江 蘇 寧 滬 高 速 公 路 股 份 有 限 公 司

JIANGSU EXPRESSWAY COMPANY LIMITED

(established in the PRC with limited liability)

(Code: 177)

Announcement on 2007 Annual Results

This announcement is made pursuant to rule 13.09 of and paragraph 45 of appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HK Listing Rules").

Information set out in paragraphs 2, 3.1, 4, 6.2-6.6 and 8 is disclosed pursuant only to the Shanghai Listing Rules.

1. IMPORTANT

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

This announcement is extracted from the Company's annual report. The full text of the annual report will be posted on the websites of the Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (www.hkex.com.hk) and the Company (www.jsexpressway.com). Investors should read the full text of the annual report carefully for details.

1.2 Independent Non-executive director Mr Fan Hung, Kenneth did not attend the Board meeting due to business engagement. He had appointed Ms Chang Yung Tsung to vote on his behalf.

1.3 Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu have issued an unqualified opinion in the auditors' reports in accordance with PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards") and Hong Kong Financial Reporting Standards ("HKFRS") respectively.

1.4 Mr. Shen Chang Quan, chairman of the Company, Mr. Xie Jia Quan, general manager, and Madam Liu Wei, financial controller, warrant the accuracy and completeness of the financial statements in the annual report. The financial statements for the year have been reviewed by the audit committee.

2. BASIC INFORMATION OF THE LISTED COMPANY

2.1 Overview

Stock Name	寧滬高速 (A Shares)	Jiangsu Expressway (H Shares)	JEXWW (ADR)
Stock Code	600377	0177	477373104
Stock Exchange Listed	Shanghai Stock Exchange	Hong Kong Stock Exchange	United States
Registered Address	238 Maqun Street, Nanjing, Jiangsu Province, the PRC		
Office Address	238 Maqun Street, Nanjing, Jiangsu Province, the PRC		
Postal code	210049		
Company's Website	http://www.jsexpressway.com		
E-mail Address	nhgs@public1.ptt.js.cn		

2.2 Contact person and contact method

	Secretary to the Board	Securities Officers
Names	Yao Yong Jia	Jiang Tao and Lou Qing
Correspondence Address	238 Maqun Street, Nanjing, Jiangsu Province, the PRC	
Telephones	8625-84469332	8625-84362700-301835, 301836
Fax	8625-84466643	
E-mail Address	nhgs@jsexpressway.com	

3. HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Prepared in accordance with PRC Accounting Standards

Principal accounting data

Unit: RMB'000

Principal accounting data	2007	2006		Increase/ Decrease over previous year (%)	2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Operating revenue	5,309,835	4,100,824	4,098,477	29.48	2,232,679	2,232,679
Gross profit	2,408,549	1,728,116	1,716,027	39.37	959,288	944,436
Net profit attributable to equity holders of the company	1,600,827	1,139,809	1,127,781	40.45	719,291	696,456
Net profit attributable to equity holders of the company after non-recurring profit/loss	1,592,160	1,143,220	1,132,176	39.27	729,347	706,513
Net cash flow from operating activities	3,157,808	2,442,479	2,441,451	29.29	1,285,000	1,285,000
	End of 2007	End of 2006		Increase/ Decrease over previous year (%)	End of 2005	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Total assets	25,937,848	26,459,242	26,425,207	-1.97	27,245,981	27,223,147
Shareholders' equity attributable to equity holders of the parent company	15,708,385	15,064,730	15,029,868	4.27	14,655,395	14,632,560

Major financial indicators

Unit: RMB

		2006		Increase/ Decrease over previous year (%)	2005	
	2007	After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share	0.318	0.226	0.224	40.45	0.143	0.138
Diluted earnings per share	0.318	0.226	0.224	40.45	0.143	0.138
Basic earnings per share after non-recurring profit/loss	0.316	0.227	0.225	39.27	0.145	0.14
Fully diluted return on net asserts	10.21	7.57	7.50	34.87	4.91	4.76
Weighted average return on net assets (%)	10.45	7.67	7.65	36.25	4.90	4.8
Fully diluted return on net assets after non-recurring profit/loss(%)	10.15	7.59	7.53	33.73	4.98	4.83
Weighted average return on net assets after non-recurring profit/loss (%)	10.39	7.69	7.68	35.11	4.97	4.87
Net cash flow per share from operating activities	0.63	0.48	0.48	29.29	0.26	0.26
		End of 2006		Increase/ Decrease over previous year (%)	End of 2005	
	End of 2007	After adjustment	Before adjustment		After adjustment	Before adjustment
Net assets per share attributable to equity holders of the Company	3.12	2.99	2.98	4.27	2.91	2.9

Non-recurring profit/loss

☑ Applicable ☐ Not applicable

Unit: RMB'000

Item	2007
Profit from disposal of non-current asset	6,711
Governments grants	980
Profit from held-for-trading investment	4,195
Change in fair value	5,398
Other non-operating incomes and expenses	(6,522)
Effects of income tax	(1,770)
Effects of minority shareholders profit/(loss)	(325)
Total	8,667

Fair value method was adopted for the accounting of the following items:

Unit: RMB'000

Name of project	Balance at the beginning	Balance at the end	Current change	Impact on the profit for the reporting period
Equity securities listed in PRC	189	1,538	1,349	639
Gold bullion	37,595	40,807	3,212	4,759
Total	37,784	42,345	4,561	5,398

The market prices for the above mentioned stock investment and spot gold as at the end of the reporting period come from the prices announced by Shanghsi Stock Exchange and Shanghai Gold Exchange.

