway realized a total toll revenue of approximately RMB3,203,537,000, representing approximately 79.95% of the Group's total toll revenue and approximately 60.71% of the Group's total operating revenue. Its average daily traffic volume and average daily toll revenue decreased by approximately 4.26% and 6.37% respectively over the corresponding period of the previous year but the vehicle mix remained stable in general. Apart from the impact of changes in the economic environment, the expressway was also subject to other major negative effects including:

Expansion project for the Shanghai Section: Upon completion of the 8-lane expansion project for the Jiangsu section of Shanghai-Nanjing Expressway in 2006, Shanghai Municipality commenced a broadening renovation project for the Shanghai section in 2007. During the construction period, some traffic volume was diverted to other roads due to traffic control imposed at different stages, creating a negative effect on the traffic volume. In particular, the effect on the traffic volume of the section in the east of Suzhou hub was more significant.

Diversion of speed train units: In April 2007, the speed train units running on Shanghai-Nanjing Railway was raised to 200 km/hour, and subsequently the frequency of the speed train units was gradually increased. In 2008, there was a change in the former relatively stable division-of-labour relationship between Shanghai-Nanjing Expressway and Shanghai-Nanjing Railway such that a large amount of passengers was attracted to the railway while passenger traffic volume on the expressway contracted, creating a certain negative effect on passenger vehicle traffic on the expressway.

Impact of changes to the road network: The official commencement of the operation of Sutong Yangtze Bridge in May 2008 has brought about changes to the existing volume of traffic across the river. The eastern section of Shanghai-Nanjing Expressway was mainly affected by Sutong Bridge indirectly through the impact on Jiangyin Yangtze Bridge. Approximately 30% of the traffic volume on Jiangyin Yangtze Bridge previously traveled through the section in the east of Wuxi hub of Shanghai-Nanjing Expressway. Some of such volume has now been diverted to Sutong Bridge. In addition, traffic volumes on Ningchang Expressway and Zhenli Expressway, both of which were opened to traffic at the end of October 2007, remained stable in general for the year. Changes to the road transportation network structure have also caused some slight diversions from Shanghai-Nanjing Expressway.

The impact of snowstorms: Jiangsu Province was heavily hit by snowstorms in late January and early February 2008. During the snowstorms, there were traffic blockages on most of the roads and bridges covered extensively by snow which led to a substantial decrease in traveling on the road transportation network for a period of time after the snowstorms which resulted in a significant drop in toll income in January and February as compared to the toll income level during normal operating conditions.

Impact of toll policies and accidental events: Jiangsu Province implemented a "Green Passage" toll-free preferential policy for transportation of fresh and live stock on "one vertical and two horizontal" expressways with effect from 3 March 2008. Shanghai-Nanjing Expressway is within the free-toll road transportation network. After the Sichuan earthquake, the toll-free policy was enforced for vehicles delivering relief supplies on toll roads. In 2008, the number of free-tolled vehicles for delivery of relief supplies and under the "Green Passage" preferential policy on Shanghai-Nanjing Expressway totaled 402,033, and revenue from reduced or exempted tolls totaled approximately RMB47,764,000. In addition, the implementation of a tight safety check due to security and anti-terrorist requirements during the Olympic Games had restricted vehicle travels to a certain extent.

All of the above impacts have led to the fall in revenues of the Company's core asset for the first time since its commencement of operation (other than that during the construction expansion period).

— Shanghai-Nanjing Section of G312

The total tolled traffic volume of the Shanghai-Nanjing Section of G312 comprises the tolled traffic volume of six main tollgates on the trunk road and two tollgates on the branches along the section. Since G312 is an open expressway, with most the tollgates located within the development zone, on the edges of cities and even within cities, part of the road network surrounding the tollgates is very complex such that vehicles can bypass tollgates by going through neighbouring roads in front of or behind the tollgates to evade toll payments. The mix of tolled vehicles currently passing through tollgates suggests that they are mostly less frequently travelling medium and long distance transit vehicles.

During 2008, problems of vehicle evasion on G312 did not see any significant improvement and led to a further decrease in toll revenue due to the economic impact during the reporting period. The average daily tolled traffic volume was 27,924 vehicles, representing a decrease of approximately 4.32% over the corresponding period of the previous year. The average daily toll revenue was approximately RMB488,700, representing an increase of approximately 0.51% over the corresponding period mainly because Shanghai-Nanjing Section of G312 took over a huge amount of traffic diversions during the snowstorms early this year.

— Nanjing Section of Nanjing-Lianyungang Highway

The opening-to-traffic of Nanjing-Lianyungang Expressway at the end of 2006 led to a significant fall in the traffic volume of Nanjing-Lianyungang Highway in 2007. In 2008, the average daily traffic volume and average daily toll revenue of the highway still decreased by approximately 18.24% and 33.88% respectively over the corresponding period of the previous year. Following an analysis of the changes in vehicle mix, we found that passenger vehicles of various types had stabilized gradually and increased slightly in 2008. Other than heavy trucks, trucks of other types were still on the decrease and the proportion of trucks decreased by 7.4 percentage points year-on-year.

— Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge

The traffic distributions and compositions of Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge are highly correlated as they combine to form a single transport system.

In 2008, due to snowstorms earlier in the year and changes in the macro economic environment, the growth in traffic volume of the three projects began to slow down. In particular, when Sutong Bridge linking Nantong and Changshu in Suzhou was opened to traffic in May, traffic was directly diverted from Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge in the second half of the year. The impact of diversions will remain in the first half of 2009.

— Sujiahang Expressway

During the reporting period, Sujiahang Expressway was also subject to negative effects of snowstorms and economic environment. However, following the opening-to-traffic of Sutong Bridge linking the north end of Sujiahang Expressway in May, a run-through of the complete coastal passage is made available, helped to boost a significant increase in traffic volume on the expressway. During the year, the expressway performed remarkably well, with an increase of approximately 26.88% and 14.83% year-on-year respectively in average daily full-trip traffic volume and average daily toll revenue in RMB.

(2) Ancillary Services Business at Service Areas

Ancillary services including petroleum product sales, food and beverage, retail sales of goods and other related operations were provided at the six service areas along Shanghai-Nanjing Expressway. The change in ancillary services revenue was mainly attributable to the change in customer flow volume at the service areas and this was closely related to the changes in Shanghai-Nanjing Expressway's traffic volume.

In 2008, the Company realized a revenue of approximately RMB1,231,987,000 from ancillary services, an increase of approximately 23.29% over the corresponding period of the previous year mainly attributable to the rise in petroleum prices and the increase in petroleum product sales. Of this revenue, the revenue from petroleum product sales was approximately RMB1,089,589,000, an increase of approximately 27.12% over the corresponding period of the previous year, representing 88.44% of the total ancillary service revenue. Revenue from other businesses including food and beverage, retail sales of goods and other services was RMB142,398,000, an increase of approximately 0.18% over the corresponding period of the previous year.

(3) Other Business Operations

Other businesses of the Company mainly comprise the project development and operations of two subsidiaries, Ninghu Properties and Ninghu Investment.

Incorporated in July 2008, Ninghu Properties is principally engaged in real property development and operation and is consolidated into the Company's consolidated statements for the year for the first time. No substantial progress was made in the relevant business as at the end of the year.

Ninghu Investment is principally engaged in the distribution of advertising media along Shanghai-Nanjing Expressway and in other industrial investments. In 2008, it realized a revenue of RMB35,563,000, up 29.73% year-on-year, which was generated totally from the advertising business.

In 2008, the Company realized a revenue totaling RMB38,376,000 from other businesses. As Jiangsu Sundian, a former subsidiary of the Company, was changed to an associate during the year under the cost method, revenue from other businesses dropped by 55.6% as a whole.

(4) Operations and Results of Subsidiaries

Name of Company	Scope of Business	Investment cost (RMB' 000)	Equity of the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)	Percentage over the Company's Net Profit (%)	Year-on-year Increase / decrease on net profit (%)
Jiangsu Guangjing Xicheng Expressway Co., Ltd .	Construction, management, maintenance and toll collection of Guanging Expressway and Xicheng Expressway in Jiangsu	2,125,000	85	2,946,541	2,881,691	299,074	18.70	19.68
Jiangsu Ninghu Investment Development Co., Ltd.	Investment in various infrastructure, industrial and assets investment	95,000	95	311,208	131,220	11,059	0.69	-16.40
Jiangsu Ninghu Properties Co., Ltd.	Development and operation and consultancy of properties	200,000	100	203,001	202,354	2,354	0.15	—

Explanation for the Changes in Businesses and Profits of Subsidiaries

— Net profit of Guangjing Xicheng increased by 19.68% over the previous year, mainly attributable to an increase of RMB10,986,000in toll revenue during the reporting period, representing an increase of 1.92% over the previous year. Repair and maintenance projects reduced and proactively increased revenue and reduced expenses, leading to a decrease in total costs by RMB9,485,000 or 4.04%. Investment income increased by RMB8.448,000, representing an increase of 31.78% over the previous year. Tax expenses decreased by RMB20,889,000 million or 17.67% year-on-year benefited from the lowering of the statutory income tax rate to 25%.

— Net profit of Ninghu Investment decreased by 16.4% over the previous year. Although operating income for the year of Ninghu Investment increased by RMB8,150,000 over the previous year, other costs and expenses increased by approximately RMB711,000. Together with the impact of the macro economic environment, gains from a change in fair value and investment income decreased by RMB6,899,000 and RMB4,259,000 respectively during the reporting period. As a result, the increase in costs and expenses and the decrease in other income have basically off-set the increase in principal operating income.

(IV) Analysis of Operating Results and Financial Conditions

1. Analysis of Operating Results

— Results Overview

Unit: RMB'000

Item	**2008**	2007	Change (%)	**Reason of Change**
Operating revenue	5,277,139	5,309,835	-0.62	During the reporting period, affected by the oversea and domestic economic environments as well as various negative factors, revenue from toll roads and bridges, which accounted for 75.93% of the Group's total revenue, decreased by approximately 5.15%. Although revenue from ancillary services including petroleum product sales has increased by 23.29% to RMB232,708,000 due to increases in oil prices and sales volume, the increase was unable to offset the drop in revenue from principal operation.
Operating profit	2,107,440	2,407,380	-12.46	During the reporting period, operating profit decreased by 0.62% as compared to the previous year. Affected by the increases in petroleum product sales and in product prices, the costs of petroleum products sold have increased. During the reporting period, the costs of ancillary business amounted to RMB1,208,731,000, representing an increase of 26.17% year-on-year. Affected by the contracted monetary policy in the first half of 2008, previous year's adjusted upward bank borrowing rate of the People's Bank applied for a longer period of time during the year, thereby driving up finance costs by 7.54% year-on-year.
Net profit	1,599,424	1,638,989	-2.41	Benefiting from the decrease in the statutory income tax rate from 33% to 25% since 2008, income tax expense decreased by 34.73% or RMB267,242,000 during the reporting period. Although operating profit decreased by 12.46% year-on-year, net profit decreased by 2.41% only.

— **Change in operating revenue and costs**

The Group recognized an aggregate operating revenue of approximately RMB5,277,139,000, representing a decrease of approximately 0.62% as compared with the corresponding period of 2007. Operating costs amounted to approximately RMB2,474,071,000 in aggregate, representing an increase of approximately 11.27% as compared to the corresponding period of 2007. The structures of revenues and costs are set out below:

Item	Operating Revenue		Operating Cost		Gross Profit Margin (%)	
	2008 (RMB'000)	Change over the previous year (%)	2008 (RMB'000)	Change over the previous year(%)	2008	Change over the previous year (%)
Toll road	4,006,776	-5.15	1,251,577	4.32	68.76	Decreased by 2.84 percentage points
Shanghai-Nanjing Expressway	3,203,537	-6.11	745,670	0.73	76.72	Decreased by 1.58 percentage points
Shanghai-Nanjing Section of G312	178,868	0.79	298,190	18.38	-66.71	Decreased by 24.77 percentage points
Nanjing Section of Nanjing-Lianyungang Highway	41,489	-33.74	22,042	-20.30	46.87	Decreased by 8.96 percentage points
Guangjing Xicheng Expressway	582,882	1.92	185,675	3.18	68.15	Decreased by 0.38 percentage point
Ancillary Services	1,231,987	23.29	1,208,731	26.17	1.89	Decreased by 2.24 percentage points
Other Operations	38,376	-55.60	13,763	-79.01	64.14	Increased by 40.02 percentage points
Total	5,277,139	-0.62	2,474,071	11.27	53.12	Decreased by 5.01 percentage points

Reasons for and analysis of changes in costs:

— The increase in the operating costs of G312 was due to the amortization on road and bridge assets. While there was a discrepancy in the actual traffic volumes as compared to the original traffic volume forecasts of G312, amortization on roads and bridges assets was made in accordance with the new traffic volume forecasts during the reporting period. As such, there was an increase in the amounts of amortization on road and bridge assets. During the reporting period, among the operating costs, depreciation and amortization on road and bridge assets increased by approximately RMB37,696,000 as compared to the previous year, representing an increase of 19.33%. The increase in revenue was less than the increase in costs leading to a decrease in gross profit margin.

— Affected by traffic diversions to other roads, traffic volumes on Nanjing-Lianyungang Highway witnessed a decrease while the maintenance costs decreased by 33.52% or RMB3,568,000 year-on-year. With reference to the re-forecast traffic volumes, the amortization on Nanjing-Lianyungang Highway decreased by 12.04% or RMB2,048,000 year-on-year. The decrease in revenue year-on-year was higher than the decrease in costs, leading to a decrease in gross profit margin.

— The increase in the operating costs of Guangjing Xicheng Expressway was mainly attributable to the increase in amortization on road and bridge assets resulting from an increase in traffic volume. Depreciation and amortization on assets increased by 3.53% or RMB2,923,000.

— Affected by the increase in petroleum products sales and the increase in petroleum procurement costs, procurement costs of petroleum products have increased. During the reporting period, costs of the ancillary services business amounted to RMB1,208,731,000 representing an increase of 26.17%.

— In 2008, the Group transferred its approximately 86% equity interest in Jiangsu Sundian, which has a lower operating gross profit margin. As such, Jiangsu Sundian has not been consolidated into the Company's scope of consolidated financial statements, leading to a decrease of 79.01% in costs of other operations, with gross profit margin increased by 40.02 percentage points.

Operating costs of toll road operation	**2008 (RMB'000)**	Percentage over total operating costs (%)	2007 (RMB'000)	Percentage over total operating costs (%)	Change (%)
Depreciation and amortization	**810,783**	64.78	818,093	68.19	-0.89
Costs on toll collection operation	**315,297**	25.19	251,417	20.96	25.41
Costs on roads and bridges maintenance	**106,376**	8.50	110,885	9.24	-4.07
System maintenance	**19,121**	1.53	19,386	1.61	-1.37
Total	**1,251,577**	100	1,199,781	100	4.32

With reference to the various items under "operating costs of toll road operation", the costs on toll collection operation have increased significantly during the year. The increase was attributable to the impact of bad weather at the beginning of the year leading to an increase in urgent maintenance costs due to snowstrom and the increase in staff costs after the announcement and implementation of the Labor Contract Law.

— **Investment Income**

In 2008, investment income contributed by associates, in which the Group had equity investments, amounted to approximately RMB151,412,000, representing an increase of 16.90% as compared to 2007 and accounting for approximately 9.47% of the Group's net profit. Operating results of major companies in which the Group had equity investments are as follows:

Company name	**Scope of business**	**Investment cost (RMB'000)**	**Equity interest (%)**	**Net profit (RMB'000)**	**Share of profits of associates (RMB'000)**	**Proportion of net profit (%)**
Suzhou Sujiahang Expressway Co., Ltd.	Management and operation of the Jiangsu Section of Sujiahang Expressway	526,091	33.33	115,216	38,057	2.38
Jiangsu Kuailu Motor Transport Co., Ltd.	Road transportation, automobile repair and sales of automobiles and automobile parts and components (APC)	49,900	33.2	3,917	1	—
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	390,036	103,542	6.47

Explanation on changes in operations and net profits of associates:

Affected by the macro economic environment, the operating results of Jiangsu Kuailu Motor Transport Co., Ltd. slipped during the reporting period. Net profit decreased by RMB12,169,000 as compared to the previous year. However, the operations of two other associates performed well, contributing investment income of RMB141,599,000: benefiting from the opening of Sutong Bridge, the net profit of Suzhou Sujiahang Expressway Co., Ltd. increased by RMB42,567,000; and the net profit of Jiangsu Yangtze Bridge Co., Ltd. increased by RMB55,481,000. This led to an increase of 16.90% year-on-year in investment income contributed by the associates in which the Group had equity interests.

— **Administrative expenses**

During 2008, administrative expenses of the Company amounted to RMB161,751,000 in aggregate, representing an increase of 0.26% as compared to the corresponding period of 2007, basically at par with the previous year.

— **Finance Costs**

As at 31 December 2008, total liabilities bearing interests of the Group amounted to RMB7,563,678,000, representing a decrease of RMB676,448,000 as compared to the corresponding period of the previous year. With interest rates rising continuously during 2007, higher prime bank rates applied for a longer period of time in 2008. During the reporting period, finance costs of the Group amounted to RMB542,388,000 in aggregate, representing an increase of RMB38,020,000 or 7.54% year-on-year.

— **Income Tax**

During the reporting period, gross profit decreased by RMB306,807,000. In accordance with the regulations stipulated by Enterprise Income Tax Law of the People's Republic of China on Enterprises promulgated at 16 March 2007, the statutory tax rate of the Company and its subsidiaries have been decreased from 33% to 25% since 1 January 2008. In 2008, the income tax expense amounted to RMB502,317,000 in aggregate, representing a decrease of RMB267,242,000 or 34.73% as compared to the corresponding period in 2007.

— **Items Calculated on a Fair Value Basis**

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
Financial assets Including: 1. Financial assets calculated on a fair value basis with changes in the value accounted for as current profit or loss including:	42,345	-1,500	—	—	39,967
2. Available-for-sale financial assets	—	—	—	—	—
Total	42,345	-1,500	—	—	39,967

During the reporting period, the financial assets calculated on a fair value basis held by the Group were the financial assets held for trading invested by Ninghu Investment, a subsidiary of the Company. Of these assets, the fair value of "investment in equity products held for trading" at the end of the year was RMB21,000 which was the cost of allotted new shares subscribed for. These shares had not been officially listed for trading as at 31 December 2008. The fair value of "spot investment in gold" at the end of the year was RMB39,946,000 and the cost was RMB36,048,000. The market prices of the above investments at the end of the year and relevant information were sourced from the prices published by the Shanghai Stock Exchange and the Shanghai Gold Exchange. During the reporting period, the Company did not hold any financial liabilities calculated on a fair value basis.

Jiangsu Ninghu Investment Development Co., Ltd.
Internal Control System Regarding Fair Value

In order to strengthen risk control over its investments in financial assets held for trading , ensure the safety of the investment funds and raise investment returns, the Company has formulated relevant operating procedures and management rules.

Securities investments are limited to subscriptions to new shares only. Following an in-depth research and a comparative analysis of target new shares as well as discussions among business departments, a written investment proposal is compiled and submitted to the management of the Company for making an investment decision. Business personnel are responsible for carrying out the subscription process based on the subscription matters being approved. New shares allotted in the subscription should be, in principle, all sold on profit-taking by the business personnel on the date on which the shares are traded, and a statement is prepared by the business personnel and submitted to the management of the Company so that the management is promptly aware of the details of the return.

As to investments in gold, the Company has commissioned an entity with a membership on the Shanghai Gold Exchange to act as a trading agency on its behalf, which opens the Company's own gold investment account on its seat and conducts gold trading under this account. The commissioned agency conducts spot transactions on the Shanghai Gold Exchange according to the instructions of the Company. Transaction instructions are given by the Chairman of the Company while fund transfers are carried out by the general manager of the Company. The agency promptly provides the Company with details such as gold investment transactions, settlement details, original vouchers and account details, enabling the Company to acquire a comprehensive understanding of the investment business so conducted.

— **Financial Assets and Financial Liabilities Held in Foreign Currencies**

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
Financial assets	—	—	—	—	—
Financial liabilities	36,196	—	—	—	33,867

During the reporting period, the financial liabilities in foreign currencies held by the Company at the end of the year amounted to RMB33,867,000. The borrowing facility of US$9.80 million provided by Bank of China, Jiangsu Branch was for acquiring imported facilities and technology. The borrowing facility comprised approximately US$4.90 million credit facility to the purchaser and a loan of US$4.90 million from the Spanish Government. The borrowing of the credit facility to the purchaser was settled in 2006. The loan from the Spanish Government will be repaid half-yearly by 40 equal installments from January 2009 with reference to the actual borrowing amount. There is no financial asset held in foreign currencies by the Company during the reporting period.

2. Analysis of Financial Conditions

— The Group's capital structure

Under PRC Accounting Standards, the capital structure of the Group as at 31 December 2008 and the comparative figures for 2007 are as follows:

Item	As at 31 December 2008		As at 31 December 2007		Change
	(RMB'000)	(%)	(RMB'000)	(%)	(%)
Current liabilities	**3,654,733**	**14.75**	6,514,393	25.11	**-43.90**
Non-current liabilities	**4,712,959**	**19.02**	3,285,736	12.67	**43.44**
Liabilities at fixed interest rates	**3,739,811**	**15.09**	4,753,930	18.33	**-21.33**
Liabilities at floating interest rates	**3,823,867**	**15.43**	3,486,196	13.44	**9.69**
Interest-free liabilities	**804,014**	**3.25**	1,560,003	6.01	**-48.46**
Equity attributable to equity holders of the Company	**15,968,921**	**64.46**	15,708,385	60.56	**1.66**
Minority interests	**438,816**	**1.77**	429,334	1.66	**2.21**
Total assets	**24,775,429**	**100.00**	25,937,848	100.00	**-4.48**
Gearing ratio:		**33.77**		37.78	**Decreased by 4.01 percentage points**

- During the year, current liabilities decreased by 43.90% year-on-year. This was mainly because the Group has settled part of the short-term borrowings by issuing financial products with lower interest rates and longer payment terms, such as corporate bonds and postal saving loans; and gradual payments being made to project fees for the expansion works of Shanghai-Nanjing Expressway, leading to a significant decrease in payables by 82.77% or RMB743,483,000 year-on-year.

- Non-current liabilities increased by 43.44% year-on-year. This was mainly because the Group has settled part of the short-term borrowings by issuing financial products with lower interest rates and longer payment terms, such as corporate bonds and postal saving loans.

- Liabilities at fixed interest rates decreased by 21.33% year-on-year mainly due to the increase in postal saving loans at floating interest rates during the year for settling part of the short-term borrowings at fixed interest rates.

- Liabilities at floating interest rates increased by 9.69% year-on-year due to the increase in postal saving loans at floating interest rates during the year.

- Interest-free liabilities decreased by 48.46% mainly due to gradual payments being made to project fees for the expansion works of Shanghai-Nanjing Expressway leading to a significant decrease in payables.

Under the HKFRS, the capital structure of the Group as at 31 December 2008 and the comparative figures for 2007 are as follows:

Item	**As at 31 December 2008**		As at 31 December 2007		**Change**
	(RMB'000)	**(%)**	(RMB'000)	(%)	**(%)**
Current liabilities	**3,654,732**	**15.59**	6,514,393	26.52	**-43.90**
Non-current liabilities	**4,712,959**	**20.10**	3,285,736	13.37	**43.44**
Liabilities at fixed interest rates	**3,739,811**	**15.95**	4,753,930	19.35	**-21.33**
Liabilities at floating interest rates	**3,823,867**	**16.31**	3,486,196	14.19	**9.69**
Interest-free liabilities	**804,013**	**3.43**	1,560,003	6.35	**-48.46**
Shareholders' equity attributable to equity holders of the parent company	**14,635,347**	**62.43**	14,336,614	58.36	**2.08**
Minority interests	**438,816**	**1.88**	429,335	1.75	**2.21**
Total assets	**23,441,854**	**100.00**	24,566,078	100.00	**-4.58**
Gearing ratio:	—	**32.27**	—	33.54	**Decreased by 1.27 percentage points**

Gearing ratio: Liabilities bearing interest rates / total assets

— **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. In 2008, cash inflow from the Group's operating activities amounted to approximately RMB5,618,951,000; net cash inflow from operating activities amounted to approximately RMB2,765,104,000. The gearing ratio was at a reasonable level of 33.77%. Monetary capital at book value amounted to approximately RMB460,593,000. As at 31 December 2008, the Company had obtained credit facilities from banks amounting to RMB15.3 billion. Of such amount, RMB2.34 billion has been utilized and the unutilized credit facilities from banks amounted to RMB12.96 billion. As such, 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 2008 The Group (RMB'000)	As at 31 December 2007 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	**405**	613
Bank deposits	**460,188**	1,128,334
Total:	**460,593**	1,128,947
Loans		
Short-term bank loans	**2,650,000**	4,753,930
Long-term loans due within one year	**201,693**	201,810
Long-term bank loans	**3,622,174**	3,284,386
Long-term bonds	**1,089,811**	—
Total	**7,563,678**	8,240,126

— **Major sources of cash and their applications**

Unit: RMB'000

	2008	2007
Net cash flow from operating activities	**2,765,104**	3,157,808
Net cash flow from investment activities	**(897,540)**	(641,651)
Net cash flow from fundraising activities	**(2,535,918)**	(2,186,088)
Net increase in cash and cash equivalents	**(668,354)**	330,069

Explanation on changes:

— Net cash flow from operating activities decreased by RMB392,704,000 year-or-year and was mainly attributable to the increase in revenue from ancillary services including sale of petroleum products, leading to an increase of RMB101,156,000 in cash inflow from operating activities. However, increases in product prices and sales volume of petroleum products leading to an increase of RMB425,566,000 in purchasing products and receiving services, as well as the increase in cash of RMB67,762,000 paid to staff and paid on behalf of staff after the announcement and implementation of the Labor Contract Law. During the reporting period, cash outflow from operating activities increased by RMB493,860,000 year-on-year.

— Net cash flow from investment activities decreased by RMB255,889,000 mainly due to a decrease of RMB150,773,000 in cash inflow from investment activities, among the cash inflow, income from held-for-trading financial assets has decreased leading to a decrease of RMB45,843,000 in cash received from investments; the disposal of property assets in Communications Building in 2007 leading to a decrease of RMB42,397,000 in net cash received from disposal of fixed assets; the disposal of equity interest in Jiangsu Sundian leading to a decrease of RMB64,577,000 in net cash received from disposal of subsidiary; in addition, the investment of RMB160 million in Suzhou Nanlin Hotel leading to an increase of RMB105,116,000 in cash outflow from investment activities.

— Net cash flow from fundraising activities decreased by RMB349,830,000 due to the fact that while the Group utilized funds from external borrowings to fulfill the operation's needs, it would first try to fully utilize its own funds. This led to a decrease of RMB238,980,000 in cash inflow from fundraising activities during the year, and together with the increase in the dividend payout ratio, an increase of RMB110,850,000 in cash outflow from fundraising activities resulted.

— **Capital expenditures**

In 2008, the Group's planned capital expenditures amounted to approximately RMB827,418,000, representing a decrease of 1.17% or RMB9,801,000 from RMB837,218,000 in 2007. The main composition of capital expenditures is as follows:

Capital Expenditure	RMB'000
Expansion of Shanghai-Nanjing Expressway	717,271
Others	110,147
Total	827,418

— **Financing activities and financial costs**

During 2008, with sound financial conditions, steady cash flows, good credit track records and a fine reputation in the industry, the Company is able to maintain smooth financing channels and is entitled to the prime rate under the interest rate policy of the People's Bank of China, thereby enjoying lower financing costs.