3.2 **Prepared under HKFRS**

1. CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 *RMB'000*	**2006** *RMB'000*
Revenue	5,068,913	3,925,569
Cost of sales and other direct operating costs	(2,176,028)	(1,695,073)
Gross profit	2,892,885	2,230,496
Other income	59,024	39,981
Administrative expenses	(128,577)	(182,471)
Finance costs	(512,400)	(455,278)
Share of profits of associates	129,527	128,265
Loss on disposal of an associate	—	(714)
Changes in fair value of held-for-trading investments	9,594	2,047
Profit before tax	2,450,053	1,762,326
Income tax expense	(769,560)	(549,048)
Profit for the year	1,680,493	1,213,278
Attributable to:		
Equity holders of the Company	1,642,331	1,174,111
Minority interests	38,162	39,167
	1,680,493	1,213,278
Dividend	957,172	730,473
Earnings per share - Basic	RMB0.33	RMB0.23

2. REVENUE

	2007 *RMB'000*	**2006** *RMB'000*
Turnover comprises:		
Toll revenue	4,079,602	3,312,426
Sale of petrol	856,930	504,954
Sale of food and beverages	117,283	97,100
Emergency assistance income and others	15,098	11,089
	5,068,913	3,925,569

3. SEGMENT INFORMATION

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

4. FINANCE COSTS

	2007 *RMB'000*	**2006** *RMB'000*
Interest on bank and other borrowings wholly repayable:		
Within five years	406,854	324,513
Over five years	105,546	130,765
Total borrowing costs	512,400	455,278

5. TAXATION

	2007 *RMB'000*	**2006** *RMB'000*
The charge comprises:		
PRC income tax	766,061	549,079
Deferred tax charge (credit) (note 22)	3,499	(31)
Taxation attributable to the Company and its subsidiaries	769,560	549,048

The Company and its subsidiaries are subject to PRC income tax rate of 33% (2006: 33%) pursuant to the relevant PRC income tax laws.

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

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 will change the income tax rate to 25% for enterprises in the PRC with effective from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

	2007		**2006**	
	RMB'000	%	*RMB'000*	%
Profit before tax	2,450,053		1,762,326	
Tax at the domestic tax rate of 33% (2006: 33%)	808,517	33.0	581,568	33.0
Tax effect of expenses not deductible for tax purpose	5,730	—	9,807	0.6
Tax effect of share of profits of associates	(42,744)	(1.6)	(42,327)	(2.4)
Effect of tax rate change	(1,943)	—	—	—
Tax charge and effective tax rate for the year	769,560	31.4	549,048	31.2

6. PROFIT FOR THE YEAR

	2007 RMB'000	2006 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	188,580	179,300
Retirement benefits scheme contributions	34,511	33,695
Total staff costs	223,091	212,995
Auditor's remuneration	2,100	1,700
Impairment loss on other receivables	-	297
Depreciation of property, plant and equipment and toll roads infrastructures	819,632	755,248
Loss on disposal of property, plant and equipment and toll roads infrastructures	-	15,271
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	65,280	64,593
Cost of inventories recognised as an expense	939,523	577,486
Share of tax of associates (included in share of profits of associates)	57,906	60,849
and after crediting:		
Interest income from bank deposits	8,294	10,186
Government grants received (note)	980	1,810
Dividend income from unlisted available-for-sale financial assets	200	200
Gain on disposal of property, plant and equipment and toll roads infrastructures	6,711	-
Impairment loss made on other receivables reversed	885	-

Note: Government grants of RMB 980,000 (2006: RMB1,810,000) have been received in the current year as an incentive payment to the Company's subsidiary, Jiangsu Sundian Engineering Co., Ltd. and Jiangsu Ninghu Investment Development Co., Ltd. The incentive payment was unconditional and has been included in other income for the year.

7. DIVIDEND

	2007 *RMB'000*	2006 *RMB'000*
Dividend recognised as distribution during the year:		
Final — RMB 0.19 (2006: RMB 0.145) per share	957,172	730,473

Pursuant to a directors' meeting dated 28 March 2008, a final dividend of RMB 0.27 (2006: directors' meeting dated 23 March 2007 for a final dividend of RMB 0.19) per share for the year ended 31 December 2007 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

8. 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 RMB1,642,331,000 (2006: RMB1,174,111,000) and 5,037,747,500 (2006: 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 2007.

3.3 Differences between PRC Accounting Standards and HKFRS:

☑ Applicable ☐ Not applicable

Unit: RMB'000

	Net profit		Net assets	
	2007	2006	31 December 2007	31 December 2006
As reported in PRC statutory financial statements	1,638,989	1,178,976	16,137,720	15,492,557
HKFRS Adjustments				
—Valuation and depreciation of fixed assets	41,504	34,302	(1,371,771)	(1,413,274)
As reported in these financial statements prepared in accordance with HKFRS	1,680,493	1,213,278	14,765,949	14,079,283

4. CHANGES IN SHARE CAPITAL AND BIOGRAPHIES OF SHAREHOLDERS

4.1 Changes in share capital

During the reporting period, there has been no change to the total number of shares. As the selling restriction period of the first batch of circulating shareholders with selling restrictions has expired and the shares were listed after the completion of the Share Segregation Reform, the Company's shareholding structure has been changed:

Unit: Share

		Prior to current movement		Current movement (+、-)	After current movement	
		Number of shares	%	Repayment of share consideration and circulated after selling restriction expired	Number of shares	%
I.	Shares subject to selling restriction					
	1. State-owned shares	2,739,296,706	54.37%	0	2,739,296,706	54.37%
	2. State-owned legal shares	592,051,690	11.75%	+289,506	592,341,196	11.76%
	3. Other domestic shares	286,399,104	5.69%	-151,443,386	134,955,718	2.68%
	Including: Domestic legal person shares	286,399,104	5.69%	-151,443,386	134,955,718	2.68%
	Total shares subject to selling restrictions	3,617,747,500	71.81%	-151,153,880	3,466,593,620	68.81%
II.	Circulating shares subject to selling restrictions					
	1. RMB-denominated ordinary shares	198,000,000	3.93%	+151,153,880	349,153,880	6.93%
	2. Domestic listed foreign shares	1,222,000,000	24.26%	0	1,222,000,000	24.26%
	Total circulating shares not subject to selling restrictions	1,420,000,000	28.19%	+151,153,880	1,571,153,880	31.19%
III.	Shares in total	5,037,747,500	100%	0	5,037,747,500	100%

4.2 Changes in shares with selling restriction

Unit: Share

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 Communication Holdings Company Limited	2,742,340,507	0	238,318	2,742,578,825	Selling restriction not expired	2011-5-16
Huajian Transportation Economic Development Centre	589,007,889	0	51,188	589,059,077	Selling restriction not expired	2011-5-16
Domestic legal person shareholder	286,399,104	151,443,386	0	134,955,718	The procedures of listing and circulation incomplete	2007-5-16
Total	3,617,747,500	151,443,386	289,506	3,466,593,620	—	—

4.3 Shareholding of top ten shareholders, top ten holders of A shares in circulation

Total number of shareholders at the end of the reporting period	As at 31 December 2007, there was a total of 47,323 shareholders whose names appeared on the register of shareholders of the Company, of whom 46,775 were domestic shareholders and 548 were foreign shareholders

Shareholding of the top ten shareholders

Name of shareholder (in full)	Change during the year	Number of shares held at the end of the year	Shareholding proportion in the entire capital (%)	Category of shares (circulating or non-circulating)	Number of shares pledged or subject or moratorium	CATEGORY OF SHAREHOLDERS
Jiangsu Communications Holdings Company Ltd.	238,318	2,742,578,825	54.44	2,742,578,825	0	State-owned shareholder
Huajian Transportation Economic Development Centre	51,188	589,059,077	11.69	589,059,077	0	State-owned shareholder
Fidelity International Limited	134,421,987	134,421,987	2.67	0	Unknown	Foreign shareholder
JPMorgan Chase & Co.	-60,895,342	85,966,358	1.71	0	Unknown	Foreign shareholder
Bank of America Corporation	85,600,000	85,600,000	1.70	0	Unknown	Foreign shareholder
Halbis Capital Management (Hong Kong) Limited	84,658,000	84,658,000	1.68	0	Unknown	Foreign shareholder
Sumitomo Mitsui Asset Management Limited	-12,000	73,168,000	1.45	0	Unknown	Foreign shareholder
博時主題行業股票證券投資基金	26,562,697	26,562,697	0.53	0	Unknown	A shareholder
Huaxia Securities Co., Ltd. (華夏證券有限公司)	0	20,060,000	0.40	20,060,000	Unknown	A shareholder
博時價值增長證券投資基金	18,999,834	18,999,834	0.38	0	Unknown	A shareholder

The top ten holders of circulating A shares		
Name of shareholder (in full)	Number of shares in circulation at end of the year	Type
博時主題行業股票證券投資基金	26,562,697	RMB-denominated ordinary shares
博時價值增長證券投資基金	18,999,834	RMB-denominated ordinary shares
博時新興成長股票型證券投資基金	17,019,742	RMB-denominated ordinary shares
交銀施羅德藍籌股票證券投資基金	12,242,650	RMB-denominated ordinary shares
江蘇高科技投資集團有限公司	11,700,000	RMB-denominated ordinary shares
匯添富均衡增長股票型證券投資基金	10,293,793	RMB-denominated ordinary shares
江蘇省電力公司	6,534,627	RMB-denominated ordinary shares
江門市天創置業有限公司	6,525,463	RMB-denominated ordinary shares
全國社保基金一零三組合	5,000,000	RMB-denominated ordinary shares
GEAM信託基金中國A股基金	4,766,969	RMB-denominated ordinary shares
Description of any connected relationship among the above shareholders	The Company is not aware of whether or not there is any connected relationship between the top ten holders of circulating A shares and the top ten shareholders.	