Meanwhile, the Company has fully leveraged the abovementioned advantages to implement aggressive financing strategies and to capitalize on market opportunities. As such, it has expanded the financing channels by taking advantages of new financing products launched by the capital markets and financial institutions. Accordingly, the Company has increased the proportion in direct financing, medium to long term financing and fixed-cost financing, aiming to lower finance costs and increase profitability.

In 2008, the Company's major financing activities were as follows:

Financing category	Financing date	Term	Financing amount (RMB 100 million)	Issuing interest rate (%)	Prevailing bank basic rate (%)	Percentage gain in financing costs (%)
Short-term commercial paper	2008-01-16	1 year	10	5.45	7.47	27.04
Minsheng Trust	2008-06-10	3 months	4.4966	6.2415	6.57	5
Corporate bonds	2008-07-28	3 years	11	5.40	7.56	28.57

With the arrangement of the abovementioned financing activities, the composite borrowing cost for 2008 was 6.06%, which was 1.04 percentage points the banks' borrowing rates for the same terms. However, the consolidated borrowing cost has increased by 0.18 percentage point as compared to 2007 due to the fact that higher bank interest rates applied for a longer period of time during the year.

— **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 for dividend payments for H shares. The Company obtained a loan of US$9,800,000 in 1998. As at 31 December 2008, the balance of the loan was approximately RMB33,867,000, against which no foreign exchange hedge was made. Fluctuations in exchange rates did not have any material impact on the Company's results.

— **Pledge of assets**

As at 31 December 2008, the Company did not have any pledge of assets.

— **Contingent liabilities**

As at 31 December 2008, the Company did not have any contingent liabilities.

— **Trust deposits**

As at 31 December 2008, 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**

As at 31 December 2008, the balance of trust loans with associate companies amounted to RMB640 million. Please refer to "Capital Dealings with Connected Parties" of "Significant Matters" in this report.

— **Reserves**

Unit: RMB'000

	Share capital	Capital reserve fund	Statutory surplus reserve fund	Undistributed profit	Equity attributable to equity holders of the parent company
1 January 2007	5,037,747	7,488,687	1, 168,876	1,369,420	15,064,730
Profit of the year	—	—	—	1,600,827	1,600,827
Profit appropriation	—	—	181,131	-181,131	0
Dividends	—	—	—	-957,172	-957,172
31 December 2007	5,037,747	7,488,687	1,350,007	1,831,944	15,708,385
1 January 2008	5,037,747	7,488,687	1,350,007	1,831,944	15,708,385
Profit of the year	—	66,717	—	1,554,011	1,620,728
Profit appropriation	—	—	177,340	-177,340	0
Reserves released on disposal af a subsidiary	—	—	-2,524	2,524	0
Dividends	—	—	—	-1,360,192	-1,360,192
31 December 2008	5,037,747	7,555,404	1,524,823	1,850,947	15,968,921

Note: 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.

4. **Changes in accounting policy and accounting estimates**

— **Adjustments of "Accounting Standard for Business Enterprises Interpretation (No.2)" and their impact**

The Group has amended the accounting policy adopted by the Group in accordance with the regulations regarding BOT participation in the public infrastructure construction business stipulated by " Notice on Printing and Distributing Interpretation No.2 to the Accounting Standards for Enterprises" (《關於印發企業會計準則解釋第 2 號的通知》) promulgated by the Ministry of Finance in August 2008 and HK IFRIC – Explanation No.12 "Service Concession Arrangements") with details as follows:

The Group will recognize the relevant revenues and expenses for the construction services provided during the project construction stage according to the "Accounting Standard for Business Enterprises (No.15)- Construction Contracts" and will recognize the revenues and expensed which are relevant to the subsequent operation and services following the completion of construction of the infrastructure according to the "Accounting Standard for Business Enterprises (No.14) - Revenue" with effect from 1 January 2008. Revenue from construction contract should be accounted in accordance with the fair value of the consideration receivable. In the circumstances where project contract suggests that the Group has the right to charge fees from the service client in a specific operating period after the completion of infrastructures, while the amount of charge fees is uncertain and the right does not constitute an unconditional right to collect cash, then the intangible assets should be recognized at the same time of revenue recognition.

The impacts of the abovementioned amendments to the accounting policy are shown as follows:

The Group	**As at 31 December 2008 (RMB'000)**	As at 31 December 2007 (RMB'000)
Decrease in the cost of fixed Assets	**(23,391,317)**	(23,327,245)
Decrease in the accumulated depreciation of fixed assets	**3,862,251**	3,181,866
Increase in the cost of intangible assets	**23,391,317**	23,327,245
Increase in the accumulated amortization on intangible assets	**(3,862,251)**	(3,181,866)

The Company	**As at 31 December 2008 (RMB'000)**	As at 31 December 2007 (RMB'000)
Decrease in the cost of fixed assets	**(21,151,383)**	(21,087,312)
Decrease in the accumulated depreciation of fixed assets	**3,481,063**	2,868,930
Increase in the cost of intangible assets	**21,151,383**	21,087,312
Increase in the accumulated amortization of intangible assets	**(3,481,063)**	(2,868,930)

— **Explanation for the changesin accounting estimates**

During the reporting period, the Group engaged an independenttransport advisor y andassessment institution tomake a reassessment of predicted traffic volumes during the residual toll collection periods for all toll roads owned by the Group, andadjusted the provisions ofamortization amounts for the standard traffic volumes on each roadin accordance with the assessment results.The changes in accounting estimates increased the amortization amount fortoll roads operating rightsby RMB 51.089million in 2008, andwill affect thedistribution of annualamortization amounts for toll roads operating rightsin the future residual toll collection periods.

(V) Business Development Plan for 2009

— **Strategic Development Objectives**

Faced with a more complex business and macro environment, we must think dispassionately and react proactively, and adopt the principles of ensuring "Safety, Free-flow, Supplies and Services" as the raison d'etre and goal of all our tasks. We will maintain good road quality, provide quality and civilized services, and ensure road safety and free flow of traffic. We will further push forward the institutionalized development, bringing the regulated and refined management standards to a new height and enhancing overall management quality. We will expand control over operation and management costs and enhance profitability, ensuring that we will achieve the targets for annual results.

In 2009, the Company's major operations management objectives and initiatives are:

Key Tasks	Planned Measures	Desired Results
Business operation	◇ Strictly implementing various toll collection policies; adopting effective measures and strengthening the effort on toll collection management to ensure full collection of toll revenues. ◇ Strengthening brand-building and characteristic operation of service areas and developing diversified ideas to induce consumption and increase operating revenues at service areas. ◇ Applying cost control to every aspect of production, operation and management; strengthening controls over controllable cost items to further lower costs.	☆ To ensure operating revenue to achieve desired target, whilst lowering operation and management costs and enhancing profitability.
Road operations	◇ Enhancing the work quality of toll collection staff; improving equipment maintenance; strengthening the dynamic monitoring and organization of road traffic conditions to enhance our assurance capability on road operations. ◇ Further improving the management system on road maintenance and clearance; strengthening road and bridge maintenance to ensure good road quality. ◇ Maintaining good traffic order to provide a sound traffic environment for road users.	☆ To maintain fine road quality; to ensure excellent and civilized services across-the-board; and to ensure road safety and smoothness.
Management enhancement	◇ Enhancing the internal control system starting with a comprehensive risk control approach; integrating the documentation for the "certification system" with that for the internal control system and promoting an organic integration of both; enhancing the systematic and operating capacity of the systems; and strengthening monitoring and inspection during implementation. ◇ Further strengthening the comprehensive budget management; strengthening internal audit and financial monitoring work; expanding financing channels and improving the capital structure to decrease finance costs. ◇ Improving the establishment of job positions as well as the complementary performance evaluation and motivation system; strengthening training for succession planning; creating a human resources management system that is capable of supporting the needs of a modern enterprise's operations and management.	☆ To promote the standardization and refinement of management work and to substantially improve overall management capability.
Business development	◇ To seek appropriate investment opportunities for expanding the core toll road business through analysis and studies of the core business and through continuous exploration on emerging market opportunities brought by implemented State policy on infrastructure investment expansion ◇ Proactively monitoring the developments of other industries that are not related to our core business but meet the Company's strategic objectives, with a view to exploring and attempting appropriate diversifications so as to cultivate new income sources.	☆ To actively explore new operations management models and new investment development directions under the prevailing conditions of market economy, so as to achieve a stable, healthy development.

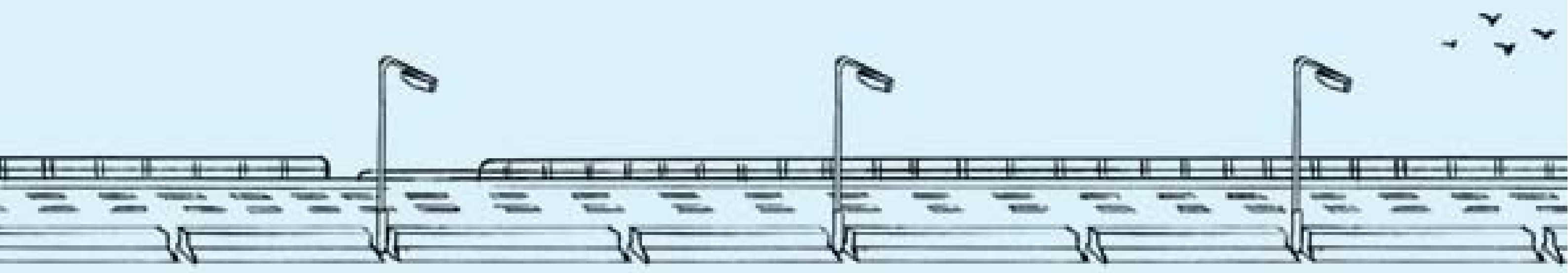
Qian Yong Xiang

Director and General Manager

Nanjing, the PRC, 27 March 2009

Corporate Governance Report

Adhering to the corporate values of integrity and diligence and persisting with a sound principle of corporate governance that enhances transparency and independence of the Company's operations, the Company is committed to enhancing its corporate governance standards on a continuous basis, ensuring a stable development of the Company and striving for the enhancement of shareholder value.



(I) Corporate Governance

The Company has complied with the Company Law, Securities Law, the relevant laws and regulations of the China Securities Regulatory Commission ("CSRC") and the requirements of the listing rules of the The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and the Shanghai Stock Exchange. It has faithfully performed obligations under the Code of Corporate Governance for Listed Companies in China of the CSRC and the Code on Corporate Governance Practices (the "Code") of the Hong Kong Stock Exchange and has adhered to the relevant regulatory requirements of different markets. The Company has also directed its daily activities in strict compliance with various established corporate governance systems and reviewed from time to time its operations and management behaviours. Adhering to the corporate values of integrity and diligence and persisting with a sound principle of corporate governance that enhances transparency and independence of the Company's operations, the Company is committed to enhancing its corporate governance standards on a continuous basis, ensuring a stable development of the Company and striving for the enhancement of shareholder value.

The major corporate governance activities of the Group in 2008 included:

1. Review of the Specific Corporate Governance Activities

During the reporting period, in accordance with the relevent requirements of CSRS on corporate governance, the Company rectified the problems identified during the course of specific corporate governance activities in 2007. The Company has strengthened the formulation of the Company's internal management system; regulated capital flows among the Company, the controlling shareholder and other connected parties; enhanced the operating procedures for Shareholders' Meetings, the Board meetings, specialized committees meetings and the Supervisory Committee meetings; raised the sense of responsibilities of the Company's directors, especially responsibilities of independent directors; improved the procedures for changing and nominating directors and supervisors; further strengthened the investor relations management for domestic and overseas investors; and actively upgraded the Company's corporate governance standards. The Company has reviewed the rectification situation; and rectification work on the problems identified during the course of specific corporate governance activities was basically completed.

2. Enhancement of the Relevant Corporate Governance System

During the reporting period, the Company followed through the latest regulations stipulated by domestic and overseas regulatory authorities in a timely manner while continuing to improve the implementation process, with a view to ensuring that the Company's operation did not deviate from or violate the relevant regulations. With comprehensive risk management as its objective, the Company further promoted the establishment and improvement of the internal control system pursuant to the requirements of the "Basic Principles on Corporate Internal Control". The Company announced and implemented 33 first-tier systems and 69 second-tier systems to effectively control the risk assessment and procedure control on operation, management and financial systems, enhancing the operation and management standards as well as risk prevention ability of the Company. For details on internal control, please refer to the "Self-evaluation Report on Internal Control" in this Chapter.

Pursuant to the relevant requirements of the Jiangsu Securities Regulatory Bureau, the Company launched self-inspection and self-rectification initiatives on any misappropriation of funds by the controlling shareholder and other connected parties of the Company, and no such incident was discovered. In order to thoroughly eliminate and prevent the happening of such incident, the Company has established a long-lasting mechanism to prevent misappropriation of funds pursuant to the requirements of the relevant regulatory authorities. The internal control system was strengthened to enhance the accountability regime. Detailed measures were listed in the relevant documents such as the Articles of Association of the Company. As such, statutory obligations of directors, supervisors and the senior management members on safeguarding the Company's assets are specified; the limit of authority of approval for payment and management of monetary capital is specified; and connected transactions are under strict control so that they are conducted pursuant to statutory procedures, thereby maintaining the independence of the Company, ensuring the safety and completeness of the Company's assets, and protecting legitimate interests of investors.

The Company further upgraded the quality of its information disclosure and regulated disclosure procedures by establishing the "Work Measures on Annual Report for Independent Directors" and "Rules of Procedure on Annual Report for the Audit Committee". As such, the supervisory roles of the independent directors and the audit committee in the process of preparation and disclosure of the Company's annual report are in full play.

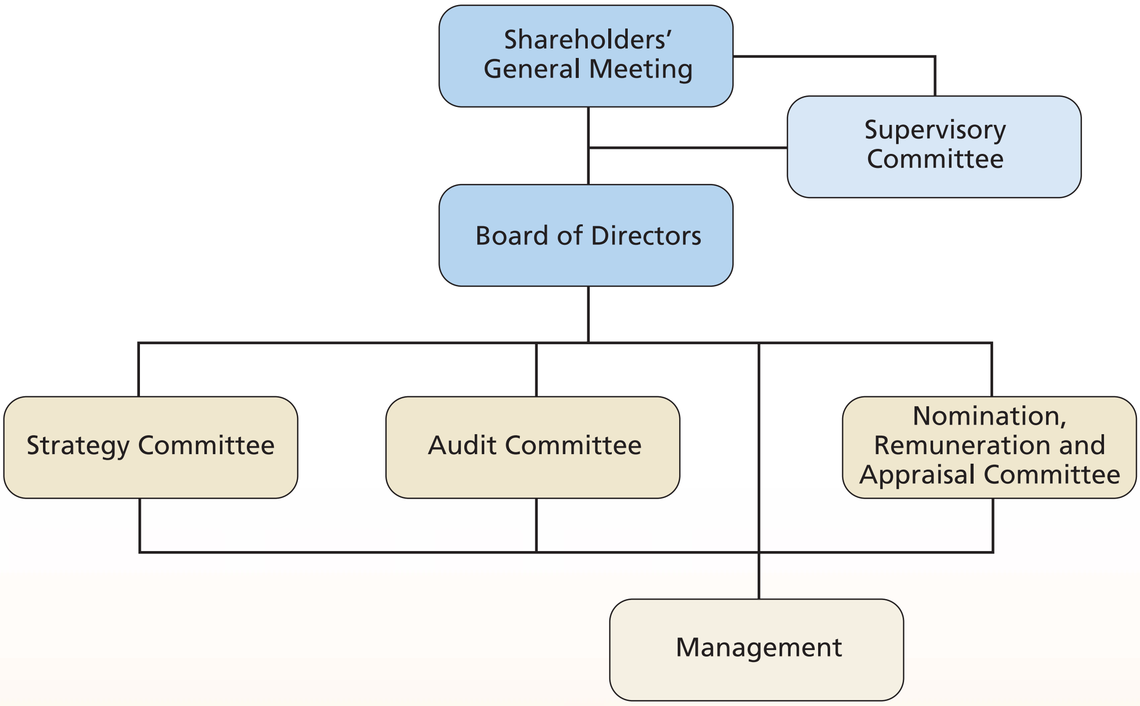
3. Inspections by Regulating Authorities

During 2008, the Jiangsu Securities Regulatory Bureau conducted two specific on-site inspections on the Company in May and November respectively. The inspection mainly focused on capital flows among connected parties, capital borrowing and external guarantees, control of subsidiaries and financial risks management, the "Three Meetings" and the comprehensive governance situation. The Jiangsu Securities Regulatory Bureau was of the view that the relevant inspected items of the Company basically met the governance requirements; that the Company's internal control was sound, no material financial risks were discovered.

The healthy and sound governance of the Company also won wide recognition from authoritative institutions. In the 2008 Corporate Governance Reports of Top 100 Chinese Listed Companies released by the Center for China Corporate Governance of the Chinese Academy of Social Sciences, the Company was among the Top 100 again and ranked fourth.

During the reporting period, the actual governance situation did not deviate from the requirements of the relevant laws and regulations of the CSRC. None of the Company, the Board, the Supervisory Committee and directors, supervisors and the senior management members of the Company were subject to administrative penalty, criticisms through circulation of a public notice or other public reprimand by the regulatory authorities.

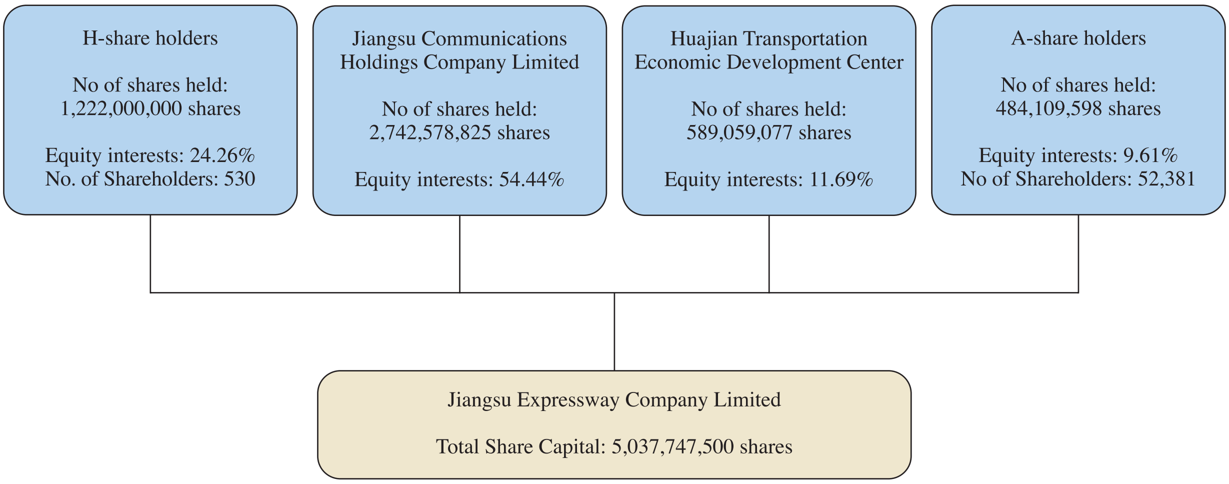
(II) Corporate Governance Structure



1. Shareholders and General meetings

The Company treats all shareholders equally and ensures that all shareholders have the right to be informed of, and to make decisions on, material matters relating to the Company. The Company ensures that all shareholders, in particular medium and small shareholders, have the right to speak, are treated equally, and may fully exercise their rights. The notification, authorization and deliberation of general meetings complied with the relevant procedures.

— Substantial Shareholders



Jiangsu Communications Holdings Company Limited and Huajian Transportation Economic Development Center are substantial shareholders of the Company, holding approximately 54.44% and 11.69% of the Company's shares, respectively. These two companies have not bypassed the general meetings to intervene directly or indirectly the decision making process and the operation of the Company.

— Independence from the Controlling Shareholder

Business independence	The Company and the controlling shareholder have separate scopes of operation and independent operating projects, allowing the Company to have integral independence of its business as well as autonomy over its operations.
Personnel independence	There is no dual office-holding and the Company possesses the autonomy of appointment, removal and decision-making regarding labour, personnel and remuneration management, while the controlling shareholder's nominations of director and supervisor candidates to the Company are conducted under lawful procedures.
Assets independence	The assets of the Company are strictly separated from the controlling shareholder. The Company possesses entire ownership over the operating assets and operates with total independence.
Institutional independence	There are no "same staff wearing two hats", mixed operation or joint offices, and offices and operating locations are separate.
Financial independence	The Company has an independent financial department in the finance discipline with independent accounts. The Company has the autonomy in decision-making regarding the Company's finances. The use of funds is not interfered by the controlling shareholder.

— **Shareholders' General Meeting**

The holding, convening and procedures of the shareholders' general meeting are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information". For details of the Annual General Meeting, please refer to "Shareholder's General Meeting".

2. *Directors and the Board*

The current session of the Board is the fifth session of the Board, comprising 11 members, of whom one is executive director and 10 are non-executive directors (4 of them are independent non-executive directors), with a term ending at the date of the 2008 Annual General Meeting. The composition, members and operational procedures of the Board are set out in Section (III) "Compliance with the Code on Corporate Governance Practices and Other Information" in this Chapter.

— **Independent Non-executive Directors**

The four independent non-executive directors of the Company are Chang Yung Tsung, Fang Hung, Kenneth, Yang Xiong Sheng and Fan Cong Lai, accounting for more than one-third of the members of the Board and including an independent non-executive director with professional qualification and financial management experience. The independent non-executive directors possess rich professional knowledge and management experience on various aspects, such as enterprise management, finance and securities, financial management and human resources, and they are responsible for important duties in the various specialized committees of the Board. Independent non-executive directors account for a majority in the Audit Committee and the Nomination, Remuneration and Appraisal Committee, and an independent non-executive director holds the chairmanship in each of these committees. The Company has received the confirmation letters in writing in respect of their independence from each of the independent non-executive directors and it is of the view that the relevant independent non-executive directors have complied with the relevant guidelines under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and are independent parties.

Discharge of duties by independent non-executive directors:

Name of independent non-executive director	Number of board meetings required to be attended during the year	Attendance in person	Attendance by proxy	Absence
Chang Yung Tsung	7	7	0	0
Fang Hung, Kenneth	7	5	2	0
Yang Xiong Sheng*	7	6	0	1
Fan Cong Lai	7	7	0	0

* Mr. Yang Xiong Sheng was not able to participate in the voting on Board resolutions at the seventeenth meeting of the fifth session of the Board on 18 July 2008 due to being on a business trip.

The independent non-executive directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner in compliance with the relevant laws, regulations and the "Detailed Rules for the Operation of Independent Directors", giving their professional opinions and independent judgement on the decision-making for significant matters discussed by making use of their professional knowledge and experience. During 2008, through their participation in the Board and the specialized committees, the independent directors have examined substantial matters such as the Company's investment and financing decisions, connected transactions, nominations of senior management, financial auditing and internal control, thereby carrying out a good monitoring and balancing role in terms of protecting the interests of the Company and the shareholders as a whole.

During the reporting period, the independent directors of the Company expressed no disagreement on all matters regarding the Company.

— Specialized Committees of the Board

Three specialized committees were established under the Board of the Company, including the Audit Committee, the Strategy Committee, and the Nomination, Remuneration and Appraisal Committee. Each committee formulated its detailed operating procedures in order to define the scope of its work authority and procedures of performing duties. The detailed rules for operation have been approved by the Board.

The Audit Committee

The Audit Committee was established in 2001. Its current members comprise Yang Xiong Sheng (the Chairman), Fan Cong Lai and Du Wei Yi, of whom two are independent directors.

Duties

The Audit Committee is principally responsible for reviewing and monitoring the quality and procedures of the Company's financial reporting and supervising the establishment and implementation of the Company's internal audit system; examining the financial information and information disclosure of the Company and its subsidiaries; checking the establishment of the Company's internal control system and supervising its implementation, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company.

Major work during the year

Report on Discharge of Duties in 2008 by the Audit Committee

The Audit Committee held four meetings in 2008 at which the management and the financial controller reported on the financial position of the Company and major matters relating to internal control. The attendance of all members at the meetings was satisfactory. Major matters examined by the Audit Committee during the year included:

The 2007 financial report and the first quarterly, interim and third quarterly financial reports for 2008 were reviewed and recommended to the Board for approval; recommendations were made to the Board on the appointment of the Company's domestic and overseas auditors; the internal control outline and risk control proposal prepared by the Company were examined; the effectiveness of the Group's internal control system is inspected quarterly; the internal audits of the Company were supervised and appraised; and capital dealings of the Company with the major shareholder and other connected parties were inspected.

At the beginning of 2008, the Audit Committee formulated the "Guidelines on Work of Annual Report". It conscientiously discharged its duties during the reporting period and had sufficient communication with the Company's external auditors. Before commencing the annual and interim audits, meetings were held with the management team of the Company and the Company's external auditors to discuss and communicate on various financial and auditing issues such as the accounting policies to be adopted for audits, substantial accounting treatments and the impact of the New PRC Accounting Standards adopted from 1 January 2007 onwards, so as to understand the procedures and principles for preparing the auditors' reports, which formed the basis for appraisal.

According to the aforementioned reviews and the review on the auditors' report prepared by the domestic and overseas auditors under the PRC and Hong Kong According Standards, the Audit Committee was of the view that the Company's financial reports were completely truthful and recommended the Board to approve the 2008 consolidated financial report and the relevant auditors' report.

Meanwhile, the Audit Committee also regularly inspected the commencement of internal audits and the execution of the internal control system, made reasonable recommendations to the management to enhance the internal control and corporate governance standards. The committee also examined all connected transactions of the Company and supervised the transaction procedures to ensure that the requirements of domestic and overseas listing rules were complied with. In addition, the committee studied financing proposals jointly with the Company's finance departments, provided expert opinion to the Company management or reminded them with the relevant risks.

In 2008, the Company has established a systematic and comprehensive internal control management system in accordance with the relevant regulations. The Audit Committee will enhance the inspection and supervision on the effective implementation of the internal control system and will submit fair and objective appraisal reports to the Board.

Audit Committee members:

YANG Xiong Sheng, FAN Cong Lai, DU Wen Yi
27 March 2009

The Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Sheng Chang Quan (the Chairman), Chen Xiang Hui, Qian Yong Xiang, CUI Xiao Long, FAN Cong Lai, of whom one is independent director.

Duties

The Strategy Committee is principally responsible for examining and reviewing the strategic development direction of the Company, studying and making recommendations on substantial capital operations, asset operation projects and investment and financing proposals, determining the Company's strategic planning, supervising the execution of strategies and enhancing the investment decision-making procedures, so as to strengthen scientific decision-making and improve the efficiency of making substantial investment decisions and the quality of such decisions.

Major work during the year

The Strategy Committee held two meetings in 2008 and the attendance of all members at the meetings was satisfactory. Major matters determined by the Strategy Committee during the year included:

Conducted strategic study on the establishment of Jiangsu Ninghu Properties Co., Ltd., by the Company and considered and approved its implementation.

Adequate assessment over the investment on Suzhou Nanlin Hotel Co., Ltd: and considered and approved that investment.