4.3 Controlling shareholder and the de facto controller

4.3.1 Change in controlling shareholder and the de facto controller

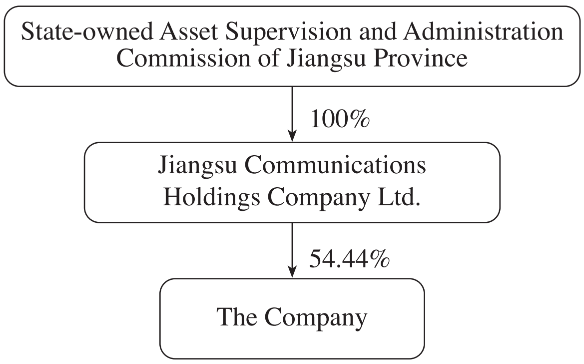
☑ Applicable ☐ Not applicable

During the reporting period, the number of the Company's shares held by the controlling shareholder of the Company has changed. As at 31 December 2007, Communications Holdings held 2,742,578,825 shares of the Company or 54.44% of the Company's total shares, representing an increase of 238,318 shares as compared to the end of 2006. The reason of change was due to the fact that some of the social legal shareholders have repaid the consideration shares by way of shares. As there are social legal shareholders who have not completed the procedures of repaying the consideration, the number of the Company's shares held by the controlling shareholder will have slight change.

4.3.2 Description of the controlling shareholder and the de facto controller

Name	Legal representative	Registered capital	Date of establishment	Principal business
Jiangsu Communiations Holdings Company Ltd.	Shen Chang Quan	16.8 billion	15 September 2000	To such extent as authorized Holdings Company Ltd. by the provincial government, 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 o tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scopes of authorization of the provincial government.

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



5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Change in shareholding of directors, supervisors and senior management

Name	Position	Gender	Age	Term of office	Shareholding at beginning of the year	Shareholding at end of the year	Total remuneration received from the Company during the reporting period (RMB'000)	Received remuneration from shareholders' companies or other associates
Chen Chang Quan	**Chairman**	**M**	**60**	**June 2006 to 2009**	**0**	**0**	**—**	**Yes**
Xie Jia Quan	Executive Director, General Manger	M	57	June 2006 to 2009	0	0	392,587	No
Zhang Yang	Non-executive Director	F	44	November 2007 to 2009	0	0	—	No
Sun Hong Ning	Non-executive Director	M	47	June 2006 to 2009	0	0	—	No
Chen Xiang Hui	Non-executive Director	M	45	June 2006 to 2009	0	0	—	No
Fan Yu Shu	Non-executive Director	F	56	June 2006 to 2009	0	0	—	No
Cui Xiao Long	Non-executive Director	M	47	June 2006 to 2009	0	0	—	No
Chang Yung Tsung	Independent Director	F	76	June 2006 to 2009	0	0	187,280	No
Fang Hung, Kenneth	Independent Director	M	70	June 2006 to 2009	0	0	187,280	No
Yang Xiong Sheng	Independent Director	M	48	June 2006 to 2009	0	0	50,000	No
Fan Chong Lai	Independent Director	M	46	June 2006 to 2009	0	0	50,000	No
Zhou Jian Qiang	Chairman of the Supervisory Committee	M	55	June 2006 to 2009	0	0	—	Yes
Zhang Cheng Yu	Supervisor	M	57	June 2006 to 2009	0	0	—	Yes
Luo Yi	Supervisor	F	36	November 2007 to 2009	0	0	—	Yes
Shang Hong	Supervisor representing staff	F	45	June 2006 to 2009	0	0	270,587	No
Zhou Hao Xiang	Supervisor representing staff	M	60	June 2006 to 2009	0	0	258,587	No
Qian Yong Xiang	Deputy General Manager	M	44	January 2007 to December 2009	0	0	305,087	No
Liu Wei	Deputy General Manager, Financial Controller	F	52	January 2007 to December 2009	0	0	287,587	No
Zhao Jia Jun	Deputy General Manager	M	41	January 2007 to December 2009	0	0	287,587	No
Yau Yong Jia	Secretary to the Board	M	44	January 2007 to December 2009	0	0	270,587	No
Lee Wai Fun, Betty	Company Secretary (Hong Kong)	F	47	June 2007 May 2008	0	0	—	No

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

6. REPORTS OF THE DIRECTORS

6.1 Management discussion and analysis

During the year, the regional transportation environment maintained healthy and stable development, with transportation infrastructures further enhanced. Driven by the regional economy's strong growth, traffic demand remained robust. The Group's major toll roads and bridges maintained a solid state of operations. The Group's core asset, the 8-lane Shanghai-Nanjing Expressway, achieved a stable growth after two years of operation, with its traffic volume and toll revenue setting historic highs and contributing significantly to the Group's rapid results growth. Meanwhile, the operating measures regarding road operation, financing, project control and management enhancement devised by the Company management were effectively implemented, thereby enhancing the Group's operations across the board and laying a solid foundation for long-term development.

In 2007, the Group witnessed further growth in its operations and realized an operating revenue of approximately RMB5,309,835,000, an increase of approximately 29.48% as compared to the corresponding period of 2006. Under the PRC Accounting Standards, net profit attributable to shareholders of the Company was approximately RMB1,600,827,000 and earnings per share was approximately RMB0.318, an increase of approximately 40.45% as compared to the corresponding period of 2006. Under HKFRS, profit attributable to shareholders was approximately RMB1,642,331,000 and earnings per share was approximately RMB0.326, an increase of approximately 39.88% as compared with the corresponding period of 2006.

1. Operating activities of road and bridge assets

During 2007, the Group's toll road and bridge operations reported substantial growth, mainly attributable to the rapid growth on the core asset Shanghai-Nanjing Expressway. A total toll revenue from roads and bridges amounting to approximately RMB4,224,132,000 was realized, an increase of approximately 23.06% over the corresponding period of 2006 and representing 79.55% of the Group's total operating revenue.

Comparisons of average daily traffic volumes and toll revenues:

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB '000/day)		
	2007	2006	Change %	2007	2006	Change %
Shanghai-Nanjing Expressway	48,374	39,468	22.57	9,348.4	7,026.4	33.05
Shanghai-Nanjing Section of G312	29,184	31,665	-7.84	486.2	557.2	-12.74
Nanjing Section of Nanjing-Lianyungang Highway	7,361	13,951	-47.24	171.5	282.4	-39.24
Guangjing Expressway	34,705	35,240	-1.52	578.1	624.8	-7.47
Xicheng Expressway	35,231	31,441	12.06	988.7	913.2	8.27
Jiangyin Yangtze Bridge	38,165	37,180	2.65	1,919.3	2,061.8	-6.91
Sujiahang Expressway	21,387	18,621	14.86	1628.8	1,480.6	10.01

(i) **Shanghai-Nanjing Expressway**

2007 was the second year since the 8-lane Shanghai-Nanjing Expressway's full opening. After a full year of recovery, the road was further stabilized in terms of operation order and vehicle structure. Meanwhile, the rapid growth of the regional economy provided adequate assurance on traffic demand, thereby allowing the project to continue to enjoy outstanding performance during the year. The project realized a total toll revenue of approximately RMB3,412,152,000, representing approximately 80.78% of the Group's total toll revenue and approximately 64.26% of the Group's total operating revenue. Its average daily traffic volume and average daily toll revenue reported substantial increases of approximately 22.57% and 33.05% respectively over the corresponding period of the previous year. Apart from the organic growth brought about by economic development, other major factors causing a substantial growth of the expressway's operation include: a lower comparison basis during the recovery period in 2006, a further increase in the proportion of trucks in vehicle structure, and the assumption of certain traffic diverted from Jiangyin Yangtze Bridge during August and September.

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

	Traffic Volume			**Toll Revenue**			
	Average Daily Traffic Volume (Vehicle/Day)	**Passenger Vehicles %**	**Trucks %**	**Average Daily Toll Revenue (RMB/Day)**	**Passenger Vehicles %**	**Trucks %**	**Average Daily Full-trip Revenue per Vehicle (RMB/Vehicle)**
2007	48,374	66.3	33.7	9,348.4	46.07	52.93	193
2006	39,468	70.85	29.15	7,026.4	52.93	47.07	178

During the reporting period, the vehicle structure of Shanghai-Nanjing Expressway has stabilized. The proportions of trucks in traffic volume and toll revenue were basically close to the normal levels before the expansion project, and subsequent traffic diversions, took place. The average daily truck traffic accounted for approximately 33.7% of the average daily traffic volume, an increase of approximately 4.55 percentage points over the corresponding period of the previous year. The average daily toll revenue from trucks accounted for approximately 52.93% of the average daily total, an increase of 5.86 percentage points over the corresponding period of the previous year. The increased proportion of truck traffic also drove up the per vehicle revenue. In 2007, the average daily full-trip revenue per vehicle was RMB193, an increase of RMB15 over 2006, of which the average daily full-trip revenue per vehicle for passenger vehicles and trucks were RMB134 and RMB309 respectively.

(ii) **Shanghai-Nanjing Section of G312**

As certain truck traffic continued to divert to Shanghai-Nanjing Expressway and that the problem of vehicle evasion did not see any significant improvement, the toll revenue generated on the Shanghai-Nanjing Section of G312 decreased further during the reporting period. The average daily tolled traffic volume was 29,184 vehicles, representing a decrease of approximately 7.84% over the corresponding period of the previous year. The average daily toll revenue was approximately RMB486,200, representing a decrease of approximately 12.74% over the corresponding period of the previous year.

(iii) **Nanjing Section of Nanjing-Lianyungang Highway**

During the reporting period, the impact of traffic diversions on the Nanjing Section of Nanjing-Lianyungang Highway caused by Nanjing-Lianyungang Expressway, which was opened to traffic in December 2006, was at its full extent during the year. The section's average daily traffic volume and average daily toll revenue decreased by approximately 47.24% and 39.24% respectively over the corresponding period of the previous year. As Nanjing-Lianyungang Expressway caused diversions of primarily passenger vehicles, the rate of decrease in revenue was lower than that of traffic volume. As the toll revenue from Nanjing-Lianyungang Highway accounted for only approximately 1.18% of the Group's total revenue, the traffic diversions would not hinder the future growth of the Group's results.