The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee was established in 2001. Its current members comprise Chang Yung Tsung (the Chairman), Fang Hung, Kenneth, Yang Xiong Sheng, Zhang Yang, Sun Hong Ning, of whom three are independent directors.

Duties

The Nomination, Remuneration and Appraisal Committee is principally responsible for making recommendations on appointment, re-appointment, removal and recruitment taking procedures of candidates for directorship; regularly reviewing the structure, membership and composition of the Board; examining the independence of the independent non-executive directors; and making recommendations on determining remunerations for directors and supervisors and on the Company's remuneration policy.

Major work during the year

Report on Discharge of Duties in 2008 by the Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee held two meetings in 2008 and the attendance of all members at the meetings was satisfactory. Major tasks included:

The committee examined the changes of two directors and the appointment of the General Manager of the Company and confirmed the continued independence of the independent directors. In the process of staff selection, criteria considered by the committee included the relevant individual's integrity, his/her achievements and experiences in the relevant sector, his/her professional and educational background and his/her commitment, which included the time available for the job and his/her attention to the relevant matters.

The committee has examined the remuneration information of directors, supervisors and senior management disclosed in this annual report and was of the view that the data disclosed were truthful and accurate. Besides, none of the directors, supervisors or senior management of the Company held any shares, share options or restricted shares of the Company granted to them, and the Company had not adopted any share option incentive schemes currently.

The committee had appraised and assessed the discharge of duties by the directors and the management during 2008 and was of the view that all directors had loyally fulfilled their obligations honestly and diligently and have dutifully fulfilled and discharged their duties under their respective service contracts, while the management of the Company discharged their duty professionally and conscientiously and satisfactorily achieved the Company's various operation and management objectives for the year which were pre-set by the Board in early 2008,

Nomination, Remuneration and Appraisal Committee members:

CHANG Yung Tsung, FANG Hung, Kenneth, YANG Xiong Sheng, ZHANG Yang, SUN Hong Ning
27 March 2009

3. Supervisors and Supervisory Committee

The current session of the Supervisory Committee is the fifth session of the Supervisory Committee and has a term ending at the date of the 2008 Annual General Meeting. The Company's Supervisory Committee comprises five supervisors, of whom three are representatives of the shareholders and the other two are staff representatives of the Company. The number of members and composition of the Company's Supervisory Committee is in compliance with the requirements of the relevant laws and regulations.

The Supervisory Committee is accountable to all the shareholders and exercises power of surpervision on the Company independently in accordance with the laws. Financial monitoring is the core responsibility among all of its specific duties. Besides, it is also responsible for supervising the performance of fiduciary duties of the directors, managers and other senior management members of the Company. They also safeguard the Company's assets, lower the Company's financial and operational risks and protect the legitimate interests of the Company and the shareholders.

The Secretary to the Board also takes up the duties of the secretary of the Supervisory Committee, responsible for the daily operation of the Supervisory Committee while facilitating communications among the Supervisory Committee and the Board and the management of the Company. In 2008, the Supervisory Committee held four meetings, and all supervisors were sat in on each Board meeting. The Supervisory Committee supervised the Company's financial matters and the lawful and regulatory performance of duties by the Directors and senior management members, conscientiously discharging the duties of the Supervisory Committee. For details of the work of the Supervisory Committee and the Supervisors, please refer to "Report of the Supervisory Committee" of this annual report.

4. The Management

The operating procedures of the Management are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".

(III) Compliance with the Code on Corporate Governance Practices and Other Information

During the reporting period, the Board reviewed daily governance of the Company in accordance with the relevant provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules and considered that, from 1 January 2008 to the date of this report, the Company regulated its operation and carried out strict governance in accordance with the relevant code provisions. The Company has met the requirement of provisions of the Code basically and strived to achieve the various recommended best practices.

The Board and the management undertake to adhere to high standards of corporate governance. In addition to its compliance with the Code, the Company has formulated various governance systems which have exceeded the existing and proposed requirements of the Hong Kong Stock Exchange (details of which are included in this report) which include "Rules of Proceedings for General Meetings", "Rules of Proceedings for Board of Directors Meetings", "Rules of Proceedings for Supervisory Committee Meetings", "Detailed Rules for the Operation of Specialized Committees", "Detailed Rules for the Operation of Independent Directors", "Detailed Rules for the Operation of General Manager", the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees", "Administrative Measures for the Disclosure of Information", "Work System on Investor Relations Management", and so forth. Each of the systems was strictly followed in order to enhance the level of the Company's corporate governance.

Detailed explanations on the Company's compliance with the Code are set out below.

A. Directors

A1. The Board

Code Principle	• The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should make decision objectively in the interests of the issuer.
The best corporate governance status	• The Board of the Company reports to shareholders' general meetings and fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board of Directors Meetings" within its terms of reference as stipulated by the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the best stable long-term returns.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Regular Board meetings to be held at least four times a year, approximately once every quarter. A regular Board meeting does not include the practice of obtaining Board's approval through circulation of written resolutions	Yes	• In 2008, the Company held seven Board meetings, including four regular meetings and three extraordinary meetings. • Each of the Board meetings was actively participated by the majority of directors who were entitled to attend, either voting in person or by proxy or through other means of participation. Details of attendance of 2008 Board meetings:

	Attendance / Number of meetings	Attendance Rate
Chairman		
Shen Chang Quan	7/7	100%
Executive Director		
Xie Jia Quan*	5/5	100%
Non-executive Director		
Zhang Yang	7/7	100%
Sun Hong Ning	7/7	100%
Chen Xiang Hui	7/7	100%
Fan Yu Shu*	1/1	100%
Cui Xiao Long	7/7	100%
Du Wen Yi*	5/5	100%
Independent Director		
Chang Yung Tsung	7/7	100%
Fang Hung, Kenneth	7/7	100%
Yang Xiong Sheng*	6/7	86%
Fan Cong Lai	7/7	100%

* Mr. Xie Jia Quan resigned from the position of General Manager of the Company in October 2008. Number of Board meetings required to attend for the year was five.

* Ms. Fan Yu Shu resigned from the position of Director of the Company in March 2008. Number of Board meetings required to attend for the year was one.

* Mr. Du Wen Yi was appointed as a director of the Company in June 2008. Number of Board meetings required to attend for the year was five.

* Mr. Yang Xiong Sheng, an Independent Director, was not able to attend the seventeenth meeting of the fifth session of the Board due to being on a business trip.

Code provision	Compliance	Corporate governance procedures
• All directors are given an opportunity to include matters in the agenda for regular Board meetings	Yes	• All directors were given an opportunity to include matters in the agenda for regular Board meetings but such right was not exercised during the year.
• Notice of at least 14 days shall be given of a regular Board meeting	Yes	• Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all directors were given an opportunity to attend.
• All directors shall have access to the advice and services of the secretary to the Board	Yes	• The Secretary to the Board maintained close communications with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advice to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation was in compliance with the procedures.
• Minutes of meetings shall be kept by the Secretary to the Board and open for inspection by any director at any reasonable time	Yes	• Secretary to the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were available for inspection by any director at any reasonable time.
• Minutes of meetings shall record in sufficient detail the matters considered by the directors and decision reached at meetings	Yes	• The minutes of meetings reflected objectively the consideration, voting and opinions given by the directors in detail and were duly signed by directors attending the meetings.
• Directors could seek independent advice under an agreed procedure at the Company's expense	Yes	• In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of Directors at the Company's expense. During the year, no director has individually requested the Company to seek professional independent opinion on any relevant matter.
• If a substantial shareholder or a director has a conflict of interest in respect of a material matter, the Company shall convene a Board meeting in due course and the relevant connected directors shall abstain from voting	Yes	• The Company has made it clear that, if a substantial shareholder or a director has a conflict of interest in respect of any material matter, the connected director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the reporting period, all connected directors abstained from voting on the investment in Suzhou Nanlin Hotel by Guangjing Xicheng and the connected transactions regarding the leasing of office spaces among the Company, Jiangsu Sundian and Toll-network Company at the eighteenth meeting of the fifth session of the Board. • The voting and quorum as stipulated in the Articles of Association conform with the provisions of the Code.

Recommended best practices:

- Various Board committees of the Company have adopted principles and procedures of broadly the same as stated above.

A2. Chairman and Chief Executive Officer

Code principle	•	There should be a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.
The best corporate governance status	•	The Company has clearly defined the responsibilities of the Chairman and the General Manager. The responsibilities of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Roles of the Chairman and the Chief Executive Officer should be separate and clearly established and set out in writing	Yes	• Shen Chang Quan assumed the position of Chairman. The term of office of Mr. Xie Jia Quan, General Manager, expired on October 2008. The Board has appointed Mr. Qian Yong Xiang to take up the position as General Manager. The Chairman concentrated his work on the Group's development strategies and matters of the Board and the General Manager was in charge of the management and development of the operations specifically. The General Manager assumed the duties of the Chief Executive Officer. The separation of roles is explained in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager". • There was no relationship existing between the Chairman and the Chief Executive Officer, including financial, operational, family or other relevant relations.
• The Chairman should ensure all directors be briefed on issues arising at Board meetings	Yes	• The Board has established a reporting system in which at each regular meeting, the General Manager reports to each director the most updated status of the Company, at least four times per year. The Chairman also tabled the decision making on any material matters of the Group to the Board for collective discussion by the directors at the meeting.
• The Chairman should ensure that Directors receive adequate information in a timely manner	Yes	• The Chairman has appointed the Secretary to the Board to provide timely information regarding the performance of the Board's obligations and is committed to continuously improving the quality and timeliness of the information.

Recommended best practices:

- Agenda of the Board meetings have been discussed by the Chairman, Executive Directors and Secretary to the Board and were determined after considering all the matters motioned by the Non-executive Directors.
- The Chairman played a significant role in the development of the Company' s corporate governance system. The Chairman assigned the Secretary to the Board to formulate a sound corporate governance system and procedures and supervised the management to faithfully perform the various systems, ensuring the Company's standardized operation.
- The Chairman encouraged all the Directors to devote their efforts to the matters of the Board and promoted effective contribution made by the directors to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company.
- The Chairman attached great importance to the effective communication between the Company and its shareholders and enhanced investor relations continuously so as to realize best returns for shareholders. The Chairman also valued the contributions made by the Directors to the Board and strived to ensure that there were constructive relations between Executive Directors and Non-executive Directors.

A3. Board Composition

Code principle	•	The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively. Non-executive directors should comprise sufficient members and possess sufficient competence so that their opinions will have an impact.
The best corporate governance status	•	The Board of the Company comprises a total of 11 directors, including 1 Executive Directors, 6 Non-Executive Directors and 4 Independent Non-Executive Directors, where the independent non-executive directors represent over one-third of the Board members. In 2006, the election of all members of the new session of the Board was held and the fifth session of the Board was formed. The term of the directors commenced from June 2006 and will end at the 2008 Annual General Meeting.
	•	The Directors are elected or replaced by Shareholders' General Meetings. The Company adopts cumulative voting in the election process for directors. The term of a director is three years. The appointment of all directors is determined by Shareholders' General Meeting. Directors can be re-elected when their terms expire.
	•	Members of the Board have different industry background. They are diversified in experience, competence and judgemental skills, which makes the Board more prudent and considerate when making decisions.
	•	There exists no relationship among Board members, including financial, operational, family or other relevant material relations.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Identify the Independent Non-executive Directors in all corporate communications	Yes	• The Board members are disclosed in all corporate communications according to the types of directorship (including Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors).

Recommended best practices:

- The four Non-Executive Independent Directors, namely Chang Yung Tsung, Fang Hung, Kenneth, Yang Xiong Sheng and Fan Cong Lai, accounted for over one-third of the members of the Board with one Independent Non-executive Director possessing professional qualifications and financial management experience. The Company has received from each of its Independent Non-executive Directors confirmation letter in writing of his/her independence, and it is of the view that the relevant Independent Directors complied with the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules and were independent parties.
- The Company has provided on its website the list and profiles of current Board members, together with their roles, responsibilities and independence.

A4. Appointment, Re-election and Removal

Code principle	• There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals. The issuer should provide reasons for the resignation or dismissal of any director.
The best corporate governance status	• The Board of the Company has established the Nomination, Remuneration and Appraisal Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a shareholders' general meeting. During the process of selection, the criteria considered by the Nomination Committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth. • In 2008, the Nomination, Remuneration and Appraisal Committee met two times to assess the performance of fulfiling duties of the Directors in the previous year and considered that all Directors had conscientiously performed their service contracts. Meanwhile, the nominations of senior management of the Company and changes in directors were reviewed and recommendations on the Independent Directors' remuneration standards were provided, with opinions subsequently submitted to the Board for consideration. • In 2008, Mr. Xie Jie Quan and Ms. Fan Yu Shu, both Directors, tendered their resignations. The Company has explained the reasons of their resignations to the shareholders through announcements. • For the work of the Nomination, Remuneration and Appraisal Committee during the year, please refer to "(II) Corporate Governance Structure" of this chapter.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Non-executive Directors should be appointed for a specific term, subject to re-election	Yes	• Directors are appointed for a term of three years. All directors are appointed at a general meeting and can be re-appointed upon expiry of the term.
• Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment	Yes	• All directors are elected or replaced by Shareholders' General Meetings. The Company has introduced the cumulative voting system for the election of directors.
• Each director should be subject to retirement by rotation at least once every three years	Yes	• The Company Law and the Articles of Association of the Company stipulate that each session of the Board is for a term of 3 years, each director is appointed for a term of three years and should retire upon the expiry of the three-year term. Any re-appointment is subject to re-election at a Shareholders' General Meeting. • During the reporting period, Mr. Xie Jia Quan and Ms. Fan Yu Shu, both Directors, retired and were replaced by Mr. Qian Yong Xiang and Mr. Du Wen Yi.

Recommended best practices:

- The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. Chang Yung Tsung, Fang Hung, Kenneth, Yang Xiong Sheng, Zhang Yang and Sun Hong Ning are members of the committee, of whom three are Independent Non-executive Directors. The Chairman of the committee is Chang Yung Tsung.
- The Company has formulated the "Detailed Rules for the Operation of the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the committee and has published its terms of reference on web sites. The Company provided sufficient resources for the committee to perform its duties. The major responsibilities of the committee are set out in "Specialized Committee of the Board" of this Chapter.
- As far as the election of an independent non-executive director is concerned, the Company will include the reasons for appointing the person and the independence statement in the notice of the general meeting and the circular to the shareholders.

A5. Responsibilities of Directors

Code principle	•	Each director is required to keep abreast of responsibilities as a Director of the issuer and of the conduct, business activities and development of the issuer.
The best corporate governance status	•	The Company has formulated the "Rules of Proceedings of Board of Directors Meetings", "Detailed Rules for the Operation of Committees" and "Detailed Rules for the Operation of Independent Directors" to specify the responsibilities of all directors so as to ensure that all directors understand their roles and duties thoroughly.
	•	The Secretary to the Board is responsible for ensuring that all directors obtain the Company's latest business development and updated statutory information on the Company's latest business development.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Each new director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of his/her responsibilities under legal requirements and the regulatory policy	Yes	• A comprehensive information package and relevant training which comprises an introduction to the Group's operations, a brief introduction to directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. • All non-executive directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management. • The Secretary to the Board is responsible for ensuring that all directors obtain the latest information on the Listing Rules and other statutory requirements.
• Responsibilities of Non-executive directors	Yes	• Non-executive directors have actively participated in board meetings and served as committee members, reviewed the progressing of the Company's business objectives and provided independent opinions on the Board's decision making. • Responsibilities of Non-executive directors include: — Independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings of the issuer; — Take a leading and guiding role on potential conflicts of interests; — Serve on the audit, remuneration, nomination and other governance committees, if invited, and; — Scrutinize the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Code provision	Compliance	Corporate governance procedures
• Each director should ensure that he / she can give sufficient time to the affairs of the Company	Yes	• All directors have worked hard and faithfully performed their duties. There was satisfactory attendance at board meetings and meetings of the various committees in 2008. For records of attendance of the meetings, please refer to the relevant section of this Chapter.
• Directors must comply with the Model Code as set out in Appendix 10	Yes	• The directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules in 2008. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees. The model code's standards on securities transactions by directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers".

Recommended best practices:

- All directors will have opportunities to receive professional training arranged by the Company for them during their terms of office.
- Each director regularly provides information to the Company on and after his / her appointment as to his / her employment with other companies (including employment as directors or supervisors in listed companies in the previous three years) and other major commitments.
- All non-executive directors have attended board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. Most non-executive directors have attended the Shareholders' General Meetings of the Company.

A6. Supply of and Access to Information

Code principle	•	Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to discharge their duties and responsibilities.
The best corporate governance status	•	The Secretary to the Board is responsible for providing all information to directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continued basis.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Meeting documents should be sent to directors at least three days before the date of a Board or committee meeting	Yes	• Meeting materials were sent to directors at least three days before the date of each Board or committee meeting.
• The management has the responsibility to provide sufficient information to the Board and its committees in a timely manner so that the Board can make informed decisions. Each director could have separate and independent access to the Company's senior management for making further enquiries	Yes	• The management provided sufficient information to the Board and its committees in a timely manner. Directors could have separate and independent access to the Company's senior management for obtaining necessary information. The Board and the committees would make arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.
• All directors are entitled to have access to Board papers and related materials. Steps must be taken by the Issuer to respond as promptly and fully as possible to queries raised by directors	Yes	• All Board papers and related materials have been kept by the Secretary to the Board for inspection by directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations and respond to queries.

B. *Remuneration of Directors and Senior Management*

B1. The Level and Make-up of Remuneration and Disclosure

Code principle	•	The Company should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his/her own remuneration.
The best corporate governance status	•	The Company has established the Nomination, Remuneration and Appraisal Committee, with its scope of duties including formulating and reviewing the remuneration policy and plan for the Company's directors and managers. Other than four independent non-executive directors, the remaining directors have not received any directors' remuneration from the Company. The remuneration for independent non-executive directors is determined with reference to the average market level and the Company's current status. Executive directors have received management remuneration from the Company. During the year, no director participated in determining his/her own remuneration.
	•	During the year, the remuneration paid by the Company to two non-domestic independent directors amounted to HK$200,000 each person per year. The remuneration paid to two domestic independent directors amounted to RMB50,000 each person per year. Other than remuneration, independent directors have not received other compensation from the Company.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• The Issuer should establish the Remuneration Committee with a majority of members of the committee are independent non-executive directors	Yes	• The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. For details please refer to the section A4 "Appointment, Re-election and Removal" in this Chapter.
• The Remuneration Committee should consult the Chairman or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors	No	• Other than the General Manager who serves as executive director, the Company does not have other executive directors. The General Manager receives management remuneration but not directors' remuneration.
• The responsibilities of the Remuneration Committee	Yes	• The Company has formulated the "Detailed Rules for the Operation of the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the Committee.
• The Remuneration Committee should make available its terms of reference and be provided with sufficient resources to discharge its duties	Yes	• The terms of reference have been published on the Company web site. The Company will provide sufficient resources for the Committee to discharge its duties.

Recommended best practices:

- The remuneration of executive directors and senior management has been generally linked with corporate and individual performance.
- The Company has disclosed the remuneration of each director, supervisor and member of senior management with their names in the annual report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" of this annual report.

C. Accountability and Audit

C1. Financial Reporting

Code principle	• The Board should present a clear, comprehensive assessment of the Company's performance, position and prospects.
The best corporate governance status	• The Board has strived to provide comprehensive information in all regular financial reports issued to shareholders so as to comply with the regulatory requirements of the stock exchanges in both Hong Kong and Shanghai and continues to improve the management discussion and analysis, thereby disclosing comprehensive information on the Company's production and operation, finance and project development. Meanwhile, it will also take the initiative to increase the amount of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Group's operating management status and prospects.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• The management will provide such explanation and information to enable the Board to make assessment of the relevant matters	Yes	• The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all directors to make assessment with merits on the financial and other information submitted to them for approval.
• Directors should acknowledge their responsibilities for preparing the accounts; there should be a statement by the auditors about their reporting responsibilities in the report	Yes	• Directors have been responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. • The auditors' report stated the reporting responsibilities.
• The board should present a balanced, clear and comprehensible assessment of the Company's performance in regular reports, announcements on share price-sensitive information and other financial information required to be disclosed	Yes	• The Board gave an objective, fair and clear presentation of the Group's position and prospects in all circulars issued to shareholders.

Recommended best practices:

- Apart from issuing annual results and interim results reports, the Company has prepared and issued the results and reports for the first and third quarters pursuant to the requirements of the Shanghai Stock Exchange. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for shareholders to assess the performance, financial position and prospects of the Company.

C2. Internal Control

Code principle	•	The Board should ensure that the issuer maintains sound and effective internal control to safeguard the shareholders' investment and the issuer's assets.
The best corporate governance status	•	The Board has authorized the management of the Company to establish and implement the internal control system and conduct reviews on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. For details, please refer to the section "Self-evaluation Report on Internal Control by the Board of Directors of Jiangsu Expressway Company Limited" in this Chapter.
	•	The Company has appointed accountants with qualifications of the Hong Kong Institute of Certified Public Accountants pursuant to the requirements of the Hong Kong Stock Exchange to assist the accountants of the Company, and cooperated with the Audit Committee to audit the Company's financial reports and relevant accounts regularly and reported to the Board.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Directors should conduct at least once a year a review of the effectiveness of the internal control system (including financial control, operating control, compliance control and risk management functions)	Yes	• Currently, the Company has established the internal control system. For details, please refer to the section "Self-evaluation Report on Internal Control" in this Chapter.

Recommended best practices:

- The Company has ensured that the information disclosed in all circulars issued to shareholders are meaningful information and that the information do not contain misrepresentations, misleading statements or major omissions and is jointly and severally responsible for the truthfulness, accuracy and completeness of the statements contained therein.

C3. Audit Committee

Code principle	•	The Audit Committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.
The best corporate governance status	•	The Company has established the Audit Committee and Yang Xiong Sheng, Fan Cong Lai and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive directors, of whom two are independent non-executive directors and one independent director possesses professional qualifications and professional experience in financial management. Mr. Yang Xiong Sheng is appointed Chairman of the Committee.
	•	The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The scope of responsibility is specified clearly in "Detailed Rules for the Operation of the Audit Committee".
	•	The Audit Committee held four meetings in 2008 at which the management and the financial controller reported on the financial position of the Company and major matters related to internal control.
	•	During the year, the Audit Committee made two direct contacts with external auditors of the Company, before the preparation of the annual auditor's report and the interim review report, to understand the procedures and principles for the preparation of the auditors' report and to discuss the relevant issues with the auditors, so as to serve as a basis for evaluation.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting and should be confirmed by all members of the Committee	Yes	• The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the Committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed way and were signed by all directors attending the meetings for confirmation.
• A former partner of the existing auditors should not sit on the Audit Committee	Yes	• None of the Audit Committee members is a former partner of the external auditors.
• The terms of reference of the Audit Committee should be made available in a timely manner	Yes	• The Company has formulated the "Detailed Rules for the Operation of the Audit Committee" to specify the terms of reference, the work procedures for the Committee and the authorities granted by the Board so as to meet the Code's requirements. This has been published on the Company's website.
• The Board should obtain opinions from the Audit Committee on the selection or removal of external auditors	Yes	• The Audit Committee makes recommendations on the selection or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board.
• The Audit Committee should be provided with sufficient resources to discharge its duties	Yes	• The Audit Committee may seek necessary independent professional advices pursuant to the established procedures at the costs of the Company. No such event took place during the year.

Recommended best practices:

- There are members of the Audit Committee who act as main representatives between the Company and external auditors and are responsible for monitoring and coordinating the relationship between the parties.

D. Delegation by the Board

D1. Management Functions

Code principle	•	The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.
The best corporate governance status	•	The main functions and duties of the Board include convening the shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders' general meetings.
	•	The Board may delegate part of its functions and duties to specialized committees, directors' working teams and the management and specify matters requiring approval by the Board.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• When the Board delegates aspects of its management and administration functions to the management, it must at the same time give clear directions as to the authorities of the management	Yes	• The management is accountable to the Board. Its main functions and duties include being in charge of the Company's production and operation management, organization and implementation of the annual operational plans and investment proposals approved by the Board, and implementation of the resolutions passed by the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings. The Board has issued clear guidelines on the rights and responsibilities of the management.
• The issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis	Yes	• The Company has specified the matters that required to be resolved at Board meetings in the "Detailed Rules for the Operation of General Manager".

Recommended best practices:

- The Company has specified the separate functions and duties between the Board and the management in the "Articles of Association", the "Rules of Proceedings for Board of Directors Meetings" and the "Detailed Rules for the Operation of General Manager", which have been published on the Company's website.
- Each newly appointed director will receive a formal appointment letter specifying the major terms and conditions of the appointment.

D2. Board Committees

Code principle

- Board committees should be formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

The best corporate governance status

- The Board of the Company has established three specialized committees, including the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee. The Board selects and appoints members of each committee by taking into account the expertise and experience of each director so that each committee can commence its work with high efficiency. Most members of the Audit Committee and the Nomination, Remuneration and Appraisal Committee are independent non-executive directors.
- Each committee has defined rules for operation which deal clearly with the committee's authority and duties as well as the procedures for handling matters.
- Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in committee affairs. The Secretary to the Board offers comprehensive assistance to facilitate commencement of the work of all committees.

Records of Attendance of Meetings of Specialized Committees in 2008 (Attendance / Number of Meetings)

Name	Position	Strategy Committee	Audit Committee	Nomination, Remuneration and Appraisal Committee
Sheng Chang Quan	Chairman and Non-executive Director	2/2	—	—
Xie Jia Quan	Executive Director	2/2	—	—
Sun Hong Ning	Non-executive Director	—	—	2/2
Chen Xian Hui	Non-executive Director	2/2	—	—
Zhang Yang	Non-executive Director	—	—	2/2
Fan Yu Shu*	Non-executive Director	—	1/2	—
Du Wen Yi*	Non-executive Director	—	2/2	—
Cui Xiao Long	Non-executive Director	2/2	—	—
Chang Yung Tsung	Independent Non-executive Director	—	—	2/2
Fang Hung, Kenneth	Independent Non-executive Director	—	—	2/2
Yang Xiong Sheng	Independent Non-executive Director	—	4/4	2/2
Fan Cong Lai	Independent Non-executive Director	1/2	4/4	—

* *Ms. Fan Yu Shu, a member of the Audit Committee, retired in March 2008. Mr. Du Wen Yi was appointed as member of the Audit Committee in June 2008.*

For the 2008 work reports of the respective committee, please refer to "(II) Corporate Governance Structure" of this Chapter.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• The Board should specify clearly the terms of reference of the committees so that the committees can perform their duties properly	Yes	• The three committees established by the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".
• The terms of reference of the committees should require them to report to the Board their decisions and recommendations	Yes	• The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.