(iv) **Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge**

The traffic distributions and structures of Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge are highly correlated, as they combine to form a single transport system. During the reporting period, due to the maintenance works at Jiangyin Yangtze Bridge and at Jiangyin South Viaduct of Xicheng Expressway, truck traffic was prohibited on Guangjing Expressway, Xicheng Expressway and Jiangyin Yangtze Bridge from 6 August 2007 to 26 September 2007. Such traffic control incurred substantial impact on the three projects. Especially for Guangjing Expressway and Jiangyin Yangtze Bridge, since they have no exits in between, a total prohibition of truck traffic had a particularly significant impact. The two roads recorded decreases of approximately 1.52% and 2.65% respectively in average daily traffic volumes during 2007, while their average daily toll revenues decreased by approximately 7.47% and 6.91% respectively. Certain sections of Xicheng Expressway were affected as well, but its average daily traffic volume and average daily toll revenue still increased by approximately 12.06% and 8.27% respectively over the corresponding period of the previous year.

During the traffic control period, certain cross-river truck traffic that would originally pass through Jiangyin Yangtze Bridge was diverted to Runyang Bridge. Accordingly, the trucks originally traveling from Jiangyin Yangtze Bridge to Shanghai-Nanjing Expressway's section to the east of Wuxi have now increased their travel distance on Shanghai-Nanjing Expressway by approximately 100 kilometres. This has caused a growth in truck traffic proportion and toll revenue for Shanghai-Nanjing Expressway during August and September, thereby offsetting the toll revenue losses for the 3 projects during the traffic control period.

(v) **Sujiahang Expressway**

During the reporting period, the operating performance of Sujiahang Expressway was encouraging. The average daily full-trip traffic volume was 21,387 vehicles, an increase of approximately 14.86% over 2006. The average daily toll revenue was approximately RMB1,628,800, an increase of approximately 10.01% over 2006. Due to the increasing proportions of small-sized passenger vehicles and small-sized trucks, the rate of increase in revenue was lower than that of traffic volume. In April 2008, Sutong Bridge which connects with the northern section of Sujiahang Expressway will be open to traffic and the entire coastal passage will be fully opened. This is expected to facilitate traffic volume growth for Sujiahang Expressway.

2. **Ancillary Services**

Ancillary services include petroleum product sales, food and beverage, retail sales of goods and other related operations at the six service areas along Shanghai-Nanjing Expressway. The growth in ancillary services revenue was mainly attributable to the customer growth of the service areas and this is closely related to the changes in Shanghai-Nanjing Expressway's traffic volume. The Company also further improved the service functions and enhanced service quality, in order to increase customer volume. In 2007, the rapid growth in Shanghai-Nanjing Expressway's traffic volume has brought substantial growth in the operations of the service areas along the expressway. Ancillary services realized a revenue of approximately RMB999,279,000 in 2007, an increase of approximately 62.80% over the corresponding period of the previous year. The increase in revenue from ancillary services mainly came from petroleum product sales. In 2007, the Company realized a revenue of approximately RMB857,142,000 from petroleum product sales, an increase of approximately RMB353,995,000 over the corresponding period of the previous year and accounting for approximately 91.84% of the total increase in ancillary services revenue.

3. **Operations and Results of Subsidiaries**

Name of company	Scope of business	Investment cost (RMB'000)	Equity interests (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
Jiangsu Sundian Engineering Co., Ltd (note)	Project repairs and maintenance of roads and bridges (including expressways), works on road surfaces and traffic safety facilities, and so forth	35,000	95.5	96,300	51,286	-462
Jiangsu Ninghu Investment Development Co., Ltd.	Investments in various infrastructures, industrial concerns and industries	95,000	95	224,086	120,161	13,228
Jiangsu Guangjing Xicheng Expressway Co., Ltd	Construction, management, maintenance and repair and toll collection of Guangjing Xicheng Expressway	2,125,000	85	2,898,431	2,822,165	249,893

Note: During the reporting period, the Company announced implemented matters relating to equity transfer and capital increase. The relevant agreements relating to equity transfer and capital increase were in effect on 1 January 2008. Jiangsu Sundian Engineering Co., Ltd. was still a subsidiary of the Company included in the consolidated financial statements.

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

Names of company	Scopes of business	Investment cost (RMB'000)	Equity interests (%)	Interests in associates (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	592,435	23,422	1.46
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road transportation, automobile repair and sales of automobiles and spare parts	49,900	33.2	70,361	5,147	0.32
Jiangsu Yangtze Bridge Co., Ltd	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	818,327	91,942	5.74

5. Analysis of Operating Results and Financial Status (Under HKFRS)

(i) Analysis of operating results

Item	2007 (RMB'000)	2006 (RMB'000)	Change (%)
Revenue	5,068,913	3,925,569	29.13
Other income	59,024	39,981	47.63
Share of profits of associates	129,527	128,265	0.98
Financial costs	(512,400)	(455,278)	12.55
Income tax expenses	(769,560)	(549,048)	40.16
Profit attributable to minority interests	38,162	39,167	-2.57
Profit attributable to equity holders of the Company	1,642,331	1,174,111	39.88
Reserves	9,298,866	8,613,707	7.95
Earnings per share (RMB)	0.326	0.233	39.88
Dividend per share (RMB)	0.27	0.190	42.11

During the reporting period, operating results indicators such as operating revenue, operating profit, profit before tax and profit after tax increased substantially. This is mainly attributable to the toll revenue increase from the core asset Shanghai-Nanjing Expressway. Shanghai-Nanjing Expressway recorded a toll revenue of approximately RMB3,412,152,000, an increase of approximately RMB847,510,000 or 33.05% year-on-year. The toll revenue increase for Shanghai-Nanjing Expressway accounted for approximately 70.10% of the total increase in operating revenue.

(ii) **Analysis of financial status**

The Group's capital structure

Item	**As at 31 December 2007**		**As at 31 December 2006**	
	(RMB'000)	*%*	*RMB'000*	*%*
Current liabilities	6,514,393	26.52	6,530,754	26.08
Long-term liabilities	3,285,736	13.37	4,436,759	17.71
Liabilities at fixed interest rates	4,753,930	19.35	4,510,000	18.01
Liabilities at variable interest rates	3,486,196	14.19	4,438,694	17.72
Interest-free liabilities	1,560,003	6.35	2,018,819	8.06
Shareholders' equity	14,336,614	58.36	13,651,455	54.50
Minority interests	429,335	1.75	427,828	1.71
Total assets	24,566,078	100.00	25,046,796	100.00
Gearing ratio	-	33.54	-	35.73

Gearing ratio: Liabilities at fixed 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 2007, cash inflow from the Group's operating activities amounted to approximately RMB5,517,795,000; net cash inflow from operating activities amounted to approximately RMB3,157,808,000. The gearing ratio is at a reasonable level of 37.78%. Monetary capital at book value amounted to approximately RMB1,128,947,000. Accordingly, the management believes that the Group does not have any cash liquidity problem in spite of the current contractionary monetary policy.

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

Item	As at 31 December 2007 The Group *(RMB'000)*	As at 31 December 2006 The Group *(RMB'000)*
Cash and cash equivalents		
Cash on hands	613	266
Bank deposits	1,128,334	798,612
Total:	1,128,947	798,878
Loans: Short-term bank loans	4,753,930	4,510,000
Long-term loans due within one year	201,810	1,935
Long-term bank loans	3,284,386	4,436,759
Total	8,240,126	8,948,694

Major sources and applications of cash

Unit: RMB'000

	2007	**2006**
Net cash generated from operating activities	3,157,808	2,442,479
Net cash generated from investment activities	(641,651)	(1,125,380)
Net cash generated from fundraising activities	(2,186,088)	(1,593,420)
Net increase (decrease) in cash and cash equivalents	330,069	(276,321)

During the reporting period, net cash flow from operating activities increased by approximately 715,329,000, thanks to the toll revenue increase of the core asset Shanghai-Nanjing Expressway. Shanghai-Nanjing Expressway recorded a toll revenue of approximately RMB3,412,152,000, an increase of approximately RMB847,510,000 year-on-year.

During the reporting period, the net cash outflow from investment activities witnessed a substantial change due to the payment of approximately RMB742,078,000 for the expansion works of Shanghai-Nanjing Expressway in 2007, while the amount paid in 2006 was approximately RMB1,151,632,000.

During the reporting period, the net cash outflow from fundraising activities witnessed a substantial change, due to a year-on-year increase of approximately RMB356,211,000 in cash paid for profit distribution, profits and interest payments.

Capital expenditures

In 2007, the Group's planned capital expenditures amounted to approximately RMB837,218,000, an decrease of 35.04% from the 2006 figure of approximately RMB1,288,723,000. The main composition of capital expenditures is as follows:

Capital Expenditure	*RMB'000*
Expansion of Shanghai-Nanjing Expressway	742,078
Others	95,140
Total	837,218

Financing activities and financial costs

With steady cash flows, sound credit track records and a good reputation in the industry, the Company is entitled to the prime rates under the interest rate policy of the People's Bank of China. At the same time, the Company has adjusted its liability structure through fund-raising methods such as issuance of trust products and short-term commercial papers, thereby reducing finance costs and interest risks simultaneously and facilitating the improvement of operating results. As at the end of the reporting period, the balance of the Company's short-term loans amounted to approximately RMB4,753,930,000 and the balance of long-term loans amounted to approximately RMB3,486,196,000. The aggregate costs of the Company's short-term and long-term interest-bearing liabilities are both more than 10% below the bank's borrowing rates of the same terms. During the reporting period, accrued interest expenses amounted to approximately RMB512,400,000.

Taxation policy

Enterprise income tax was paid in full by the Company at the statutory tax rate of 33%. In 2007, accrued income tax expenses amounted to approximately 769,560,000, an increase of approximately 40.14% over 2006. Business tax for toll revenue from expressways was charged at the rate of 3%.

Foreign currency 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. A loan of US$9,800,000 was secured from the Spanish Government in 1998 and will be due on 18 July 2027. As at 31 December 2007, the balance of the loan was approximately RMB36,196,000 after conversion from US dollars, against which no foreign exchange hedge was made. Fluctuations in exchange rates will not have any material impact on the Company's results.

Contingent liabilities

As at 31 December 2007, the Company did not have any contingent liabilities.

Trust deposits

As at 31 December 2007, 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

In 2006, the Company secured a loan of RMB300,000,000 from its subsidiary Jiangsu Guangjing Xicheng Expressway Co., Ltd. by way of a trust loan. Of this amount, RMB200,000,000 had a term from 15 July 2006 to 14 January 2007 at a monthly interest rate of 3.915‰, while the other RMB100,000,000 had a term from 27 December 2006 to 26 June 2007 at a monthly interest rate of 4.185‰. The principal and interests of the loan were settled at the maturity dates.