E. Communication with Shareholders

E1. Effective Communications

Code principle	•	The Board should endeavour to maintain on-going dialogues with shareholders and in particular, by means of annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The best corporate governance status	•	The Board endeavoured to maintain on-going communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. All shareholders holding shares of the Company are entitled to attend the annual general meeting.
	•	The Company issues shareholders' circular at least 21 days before a general meeting. The Company issues the notice and the attached annual report, which contain the matters for consideration at the meeting and the voting procedures in detail, at least 45 days before the annual general meeting.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting	Yes	• Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of individual directors.
• The chairman of the Board should attend the annual general meeting and arrange for chairmen or members of the committees to be available to answer questions at the meeting • The chairman of the respective committees should also be available to answer questions at any general meeting which would approve a connected transaction or any other transaction that is subject to independent shareholder approval.	Yes	• The chairman of the Board has attended and presided over the annual general meeting and has arranged for representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting. • During the year, no connected transaction or transaction requiring independent shareholder approval was submitted to the general meeting for approval. Each year, the Company arranges Independent Directors to give their independent opinions and report to shareholders on matters that are subject to independent shareholder approval during the year, and answer questions raised by shareholders at the Annual General Meeting.

E2. Voting by Poll

Code principle	•	The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirements contained in the "Listing Rules" and the "Articles of Association".
The best corporate governance status	•	The Company has formulated the "Rules of Proceedings for General Meetings" specifying the voting format and the voting procedures of shareholders' general meetings and ensured that the procedures comply with the requirements contained in the "Listing Rules" and the "Articles of Association".
	•	The Company confirmed the validity of all the voting shares present at the meeting and appointed external auditors and shareholders as scrutineers and appointed lawyers to issue letters of legal opinions on the final voting results. The voting results have been published in designated newspapers and websites.

Compliance procedures of the Code – Code provisions and recommended best practices

Code provision	Compliance	Corporate governance procedures
• The procedures for voting by poll and the right of shareholders demanding voting by poll should be disclosed in the circular of the general meeting. The chairman of a meeting and/or directors who individually or collectively hold proxies should disclose the votes represented by all proxies held by directors at the meeting	Yes	• The notice of a general meeting and the attached circular contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting.
• Ensure the votes cast are properly counted and recorded	Yes	• The Company appointed external auditors and shareholder representatives as scrutineers to properly count and record the valid votes. The Company appointed lawyers to issue letters of legal opinions on the final voting results.
• The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting	Yes	• The chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.

(IV) Self-evaluation Report on Internal Control

Self-evaluation Report on Internal Control by the Board of Directors of Jiangsu Expressway Company Limited

The board of directors ("Board") of the Company and all members of the Board warrant that there are no false representations or misleading statements contained in, or material omissions from, this report, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

It is the responsibility of the Board and the management of the Company to establish a comprehensive and effective internal control . The establishment and enhancement of the Company's internal control system is geared towards having comprehensive risk management as the objective. We set out to further enhance the Company's governance structure and to establish a scientific operation management system and a clear responsibility monitoring system. This is aimed to achieve the control targets of having a sound management system, clearly-defined responsibilities at various levels, comprehensive supervision and assessment, effective internal control, regulated operation and production and accurate statistics, so as to effectively prevent operational and management risks, preserve and increase the value of the Company's assets, and facilitate a sustainable, healthy and stable development of the Company.

Due to its inherent limitations, the internal control can only provide reasonable assurance for achieving the above objectives. In addition, the effectiveness of the internal control may vary due to changes of the internal, external and operational environments of the Company. The Company's internal control has an inspection and supervision mechanism. If any defect of internal control is identified, the Company will make corresponding rectifications immediately.

The Company's internal control system was established based on five major components: the control environment, risk assessments, control activities, information and communication, and supervision and inspection. As such, six sub-systems were developed, namely the internal control environment system, the risk assessment system, the financial control system, the operation control system, the internal control support system and the control system for branches, subsidiaries and investees. In 2008, the Company accelerated the construction of its internal control system. With its general framework and outline determined, a professional firm was engaged by the Company to provide assistance in establishment and improvement of a sound internal control system. The Company issued and implemented 33 first-tier systems and 69 second-tier systems for risk management of various aspects of production, management and workflow. As a result, significant progress was achieved in preventing all operations risks.

The Audit Committee is responsible for evaluating the implementation of the internal control. There should be an internal audit department to inspect and monitor internal controls regularly and to provide a basis for the Audit Committee to make evaluation opinions. However, as we have not established any independent internal audit department currently, all internal audit functions are performed by our Finance Department. Appointment and removal of the head of the Finance Department is determined by the management of the Company, and the function of internal audit is concurrently performed by the staff of the Finance Department. To comply with the requirements of internal control, the Company is making efforts to improve its internal audit function and formulate "Administrative Measures for Internal Audit", related internal audit procedures and detailed rules of audit reporting.

The Finance Department carried out substantial work on internal auditing. By auditing financial income and expenses and special expenditure and reviewing the execution of economic contracts, the Finance Department provided to the management with analysis, comments or recommendations relating to its review. It also reports on the financial position and the execution of internal controls of the Company to the Audit Committee at least six times per year through four Audit Committee meetings in one year as well as two meetings with the Audit Committee and accounting firms before the audit of annual report and interim report each year. During the year, the Finance Department found no material problem during its inspection and supervision of the Company's internal controls.

The Company has set out the "Administrative Measures for Information Disclosure". The Company timely disclosed information that may have a material effect on its stock price and information that is required to be disclosed by the securities regulatory authorities in accordance with the relevant procedures. The Company also ensures the truthfulness, accuracy and completeness of the content of information disclosed.

The Board of the Company conducted self-evaluation on all the above-said aspects of the Company's internal control for the year. It gave the evaluation that from 1 January 2008 to the end of the reporting period, the Company's structure and systems were satisfactory and healthy. Its internal control system was established according to the requirements of securities regulatory authorities to fully cover different aspects including corporate governance, operation, management, financial, administrative and personnel matters. The system has been effectively complied with by the Company and it ensured the Company's production, operation and management were carried out on a normal basis. The system was also an effective control over operation risks. No material defect was found for the design and implementation of the Company's internal control system.

This report was considered and approved at the twenty-second meeting of the fifth session of the Board on 27 March 2009. The Board of the Company and all members of the Board severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.

No accounting firm was retained for verification and appraisal of the Company's internal controls for the year.

The Board of Directors
Jiangsu Expressway Company Limited
27 March 2009

(V) Corporate Social Responsibility Report

Corporate social responsibility report of Jiangsu Expressway Company Limited

The Board of Directors of the Company and all members of the Board of Directors warrant that the content in this report does not contain any false information, misleading statements or material omissions and that they severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.

The long-term support of the society, customers and shareholders powerfully safeguards the continued development of the Company's operations. In return, the Company honours faithfully its social responsibilities and obligations on the principle of integrity and trust, repaying the society and serving the general public. The Company recognizes that the continuous and stable development of a corporation hinges upon its good relations with all stakeholders, including not only shareholders and investors, but also employees, customers, suppliers, relevant government departments and the society as a whole. As such, the Company is dedicated to being a responsible corporate citizen while maximising our shareholders' returns. We adhere to our principles of acting on faith and integrity to pay taxes and serve the community. In response to our customers' needs, we provide quality services and ensure road safety and smooth traffic. As for our employees, we care about their performance, provide them with the best working environment and room for development, and safeguard their rights. For our society, we care about its development, we manage and expand our business in compliance with the law, and proactively participate in community work and environmental protection. The Company hopes that through its accumulated experience and capablilities and through its tireless efforts, it will help to promote a harmonious development of our corporation, the society and the nature.

1. Social services and shareholders' returns

As an administrator and operator of expressways, the Company has the responsibilities and obligations to ensure road safety and provide our customers with unimpeded, convenient and comfortable passage. Through continued quality road maintenance and traffic control, the Company creates a safe and smooth traffic environment with secured road quality and safety, civilized services as well as emergency measures, thereby providing quality infrastructure services to facilitate the region's social and economic development.

Since the operation of the Company, the problem of heavy traffic along our highways has been much resolved and the infrastructure in the southern Jiangsu region as well as the whole Jiangsu Province has been substantially enhanced, promoting the rapid social and economic development of the areas along the highways. The completion of the expansion of the 8-lane Shanghai-Nanjing Expressway has removed the limitation on the development of the high technology industry area along Shanghai-Nanjing highway, enhancing the international competiveness of the southern Jiangsu region, facilitating the communication between Jiangsu and other parts of the country and promoting the economic development of the Yangtze River Delta. Since its commencement of operation, the Shanghai-Nanjing Expressway has provided quality services to 428,940,000 vehicles. The Company has contributed to the social and economic advancement in the area by realising an aggregate gross profit of approximately RMB14.485 billion with aggregated tax contribution of RMB5.229 billion.

In 2008, the Company maintained sound operation order, secured normal quality passage for vehicles as well as for the Olympic torch relay and carried out expansion works on the Shanghai Section. During the snowstorms at the beginning of 2008, the Company devoted to emergency measures with all of our possible personnel and materials. With prompt responses and proper actions, the Company fully restored the order and free flow of traffic of our highways and good services to vehicles within a short period of time. The Company has strictly executed various preferential toll policies despite their impacts to our profits. In 2008, in order to perform fully the social responsibilities of expressways, the Company offered free passage for carriers of disaster relief materials and implemented the "Green Passage" preferential policy, resulting in a reduction of about RMB54 million in our toll revenue.

The Company is always committed to becoming an excellent service provider by offering quality and modern services to our customers and providing training to our employees to enhance their skills and services. The Company also conducts regular customer satisfaction surveys to keep on improving service quality and enhancing customer satisfaction.

The Company's principal objective is to maintain stable returns to our shareholder in the long run. The Company enhances its corporate value and maximizes its shareholder return through continued development. The Company has been maintaining a high return for the shareholders to enable them to benefit from the Company's corporate development: its has been distributing cash dividends every year for 12 consecutive years since its listing, aggregating total cash dividends of approximately RMB8.522 billion or RMB1.6917 per share representing an average annual dividend yield of approximately 79.4%.

In addition, the Company actively participates in community activities through various means to give back to our society. The Company always supports the education project of Hope School.Front-line groups of the Company have also actively participated in various volunteer activities and social services to give a helping hand to the needy around, including the elderly and the disabled. After the Sichuan earthquake, the Company has actively arranged cash and material donations from our employees, and received donations amounting to approximately RMB800,000.

2. **Obligations and care to staff**

The Company has established human resources management systems for its recruitment, training, appraisal and remuneration management. The Company implemented system reforms on manpower deployment, personnel and remuneration; encouraged healthy competition for promotion; established a standard training system; and organised various competitions among different departments, with a view to motivate our staff to do their best and advance their careers and providing them much room for individual development, as well as realizing the long-term strategic goals of the Company. In 2008, in accordance with the requirements of the Labour Contract Law, the Company further enhanced its management in labour contracts. It re-entered labour contracts with 2,274 employees, with 27% having no fixed term of employment, strengthening their sense of belonging and employment stability.

The Company cares for its staff and protects the statutory interests of the staff. In accordance with the relevant State regulations, the Company provides its current staff with various social protection schemes at the relevant social insurance authority, including basic old-age insurance, medical insurance, occupational injury, maternity and unemployment insurance. In 2008, the Company made full premium payment with an aggregate amount of RMB43.51 million for all the social insurances. Meanwhile, to secure better protection for our staff, the Company has also obtained supplementary medical insurance and accident insurance from commercial insurance companies for staff to alleviate their burden and worry.

To establish long-term trust with employees, the Company also established the corporate annuity scheme, aiming at improving the living standards of the staff after retirement. In 2008, the Company accepted corporate annuity applications from 2,362 employees and paid an aggregate of RMB9.88 million. The annuity paid is credited into the personal accounts of the relevant employees. The fund is managed by a qualified bank entrusted by the Company and will be distributed to the retired employees on a one-off basis.

To strengthen safe production management, avoid accidents and safeguard personal and property safety, the Company has established OHSAS18001 Occupational Health and Safety System, which has been certified under international standards, to reinforce labour protection in accordance with the Production Safety Law and other relevant laws and regulations of the State. The Company arranges annual health check for staff and provides high temperature allowances and cooling measures in hot seasons. It also extends prompt concern and assistance to staff amid difficulties. The Company has also enhanced the living standards of staff by continuous improving the environment of canteens and hostels for staff at toll stations and service areas. As well as furnishing and strengthening a wider range of leisure facilities, the Company strives to provide plentiful after-hours entertainment for front-line staff with care and concern so as to enhance their satisfaction. Meanwhile, the Company also operates a paid-leave system and an annual program of "Honorable Re-energizing Trip for Excellent Employee" to stimulate employees' enthusiasm in working towards excellence.

3. Environmental protection and energy-saving

In its operation, the Company strictly complies with the local laws and environmental protection regulations and takes an active part in environmental protection. We recognise the importance of environment protection during execution of projects and adopt various effective measures for ecological protection and pollution prevention. We strive to minimize the damage of road operations to the surrounding environment, and maintain high quality of living environment for residents in the highways' vicinity.

For the expansion project of the Shanghai-Nanjing Expressway, the Company had undergone comprehensive afforestation over interchanges, road foundation slopes, slope platforms and service area facilities along the expressway, which does not only offset the loss of vegetation due to expressway construction but also prevents water and soil erosion and enhances the environment. In addition, the Company also worked jointly with local governments and forestry authorities to establish green zones along the Shanghai-Nanjing Expressway, in order to effect noise reduction, clearer air quality and better expressway scenery.

The Company actively adopted noise reduction measures. For instance, the construction of a noise barrier of approximately 14 km in 45 places along the Shanghai-Nanjing Expressway where high-level of noise pollution were recorded has effectively alleviated the impact of noise pollution on local residents. In addition, the Company has set up bridge runoff collection devices and warning signs along Danyang River Bridge and Jiexiang River Bridge, of which the water sources can serve as drinking water and other water system usage, for the purpose of preventing leakage of chemicals from trucks transporting hazardous substance on the bridges. The Company has installed effective sewage treatment devices in all management offices, service areas and tollgates along the Shanghai-Nanjing Expressway so that sewage can be properly discharged after treatment.

The Company has also gone to great lengths to adopt energy saving and reduction measures which are carried out by every staff of each department in their daily routines, covering even the slightest details such as minimising the use of electricity, water and paper. These measures encourage all staff to take the initiative to reduce energy and materials wastage in operational production and office resources; participate in environmental protection and sustainable development; and eventually achieve the goal of energy saving, cost reduction and effectiveness enhancement.

Through the above initiatives and efforts, the Company aims at becoming a responsible corporate citizen with a high level of integrity. It will also endeavour to fulfill its obligations in sustaining social, economic and environmental development. As stated in our Corporate Mission: **Contributing to the harmony and development of the society through dedicated efforts to provide quality expressway services and continuous enhancement of corporate value.**

This report was considered and approved at the twenty-second meeting of the fifth session of the Board on 27 March 2009. The Board of Directors of the Company and all members of the Board of Directors severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.

The Board of Directors
Jiangsu Expressway Company Limited
27 March 2009

(VI) Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders be informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure.

The Company has promulgated the "Administrative Measures for the Disclosure of Information" in 2007 to systematically coordinate and summarize the procedures and methods of the Company's information disclosure, thereby devising a clear operation code and disclosure procedure for the Company's information disclosure work in the future. Presently the system has been effectively enforced.

During the reporting period, the Company published four periodic reports, 27 ad hoc announcements and relevant information to disclose details on important corporate information and the progress on major matters in accordance with the requirements of the listing rules of the Shanghai and Hong Kong stock exchanges. Announcements of the Company were published in China Securities Journal and Shanghai Securities News. For details of the announcements, please refer to the publications on the relevant dates or visit www.sse.com.cn of Shanghai Stock Exchange, www.hkex.com.hk of Hong Kong Stock Exchange or www.jsexpressway.com of the Company.

Item	Date	Particular
1	4 January 2008	Announcement of the Resolution of the Extraordinary General Meeting of the Issue of the Company's Corporate Bonds and the Legal Opinion
2	18 January 2008	Announcement of the Company's Issue of RMB1 billion of Short-term Corporate Bonds
3	22 February 2008	Announcement of Listing of the Fourth Batch of Circulating Shares with Selling Restrictions
4	28 March 2008	Announcement of 2007 Annual Results and the Relevant announcements
5	28 March 2008	Announcement of the Fourteenth Meeting of the Fifth Session of the Board of Directors and the Ninth Meeting of the Fifth Session of the Supervisory Committee
6	15 April 2008	Notice of Board Meeting of the First Quarterly Results
7	16 April 2008	Notice of the 2007 Annual General Meeting
8	29 April 2008	Announcement of the 2008 First Quarterly Report and the Noitce of the Fifteenth Meeting of the Fifth Session of the Board of Directors
9	29 April 2008	Announcement of the Connected Transaction of 2008 Road Maintenance Service Contract entered into between Guangjing Xicheng Expressway Company Limited and Jiangsu Sundian Engineering Co., Ltd.
10	31 May 2008	Online publication of meeting information of the 2007 Annual General Meeting
11	6 June 2008	Announcement of the Resolutions of the 2007Annual General Meeting and Legal Opinion
12	18 June 2008	Announcement of the Implementation of 2007 Profit Distribution Scheme
13	27 June 2008	Announcement in respect of the Approval of Issue of Corporate Bonds by China Securities Regulatory Commission
14	23 July 2008	Announcement of the Issue of Corporate and Relevant Information including Fundraising Prospectus
15	26 July 2008	Announcement of the Coupon Rate of the Corporate Bonds
16	30 July 2008	Announcement of Resolution of the Seventeenth Meeting of the Fifth Session of the Board of Directors and Rectification Report on Specific Corporate Governance Activities Published by the Company
17	30 July 2008	Announcement of the Result of the Issue of Corporate Bonds
18	11 August 2008	Announcement of the Listing of the Corporate Bonds
19	24 August 2008	2008 Interim Results Announcement and Announcement of the Eighteenth Meeting of the Fifth Session of the Board of Directors
20	24 August 2008	Connected Transactions Announcement of Tenancy Contracts with Jiangsu Expressway Toll-network Technology Service Co., Ltd.and Jiangsu Sundian Engineering Co., Ltd.
21	25 August 2008	Connected Transactions Announcement of Subscription of Capital in Suzhou Nanlin Hotel by Jiangsu Guangjing Xicheng Expressway Co., Ltd, its Subsidiary
22	16 September 2008	Accoucement of the Entrustment of Shanghai Branch of China Securities Depository and Clearing Corporation Ltd. as the Agent for Matters related to Payment of Principals and Interests of Bonds
23	25 Septemebr 2008	Announcement of Listing of the Fifth Batch of Circulating Shares with Selling Restrictions
24	24 October 2008	2008 Third Quarterly Report and Announcement of the Nineteenth Meeting of the Fifth Session of the Board of Directors
25	24 October 2008	Announcement of Change of Director
26	8 December 2008	Twentieth Meeting of the Fifth Session of the Board of Directors Proposed Amendments to the Articles of Association

(VII) Investor Relations and Communication

Investor relations is a pro-active way for a listed company to maximize its value. The management of the Company attaches great importance to investor relations. The Company has formulated the "Work System of Investor Relations Management" which reinforces investor relations management through management structure and internal system.

During the reporting period, the Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors. The Company disclosed important information and matters which may affect investors' interests by issuing periodic and ad hoc announcements, aiming at raising the quality of information disclosed. The Company's website is another important platform to develop investor relations. Through the website, the Company regularly publishes its operation updates and information which may interest investors, thereby allowing investors to timely and clearly understand the Company's most updated development and increasing the Company's transparency. We also answered questions raised by investors through the web exchange platform and carried out some basic communication.

The core of investor relations is effective communication. Through two-way and interactive communications with investors, a win-win situation is achieved for both parties. During the year, the Company also kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas roadshows, regular meetings with visiting investors and analysts, teleconferences and on-line roadshows. During the year, nine large-scale roadshows and presentation events were held, as well as over 60 regular investor meetings and teleconferences, having discussions and presentations with over 140 investment fund managers and analysts. Details of the activities are as follows:

January	Participated in the "8th Greater China Conference" organized by UBS Warburg in Shanghai Participated in the "Access China Conference" organized by Deutsche Bank AG in Beijing
March	Held 2007 annual results presentation and roadshows in Hong Kong
May	The management members participated in the infrastructure summit and Europe roadshow organized by Macquarie Securities in London
June	Participated in the Medium-term Investment Strategy Seminar organized by Orient Securities in Shanghai
July	Held online roadshow on the website of the Shanghai China Securities Journal (上海中證報網絡)
August	Held 2008 interim results presentation and roadshows in Hong Kong
October	Participate in the investment conference organized by Merrill Lynch and Co in Beijing
November	Participated in the annual investment strategy seminar organized by Industrial Securities in Shanghai

The Company, through active investor relations programs, aims at increasing its transparency, enhancing communications, and increasing investors' understanding of and trust in our businesses. It also aims at building investors' confidence in our future developments and promoting market recognition and support to the Company, so that the Company's business development potential and actual value will be fully reflected in the market.

(VIII) Shareholder Return

Since its listing, the Company has been maintaining high return for the shareholders. The Company has been paying cash dividends for 12 consecutive years, with an aggregate of approximately RMB8.522 billion cash dividend distributed. For 2008, the Board recommended the distribution of a cash dividend of RMB0.27 per share, equivalent to approximately 98.8% of the distributable profit (subject to deduction of 10% Statutory Reserve) of the year.

	2003	2004	2005**	2006	2007	**2008**
Earnings per share *	0.191	0.167	0.143	0.226	0.318	**0.308**
Dividend per share	0.145	0.145	0.145	0.19	0.27	**0.27**
Payout ratio	75.92	86.83	101.40	84.07	84.90	**87.66**

* Earnings per share refers to the basis of profitability for distribution of dividends.

** This refers to the special dividends for the distribution of the unappropriated profits of the Company for the year 2005.

Ensuring a long-term and stable return for shareholders remains the top priority of the Company. Although the gearing and financing costs of the Company were high in recent years, the Company will respect its investors' long-term interest and their interest of gaining on current returns, and will therefore maintain the policy of high dividend payout ratio in the coming years.

(IX) Domestic and Overseas Auditors

The Audit Committee of the Company is responsible for the appointment, resignation and replacement of domestic and overseas auditors and assessing the quality of the service provided and the reasonableness of audit fees, and submitting its recommendations thereon to the Board. Matters related to appointment, and replacement of auditors and determination of audit fees will be tabled by the Board to the general meeting for approval.

At the 2007 annual general meeting of the Company, it was approved that Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu would continue to be appointed as the domestic and overseas auditors, respectively of the Company for 2008. Auditing fees for the year amounted to RMB2.1 million, basically at par with 2007. The Company did not pay any other fees and there were no charges that might have affected the auditors' independence.

The above-mentioned auditing firms have been providing audit services to the Company for six consecutive years since 2003. For the reporting period, such auditing firms changed the partners responsible for the auditing work provided to the Company.

(1) Changes in Share Capital

During the reporting period, there was no change in the total number of shares of the Company. Commencing on 16 May 2007, the selling restriction period of the Company's circulating shares subject to selling restrictions totalling 286,399,104 shares has expired and the shares were listed in batches, the Company's shareholding structure has changed.

Unit: Shares

	Prior to current movement		Current movement (+,-)	After current movement	
	Number of shares	Proportion	Shares with selling restrictions circulated	Number of shares	Proportion
I. Shares subject to selling restrictions					
1. State-owned shares	2,742,587,825	54.44%	0	2,742,578,825	54.44%
2. State-owned legal person shares	589,059,077	11.69%	0	589,059,077	11.69%
3. Other domestic shares	134,955,718	2.68%	-71,732,200	63,233,518	1.25%
Including: Domestic legal person shares	134,955,718	2.68%	-71,732,200	63,233,518	1.25%
Total shares subject to selling restrictions	3,466,593,620	68.81%	-71,732,200	3,394,861,420	67.39%
II. Circulating shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	349,153,880	6.93%	+71,732,200	420,886,080	8.35%
2. Foreign listed foreign shares	1,222,000,000	24.26%	—	1,222,000,000	24.26%
Total circulating shares not subject to selling restrictions	1,571,153,880	31.19%	+71,732,200	1,642,886,080	32.61%
III. Shares in total	5,037,747,500	100%	0	5,037,747,500	100%

1. Approval status of changes in shares

On 16 May 2007, the selling restriction period of the Company's circulating shares with selling restrictions totalling 286,399,104 shares expired. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the consideration of such shares pre-paid by the major shareholder of the Company has been repaid. The repayment of consideration can take place in the form of the shares pre-paid for or an equivalent cash amount for such shares calculated at the average of the closing prices for the five trading days after the date of implementation of the Share Segregation Reform of Jiangsu Expressway. As of the end of the reporting period, the Company completed the listing and circulation procedures for 222,886,080 shares which have satisfied the conditions for circulation including the first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares and the fifth batch totalling 14,087,700 shares. Upon the Company's submission of the relevant circulation applications to the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government, the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depositary & Clearing Corporation Limited and obtaining the relevant approvals, the five batches were listed and circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008 and 10 October 2008, respectively.

2. Changes in shares with selling restriction

Unit: Shares

Name of shareholder	Number of shares with selling restriction at the beginning of the year	Number of shares with released selling restriction of the year	Increased number of shares with selling restriction of the year	Balance of shares with selling restriction at the end of the year	Reason of selling restriction	Date of releasing selling restriction
Jiangsu Communications Holdings Company Limited	2,742,578,825	0	0	2,742,578,825	Selling restriction not expired	2011-5-16
Huajian Transportation Economic Development Centre	589,059,077	0	0	589,059,077	Selling restriction not expired	2011-5-16
Domestic legal person shareholder	134,955,718	71,732,200	0	63,223,518	The procedures of listing and circulation incomplete	2007-5-16
Total	3,466,593,620	71,732,200	0	3,394,861,420	—	—

3. Reminder of circulation of shares with selling restriction

As at the end of the reporting period, the Company has not completed the listing and circulation procedures for 63,223,518 shares which have satisfied the conditions for circulation. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the completion of share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirement of the Shanghai Stock Exchange.

The Company would like to remind the legal person shareholders who have not completed the relevant listing and circulation procedures to liaise with the Company as soon as possible in order to obtain the circulation rights earlier.

(2) Share Issues and Listings

1. The Company issued 1,222 million H shares at HK$3.11 (equivalent to RMB3.33) per share which were listed on the Hong Kong Stock Exchange on 27 June 1997.

2. The Company issued 150 million domestic public shares (A shares) to domestic investors at the issue price of RMB4.20 per share. The issue of shares was launched from 22 December to 23 December 2000 by means of online pricing issue and placing to investors from the secondary market. The shares were listed on the Shanghai Stock Exchange on 16 January 2001.

3. The Company's Sponsored Level I ADR was effective on 23 December 2002 and the shares have been traded in the over-the-counter market in the United States.

4. The Company implemented the Share Segregation Reform on 16 May 2006. The non-circulating shareholders transferred consolidation of 48,000,000 shares to the circulating A shareholders at no price. As such, the number of circulating A shares was increased from 150,000,000 shares to 198,000,000 shares. The total number of the share capital has not been changed under the Share Segregation Reform.

5. Commencing on 16 May 2007, the restriction period of Company's circulating shares with selling restrictions totalling 286,399,104 shares has expired and the shares were listed. The first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares and the fifth batch totalling 14,087,700 shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008 and 10 October 2008, respectively. As at the end of the reporting period, the number of circulating A shares was increased to 420,886,080 shares, representing 8.35% of the Company's total share capital. The total number of share capital has not been changed as a result of the circulation of shares.

6. The Company successfully issued RMB1.1 billion corporate bonds via on-line and off-line from 28 July 2008 to 30 July 2008. The corporate bonds beared a coupon rate of 5.40% p.a. with a term of 3 years. The corporate bonds were listed on the Shanghai Stock Exchange on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010".

Category of Shares and their Derivative Securities	Issue Date	Issue Price	Quantity of Issue	Listing Date	Trading Quantity with Listing Approval	Expiration Date of Trading
Corporate Bonds	28 July 2008	100 / per copy	11,000,000 copies	12 August 2008	11,000,000 copies	28 July 2011

Changes in the Company's asset and liability structure upon completion of corporate bonds issue

Upon completion of the corporate bonds issue and prior to the use of proceeds raised in accordance with the purpose of the fund raising, the changes in the structure of the assets and liabilities of the Company are as follows:

Unit: RMB

Item	Before Issue	After Issue
Current Assets ('000)	1,333,658.8	2,433,658.8
Total Assets ('000)	25,937,848.3	27,037,848.3
Current Liabilities ('000)	6,514,393.1	6,514,393.1
Non-current Liabilities ('000)	3,285,735.7	4,385,735.7
Total Liabilities ('000)	9,800,128.7	10,900,128.7
Current Ratio (%)	20.47	37.36
Gearing Ratio (%)	37.78	40.31

Notes: 1. The valuation date of accounting data was 31 December 2007 (Consolidated Financial Statement);

2. Assuming that there no material changes in assets and liabilities during the period between the valuation date of accounting data and the completion date of the bonds issue.

(3) Major Shareholders

1. Number of Shareholders at the End of the Reporting Period

As of 31 December 2008, there was a total of 52,913 shareholders whose names appeared on the register of shareholders of the Company, of whom 52,383 were domestic shareholders and 530 were foreign shareholders.

2. Shareholdings of Major Shareholders of the Company

(i) As of 31 December 2008, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Change during the reporting period (+, -)	Number of shares held at the end of the reporting period (shares)	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder
Jiangsu Communications Holdings Company Ltd.	0	2,742,578,825	54.44	2,742,578,825	0	State-owned legal person
Huajian Transportation Economic Development Centre	0	589,059,077	11.69	589,059,077	0	State-owned legal person
Capital Research and Management Company	111,338,000	111,338,000	2.21	0	Unknown	Foreign legal person
FIL Limited	-36,726,000	97,695,987	1.94	0	Unknown	Foreign legal person
Bank of America Corporation	10,694,000	96,294,000	1.91	0	Unknown	Foreign legal person
Halbis Capital Management (Hong Kong) Limited	-22,842,000	61,816,000	1.23	0	Unknown	Foreign legal person
China Universal Equilibrium Growth Stock Fund	10,194,695	20,488,488	0.41	0	Unknown	Others
Shenyin & Wanguo Securities Co., Ltd	-500,000	13,950,000	0.28	0	Unknown	State-owned legal person
Shanghai Haiji Investment Development Co., Ltd. (上海海基投資發展有限公司)	-1,500,000	12,650,000	0.25	0	Unknown	State-owned legal person
Bosera Emerging Growth Fund (博時新興成長股票型證券投資基金)	-4,662,675	12,357,067	0.24	0	Unknown	Others

Note: About shareholdings of the top ten shareholders:

a. The Company is not aware of the top ten shareholders being connected to each other or acting in concert:

b. During the reporting period, there were no connected persons, strategic investors or general legal persons becoming one of the top ten shareholders of the Company as a result of the placement of new shares;

c. The numbers of shares held by H-share holders were based on register required to be maintained under the Securities and Futures Ordinance of Hong Kong.

(ii) As at 31 December 2008, the shareholdings of the top ten shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares held at the end of the reporting period (shares)	Category of shares held
Capital Research and Management Company	111,338,000	Overseas listed foreign shares
FIL Limited	97,695,987	Overseas listed foreign shares
Bank of America Corporation	96,294,000	Overseas listed foreign shares
Halbis Capital Management (Hong Kong) Limited	61,816,000	Overseas listed foreign shares
China Universal Equilibrium Growth Stock Fund (匯添富均衡增長股票型證券投資基金)	20,488,488	RMB-denominated ordinary shares
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	13,950,000	RMB-denominated ordinary shares
Shanghai Haiji Investment Development Co., Ltd. (上海海基投資發展有限公司)	12,650,000	RMB-denominated ordinary shares
Bosera Emerging Growth Fund (博時新興成長股票型證券投資基金)	12,357,067	RMB-denominated ordinary shares
Winner Glory Development Ltd	12,000,000	Overseas listed foreign shares
Harvest Fund Management Co., Ltd. Open Risk Management Investment Fund (嘉實穩健開放式證券投資基金)	11,000,000	RMB-denominated ordinary shares

(iii) As at 31 December 2008, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares held at the end of the reporting period (shares)	Category of the shares held
China Universal Equiltibrum Growth Stock Fund (匯添富均衡增長股票型證券投資基金)	20,488,488	RMB-denominated ordinary shares
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	13,950,000	RMB-denominated ordinary shares
Shanghai Haiji Investment Development Co., Ltd. (上海海基投資發展有限公司)	12,650,000	RMB-denominated ordinary shares
Bosera Emerging Growth Fund (博時新興成長股票型投資基金)	12,357,067	RMB-denominated ordinary shares
Harvest Fund Management Co., Ltd. Open Risk Management Investment Fund (嘉實穩健開放式證券投資基金)	11,000,000	RMB-denominated ordinary shares
易方達價值精選股票型證券投資基金	8,755,922	RMB-denominated ordinary shares
Jiangsu High Technology Investment Group Co., Ltd (江蘇科技投資集團有限公司)	8,350,000	RMB-denominated ordinary shares
滙添富成長焦點股票型證券投資基金	7,700,228	RMB-denominated ordinary shares
昆山市土地開發中心	7,500,000	RMB-denominated ordinary shares
華夏行業精選股票型證券投資基金	6,940,230	RMB-denominated ordinary shares

(iv) As at 31 December 2008, the shareholdings of the top ten shareholders subject to selling restrictions and their selling restrictions were as follows:

No.	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of shares subject to selling restrictions		Selling restrictions
			Listing and trading date	Number of additional listed and tradeable shares	
1	Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	2,742,578,825	16 May 2011	0	Note 1
2	Huajian Transportation Economic Development Centre (華建交通經濟開發中心)	589,059,077	16 May 2011	0	Note 1
3	Huaxia Securities Co., Ltd. (華夏證券有限公司)	21,160,000	16 May 2007	21,160,000	Note 2
4	Rundi Zhi Ye Co., Ltd. (潤地置業股份有限公司)	3,000,000	16 May 2007	3,000,000	Note 2
5	China Communications Construction Company Limited (中國交通建設股份有限公司)	3,000,000	16 May 2007	3,000,000	Note 2
6	Wujin Investment Company (武進市投資公司)	2,288,800	16 May 2007	2,288,800	Note 2
7	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)	2,240,000	16 May 2007	2,240,000	Note 2
8	Zhenjiang Communication Investment Building Development Co., Ltd. (鎮江市交通投資建設發展公司)	2,100,000	16 May 2007	2,100,000	Note 2
9	深圳光華裝訂廠	1,000,000	16 May 2007	1,000,000	Note 2
10	牡丹江樺林化工產品經銷公司	1,000,000	16 May 2007	1,000,000	Note 2

Note 1: Undertaking not to reduce the holding of the Company's shares before 16 May 2011.

Note 2: Prior consent shall be obtained from the Non-circulating Shareholders who have advanced the consideration on behalf of the relevant shareholders and that the consideration so advanced shall be repaid by the relevant non-circulating shareholder. For repayment, the relevant (advancee) shareholders may opt to transfer the amount of shares being advanced or to pay in cash in an amount calculated in accordance with the average closing price of the five trading days following the implementation date of the Company's Share Segregation Reform for the consideration shares. Application for the listing status of such shares shall then be submitted by the Company to the stock exchange.

(v) As at 31 December 2008, as far as the Company is aware, the following individuals held 5% or more of the interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

Name	**Capacity**	**Direct interests**	**Number of H shares**	**Percentage of H shares (total shares) (%)**
Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited / Huajian Transportation Economic Development Centre (招商局集團有限公司 / 華建交通經濟開發中心) (1)	Others	Yes	589,059,077(L)	(11.69%)
Capital Research and Management Company (2)	Investment manager	Yes	111,338,000(L)	9.11% (2.21%)
FIL Limited	Investment manager	Yes	97,695,987(L)	8.00% (1.94%)
Bank of America Corporation / Columbia Wanger Asset Management, L.P. (3)	Interests in controlled corporation	No	96,294,000(L)	7.88% (1.91%)
Halbis Capital Management (Hong Kong) Limited (4)	Investment manager	Yes	61,816,000(L)	5.06% (1.23%)

Notes: (L) Long position; (S) Short position;

(1) China Merchants Group Limited was deemed to hold interests by virtue of its controlling interests in Huajian Transportation Economic Development Centre's interest in the shares.

(2) The Capital Group Companies Inc. was deemed to hold interests by virtue of its controlling interests in Capital Research and Management Company.

(3) Bank of America Corporation was deemed to hold interests by virtue of its 100% indirect control of Columbia Wanger Asset Management, L.P.

(4) It is stated in Form 2 submitted by Halbis Capital Management (Hong Kong) Limited to the Hong Kong Stock Exchange that its parent company is HSBC Holdings plc.

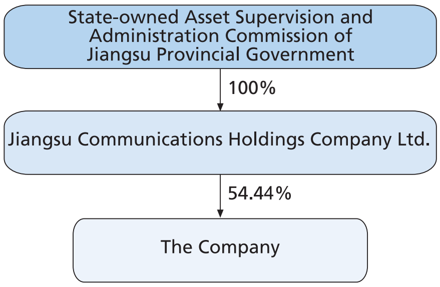
Save as disclosed above, to the Company's best knowledge, as at 31 December 2008, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

3. Controlling shareholder of the Company

Name	Legal representative	Registered capital	Date of establishment	Principal business
Jiangsu Communications Holdings Company Ltd.	Shen Chang Quan	16.8 billion	15 September 2000	The company is engaged in the operation and management of State-owned assets; investment, construction, operation and management of transport infrastructure, transportation and other related sectors, collection of tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scopes of authorization of the provincial government.

4. The De Facto Controller of the Company

Diagram of the ownership and controlling relationship between the Company and the de facto controller



5. Legal person shareholders holding more than 10% of the Company's legal person shares

Name of the legal person shareholder	Legal representative	Registered capital	Date of establishment	Principal business
Huajian Transportation Economic Development Centre	Fu Yu Ning	500 million	18 December 1993	Its principal businesses are investment and management of roads, docks, ports and passages; research and development of new technologies, new products and new materials related to transport infrastructure; the sale of products, and so forth.

(4) Purchase, Sale and Redemption of Shares of the Company

During the reporting period, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries.

(5) Pre-emption Rights

In accordance with the laws of the People's Republic of China and the Company's Articles of Association, the Company did not grant any pre-emption rights pursuant to which the Company was required to offer new shares to existing shareholders in proportion to their shareholdings.

(6) Public Float

According to public information and as far as the Directors are aware, the Board is of the view that the public float of the Company's shares as at the latest practicable date prior to the printing of this annual report complies with the requirements of the Hong Kong Listing Rules.

(1) General Information

Names	Gender	Age	Position with the Company	Term of office
Shen Chang Quan	M	61	Chairman	From June 2006 to 2009
Qian Yong Xiang	M	45	Executive Director, General Manager	From March 2009 to 2009
Zhang Yang	F	45	Non-executive Director	From November 2007 to 2009
Sun Hong Ning	M	48	Non-executive Director	From June 2006 to 2009
Chen Xiang Hui	M	46	Non-executive Director	From June 2006 to 2009
Du Wen Yi	M	46	Non-executive Director	From June 2008 to 2009
Cui Xiao Long	M	48	Non-executive Director	From June 2006 to 2009
Chang Yung Tsung	F	77	Independent Non-executive Director	From June 2006 to 2009
Fang Hung, Kenneth	M	71	Independent Non-executive Drector	From June 2006 to 2009
Yang Xiong Sheng	M	49	Independent Non-executive Director	From June 2006 to 2009
Fan Cong Lai	M	47	Independent Non-executive Director	From June 2006 to 2009
Yang Gen Lin	M	56	Chairman of the Supervisory Committee	From March 2009 to 2009
Zhang Cheng Yu	M	58	Supervisor	From June 2006 to 2009
Luo Yi	F	37	Supervisor	From November 2007 to 2009
Yan Shi Min	M	55	Supervisor	From June 2008 to 2011
Shao Li	F	31	Supervisor	From June 2008 to 2011
Liu Wei	F	53	Deputy General Manager, Financial Controller	From January 2007 to December 2009
Zhao Jia Jun	M	42	Deputy General Manager	From January 2007 to December 2009
Shang Hong	F	46	Assistant to General Manager	From January 2008 to December 2009
Yao Yong Jia	M	45	Secretary to the Board of Directors	From January 2007 to December 2009
Lee Wai Fun, Betty	F	48	Company Secretary (Hong Kong)	From June 2008 to May 2009

During the reporting period, the directors, supervisors and senior managementdid not hold any shares, shares futures options and restricted shares of the Company.

(2) Changes in Directors, Supervisors and Senior Management

In March 2008, Ms. Fang Yu Shu resigned from the office of Director due to retirement. The Company's fourteenth meeting of the fifth session of the Board nominated Mr. Du Wen Yi as a Director of the Company. The relevant proposal was approved at the 2007 annual general meeting on 6 June 2008.

In March 2008, Mr. Zhou Hao Xiang resigned from the office of Supervisor due to retirement. Ms. Shang Hong resigned from the office of Supervisor due to her promotion to the management position. Mr. Yan Shi Min and Ms. Shao Li were elected as Supervisors (representing staff) by the third general meeting of the representatives of the Labour Union of the Company.

In July 2008, Mr. Zhou Jian Qiang, Chairman of the Supervisory Committee, resigned from the office of Supervisor due to job change. The Company's twelfth meeting of the fifth session of the Supervisory Committee nominated Mr. Yang Gen Lin as Supervisor. The relevant proposal was approved at the 2009 first extraordinary general meeting held on 11 March 2009.

In October 2008, Mr. Xie Jia Quan, Director and General manager of the Company, resigned from the offices of Director and General Manager due to job change. Mr. Qian Yong Xiang was appointed the General Manager and was nominated as the Executive Director at the nineteenth meeting of fifth session of the Board. The proposal regarding the directorship was approved at the 2009 first extraordinary general meeting held on 11 March 2009.

(3) Information of Directors and Supervisors Employed in Shareholders' Companies

Name	Employer	Title	Term of Office	Emoluments Received (Yes or No)
Shen Chang Quan	Jiangsu Communications Holdings Company Ltd.	Chairman	From January 2001 up to now	Yes
Yang Gen Lin	Jiangsu Communications Holdings Company Ltd.	General Manager	From August 2008 up to now	Yes
Sun Hong Ning	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Chen Xiang Hui	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Du Wen Yi	Jiangsu Communications Holdings Company Ltd.	Director of Finance and Auditing	From November 2007 up to now	Yes
Cui Xiao Long	Jiangsu Communications Holdings Company Ltd.	Director of Operational Safety	From February 2002 up to now	Yes
Zhang Cheng Yu	Jiangsu Communications Holdings Company Ltd.	Director of Human Resources	From January 2002 up to now	Yes
Zhang Yang	Huajian Transportation Economic Development Center	Deputy General Manager	From December 2007 up to now	Yes
Luo Yi	Huajian Transportation Economic Development Center	Manager of Finance Department	From February 2005 up to now	Yes

(4) Information of Directors and Shareholders Employed in Other Listed Companies

Name	Employer	Title	Emoluments Received (Yes or No)
Zhang Yang	Shenzhen Expressway Co., Ltd. Zhejiang Expressway Co., Ltd. Sichuan Expressway Co., Ltd. Xiamen Port Development Co., Ltd.	Director Director Vice Chairman Vice Chairman	No No Yes Yes
Sun Hong Ning	Jinling Hotel Corporation	Director	No
Chang Yung Tsung	Daqing Oilfield Co. Ltd., Yung Shing Enterprise Co. Nanjing Ericsson Panda Communications Company Ltd.	Managing Director President Director	Yes Yes Yes
Fang Hung, Kenneth	Times Limited Yeebo International Holdings Limited USI Holdings Limited	Chairman Chairman Independent Director	Yes Yes Yes
Yang Xiong Sheng	Wuhan Boiler Co., Ltd. Hiteker Company Limited	Independent Director Independent Director	Yes Yes
Fan Cong Lai	Nanjing Xingang High-tech Co., Ltd. Wuxi Taiji Industry Co., Ltd. Nanjing Port Co., Ltd.	Independent Director Independent Director Independent Director	Yes Yes Yes
Luo Yi	Shandong Expressway Co., Ltd. Guangxi Wuzhou Communications Co., Ltd.	Director Supervisor	Yes Yes

(5) Emoluments for the Year

The emoluments for Directors, supervisors and other senior management are recommended by the Board, determined by Remuneration and Appraisal Committee under the Board in accordance with the relevant requirements, market levels and the Company's actual circumstances, considered and approved at the general meeting of the Company and finalized with their salary agreements entered into with the Company. The Company's four independent Directors received emoluments for independent Directors for year 2008. The rest of the directors and supervisors (including those employed in the Company) did not receive emoluments for directors or supervisors. The Directors and supervisors holding positions with the Company received management remunerations based on their specific management positions.

1. The annual emoluments paid to each of the two overseas independent Directors and each of the two domestic independent Directors by the Company were equivalent to HK$200,000 (at the end of the reporting period, the exchange rate between HK$ and RMB at HK$1.00 to RMB0.88 was used and the balance was equivalent to approximately RMB176,000) and RMB50,000, respectively during 2008. Apart from the above-mentioned allowances, the independent Directors did not receive any other remuneration from the Company. Other Directors and supervisors did not receive emoluments and allowances from the Company.

2. The remuneration of the Company's senior management (including deputy general managers, financial controller and secretary to the Board) comprised salaries of the position held, performance bonus and fringe benefits. Fringe benefits comprised pension insurance and various social insurance schemes.

There was no arrangement under which a director of the Company has waived or agreed to waive any emoluments.

Details of remunerations of the directors, supervisors and senior management during 2008

Personnel	Remuneration of directors or supervisors (RMB)	Management remuneration (RMB)	Total (RMB)	Received remuneration in shareholders' entities or other connected entities
Directors				
Shen Chang Quan	—	—	—	Yes
Zhang Yang	—	—	—	Yes
Sun Hong Ning	—	—	—	Yes
Chen Xiang Hui	—	—	—	Yes
Fan Yu Shu	—	—	—	Yes
Cui Xiao Long	—	—	—	Yes
Xie Jia Quan (Note 1)	—	406,170	406,170	No
Independent Directors				
Chang Yung Tsung	176,000	—	176,000	No
Fang Hung, Kenneth	176,000	—	176,000	No
Yang Xiong Sheng	50,000	—	50,000	No
Fan Cong Lai	50,000	—	50,000	No
Supervisors				
Zhou Jian Qiang	—	—	—	Yes
Zhang Cheng Yu	—	—	—	Yes
Luo Yi	—	—	—	Yes
Yan Shi Min	—	262,170	262,170	No
Shao Li	—	240,570	240,570	No
Zhou Hao Xiang (Note 2)	—	65,543	65,543	No
Senior Management				
Qian Yong Xiang (Note 3)	—	333,170	333,170	No
Lui Wei	—	298,170	298,170	No
Zhao Jia Jun	—	298,170	298,170	No
Shang Hong	—	298,170	298,170	No
Yao Yong Jia	—	298,170	298,170	No
Lee Wai Fun, Betty	—	—	—	No
Total	**452,000**	**2,498,303**	**2,950,303**	**—**

Notes:

1. Mr. Xie Jia Quan resigned from the offices of Director and General Manager of the Company in October 2008. His remuneration was the management remuneration paid by the Company during his term of office.

2. Mr. Zhou Hao Xiang resigned from the office of Supervisor of the Company in March 2008. His remuneration was the management remuneration paid by the Company during his term of office.

3. Mr. Qian Yong Xiang was nominated and appointed as the Executive Director at the nineteenth meeting of fifth session of the Board of the Company. The proposal regarding the directorship was considered and approved at the 2009 first extraordinary general meeting held on 11 March 2009. In 2008, Mr. Qian still served as senior management of the Company.

(6) Other Information of Directors, Supervisors and Senior Management

Directors' and Supervisors' contracts

Apart from the employment contract between the Company and executive director, each of the Directors and supervisors has entered into a service contract with the Company. The content of these contracts was primarily the same in all material respects. The term of these contracts commenced from the date of the 2006 Annual General Meeting (or the appointment date) until the date of the annual general meeting to be held in 2009. The Company, the Directors or the supervisors can terminate the contracts by giving not less than three months prior notice in writing to the other party. Save as the above-mentioned, none of the Directors or supervisors have entered into or have proposed to enter into any service contracts with the Company expiring or determinable by the employer within one year with payment of compensation (other than statutory compensation). The Company was not required to pay compensation to any director for the reason that the Directors intended to be re-elected in the next annual general meeting but their service contracts have not expired.

Interests of Directors and Supervisors in Contracts

The Company was not aware of any material contracts in which any Directors or supervisors held direct or indirect interests or had significant direct or indirect conflict of interests.

Representation and Undertaking of Directors, Supervisors and Senior Management

During the reporting period, the Directors, supervisors and senior management of the Company have signed the letter of representation and undertaking in accordance with the requirements of listing rules of the Shanghai Stock Exchange.

Model Code for Securities Transactions by Directors

Having made some specific enquiries from all the Directors and supervisors of the Company, the Directors of the Company have complied with the provisions on securities transactions under the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Hong Kong Listing Rules (the "Model Code"). The Company has also formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees" to ensure the relevant personnel's compliance with the code in carrying out securities transactions.

Dealings in Securities by Directors, Supervisors and Senior Management

During the reporting period, there was no record showing that any Directors, supervisors or senior management or any of their associates held any interests in the registered capital of the Company and its subsidiaries or associates being disclosable under the SFO or the Model Code.

During the year, none of the Directors, supervisors, senior management or any of their respective associates (including their spouses and children under 18 years of age) were granted any interests under any arrangement to subscribe for the equity or debenture of the Company, its subsidiaries or its associates.

Training of Directors, Supervisors and Senior Management

To enhance the governance missions of Directors, supervisors and senior management, the Secretary to the Board of the Company continued to pay attention to the governance requirements of securities regulatory authorities and timely relayed such requirements to the directors, supervisors and senior management. Meanwhile, the Secretary to the Board also arranged the relevant directors, supervisors and senior management to participate in seminars and training programmes, including telephone conferences held by the CSRC and specific training programmes held by the local securities regulatory bureau, so as to facilitate their continuous professional development.

In 2008, Mr. Yan Shi Min and Ms. Shao Li, the newly appointed supervisors, participated in the training on special topics held by Jiangsu Securities Regulatory Bureau.

(7) Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Shen Chang Quan, Chairman, Chairman of the Strategy Committee, born in 1948, Economist. Mr. Shen had been the head and the party secretary of Wu County in 1981, and a deputy mayor of Suzhou City since 1992. He was in charge of urban and communications developments of Suzhou City for a long time and was responsible for the development of the Suzhou National New & Hi-Tech Industrial Development Zone from 1992 to 1997. He has extensive experience in engineering and management. He has been the chairman of the board of Jiangsu Communications Holdings Company Limited ("Communications Holdings") since January 2001.

Mr. Qian Yong Xiang, Director, General Manager, born in 1964, with a Master of Engineering degree and an MBA. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been head of the Planning Section, deputy manager and manager of the Investment and Securities Department. Mr. Qian has long been involved in strategies studies of the transport industry, the Company's investment analysis and management, project construction and operational management. He has extensive experience in corporate management and operation of listed companies.

Ms. Zhang Yang, Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1964 and with a post-graduate diploma. She commenced work in 1987. From 1988 to 1994, Ms. Zhang was a principal staff member of the political division of the Ministry of Aerospace. From 1994 to 2007, she was the manager of the securities management division and Assistant to General Manager of Huajian Transportation Economic Development Center, and she is now the deputy general manager of Huajian Transportation Economic Development Center. She is also a director of Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited and Xiamen Port Development Co., Ltd. as well as the Vice Chairman of Sichuan Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries as well as rich in management experience.

Mr. Sun Hong Ning, Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1961, with an EMBA from China Europe International Business School in Shanghai. Mr. Sun had been a deputy division head at Jiangsu State Secrecy Bureau since 1994. He was secretary of general office at the Jiangsu Provincial Party Committee in 1995, secretary of general office of the Jiangsu Provincial Government in 2001; and a director and a deputy general manager of Communications Holdings in 2003. Mr. Sun is also the vice chairman of Suzhou Sujiahang Expressway Co., Ltd., a director of Huatai Securities Co. Ltd. and a director of Jinling Hotel Corporation. He has substantial experience in business and management.

Mr. Chen Xiang Hui, Director, Member of the Strategy Committee, born in 1963, with a Bachelor degree of Engineering and an MBA, post-graduate grade Senior Engineer. Mr. Chen has been involved in communication construction management and expressway operation management for a long time. Mr. Chen was a deputy director of the Project Quality Supervisory Section of Jiangsu Communications Department, a director of Jiangsu Ninglian Ningtong Road Management Office and a general manager of the Company. Mr. Chen is currently a director and a deputy general manger of Communications Holdings. He is the vice chairman of the Jiangsu Youth Chamber of Commence, the deputy secretary general of the Chapter of Expressway Operations Management Association of China Highway and Transportation Society and a standing committee member of the Expressway Operations Committee of Jiangsu Highway and Transportation Society.

Mr. Du Wen Yi, Director, Member of the Audit Committee, born in 1963, with an undergraduate diploma, Senior Economist. Mr. Du started working in the finance and accounting research office of Nanjing Communications School in 1983, and had been successively appointed as the deputy director and a director of the Planning and Finance Office of Jiangsu Communications Planning and Design Institute since 1987. He had been a deputy head of the Finance and Auditing Section of Jiangsu Communications Holdings Company Ltd. since 2000, and had been a director and successively a deputy head and head of the Finance and Auditing Section of Jiangsu Communications Industry Group Co., Ltd. from 2001 to 2004. He had been a deputy general manager of Jiangsu Jinghu Expressway Company Limited since 2004, and became the head of the Finance Department of Communications Holdings in November 2007. Mr. Du has been engaged in transportation management and financial management for a long time and is a senior expert with extensive transportation management and financial management experience.

Mr. Cui Xiao Long, Director, Member of the Strategy Committee, born in 1961, a university graduate, Senior Economist. Mr. Cui had been working in the Jiangsu Department of Communications since 1984. He was the section chief of Finance Division, the deputy general manager of Jiangsu Communications Investment Corp. and the director of Investment and Development Department at Communications Holdings. Mr. Cui is the director of the Operational Safety Department at Communications Holdings and holds the position of director of Toll Management Centre of Expressway Network of Jiangsu Province concurrently. He is also the deputy secretary general of Communications Enterprise Association of Jiangsu Province. He has over 20 years of experience in corporate management and finance management.

Ms. Chang Yung Tsung, Alice, Independent Director, Chairman of the Nomination, Renumeration and Appraisal Committee, born in 1932. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region, a standing committee member of the National Committee of the Chinese People's Political Consultative Conference, an advisor to the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch) and the chairperson of the Business Enterprise Management Centre of the Hong Kong Management Association. She is also the managing director of Daqing Oilfield Co. Ltd., the president of Yung Shing Enterprise Co., the China senior advisor to Tlefonaktiebolaget LM Ericsson, the director of Nanjing Ericsson Panda Communications Co., Ltd., the director of Beijing SE Putian Mobile Communications Co., Ltd., the chairman of Shanghai Overseas Chinese Commercial Centre Co., Ltd., and the chairman of Jiangsu Hong Kong Aero Enterprise Ltd. Ms. Chang has decades of experience in business development and investment. Ms. Chang has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swdish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region.

Mr. Fang Hung, Kenneth, Independent Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1938 and originated from Shanghai, graduated from Massachusetts Institute of Technology in the USA with a master degree in 1960s. He is the chairman of Jiangsu Times Supermarket Co., Ltd., the chairman of Fang Brothers Knitting Ltd., and a member of the National Committee of the Chinese People's Political Consultative Conference. He also undertakes many other key positions in major industrial or commercial associations, including as an Honorary Chairman of Hong Kong Textile Council and Hong Kong Wollen & Synthetic Knitting Manufacturers Association and a member of the Textile Advisory Board.

Mr. Yang Xiong Sheng, Independent Director, Chairman of the Audit Committee, Member of the Nomination, Renumeration and Appraisal Committee, born in 1960 and a tutor for doctoral candidates. Mr. Yang became research office director of Jiangsu Lianyungang Finance School in 1981 before joining the Lianyungang Audit Bureau in 1987. In 1994 he was posted to the accounting department of Nanjing University, where he has been department head since 1999, underpinning his profound expertise in the accounting profession.

Mr. Fan Cong Lai, Independent Director, Member of the Strategy Committee, Member of the Audit Committee, born in 1962, is a tutor for doctoral candidates and a renowned economist nationwide. Mr. Fan was a teaching assistant of the Economics Faculty of the School of Business at Nanjing University in 1983 and a lecturer in 1988. He has been a professor and the department head of the Economics Faculty of the School of Business at Nanjing University since 1996. Mr. Fan is currently the secretary of the Communist Party Committee of the Business School at Nanjing University, the vice chairman of Jiangsu Finance Association and the vice chairman of the Jiangsu Investment Association. Mr. Fan has long been engaged in teaching and research of monetary finance, corporate finance and capital markets. He is knowledgeable in economic theories. He has received numerous national awards honouring his outstanding contribution as an expert.

Supervisors

Mr. Yang Gen Lin, Chairman of the Supervisory Committee, born in 1953, with university education. He served as the Director of Taicang Communications Bureau, Suzhou City, Jiangsu Province as well as the Secretary of its communist party committee; a member of the Standing Committee of Taicang Communist Party Committee; the Deputy Mayor of Taicang City cum Secretary of the Party Work Committee of Taicang Economic Development Zone. He was the Acting Mayor and the Secretary of the Communist Party Committee of Danyang City, Zhenjiang, Jiangsu Province; a member of the Standing Committee of Zhenjiang Municipal Communist Party Committee; and a Deputy Department Head and a Deputy Secretary of the party organization of the Jiangsu Department of Communications. In 2008, he became the Vice Chairman and the General Manager of Communications Holdings. Mr. Yang has been responsible for management work for many years and has extensive experience in economic and communications management.

Mr. Zhang Cheng Yu, Supervisor, born 1951, university educated, Senior Economist. Mr. Zhang has been deputy general manager, deputy secretary of the Communist Party Commission, the general manager and the secretary of the Communist Party Commission of Yangzhou Motoring Transportation Corporation since 1985. He became a deputy head (chief director grade) of the Communications Bureau of Yangzhou City in 1996 and then joined Jiangsu Yangtze Bridge Co., Ltd. as a deputy general manager in January 2001. In July 2001, he became a general manager of Jiangsu Ningjingyan Expressway and in January 2002, he became a director of Human Resources Department of Communications Holdings. Mr. Zhang has extensive experience in management of finance and transport.

Ms. Luo Yi, Supervisor, born in 1972 and a university graduate, an accountant and a CPA. She commenced work in 1994. From1996 to 2001, Ms. Luo was the deputy director of the finance division of China Merchants Group Limited. From 2001 to 2002, she was the financial controller of China Merchants Insurance Company Limited. From 2002 to 2003, she was the deputy general manager of the finance division of Houlder Insurance Brokers Company Ltd.. From 2003 to 2005, she was the manager of the finance division of China Merchants Group (Beijing) Co., Ltd. From February 2005 to date, she has been the manager of the finance division of Huajian Transportation Economic development Center. She is also Director of Shandong Expressway Company Limited and a supervisor of Guangxi Wuzhou Communications Company Limited. Ms. Luo has been engaged in financial work with extensive financial expertise and management experience.

Mr. Yan Shi Min, Supervisor, born in 1954, university graduate, Senior Political Worker. Mr. Yan worked for Jiangsu Canal Shipping Company (「江蘇省運河航運公司」) from 1976 to 1978, and was successively an officer, deputy head and head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively a deputy director and a director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively a deputy head of G312 Management Office of the Company, a deputy director of Chinese Communist Party Committee Office and a deputy director of Disciplinary Inspection Office, deputy director of the General Office of the Company, the head of the Changzhou Management Office and currently the chairman of the Company's union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience.

Ms. Shao Li, Supervisor, born in 1978, with post-graduate diploma, Economist. Ms. Shao started working in the Nanjing Branch of China Ping An Life Insurance Company, Ltd. in 2003. Since 2004, Ms. Shao has been successively a section head and an assistant to manager of the Human Resources Department of the Company, and is currently a deputy manager of the Human Resources Department of the Company. Ms. Shao has been engaged in the field of human resource management and possesses extensive experience in human resource management.

Other Senior Management

Ms. Liu Wei, Deputy General Manager, Financial Controller, born in 1956, university graduate, Senior Accountant. Ms. Liu joined the Company in August 1992. She had been the deputy section chief of the Planning Division of the Communications Department of Jiangsu Province, the head of the Finance Department of the Jiangsu Roads & Bridges Construction Co. and the section chief of the Finance Division of the Jiangsu Expressways Command Office. Ms. Liu was also the deputy division chief and the manager of the Finance Department of the Company. She has been working in the economic and financial management for 20 years and has extensive experience in these areas.

Mr. Zhao Jia Jun, Deputy General Manager, born in 1967, with a master degree in engineering, post-graduate grade Senior Engineer, joined the Company in August 1992. Mr. Zhao had been an engineer of the Planning Department of Jiangsu Expressway Construction Command Office and a deputy director of the engineering division of the Company's Engineering and Technology Department, a director of the General Department, a deputy manager and a manager of the Engineering and Technology Department. Mr. Zhao has been engaged in the construction, maintenance and repair, operation and management of transportation projects since he started working.

Ms. Shang Hong, Assistant to General Manager, Manager of the Investment and Development Department, born in 1963, university graduate and Senior Engineer. Ms. Shang taught in the Civil Engineering Department of Nanjing Jinling Vocational University from July 1985 to May 1993. She joined the Company in June 1993 and has held various positions including deputy head and head of the Planning Division of the Managing Department of the Company; the deputy manager and manager of the Investment Development Department of the Company. She is currently the Assistant to General Manager and Manager of the Investment and Development Department of the Company. Ms. Shang has been engaged in engineering management, investment analysis and project management for a long time.

Mr. Yao Yong Jia, Secretary to the Board, born in 1964, with a master degree, Senior Engineer. Mr. Yao joined the Company in August 1992. He has been a section chief of the Communications Design and Planning Institute of Jiangsu Province, the Jiangsu Expressways Command Office and the Securities Department, as well as the director of the secretariat to the Board of the Company. Mr. Yao has extensive experience and he has been engaging in project management, investment analysis, financing and securities.

Ms. Lee Wai Fun, Betty, Company Secretary of Hong Kong, born in 1961. She obtained a professional diploma in company secretaryship and adminstration from the Hong Kong Polytechnic (presently the Hong Kong Polytechnic University) in 1983. She is a chartered secretary in Hong Kong. She is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

(8) Human Resources

Human Resources Management System

The Company effectively allocates and utilizes its human resources through regulating and improving its human resource management system, so as to adapt to the strategic development needs of the Company. We also aim to create a good development platform for staff, achieve a win-win scenario between staff's interests and the Company's interests, and advocate a people-oriented management principle. The Company has established a human resource management system, with recruitment, training, appraisal and salary management forming its core. Meanwhile, through improving the performance appraisal system to leverage the incentive mechanism of the remuneration system on a regular basis; and through reinforcing education and training to nurture and stockpile a pool of professionals and talents for the sustainable development of the Company, the Company strives to establish a human resources management system comparable to that of a modern listed company, thereby achieving its long-term strategic objectives.

The announcing and implementation of the "Labor Contract Law" posed new requirements to companies with respect to human resources management. In 2008, the Company further regulated and enhanced the management of labour contracts in strict compliance with the requirement of laws. It re-entered into labour contracts with 2,274 staff, among whom the number of staff entering into contracts without a fixed term represented 27% of the total number of staff. This has enhanced staff's sense of belonging and the stability of their careers.

Staffing Situations

As at 31 December 2008, the Company had 3,853 staffs (excluding subsidiaries and associates), of whom 38 were newly recruited during the year. The staff composition was as follows:

1. Professional Composition

Type of profession	Number	Percentage
Administrative and management staff	236	6.1%
Toll operation staff	2,114	54.8%
Maintenance and repair staff	217	5.6%
Road management staff	109	2.8%
Service area staff	1,177	30.7%

2. Educational Background

Education level	Number	Percentage
University or above	276	7.2%
Post-secondary school	933	23.7%
Secondary/vocational schools or below	2,644	69.1%

Staff Salary

The Company adopts a position-based salary system with performance being a motivating factor. Staff salary comprises three parts, namely monthly salary, performance bonus and fringe benefits. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff, with reference to the principle of "salary by position, award by performance", thereby raising the fairness and competitiveness of the salary system.

In 2008, the Company further improved the relevant systems complementary to remuneration reform: shortening the length of staff's salary adjustment by adopting annual adjustment after staff had passed appraisal, so as to arouse staff's enthusiasm in their work. The Company re-evaluated the positions which involved higher risks and more manual labour such as hindrance prevention, maintenance and refueling, and has consequently adjusted certain positions' grading, thereby increasing the reasonableness of the remuneration system.

The aggregate annual salaries of the staff were subject to approval by the Board. During 2008, the aggregate salaries actually utilized by the Company amounted to RMB174,060,000.

Performance Appraisal

The Company enforced a stringent performance appraisal system. In this year, the Company enacted management methods and implementation rules for the Company's performance appraisal. Based on such methods and rules as appraisal standards, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisal according to the objectives for performance management while it imposed corresponding punishment and gave warning to those who failed to achieve the appraisal standards, thereby raising staff's sense of responsibility toward their respective duties and ensuring the realization of respective operation management objectives.

The Board and the Remuneration Committee are responsible for the appraisal of the Company's management members and the performance objectives set for them include operating revenue, operations costs, profit index, and objectives for respective operations. After the consideration and approval by the Board at the beginning of the year, the Company specified and assigned various indices and tasks to various functional departments of operations. The persons-in-charge of the respective departments then entered into annual responsibility letter with the General Manager. At the end of the year, the Board will assess the management's performance based on the completion of various objectives.

Staff Insurance and Benefits

The Company cares for its employees with affection and protects the statutory interests of the employees. In accordance with the relevant State regulations, the Company provides its current employees with a number of social insurance schemes such as basic old-age insurance, medical insurance, labour injury insurance, maternity insurance and unemployment insurance through the social insurance authority. In 2008, the Company fully paid insurance premiums of all social insurances totaling RMB43.51 million.

Meanwhile, in order to provide better protection for its employees, the Company has also obtained supplementary medical insurance and labour injury insurance from commercial insurance companies for its employees. This has alleviated the economic burden on staff as well as their worries on their livelihood. The Company also established the corporate annuity scheme, aiming at improving the living standards of its employees after retirement and built long-term caring relationships between the Company and its employees. In 2008, the Company registered for corporate annuities for 2,362 employees, paying total annuities amounting to RMB9.88 million. The annuities paid are stated in the staff's individual account and are professionally managed by qualified banks entrusted by the Company. They will be given to employees on a one-off basis upon their retirement.

Staff Education and Training

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuous learning and encourages employees to lift their own working capabilities and competiveness, thereby realizing value-adding of human resources.

In this year, the promotional activity for the assessment of occupational qualifications of the Company's special job duty at the Transport Department, namely toll collection and control, was included in the first group of pilot units for the State's assessment of occupational qualifications of toll collection and control. Assessment of Professional Competence Qualification is a pre-requisite entry pass for development in industries requiring occupational qualifications in the staff's career. With the Company's training, guidance and skills appraisal on regular toll collection officers and control officers, a total of 1,668 employees passed the skills assessment (rating).

Meanwhile, the Company commenced a practical, pragmatic and effective training scheme with specific goals according to business needs. In 2008, the Company held entry training for 57 new employees in two phases. Revolving around various management needs, it also held various trainings on special topic including session on skills for QC team (QC小組活動技巧), internal auditor certification training, knowledge of safety and protection system, in 6 phases with over 250 enrolments. Meanwhile, it extensively organized training sessions to enhance toll operations and the position skills of service-providing staff. Staff participation in such training programmes was counted at over 800 times.

(1) Annual General Meeting

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2007 Annual General Meeting	6 June 2007	China Securities Journal Shanghai Securities News	7 June 2007

The annual general meeting has considered the following significant matters:

1. Matters approved as ordinary resolutions included:

   – the report of the directors, the report of the supervisory committee, the audited accounts and auditors' report for the year 2007;

   – 2007 profit distribution scheme;

   – Continuous appointment of overseas and domestic auditors;

   – appointment of Mr. Du Wen Yi as a Director of the Company.

(2) Extraordinary General Meeting

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2007 second Extraordinary General Meeting	4 January 2008	China Securities Journal Shanghai Securities News	7 January 2008

The extraordinary general meeting has considered the following significant matter:

1. Matter approved as extraordinary resolutions included:

   – the issuance of not more than RMB1.5 billion corporate bonds by the Company was approved.

(1) Meetings Held by the Supervisory Committee during the Reporting Period

In accordance with the Company Law, the Listing Rules, the Articles of Association and the Rules of Proceedings for Supervisory Committee Meetings and by observance of the principle of good faith, all members of the Company's Supervisory Committee have faithfully discharged their duties in a positive and cautious manner during the year 2008 for the purpose of safeguarding the interests of the Company and its shareholders.

The Supervisory Committee held four meetings in 2008. The convening, proceedings and resolutions of the meetings complied with legal procedures. Significant matters were considered and examined by the Supervisory Committees as follows:

Convening of the Supervisory Committee Meeting	Agenda of the Supervisory Committee Meeting
The Nineth Meeting of the Fifth Session of the Supervisory Committee	— The 2007 Annual Report and its summary were considered. — The Supervisory Committee Work Report of 2007 was considered. — The appointments of Mr Yan Shi Min and Ms Shao Li as Supervisors representing staff joining the Supervisory Committee were approved.
The Tenth Meeting of the Fifth Session of the Supervisory Committee	— The 2008 First Quarterly Report was considered.
The Eleventh Meeting of the Fifth Session of the Supervisory Committee	— The 2008 Interim Report was considered. — The resignation of Mr Zhou Jian Qiang, Supervisor, due to job change was accepted.
The Twelfth Meeting of the Fifth Session of the Supervisory Committee	— The 2008 third quarterly report was considered.

During the reporting period, the Supervisory Committee attended the on-site shareholders' meetings and Board meetings. It examined the signing of written resolutions by the Board. It exercised effective supervision on the procedures and legality of the decision-making process of the Company, the implementation of the resolutions passed at the shareholders' general meetings by the Board, and the duties discharged by the Company's directors and management. It also conducted on-site research and examination of the Suzhou Nanlin Hotel acquired by the Company's subsidiary Guangjing Xicheng Company, so as to have an in-depth understanding of the investment project's actual operation and management. During the reporting period, no negotiations or litigations were made or initiated by any supervisor representative against any directors of the Company.

(2) Independent Opinions of the Supervisory Committee

1. Compliance with the Company's Operations

During the reporting period, the Supervisory Committee has monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions passed thereat. It has also supervised the implementation of resolutions passed at the shareholders' general meetings by the Board and the implementation of resolutions passed at the Board meetings by the management. It considered that the adoption and implementation of each system and the daily operation and management of the Company complied with the laws and regulations. During the year, the Company has established the "Internal Control Management Regime" applicable to the needs of the Company's internal management in accordance with the relevant requirements. This has further improved the Company's internal control system in terms of systematization, implementation procedures and efficiency, thereby further enhancing the corporate governance of the Company.

In compliance with the requirements as stipulated under relevant laws and regulations, the Company's directors and senior management have conscientiously discharged their duties, bearing in mind the best interests of shareholders and the Company. They have not violated the relevant laws and regulations, abused their authorities or caused damage to the interests of the Company, its shareholders and staff.

2. *Financial Conditions of the Company*

The Supervisory Committee has duly examined the financial statements, the profit distribution scheme and other accounting information etc. for the year 2008 and is of the view that the financial income and expenditure accounts are clear; and that the accounting, auditing and financial management have complied with the relevant requirements without any problems identified. The domestic and overseas auditors of the Company have audited the 2008 financial statements of the Company in accordance with the HKFRS and the PRC Accounting Standards, respectively, and have issued auditors' reports with standard unqualified audit opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the auditors' reports. The operating results achieved are truthful.

3. *Application of Fund Raised*

During the reporting period, the Company issued corporate bonds of RMB1.1 billion. The fund raised was used to adjust the Company's liability structure. As reviewed and inspected by the Securities Commission, the application of the fund raised was in consistent with the undertaking made in the fund raising prospectus without any deviation.

4. *Acquisition and Sale of Assets by the Company*

During the reporting period, the Supervisory Committee has examined the acquisition of the equity interests in Suzhou Nanlin Hotel by the Company's subsidiary, Guangjing Xicheng Company. It also conducted on-site examination and research of the project and was of the view that the transaction price of the acquisition was determined on the basis of a comprehensive assessment. The transaction was fair and the price was reasonable. The Supervisory Committee was not aware of any insider dealing or act which might jeopardize the interests of certain shareholders or cause losses to the Company's assets.

5. *Connected Transactions of the Company*

The Supervisory Committee has examined all connected transactions of the Company during the year. It is of the view that all contracts, agreements and other documents relating to connected transactions during the year are in compliance with the relevant legal requirements. The connected directors have abstained from voting and the review and consideration procedures were lawful. The terms of the transactions are fair and reasonable to the Company and all of its shareholders. The connected transactions have been entered into in strict compliance with the principles of "fairness, justice and openness". No insider dealing has been identified, nor has the Board been found to have breached the principle of fiduciary duty when making decision, signing agreements or carrying out information disclosure.

By Order of the Supervisory Committee

Yang Gen Lin
Chairman of the Supervisory Committee

Nanjing, the PRC
27 March 2009

(1) Principal Business, Customers and Suppliers

The Group is principally engaged in the investment, construction, operation and management of toll highways and bridges in Jiangsu Province. During the reporting period, there was no significant change to the principal business of the Group.

The major customers of the Group's toll business are users of toll highways and bridges. There was no large-amount procurement in relation to day-to-day operation in general. As such, the Group is not required to further disclose information relating to major customers or suppliers.

(2) Material Litigation or Arbitration

The Company was not involved in any material litigation or arbitration during the reporting period.

(3) Bankruptcy and Restructure

The Company was not involved in any incidents relating to bankruptcy and restructuring during the reporting period.

(4) Assets Transaction

Investment in Nanlin Hotel

For more details of the transactions, please refer to the section headed "Investment of the Company" of Report of the Directors.

Parties involved in this transaction were connected persons of the Company. The subscription constitutes a connected transaction under rule 14A.32 of the Hong Kong Listing Rules and a related party transaction the Shanghai Listing Rules. The Company has complied with the approval and disclosure procedures in accordance with the relevant requirements of connected transactions. All connected directors and related directors have abstained from voting. Please refer to the announcement published in designated newspapers and on websites on 26 August 2008 for details of the connected transaction.

(5) Implementation of Share Incentive Scheme

The Company did not implement any share incentive scheme.

(6) Material Connected Transactions

— **Connected transactions related to day-to-day operation**

During the reporting period, the connected transactions relating to day-to-day operations between the Company and connected parties were as follows:

Connected party	Sale of products or provision of service to connected party		Purchase of products or receipt of service from connected party	
	Transaction Amount RMB'000	Percentage on transaction amount of the same type (%)	Transaction Amount RMB'000	Percentage on transaction amount of the same type (%)
Jiangsu Sundian	563	10.69	38,183	88.4
Toll-network Company	1,487	28.23	5,010	11.6
Jiangsu Expressway Petroleum Company	3,218	61.08	—	—
Total	5,268	100	43,193	100

1. *Road Maintenance Service Contracts with Jiangsu Sundian*

On 29 April 2008, the Company and its subsidiary, Guangjing Xicheng, entered into maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd. ("Jiangsu Sundian") in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 1 May 2008 and ending on 31 December 2008. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB5 million and RMB40 million, respectively.

The transaction constituted a connected transaction under the Hong Kong Listing Rules and Shanghai Listing Rules because Jiangsu Communications Holdings Company Limited, the Company's controlling shareholder, holds 30% equity interests in Jiangsu Sundian while the Company and Guangjing Xicheng directly hold 7.5% equity interests in Jiangsu Sundian respectively. Jiangsu Sundian has provided repairs and maintenances services to the specified repair and medium-large repair projects of the expressway projects under the Company and Guangjing Xicheng since its establishment in 2003. The transaction was conducted in normal business conduct of the Company and Guangjing Xicheng and has no adverse impact to the Company.

The maintenance service fees are determined by the following principles: the tender prices so accepted will serve as the fee basis for projects to be awarded through public tenders whereas the fee basis for other projects will be determined after arm's length negotiation and with reference to the prevailing market prices reviewed by an independent and qualified cost consultation institute, with principle of not higher than the market price of the relevant projects. Jiangsu Sundian will be given such project. The cap of the maintenance service fees was set according to the estimated works in 2008. The maintenance service fees are to be paid out of the Company and Guangjing Xicheng's own funds. As at the end of the reporting period, the actual amounts of the two contracts were RMB3,065,000 and RMB35,118,000, respectively.

2. *Technological Service Agreement with the Toll-Network Company*

Jiangsu Expressway Toll-network Technology Service Co., Ltd. (the "Toll-network Company", 江蘇高速公路聯網收費技術服務有限公司) provides relevant data audit, statistical and analytical services and consultation services on inter-network tolling technology upgrade for the road and bridge projects of the Company. The Toll-network Company was jointly established by the Company's controlling shareholder, Communications Holdings, and its road and bridge subsidiaries. Communications Holdings is the largest shareholder holding 30% equity interests, while the Company holds 5% equity interests. In accordance with Chapter 10 of the Listing Rules of the Shanghai Stock Exchange and Chapter 14A of the Hong Kong Stock Exchange, the Toll-network Company is a connected person of the Company and a related party to the Company. Such transaction constituted a continuing connected transaction relating to the day-to-day operations of the Company.

The fee standards on which the Toll-network Company provided services to the Company were examined by the Jiangsu Price Administration. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to on non-cash income. During 2008, the Company has paid service fees to Toll-network Company amounting to RMB5,010,000 in aggregate, which was below reporting and disclosure requirements.

3. *Leasing of Operation of Petroleum Products Sales Business*

Guangjing Xicheng, the Company's subsidiary, leased the operation of its petroleum products sales business at the petrol station in the Yanqiao Service Area to Jiangsu Petroleum Company for a period of three years from 1 January 2006 to 31 December 2008. Under the agreement between both parties, the leasing fee will be calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee paid to Guangjing Xicheng by Jiangsu Petroleum Company amounted to RMB500,000 per annum. During the year, such leasing agreement continued to be implemented. Jiangsu Petroleum Company is a connected company which is held 51.17% equity interests by the Company's controlling shareholder. Such transaction constituted a continuing connected transaction relating to day-to-day operating activities.

During the reporting period, Jiangsu Petroleum Company paid leasing fees to Guangjing Xicheng amounting to RMB3,218,000 in aggregate which was below reporting and disclosure requirements.

4. Leasing of Offices

On 22 August 2008, the Company entered into leasing agreements with Jiangsu Sundian and Toll-network Company, respectively. Pursuant to the agreements, the Company would lease the offices located in No. 2 Maqun Road and No. 189 Manqun New Street to Jiangsu Sundian and Toll-network Company, respectively with leasing terms commencing on 1 September 2008 and ending on 31 August 2011. Annual leasing fees amounted to RMB1.69 million and RMB4.46 million, respectively, were determined based on a number of factors including the land values of the leasing properties, construction investment and the term for land requisition of the leasing properties, and in consideration of the principles relating to the relevant taxes applied if the properties were resumed for investment.

Parties involved in the transactions are connected parties of the Company. The Company has complied with the approval and disclosure procedures in accordance with the relevant requirements for connected transactions. All connected directors have abstained from voting. Please refer to the announcement published in designated newspapers and on websites on 25 August 2008 for details the connected transaction.

— **Sale of Assets between Connected Parties**

For details, please refer to "Assets Transaction - Investment in Nanlin Hotel" of this Chapter.

— **Capital Dealings with Connected Parties**

Unit: RMB'000

Connected Parties	Provide funding to connected parties		Connected parties provide funding to the Company	
	Amount	Balance	Amount	Balance
Jiangsu Guangjing Xicheng Expressway Co., Ltd. (Note 1)	0	0	200,000	450,000
Jiangsu Ninghu Properties Company Limited (Note 2)	0	0	190,000	190,000
Total	0	0	390,000	640,000

Note 1: On 27 June 207, the Company secured a loan of RMB250,000,000 from its subsidiary Guangjing Xicheng by way of a trust loan with a term of one year at an annual interest rate of 5.022%. The principal and interests of the loan were settled at the maturity dates.

The Company also secured two separate loans of RMB200,000,000 and RMB250,000,000 from Guangjing Xicheng on 30 January 2008 and 26 June 2008 respectively. Both loans have a term of one year and carry an annual interest rate of 6.000%.

Note 2: On August 15, 2008, the Company borrowed a loan of RMB 190,000,000 from its subsidiary Ninghu Properties by way of a trust loan with a term of one year at an annual interest rate of 6%.

— **Confirmation Opinion by Independent Directors on Connected Transactions**

The independent directors of the Company have reviewed the continuing connected transactions and confirmed in the annual report and accounts that:

(1) Such transactions were conducted in the usual course of business of the listed issuer;

(2) Such transactions were conducted on normal commercial terms or, if transactions available for comparison were insufficient to determine whether the terms of such transactions are normal commercial terms, from the perspective of the Company, the terms of such transactions were in any way no worse than the terms offered to or by (as the case may be) independent third parties; and

(3) Such transactions were conducted in accordance with the terms of the agreements of respective transaction. The transaction terms were fair and reasonable and in the best interests of the Company's shareholders as a whole.

(7) Material Contracts and their Fulfilment

1. Trust, Subcontracting and Leasing

During the reporting period, the Company had no material trust and subcontracting.

During the reporting period, the leasing matters of the Company mainly included the leasing of operation of the petroleum products sales business to Jiangsu Petroleum Company, and the leasing of offices to Jiangsu Sudian and Toll-network Company. For details, please refer to "Material Connected Transactions" of this Chapter.

2. Material Guarantees and Pledge of Assets

During the reporting period, the Company and its subsidiaries did not provide any guarantee for any shareholders or connected party or any other companies, nor was there any pledge of assets subsisting.

3. Entrusted Financial Management

During the reporting period, the Company did not entrust any other person to carry out cash asset management activity.

4. Other Material Contracts

During the reporting period, the Company and its subsidiaries did not enter into any material contract with or provide any loan to the controlling shareholder of the Company or its subsidiaries or connected parties. Save as the contracts disclosed above, the Company did not enter into any material service or management contract with any person, enterprise or legal entity.

(8) Undertakings and Fulfillment of Undertakings

Undertakings	Details of undertakings	Fulfillment of undertakings
Undertakings regarding the share reform	Jiangsu Communications Holding Company Limited and Huajian Transportation Economic Development Center, holding over 5% of the Company' shares, made the following undertakings during the share reform: 1. Within 60 months from the day on which the listing status is granted, the original non-circulating shares of the Company held by the two companies will not be traded on the Shanghai Stock Exchange. 2. The two companies will propose a motion and vote for a proposal at each of the 2005-2008 annual general meetings of the Company regarding a cash dividend payment of not less than 85% of the distributable profit of the Company realized in the relevant year.	The Company is not aware that such shareholders were in breach of the relevant undertakings during the reporting period.
Other undertakings made to medium and minor shareholders of the Company	Undertakings made by the Board of the Company regarding the profit distribution for 2008: Cash dividend will be distributed once in 2008 and the distribution ratio shall not be less than 85% of the distributable profit for the year.	Fulfilled

(9) Appointment of Auditors

Please refer to 9. "Domestic and Overseas Auditors" of the "Corporate Governance Report" of this annual report.

(10) Regulatory Sanctions by CSRC

During the reporting period, there was no administrative penalty, criticism through circulation of a public notice, or other public condemnation imposed against the Company, the Board, the Supervisory Comittee, or any of its directors, supervisors, senior management members by CSRC.

Financial Report

TO THE MEMBERS OF JIANGSU EXPRESSWAY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jiangsu Expressway Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 110 to 153, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Revenue	8	**5,095,356**	5,068,913
Cost of sales and other direct operating costs		**(2,485,680)**	(2,176,028)
Gross profit		**2,609,676**	2,892,885
Other income		**51,342**	59,024
Administrative expenses		**(121,730)**	(128,577)
Finance costs	10	**(550,354)**	(512,400)
Share of profits of associates		**151,412**	129,527
Changes in fair value of held-for-trading investments		**(1,479)**	9,594
Gain on disposal of a subsidiary	11	**1,072**	—
Profit before tax		**2,139,939**	2,450,053
Income tax expense	12	**(502,317)**	(769,560)
Profit for the year	13	**1,637,622**	1,680,493
Attributable to:			
Equity holders of the Company		**1,592,209**	1,642,331
Minority interests		**45,413**	38,162
		1,637,622	1,680,493
Dividend	16	**1,360,192**	957,172
Earnings per share - Basic	17	**RMB0.32**	RMB0.33

At 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000 (restated)
Non-current assets			
Property, plant and equipment	18	1,501,952	1,598,189
Concession intangible assets	19	18,214,241	18,793,287
Prepaid lease payments	20	1,095,262	1,160,542
Interests in associates	21	1,870,764	1,603,897
Available-for-sale financial assets	22	13,668	5,500
Deferred tax assets	24	5,336	5,865
		22,701,223	23,167,280
Current assets			
Inventories	25	9,951	13,196
Properties under development	26	106,950	41,695
Prepayments and other receivables	27	57,890	107,335
Prepaid lease payments	20	65,280	65,280
Held-for-trading investments	23	39,967	42,345
Bank balances and cash	28	460,593	1,128,947
		740,631	1,398,798
Current liabilities			
Other payables		334,364	261,169
Amounts due to related companies		—	62,900
Construction costs payable		279,184	938,625
Tax liabilities		156,756	276,487
Dividend payable		32,735	19,472
Long-term borrowings - due within one year	29	201,693	201,810
Short-term borrowings	30	2,650,000	4,753,930
		3,654,732	6,514,393
Net current liabilities		(2,914,101)	(5,115,595)
Total assets less current liabilities		19,787,122	18,051,685
Non-current liabilities			
Deferred tax liabilities	24	974	1,350
Long-term borrowings - due after one year	29	4,711,985	3,284,386
		4,712,959	3,285,736
Net assets		15,074,163	14,765,949

	NOTES	2008 RMB'000	2007 RMB'000 (restated)
Capital and reserves			
Share capital	31	**5,037,748**	5,037,748
Reserves	32	**9,597,599**	9,298,866
Equity attributable to equity holders of the Company		**14,635,347**	14,336,614
Minority interests		**438,816**	429,335
Total equity		**15,074,163**	14,765,949

The consolidated financial statements on pages 110 to 153 were approved and authorised for issue by the Board of Directors on 27 March 2009 and are signed on its behalf by:

Shen Chang Quan	**Qian Yong Xiang**
DIRECTOR	DIRECTOR

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2007	5,037,748	5,730,454	1,194,134	—	1,689,119	13,651,455	427,828	14,079,283
Profit for the year and total income recognised	—	—	—	—	1,642,331	1,642,331	38,162	1,680,493
Adjustment (note)	—	—	(24,006)	—	24,006	—	—	—
Appropriations	—	—	179,880	—	(179,880)	—	—	—
Dividends	—	—	—	—	(957,172)	(957,172)	—	(957,172)
Dividends paid to minority shareholders	—	—	—	—	—	—	(36,655)	(36,655)
At 31 December 2007	5,037,748	5,730,454	1,350,008	—	2,218,404	14,336,614	429,335	14,765,949
At 1 January 2008	5,037,748	5,730,454	1,350,008	—	2,218,404	14,336,614	429,335	14,765,949
Profit for the year and total income recognised	—	—	—	—	1,592,209	1,592,209	45,413	1,637,622
Appropriations	—	—	177,339	—	(177,339)	—	—	—
Dividends	—	—	—	—	(1,360,192)	(1,360,192)	—	(1,360,192)
Dividends paid to minority shareholders	—	—	—	—	—	—	(35,932)	(35,932)
Reserves released on disposal of a subsidiary	—	—	(2,524)	—	2,524	—	—	—
Share of an associate's reserve arising from the fair value change of the associate's available-for-sale financial assets	—	—	—	66,716	—	66,716	—	66,716
At 31 December 2008	5,037,748	5,730,454	1,524,823	66,716	2,275,606	14,635,347	438,816	15,074,163

Note:

In the year 2007, the Group applied, for the first time, the new accounting standard ("new standard") issued by the Ministry of Finance of People's Republic of China ("MOF") on 15 February 2006 , which were effective for the Group's financial year beginning 1 January 2007. The adoption of the new standard has resulted in changes to the Group's retained profit under PRC statutory financial statements and the statutory surplus reserve had been adjusted accordingly.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000
Operating activities			
Profit before tax		**2,139,939**	2,450,053
Adjustments for:			
Finance costs		**550,354**	512,400
Change in fair value of held-for-trading investments		**1,479**	(9,594)
Dividend from unlisted available-for-sale financial assets		**(200)**	(200)
Share of profits of associates		**(151,412)**	(129,527)
Gain on disposal of a subsidiary		**(1,072)**	—
Depreciation and amortisation		**810,664**	819,632
Operating lease rental in respect of land use rights		**65,280**	65,280
Impairment loss reversed in respect of other receivables		**(2,416)**	(885)
Exchange gain in respect of long term bank loans		**(2,329)**	—
Loss (gain) on disposal of property, plant and equipment		**1,374**	(4,941)
Operating cash flows before movements in working capital		**3,411,661**	3,702,218
Increase in inventories		**(1,030)**	(3,151)
Increase in properties under development		**(65,255)**	(30,045)
Decrease (increase) in prepayments and other receivables		**17,841**	(7,622)
Decrease in held-for-trading investments		**899**	5,033
Increase in other payables		**23,303**	87,733
Cash generated from operations		**3,387,419**	3,754,166
PRC income tax paid		**(621,415)**	(594,534)
Net cash generated from operating activities		**2,766,004**	3,159,632
Investing activities			
Dividend received from associates		**113,750**	107,532
Dividend received from available-for-sale financial assets		**200**	200
Disposal of a subsidiary	11	**(24,687)**	—
Advance from related companies		**—**	39,890
Proceeds on disposals of property, plant and equipment		**515**	42,912
Purchase of property, plant and equipment and toll roads infrastructures		**(827,418)**	(837,220)
Purchase of available-for-sale financial assets		**(800)**	—
Acquisition of an associate		**(160,000)**	—
Net cash used in investing activities		**(898,440)**	(646,686)

	2008 RMB'000	2007 RMB'000
Financing activities		
Interest paid	**(464,028)**	(512,400)
Dividends paid	**(1,346,929)**	(948,758)
Dividends paid to minority shareholders	**(35,932)**	(36,655)
Advance from related companies	**—**	23,010
Proceeds from long-term borrowings	**3,088,300**	—
Repayment of long-term borrowings	**(1,660,000)**	(950,000)
Proceeds from short-term borrowings	**5,119,660**	8,423,930
Repayment of short-term borrowings	**(7,223,590)**	(8,180,000)
Payment for short-term bond issue cost	**(13,399)**	—
Net cash used in financing activities	**(2,535,918)**	(2,180,873)
Net (decrease) increase in cash and cash equivalents	**(668,354)**	332,073
Cash and cash equivalents at beginning of the year	**1,128,947**	796,874
Cash and cash equivalents at end of the year, represented by bank balances and cash	**460,593**	1,128,947

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 Holding"), 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 ("RMB"), which is the same as the functional currency of the Company.

The principal activities of the Group are the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Ninghu Expressway"), the Jiangsu section of the 312 National Highway (the "312 National Highway"), Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Highway") and other toll roads in Jiangsu Province PRC, 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 adopted the following amendments to Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standard ("HKFRS") and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised except for the adoption of HK (IFRIC) – Int 12 "Service Concession Arrangements".

Service Concession Arrangements

In the current year, the Group has applied HK(IFRIC) – Int 12 Service Concession Arrangements which is effective for annual periods beginning on or after 1 January 2008.

The Group had entered into contractual service arrangements with local government authority (the "grantor") of the PRC to acquire toll road infrastructures and toll road operation rights and to participate in the redevelopment, expansion, investment, operation, management and maintenance of toll roads and their toll station facilities on behalf of the grantors in accordance with the terms specified in the service concession arrangement contracts. The Group received in exchange a right to propose and collect the toll fees from vehicles using the toll roads and other fees relating to the expressways and their toll station facilities. After the acquisition of the underlying toll road infrastructures and the related toll road operation rights, under the arrangements, the Group incurred additional costs on the toll roads, for widening projects and upgrade services carried out by independent qualified contractors in the PRC based on approval from the grantors under open market bid prices.

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

Service Concession Arrangements *(continued)*

HK(IFRIC) - Int 12 "Service Concession Arrangements" provides guidance on the accounting by the operator of a service concession arrangement which involved the provision of public sector services.

In prior years, the construction costs incurred on the toll road infrastructure, which the Group is entitled to operate for the specified concession period, was recorded as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. Depreciation of the toll road infrastructure was calculated to write off its cost, over its expected useful life or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation of the toll road, 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.

In accordance with HK(IFRIC) - Int 12 , infrastructures within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 Construction Contracts for the construction and upgrade services of the infrastructure, and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 "Intangible Assets" to the extent that the operator receives a right (a license) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with HKAS 18 Revenue.

No construction revenue or profit on construction services has been recognised as the Group's toll expressway infrastructures were acquired from the grantor. Furthermore, the Group has not provided any construction services in relation to subsequent widening projects and upgrades services as the widening projects and upgrade services of toll roads are carried out by independent qualified contractors in the PRC based on the approval from the grantors. The payment made by the Group for the toll roads widening projects and upgrade services is considered as additional costs of the toll road operation rights and, accordingly, such additional costs are also reclassified as the intangible assets under the service concession arrangements retrospectively.

Intangible assets resulting from the application of HK (IFRIC) – Int 12 are recorded in the consolidated balance sheet as "Concession Intangible Assets". Once the underlying infrastructure of the service concession is completed, the intangible assets are amortised, on the Traffic Flow Amotisation Method, as allowed under HK Interpretation 1, "the Appropriate Accounting Policies for infrastructure Facilities", over the operating periods granted.

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

Service Concession Arrangements *(continued)*

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in accounting policies resulted from the adoption of HK(IFRIC) – Int 12 for the current and prior year by line items are as follows:

	2008 Rmb'000	2007 Rmb'000
Decrease in depreciation of toll road infrastructures	643,461	612,910
Increase in amortisation of concession intangible assets	(643,461)	(612,910)
Profit for the year	—	—

The effect of the application of the new interpretation as at 31 December 2007 is summarised below:

	As at 31/12/2007 (Originally stated) Rmb'000	Adjustments Rmb'000	As at 31/12/2007 (Restated) Rmb'000
Balance sheet items			
Non-current assets			
Toll roads infrastructures	18,793,287	(18,793,287)	—
Toll road operation rights	—	18,793,287	18,793,287
Total effects on assets	18,793,287	—	18,793,287
Retained profits	2,218,404	—	2,218,404

	As at 1/1/2007 (Originally stated) Rmb'000	Adjustments Rmb'000	As at 1/1/2007 (Restated) Rmb'000
Balance sheet items			
Non-current assets			
Toll roads infrastructures	19,367,653	(19,367,653)	—
Toll road operation rights	—	19,367,653	19,367,653
Total effects on assets	19,367,653	—	19,367,653
Retained profits	1,689,119	—	1,689,119

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

Service Concession Arrangements *(continued)*

The service concession arrangements operated by the Group's associates are of similar arrangements of those operated by the Group. Accordingly, the adoption of HK(IFRIC) Int 12 Service Concession Arrangements has no material effect on its associates and accordingly, no adjustment on the Group's share of result of associates is required.

The reclassification of the toll expressways of the Group has no impact on the profit for the current and prior year and the retained profits at 1 January 2007, accordingly, no adjustment on the Group basic earnings per share has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

HKFRS 8 specifies the disclosures and presentation of operating segments, based on information about the components of an entity that is available to its chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The Group has a single operating and reportable segment, i.e. the development and operation of toll road and other supporting services along the toll roads in the PRC. The adoption of HKFRS 8, when it becomes effective, may result in new or amended disclosures but has no material impact on the results and financial position of the Group.

The directors of the Group anticipate that the application of these other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. CHANGE OF ACCOUNTING ESTIMATE

The amortisation of the toll road operation rights were 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.

During the year, the Group revised the expected traffic volume and accordingly resulted in a lower traffic volume during residual concession years. This change in estimated traffic volume has increased the amortisation charge for the year by approximately RMB 51,089,000.

4. 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 HKFRSs issued by the HKICPA. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and 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 is 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of services, or for administrative purpose other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 dereognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Land use right

Land use right 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Service concession arrangements

When the Group has a right to charge for usage of concession toll roads (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The toll road operation rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of the toll road operation rights are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, 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. .

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

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.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. An impairment loss is 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.

4. *SIGNIFICANT ACCOUNTING POLICIES* *(continued)*

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 ("FVTPL"), 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories, including financial assets held-for-trading and those designated as at FVTPL on initial recognition.

The Group's financial assets at FVTPL are classified into financial assets held-for-trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking

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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. 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 (see accounting policy on impairment of financial assets below)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measures as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

4. *SIGNIFICANT ACCOUNTING POLICIES* *(continued)*

Financial instruments *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

Amortisation of toll road operation rights

Amortisation of the toll road operation rights 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 judgment in estimating the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

Estimated impairment of toll road operation rights

Determining whether toll road operation rights are impaired requires an estimation of the recoverable amount.

In measuring the recoverable amount of the toll road operation rights, the Group has looked at the value in use based on the following factors: the current and expected future traffic volume, current and expected future toll fee level, length of operating rights, maintenance costs and discount rate (the "Relevant Factors").

In arriving at the recoverable amount of the toll road operation rights, the management exercised their judgment with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operation rights. As a result, the management considered that the recoverable amounts are above their carrying amounts and no impairment was accordingly made.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29 and 30, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on timely basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance it's over capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Fair value through profit or loss (FVTPL) Held for trading	**39,967**	42,345
Loans and receivables (including cash and cash equivalents)	**518,483**	1,236,282
Available-for-sale financial assets	**13,668**	5,500
	572,118	1,284,127
Financial liabilities	**8,177,226**	9,502,820

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, other receivables, bank balances and cash, other payables. 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.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies (continued)

Market risk

(a) 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. Certain of the Group's bank balances and long-term borrowings are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposes the Group to foreign currency risk attributable to the fluctuations in the exchange rates between USD / HKD and RMB, the functional currency of the respective group entities. 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**33,867**	36,196	**6,463**	7,552
HKD	**—**	—	**1,077**	1,018

Foreign currency risk - Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates of USD / HKD and RMB.

The following table details the Company's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year ended for a 5% change in foreign currency rates.

	USD Impact		HKD Impact	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase (decrease) in profit for the year				
if RMB weakens against foreign currency	**(1,370)**	(1,432)	**54**	51
if RMB strengthens against foreign currency	**1,370**	1,432	**(54)**	(51)

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(b) 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 short-term bank and other borrowings (refer to note 29 and 30 for details of these borrowings). 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.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate long-term bank borrowings (refer to note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable-rate long-term bank borrowings (refer to note 29 for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease / increase by RMB 19,119,942 (2007: decrease / increase by RMB 17,430,980). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

(c) Other 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.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risks and gold bullion market price risks at the reporting date. As a result, the changes in fair value of held-for-trading investments will not have material impact on the Group's equity at 31 December 2008 and its profit for the year then ended.

7. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies (continued)

Market risk *(continued)*

(c) Other price risk *(continued)*

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debts at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

The Group continues to raise long-term borrowings, including bonds and bank loans due after one year, to replace those short-term borrowings. As at 31 December 2008, the Group's long-term borrowings were approximately RMB 4,712,000,000, (2007: RMB 3,284,000,000).

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 at 31 December 2008 of approximately RMB 12,960,000,000 (2007: RMB 11,450,000,000) (refer to notes 29 and 30) 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 of RMB 2,914,101,000 (2007: RMB 5,115,595,000) at the balance sheet date, the Group has well managed the liquidity risk.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. *FINANCIAL INSTRUMENTS* *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(c) Other price risk *(continued)*

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2008 RMB'000
2008								
Non-derivative financial liabilities								
Other payables	—	321,496	—	—	—	—	321,496	321,496
Construction cost payable	—	148,748	130,436	—	—	—	279,184	279,184
Long-term bonds payable	5.40	—	29,700	29,700	1,218,800	—	1,278,200	1,089,811
Bank loans								
- fixed rate	5.59	1,002,538	403,356	1,281,841	—	—	2,687,735	2,650,000
- variable rate	5.89	847	—	420,616	3,735,566	607,923	4,764,952	3,823,867
		1,473,629	563,492	1,732,157	4,954,366	607,923	9,331,567	8,177,226
2007								
Non-derivative sfinancial liabilities								
Other payables	—	324,069	—	—	—	—	324,069	324,069
Construction cost payable	—	938,625	—	—	—	—	938,625	938,625
Bank loans								
- fixed rate	5.41	200,072	1,848,445	2,829,543	—	—	4,878,060	4,753,930
- variable rate	6.28	905	—	412,996	2,610,961	1,474,600	4,499,462	3,486,196
		1,463,671	1,848,445	3,242,539	2,610,961	1,474,600	10,640,216	9,502,820

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.

8. REVENUE

	2008 RMB'000	2007 RMB'000
Turnover comprises:		
Toll revenue	**3,868,714**	4,079,602
Sale of petrol	**1,089,368**	856,930
Sale of food and beverages	**115,704**	117,283
Emergency assistance income and others	**21,570**	15,098
	5,095,356	5,068,913

9. SEGMENT INFORMATION

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

10. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	**476,136**	406,854
Over five years	**60,819**	105,546
	536,955	512,400
Short-term bond issue cost	**13,399**	—
Total borrowing costs	**550,354**	512,400

11. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2007, the Group entered into an agreement to dispose of a subsidiary, Jiangsu Sundian Engineering Co., Ltd. ("Sundian"), which the Group had an effective 95.5% equity interest, to Jiangsu Communications Holding and other entities associated with Jiangsu Communications Holding (the "Jiangsu Communication Holding Group"). The disposal was completed on 1 January 2008, on which date control of Sundian passed to the acquirer. On completion of the disposal, the Group's effective interest in Sundian will be diluted and reduced to approximately 15% with investment cost of RMB 7,368,000, which has been transferred into available for-sale-investments on the consolidated balance sheet at 31 December 2008.

The net assets of Sundian disposed of at the date of disposal were as follows:

	1.1.2008 RMB'000
Net assets disposed of:	
Property, plant and equipment	30,707
Inventories	4,275
Trade and other receivables	31,531
Bank balances and cash	29,787
Trade and other payables	(21,524)
Amounts due to related companies	(23,010)
Tax liabilities	(480)
	51,286
Retained investment cost	(7,368)
Gain on disposal	1,072
Total consideration	44,990
Net cash outflow arising on disposal in current year:	
Cash consideration	44,990
Bank balances and cash disposed of	(29,787)
Cash received in advance in the year of 2007	(39,890)
	(24,687)

12. TAXATION

	2008 RMB'000	2007 RMB'000
The charge comprises:		
PRC income tax	**502,164**	766,061
Deferred tax charge (note 23)	**153**	3,499
Taxation attributable to the Company and its subsidiaries	**502,317**	769,560

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

In 2007, the Company and its subsidiaries were subject to PRC income tax rate of 33% pursuant to the relevant PRC income tax laws.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the income tax rate to 25% for enterprises in the PRC with effective from 1 January 2008.

The tax charge for the year ended 31 December 2008 can be reconciled to the profit before tax as follows:

	2008		2007	
	RMB'000	%	**RMB'000**	%
Profit before tax	**2,139,939**		**2,450,053**	
Tax at the domestic tax rate of 25% (2007: 33%)	**534,985**	25.0	**808,517**	33.0
Tax effect of expenses not deductible for tax purpose	**5,185**	0.2	**5,730**	—
Tax effect of share of profits of associates	**(37,853)**	(1.7)	**(42,744)**	(1.6)
Effect of tax rate change	**—**	—	**(1,943)**	—
Tax charge and effective tax rate for the year	**502,317**	23.5	**769,560**	31.4

13. PROFIT FOR THE YEAR

	2008 RMB'000	2007 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	**272,043**	188,580
Retirement benefits scheme contributions	**40,866**	34,511
Total staff costs	**312,909**	223,091
Auditor's remuneration	**2,100**	2,100
Depreciation and amortisation	**810,664**	819,632
Loss on disposal of property, plant and equipment	**1,374**	—
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	**65,280**	65,280
Cost of inventories recognised as an expense	**1,102,360**	939,523
Share of tax of associates (included in share of profits of associates)	**54,495**	57,906
and after crediting:		
Interest income from bank deposits	**7,677**	8,294
Gain on disposal of property, plant and equipment	**—**	6,711
Government grants received	**—**	980
Dividend income from unlisted available-for-sale financial assets	**200**	200
Impairment loss made on other receivables reversed	**2,416**	885

14. 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	Fan* Conglai RMB'000	Total RMB'000
2008												
Fees	—	—	—	—	—	—	—	176	176	50	50	452
Other emoluments:												
Salaries and other benefits	—	360	—	—	—	—	—	—	—	—	—	360
Contributions to retirement benefits/pension schemes	—	46	—	—	—	—	—	—	—	—	—	46
Total emoluments	—	406	—	—	—	—	—	176	176	50	50	858

	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	Fan* Conglai RMB'000	Total RMB'000
2007												
Fees	—	—	—	—	—	—	—	187	187	50	50	474
Other emoluments:												
Salaries and other benefits	—	350	—	—	—	—	—	—	—	—	—	350
Contributions to retirement benefits/pension schemes	—	43	—	—	—	—	—	—	—	—	—	43
Total emoluments	—	393	—	—	—	—	—	187	187	50	50	867

* Independent non-executive directors

15. EMPLOYEES' EMOLUMENTS

One (2007: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note 14. The emoluments of the remaining four (2007: four) individuals were as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits	1,041	981
Contributions to retirement benefits schemes	185	170
	1,226	1,151

Their emoluments were within the following bands:

	2008 No. of employees	2007 No. of employees
Nil to RMB1,000,000	4	4

16. DIVIDEND

	2008 RMB'000	2007 RMB'000
Dividend recognised as distribution during the year:		
Final – RMB 0.27 (2007: RMB 0.19) per share	1,360,192	957,172

Pursuant to a directors' meeting dated 27 March 2009, a final dividend of RMB 0.27 (2007: directors' meeting dated 28 March 2008 for a final dividend of RMB 0.27) per share for the year ended 31 December 2008 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

17. 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 RMB1,592,209,000 (2007: RMB1,642,331,000) and 5,037,747,500 (2007: 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 2008.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Safety equipment	Communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1 January 2007	951,820	690,026	383,552	262,066	172,805	313,267	31,404	2,804,940
Additions	5,385	200	937	20,054	6,417	14,233	49,568	96,794
Transfers	99	—	—	—	3,345	24,887	(28,331)	—
Cost adjustment	(127,716)	(49,805)	(42,565)	20,830	(2,280)	110,180	—	(91,356)
Amount written off	—	—	—	—	—	—	(1,770)	(1,770)
Transfers to prepaid lease payments	(18,739)	—	—	—	—	—	—	(18,739)
Disposals	(46,521)	—	—	—	(7,481)	(10,024)	—	(64,026)
At 31 December 2007	764,328	640,421	341,924	302,950	172,806	452,543	50,871	2,725,843
Additions	7,017	—	2,990	7,901	6,365	15,462	65,935	105,670
Transfers	46,337	2,024	1,296	5,259	—	16,101	(71,017)	—
Reclassification	21,575	—	1,627	617	—	(25,583)	—	(1,764)
Disposal of a subsidiary	(860)	—	—	—	(8,273)	(47,848)	(2,876)	(59,857)
Disposals	(800)	—	—	—	(4,910)	(6,832)	—	(12,542)
At 31 December 2008	837,597	642,445	347,837	316,727	165,988	403,843	42,913	2,757,350
DEPRECIATION AND AMORTISATION								
At 1 January 2007	155,603	307,052	97,985	144,669	82,803	161,142	—	949,254
Provided for the year	29,194	60,583	28,394	33,794	9,056	45,701	—	206,722
Transfers to prepaid lease payments	(497)	—	—	—	—	—	—	(497)
Eliminated on disposals	(12,862)	—	—	—	(6,257)	(8,706)	—	(27,825)
At 31 December 2007	171,438	367,635	126,379	178,463	85,602	198,137	—	1,127,654
Provided for the year	27,737	45,348	34,224	17,696	10,543	31,655	—	167,203
Reclassification	442	587	8,592	500	—	(9,777)	—	344
Eliminated on disposal of a subsidiary	(170)	—	—	—	(3,609)	(25,371)	—	(29,150)
Eliminated on disposals	(272)	—	—	—	(4,499)	(5,882)	—	(10,653)
At 31 December 2008	199,175	413,570	169,195	196,659	88,037	188,762	—	1,255,398
CARRYING VALUES								
At 31 December 2008	638,422	228,875	178,642	120,068	77,951	215,081	42,913	1,501,952
At 31 December 2007	592,890	272,786	215,545	124,487	87,204	254,406	50,871	1,598,189

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account the estimated residual value on a straight line basis, at the following rates per annum:

Buildings	3.2%
Safety equipment	9.7%
Communication and signaling equipment	9.7%
Toll stations and ancillary equipment	12.1%
Motor vehicles	12.1%
Other machinery and equipment	12.1%-19.4%

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

19. CONCESSION INTANGIBLE ASSETS

	Toll road operation rights RMB'000
COST	
At 1 January 2007	21,546,384
Cost Adjustment	38,544
At 31 December 2007	21,584,928
Additions	62,307
Reclassification	1,764
At 31 December 2008	21,648,999
AMORTISATION	
At 1 January 2007	2,178,731
Provided for the year	612,910
At 31 December 2007	2,791,641
Provided for the year	643,461
Reclassification	(344)
At 31 December 2008	3,434,758
CARRYING VALUES	
At 31 December 2008	18,214,241
At 31 December 2007	18,793,287

19. CONCESSION INTANGIBLE ASSETS *(continued)*

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.

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2008 RMB'000	2007 RMB'000
Medium-term lease in the PRC	**1,160,542**	1,225,822
Analysed for reporting purposes as:		
Non-current asset	**1,095,262**	1,160,542
Current asset	**65,280**	65,280
	1,160,542	1,225,822

21. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	**1,550,164**	1,390,164
Share of post-acquisition reserves, net of dividends received	**320,600**	213,733
	1,870,764	1,603,897

21. INTERESTS IN ASSOCIATES *(continued)*

At 31 December 2008, 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 Motor Transport 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
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 1)	PRC	—	20.00%	Leasing and financing activities
Suzhou Nanlin Hotel (Note 2)	PRC	—	41.73%	Operation of a hotel

Note 1: 9% of the equity interest of Jiangsu Leasing Co., Ltd. is held indirectly through an associate which is not included in the above 20.00%.

Note 2: In current year, the Group acquired 41.73% equity interest in Suzhou Nanlin Hotel with an aggregated consideration of RMB160,000,000.

Included in the cost of investment in associates is goodwill of RMB81,815,000 (2007: RMB81,815,000) arising on acquisitions of associates in prior years. The carrying amounts of goodwill at 31 December 2008 are related to the following associates:

	2008 RMB'000	2007 RMB'000
Jiangsu Yangzte Bridge Co., Ltd.	**53,207**	53,207
Suzhou Sujiahang Expressway Co., Ltd.	**28,608**	28,608
	81,815	81,815

21. INTERESTS IN ASSOCIATES *(continued)*

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

	2008 RMB'000	2007 RMB'000
Total assets	**12,631,423**	9,600,310
Total liabilities	**(6,203,992)**	(4,216,285)
Net assets	**6,427,441**	5,383,025
Group's share of net assets of associates	**1,870,764**	1,522,082
Revenue	**1,844,665**	1,623,605
Profit for the year	**564,195**	475,713
Group's share of result of associates for the year	**151,412**	129,527

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets at 31 December 2008 comprise:

	2008 RMB'000	2007 RMB'000
Unlisted equity securities, at cost	**13,668**	5,500

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.

23. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2008 RMB'000	2007 RMB'000
Equity securities listed in PRC	**22**	1,538
Gold bullion	**39,945**	40,807
	39,967	42,345

24. DEFERRED TAXATION

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

	Change of fair value RMB'000	Impairment loss on other receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	—	8,014	—	8,014
(Charge) credit to consolidated income statement for the year	(1,350)	(229)	23	(1,556)
Effect of tax rate change	—	(1,943)	—	(1,943)
At 31 December 2007	(1,350)	5,842	23	4,515
(Charge) credit to consolidated income statement for the year	376	(554)	25	(153)
At 31 December 2008	(974)	5,288	48	4,362

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 RMB'000	2007 RMB'000
Deferred tax assets	**5,336**	5,865
Deferred tax liabilities	**(974)**	(1,350)
	4,362	4,515

25. INVENTORIES

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

26. PROPERTIES UNDER DEVELOPMENT

	2008 RMB'000	2007 RMB'000
Medium-term land use rights	**10,443**	10,443
Construction costs	**96,507**	31,252
	106,950	41,695

27. PREPAYMENTS AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Dividend receivable from an associate	**3,000**	5,489
Receivable from liquidation of a former joint venture	**17,812**	18,812
Prepayments	**6,860**	1,091
Toll road fee	**31,662**	38,012
Others	**16,706**	67,899
	76,040	131,303
ess: Accumulated impairment losses	**(21,150)**	(23,968)
	57,890	107,335

28. 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 0.36% (2007: 0.72%).

29. LONG-TERM BORROWINGS

	Maturity date		Effective interest rate		Carrying amount	
	2008	2007	**2008**	2007	**2008** **RMB'000**	2007 RMB'000
Variable-rate unsecured bank loans	**2009-2016**	2008-2016	**5.84%**	6.28%	**3,790,000**	3,450,000
USD denominated Spanish government loans (Note1)	**2009-2026**	2007-2026	**2.00%**	2.00%	**33,867**	36,196
Fixed-rate long-term bond (Note 2)	**2008-2011**	—	**5.79%**	—	**1,089,811**	—
					4,913,678	3,486,196

Note 1: The USD denominated Spanish government loans were guaranteed by the Company's parent, Jiangsu Communications Holding, which is a state-owned enterprise incorporated in the PRC.

Note 2: In current year, the Group issued long-term bond of RMB 1,100,000,000 with mature period of three years, carrying fixed interest rate at 5.40% per annum.

29. *LONG-TERM BORROWINGS (continued)*

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

	2008 RMB'000	2007 RMB'000
Within one year	**201,693**	201,810
More than one year but not exceeding two years	**201,693**	401,810
More than two years but not exceeding three years	**1,331,504**	301,810
More than three years but not exceeding four years	**501,693**	451,810
More than four years but not exceeding five years	**2,101,695**	651,810
More than five years	**575,400**	1,477,140
	4,913,678	3,486,196
Less: Amount due within one year included in current liabilities	**(201,693)**	(201,810)
Amount due after one year	**4,711,985**	3,284,386

The long-term borrowings are all variable-rate borrowings which carry interest at the rates quoted by the People's Bank of China except for long-term corporate bond with fixed interest rate.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are US$4,955,000, equivalent to approximately RMB 33,867,000 (2007: US$4,955,000, equivalent to approximately RMB 36,196,000).

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

	2008 RMB'000	2007 RMB'000
Variable rate		
- expiring beyond one year	**11,710,000**	10,400,000

30. *SHORT-TERM BORROWINGS*

	2008 RMB'000	2007 RMB'000
Unsecured bank loans	**1,500,000**	3,720,000
Unsecured other loans	**150,000**	1,033,930
Short-term bond	**1,000,000**	—
	2,650,000	4,753,930

The loans are unsecured and repayable within one year and arranged at fixed interest rates in the range of 4.65% to 7.47% (2007: range of 4.65% to 7.29%)

30. SHORT-TERM BORROWINGS *(continued)*

During the year, the Group issued short-term bond of RMB 1,000,000,000 which is unsecured, bears interest at 5.45% per annum and is repayable on 17 January 2009.

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

	2008 RMB'000	2007 RMB'000
Fixed rate		
- expiring within one year	**1,250,000**	1,050,000

31. SHARE CAPITAL

		31.12.2006 Number of shares	31.12.2006 Share capital RMB'000	Transfer Number of shares	Transfer Share capital RMB'000	31.12.2007 Number of shares	31.12.2007 Share capital RMB'000
1.	Restricted tradable shares	3,617,747,500	3,617,748	(151,153,880)	(151,154)	3,466,593,620	3,466,594
2.	Tradable shares						
	H shares	1,222,000,000	1,222,000	—	—	1,222,000,000	1,222,000
	A shares	198,000,000	198,000	151,153,880	151,154	349,153,880	349,154
Total		5,037,747,500	5,037,748	—	—	5,037,747,500	5,037,748

		31.12.2007 Number of shares	31.12.2007 Share capital RMB'000	Transfer Number of shares	Transfer Share capital RMB'000	**31.12.2008 Number of shares**	**31.12.2008 Share capital RMB'000**
1.	Restricted tradable shares	3,466,593,620	3,466,594	(71,732,200)	(71,732)	**3,394,861,420**	**3,394,862**
2.	Tradable shares						
	H shares	1,222,000,000	1,222,000	—	—	**—**	**—**
	A shares	349,153,880	349,154	71,732,200	71,732	**420,886,080**	**420,886**
Total		5,037,747,500	5,037,748	—	—	**5,037,747,500**	**5,037,748**

31. SHARE CAPITAL *(continued)*

In accordance with the Company's state share reform proposal adopted at 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, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shareholders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, an aggregate of 48,000,000 non-tradable shares are transferred to the then shareholders of A-shares by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status immediately as A-shares on 16 May 2006.

The remaining 3,617,747,500 formerly non-tradable shares were all converted into restricted tradable shares which are subject to certain restrictions in their sale. In current year, an aggregate of 71,732,200 (2007: 151,153,880) restricted tradable shares are granted trading status and included in the balance of tradable A shares at 31 December 2008.

The 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 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.

32. RESERVE

In accordance with the PRC Company Law and the articles of association, each of the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual profit after taxation (after offsetting any prior years' losses), as reported under the PRC statutory financial statements to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of each entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

Title of statutory surplus reserve will remain with the respective companies comprising the Group.

Statutory surplus reserve cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

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 of the profit as reported under the PRC statutory financial statements to the statutory public welfare fund is no longer required.

In accordance with the Company's Articles of Association, the profit after taxation for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) the HKFRS.

33. CAPITAL COMMITMENTS

	2008 **RMB'000**	2007 RMB'000
Commitments for:		
- acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**42,790**	48,989

34. OPERATING LEASES

	2008 **RMB'000**	2007 RMB'000
Minimum lease payment paid under operating leases during the year	**390**	—

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 **RMB'000**	2007 RMB'000
Within one year	**390**	—
In the second to fifth years inclusive	**390**	—
Over five years	**195**	—
	975	—

35. OTHER COMMITMENTS

As at 31 December 2008, the Group is committed to pay in the following year to Ninglian Ningtong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000. During the year, management service charge paid amounted to RMB 7,053,226 (2007: RMB 10,645,000).

36. 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% (2007: 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 RMB40,866,377 (2007: RMB34,511,180) 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 2008.

37. RELATED PARTY TRANSACTIONS

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

Name	Relationship	Nature of transactions	**2008 RMB'000**	2007 RMB'000
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	Toll fee received	**9,600**	9,600
		Sales of petrol	**35,097**	28,977
Jiangsu Yangzte Bridge Co., Ltd.	Associate	Toll service expenses	**1,021**	1,026
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	Rental income received	**3,218**	2,776
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the company	Rental income received	**1,487**	—
		Technology advisory fee expenses	**5,010**	5,402
Jiangsu Communications Department (note)	Promoter	Transfer of buildings	**—**	42,636
Jiangsu Sundian Engineering Co., Ltd.	Investee of the company	Rental income received	**563**	—
		Maintenance fee expenses	**38,183**	7,008
Jiangsu Communications Holding	Parent company	Software use fee	**281**	—
Jiangsu Communications Holding Group	Parent company and its associates	Gain on disposal of a subsidiary (note 11)	**1,072**	—

Note: Jiangsu Communications Department（江蘇交通廳）was one of the promoters of the Company when it was set up.

37. RELATED PARTY TRANSACTIONS *(continued)*

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

Name	Relationship	2008 RMB'000	2007 RMB'000
Amounts due from:			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	5,399	18,263
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	11,961	7,172
Jiangsu Yangzte Bridge Co., Ltd.	Associate	1,706	3,689
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	6,269	8,040
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	1,355	1,031
Jiangsu Leasing Co., Ltd.	Associate	3,000	—
		29,690	38,195
Amounts due to			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	803	1,698
Jiangsu Yangzte Bridge Co., Ltd.	Associate	1,470	1,535
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	1,830	1,676
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the Company	1,427	—
Jiangsu Communications Department	Promoter	281	—
		5,811	4,909

The balances mainly represent dividend receivable, rental receivable, 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) Compensation of key management personnel

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

	2008 RMB'000	2007 RMB'000
Short-term benefits	1,779	1,856
Post-employment benefits	217	217
	1,996	2,073

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

37. RELATED PARTY TRANSACTIONS *(continued)*

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

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Jiangsu Communications Holding which is controlled by the PRC government. Apart from the transactions with Jiangsu Communications Holding and fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other state-controlled entities. The directors considered those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries, all of which are limited liability companies, as at 31 December 2008 are as follows:

Name	Place of registration and operations	Paid up registered capital RMB	Proportion of registered capital held by the Company		Principal activities
			Directly	Indirectly	
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
Kunshan Feng Yuan Real Estate Development Co., Ltd.	PRC	37,000,000	—	95%	Real estate development
Jiangsu Ninghu Properties Co., Ltd.	PRC	200,000,000	100%	—	Real estate development

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would. In the opinion of the directors, result in particulars of excessive length.

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

Company Information

(I) General information

Statutory name of the Company in Chinese and English	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Abbreviation of Chinese name and English name	寧滬高速 Jiangsu Expressway
Initial registration date of the Company	1 August 1992
Place of registration	Sheng Zhou Road, Nanjing, Jiangsu Province
Latest alteration registration date of the Company	
Registration number of the enterprise legal person business license	320000000004194
Taxation registration number	320003134762764
Institutional code	13476276-4
Registered address and business address	6 Maqun Road, Nanjing, Jiangsu, the PRC
Postal code	210049
Website of the Company	http://www.jsexpressway.com
E-mail address of the Company	nhgs@public1.ptt.js.cn
Legal representative of the Company	Shen Chang Quan
Secretary to the Board	Yao Yong Jia
Telephone	8625-8446 9332
Securities Officers	Jiang Tao, Lou Qing
Telephone	8625-84362700-301835?301836
Fax	8625-8446 6643
Email Address	nhgs@jsexpressway.com
Company Secretary in Hong Kong and Authorized representative under Hong Kong Company Ordinance	Lee Wai Fun, Betty Telephone: 852-2801 8008
Place of business	20th Floor, Alexandra House, 16-20 Chater Road Central, Hong Kong

Stock exchanges where the Company's shares are listed	A share: Shanghai Stock Exchange Stock name of A shares: 寧滬高速 Stock code of A shares: 600377
	H share: The Stock Exchange of Hong Kong Limited Stock name of H shares: Jiangsu Expressway Stock code of H shares: 0177
	ADR: The United States of America Stock name of ADR: JEXWW Security United Code: 477373104
Newspapers designated for regular announcements	Shanghai Securities News, China Securities Journal
Website designated for information disclosure	www.sse.com.cn www.hkex.com.hk www.jsexpressway.com
Regular reports available at	Jiangsu Expressway Company Limited 6 Maqun Road, Nanjing, Jiangsu, the PRC
	Richards Butler 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong
Domestic auditors	Deloitte Touche Tohmatsu Certified Public Accountants Limited Office Address: 30th Floor, Bund Center, 222 Yan An Road East, Shanghai, the PRC
Hong Kong auditors	Deloitte Touche Tohmatsu Office Address: 35/F One Pacific Place, 88 Queensway, Hong Kong
Domestic legal advisor	C & T Partners Law Firm Office Address: 5/F, 26 Beijing West Road, Nanjing, the PRC
Hong Kong legal advisor	Richards Butler Office Address: 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong
Hong Kong investor relations consultant	Rikes Hill & Knowlton Limited Office Address: Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong Tel: 852 2520 2201 Fax: 852 2520 2241

Domestic share registrar and transfer office	China Securities Depository & Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai, the PRC
Overseas share registrar and transfer office	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Documents Available for Inspection

The following documents were included:

(1) Copies of the annual report signed by the Chairman;

(2) Financial statements signed and sealed by the legal representative, the chief accounting officer and the person-in-charge of an accounting institution;

(3) Original copy of the auditors' report sealed by the CPA firm, and sealed and signed by a certified accountant;

(4) Original copies of all company documents and announcements published in the designated press by the China Securities Regulatory Commission during the reporting period.

(5) Articles of Association of the Company;

(6) Copies of annual reports released in other stock exchanges.

The above documents are available for inspection at the Secretariat Office of the Board at 6 Maqun Road, Nanjing, the PRC

Shen Chang Quan
Chairman of the Board
Jiangsu Expressway Company Limited

Nanjing, the PRC
27 March 2009

Appendix

1. Description of the Toll Roads and Bridges

Jiangsu Section of Shanghai-Nanjing Expressway

Shanghai-Nanjing Expressway was completed and opened to traffic in September 1996. This two-way 4-lane closed-end expressway starts from Maqun of Nanjing in the west and ends at Anting of Shanghai in the east. Its trunk road is 248.21 km long and the Zhenjiang branch is 10.25 km long. The total investment in such construction amounted to RMB6,157 million. In June 2004, the Company invested approximately RMB10.54 billion in the expansion project of Shanghai-Nanjing Expressway. The full 8-lane expressway was opened to traffic in 1 January 2006. The operating period of the expanded Jiangsu section of Shanghai Nanjing Expressway is extended by 5 years to 2032. The expressway was 6 service areas and 20 tollgates.

Shanghai-Nanjing Expressway is a major part of the main truck of the Shanghai-Chengdu National Road, as well as an important passage which facilitates the social and economic connections between mid-western and eastern China. As the main vein of Jiangsu-Shanghai traffic, Shanghai-Nanjing Expressway has been maintaining rapid growths in traffic volume and toll revenue since its opening to traffic.

The Shanghai-Nanjing Section of G312

The Shanghai-Nanjing section of G312 was initially a Class 2 Highway completed in December 1991. In June 1997, the Company invested RMB1,346 million to acquire a 15-year toll right of the section. In December 2005, the Shanghai-Nanjing section of G312 completed the 4-lane Class 1 Highway expansion and conversion project. The section starts from Dongyangfang viaduct of Nanjing in the west and ends at Anting of Shanghai in the east, measured 282km long. The whole section has tollgate and is an open-end toll highway. The Company has invested RMB2.7 billion to acquire an extended 12-year toll collection operating right upon completion of the expansion. The toll collection operating period is extended to 2024.

G312 is part of the national road from Shanghai to Huoerguosi and is primarily engaged in the inter-city and intra-city passenger and cargo traffic along the route. It is an ancillary road for Shanghai-Nanjing Expressway.

The Nanjing Section of Nanjing-Lianyungang Highway

The Nanjing Section of Nanjing-Lianyungang Highway is part of G205 and is a traditionally a trans-Yangtze Passage for passager and cargo traffic between the north and the south. It starts from Luhe of Nanjing and ends at Tianchang of Anhui Province. It was completed and opened to traffic in September 1996. Being 29.8 km long, it is a two-way 4-lane closed-end expressway with 1 tollgate. The Company invested RMB448 million in December 1999 to acquire its 30-year toll collection operating right. The operating period is up to 2029.

Guangjing Expressway

Guangjing Expressway starts from Guanglin of Taixin in the north and ends at the northern end of Jiangyin Yangtze River Bridge in the south. It was completed and opened to traffic in September 1999. Being a two-way 6-lane closed-end expressway, it has a total length of 17.2 km, one service area and one-tollgate. Its operating period is up to 2029.

Xicheng Expressway

Xicheng Expressway starts from the southern end of Jiangyin Yantze River Bridge in the north and ends at Qiangxiang of Wuxi in the south. It was completed and opened to traffic in September 1999. Being a two-way 6-lane closed-end expressway, it has a total length of 35km. There are one service area and four tollgates along this expressway. Its operating period is up to 2029.

Jiangyin Yangtze River Bridge

Jiangyin Yangtze River Bridge is a long span steel suspension bridge. It was completed and opened to traffic in September 1999. Having a total length of 3,071m, it is designed as a two-way 6-lane expressway with one tollgate. Its operating period is up to 2029. Jiangyin Yangtze River Bridge, together with Guangjiang Expressway and Xicheng Expressway, serve as the main parts of the national truck linking Tongjiang to Sanya, and Beijing to Shanghai, which prove to be an important link between the southern and northern parts of Jiangsu.

The Jiangsu Section of the Sujiahang Expressway

The Jiangsu Section of Sujiahang Expressway is a two-way 4-lane closed-end expressway. It has a total length of 100.1km which is divided into the southern section and the northern section. The southern section stretches from Suzhou to Wujiang, measuring 54.4 km long. It was completed and opened to traffic in December 2002. The northern section stretches from Changsu to Suzhou, measuring 45.7km long. It was completed and opened to traffic in November 2003. There are two service areas and ten tollgates along the Jiangsu Section of Sujiahang Expressway. It is a traffic hub between Jiangsu Province and Zhejiang Province. Its operating period is up to 2032.

2. Vehicle Classification and Toll Rates

Vehicle classification and toll rates for expressways

Class	Vehicle Class and Specifications		Toll Coefficient	Toll Rate (RMB/km)	Minimum Toll (RMB)
	Passenger vehicle	Truck			
1	≤ 7-seater		1	0.45	15
		≤ 2 tons	1.5	0.675	15
2	8 seater - 19 seater		1.5	0.675	15
		2 tons - 5 tons (including 5 tons)	2	0.90	20
3	20 seater - 39 seater		2	0.90	20
		5 tons-10 tons (including 10 tons)	2.5	1.125	20
4	≥ 40 seater		2	0.90	20
		10 tons-15 tons (including 15 tons) 20' CTN	3	1.35	30
5		> 15 tons 40' CTN	3.5	1.575	30

Vehicle classification and toll rates for Jiangyin Yangtze Bridge

Class	Vehicle Class and Specifications		Toll Rate
	Passenger vehicle	Truck	(RMB/vehicle)
1	≤ 7-seater	≤ 2 tons	25 35
2	8 seater - 19 seater	2 tons - 5 tons (including 5 tons)	35 60
3	20 seater - 39 seater	5 tons - 10 tons (including 10 tons)	60 85
4	≥ 40 seater	10 tons-15 tons (including 15 tons) 20' CTN	60 95
5		> 15 tons 40' CTN	100

Vehicle classification and toll rates for general highways

Class	Vehicle Class and Specifications		Toll Rates for Panjia Garden Toll Station	Toll Rates for Gunan Toll Station	Toll Rates for the Stations of G312 at Wangting, Luoshe, Benniu, Daijiamen and Nanjing
	Passenger vehicle	Truck	(RMB/vehicle)	(RMB/vehicle)	(RMB/vehicle)
	Small Tractor, Regular Tricycle		5	20	5
1	≤ 7-seater	≤ 2 tons	10 12	30 30	10 12
2	8 seater - 19 seater	2 tons - 5 tons (including 5 tons)	12 15	30 40	12 20
3	20 seater - 39 seater	5 tons - 10 tons (including 10 tons)	15 25	40 80	20 30
4	≥ 40 seater	10 tons - 15 tons (including 15 tons) 20' CTN	15 30	40 100	20 40
5		> 15 tons 40' CTN	45	120	60

The toll for a vehicle carrying two 20' Standard CTN is subject to the above toll rate for a vehicle carrying a 40' CTN.

3. *Toll Rates by Weight for Goods Vehicles*

Toll Rates by Weight for Normal Vehicles (vehicles which are not overloaded)

1. *Toll rates by weight for closed-end expressways*

The basic toll rate is RMB0.09/ton per km. Subject to the actual total vehicle axle limit, vehicles below 10 tons will be charged at the basic toll rate; those between 10 tons and 40 tons will be charged at a rate which is reduced in a linear manner from RMB0.09/ton per km to RMB0.04/ton per km. Vehicles over 40 tons will be charged at RMB0.04/ton per km. Vehicles having total axle limit below 5 tons will be counted as 5 tons and be charged accordingly; and RMB20 will be charged for any weight toll of less than RMB20.

2. *Toll rates by weight for Jiangyin Yangtze Bridge*

The basic toll rate is RMB6.00/ton per vehicle. Subject to the actual total vehicle weight, vehicles below 10 tons will be charged at RMB6.00/ton per vehicle; those between 10 tons and 40 tons will be charged at a rate which is reduced in a linear manner from RMB6.00/ton per vehicle to RMB3.00/ton per vehicle. Vehicles over 40 tons will be charged at RMB3.00/ton per vehicle. Vehicles having total weight below 5 tons will be counted as 5 tons and be charged accordingly.

3. *Toll rates by weight for general highways*

The basic toll rate is RMB1.50/ton per vehicle. Subject to the actual total vehicle axle limit, vehicles below 10 tons will be charged at the basic toll rate; those between 10 tons and 40 tons will be charged at a rate which is reduced in a linear manner from RMB1.50/ton per vehicle to RMB1.10/ton per vehicle. Vehicles over 40 tons will be charged at RMB1.10/ton per vehicle. RMB12 will be charged for any weight toll of less than RMB12.

4. *Toll rates charged by certain toll stations are as follows:*

Toll Rates I (toll rate by weight)	Goods Vehicles below 10 tons Goods Vehicle between 10 tons to 40 tons Goods Vehicles over 40 tons	RMB/ton per vehicle	1.5 1.5-1.1 1.1	Panjia Garden Toll Station of Nanjing-Lianyugang Highway
Toll Rate II (toll rate by weight)	Goods Vehicles below 10 tons Goods Vehicle between 10 tons to 40 tons Goods Vehicles over 40 tons	RMB/ton per vehicle	2 2-1.47 1.47	Toll Stations of G312 at Suzhou Wangting, Wuxi Luoshe, and Changzhou Benniu

Higher Tolls on Overloaded Vehicles

Higher toll rates on overloaded goods vehicles are determined on the basis of the excesses of total weights over aggregate axle limits (or total weight limit), and the specific toll rates are as follows:

1. Tolls will be charged for vehicles of normal weight or overloaded within 30% at the rates by weight for normal vehicles.

2. For vehicles overloaded between 30% and 50% (including 50%), tolls will be charged for the portions which are of normal weight and overloaded within 30% at the rates by weight for normal vehicles whereas tolls for the remaining portion will be charged at the basic rate x 2.

3. For vehicles overloaded between 50% and 100% (including 100%), tolls will be charged for the portions which are of normal weight and overloaded within 30% at the rates by weight for normal vehicles whereas tolls for the remaining portion will be charged at the basic rate x 3.

4. For vehicles overloaded above 100%, tolls will be charged for the portions which are of normal weight and overloaded within 30% at the rates by weight for normal vehicles whereas tolls for the excess portion will be charged at the basic rate x 4.

Confirmation Opinion to 2008 Annual Report by Directors and Senior Management

The Company's directors and senior management hereby confirm in writing that they have reviewed the annual report for the year and are of the opinion that there are no false representations or misleading statements contained in, or material omissions from, this report; and that they shall be severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this report.

Directors

Shen Chang Quan

Qian Yong Xiang

Zhang Yang

Sun Hong Ning

Chen Xiang Hui

Du Wen Yi

Cui Xiao Long

Chang Yung Tsung

Fang Hung, Kenneth

Yang Xiong Sheng

Fan Cong Lai

Senior Management Members

Liu Wei

Zhao Jia Jun

Shang Hong

Yao Yong Jia

Jiangsu Expressway Company Limited
27 March 2009

The Group's Highway Network