The Company had also secured two separate loans of RMB200,000,000 and RMB250,000,000 from Jiangsu Guangjing Xicheng Expressway Co., Ltd. on 15 January 2007 and 27 June 2007 respectively. Both loans have a term of one year and carry an annual interest rate of 5.022%. The RMB200,000,000 loan borrowed on 15 January 2007 had been repaid ahead of schedule.

6. **Business Development Initiatives**

(1) **Strategic Development Objectives**

On the basis of scientific and harmonious corporate development, the Company will continue to focus on the investment, construction and operational management of toll highways, ensuring good road quality and service standards. It will push forward a regulated and refined corporate management to achieve thorough enhancement of management quality. In addition, the Company will continue to optimize resource allocation to enhance its development potential in a timely manner and to raise profitability, with a view to cultivating an internal and external environment of a harmonious and healthy nature.

(2) **Key Tasks for 2008**

Yearly objectives:

Business operation objective: Maintaining stable revenue growth to ensure stable returns to shareholders.

Road operation objective: Maintaining good road quality and service standards to ensure safe and smooth traffic on the roads.

Financial management objective: Reducing finance costs and expenses and preventing market interest rate risks.

Management enhancement objective: Improving the internal management system and procedures to raise the standards of regulated and refined management.

Business development objective: Actively seeking market opportunities to timely enhance the Company's development potential.

Major measures:

On business operation: adopting effective measures and strengthening the effort on toll collection management to assure revenue from principal operations; strengthening the brand-building and characteristic operation of service areas to induce consumption and increase operating revenue of service areas; exercising cost control by strengthening the enforcement of budgets and adopting scientific and effective asset and project management measures, so as to reduce management costs and enhance profitability.

On road operation: completing the various late-stage tasks of the expansion project to pass the inspection and delivery process upon completion; reinforcing the maintenance of road operation order and toll station order, so as to enhance the ability to handle emergencies or extraordinary events; striving to complete the post-snowstorm road maintenance and various daily maintenance work to ensure road and bridge safety; providing good traffic conditions and attracting the community's vehicles with quality services and a smooth traffic environment, so as to facilitate rapid growth in traffic volume.

On financial management: actively moving forward the application and issue of corporate bonds and short-term commercial papers to reasonably adjust the interest rate structure of liabilities, as well as arranging a considerable proportion of fixed rate liabilities, so as to effectively prevent interest rate risks and reduce finance costs and expenses during the interest rate upswing cycle.

On management enhancement: improving and enhancing various management systems and procedures by fully implementing the internal control management system and strengthening the inspection and supervision of its implementation, so as to achieve effective control over the operation process of various business activities and to enhance the standards of regulated and refined management.

On business development: on the premise of long-term development, proactively initiating studies on investment projects and focusing on the investment areas that the Company is likely to be involved in, in order to seek feasible projects with promising potential from a broader range of industries. Accordingly, the Company will adequately capitalize on the favorable opportunities presented by the industry's development and a booming market, enhancing the Company's development potential and searching for new sources of profit growth.

6.2 Segmental/product analysis of principal operations

Unit: RMB'000

By segment or by product		Income from principal operations	Cost of sales	Gross profit margin (%)	Year-on-year change in income from principal operations (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross profit margin (percentage point)
Toll roads		4,224,132	1,199,781	71.60	23.06	12.82	Up 2.58 percentage points
of which:	Shanghai-Nanjing Expressway	3,412,152	740,267	78.30	33.05	26.71	Up 1.08 percentage points
	Shanghai-Nanjing Section of G312	177,467	251,896	-41.94	-12.74	-14.19	-
	Nanjing Section of Nanjing-Lianyuangang Highway	62,617	27,658	55.83	-39.24	-28.07	Down 6.86 percentage points
	Guangjing Xicheng Expressway	571,896	179,960	68.53	1.88	22.20	Down 5.24 percentage points
	Income from ancillary services	999,279	958,056	4.13	62.80	59.30	Up 2.11 percentage points

Explanation on revenue changes:

During the reporting period, changes in the revenue from the Group's operating roads and ancillary services were mainly due to the impact of traffic volume changes. Please refer to 6.1 "Management Discussion and Analysis" for major content.

Explanation on cost changes:

During the reporting period, changes in the operating costs of Shanghai-Nanjing Expressway were primarily due to depreciation charges for fixed assets, as depreciation charges for road and bridge assets would increase commensurately with traffic volume increase. In 2007, the operating costs of Shanghai-Nanjing Expressway included approximately RMB478,745,000 of depreciation charges for fixed assets, an increase of approximately RMB93,010,000 as compared with approximately RMB385,735,000 for the corresponding period of the previous year and accounting for approximately 59.60% of the asset's total increase in operating costs.

During the reporting period, the increase in Guangjing Xicheng's operating costs was mainly a result of year-on-year changes in repair expenses. The reinforcement expenses for Jiangyin Viaduct during the year amounted to approximately RMB42,212,000, representing approximately 129.10% of Guangjing Xicheng's total increase in operating costs.

During the reporting period, the reason for the increase in costs of ancillary service and other operations was in line with its business growth.

6.3 **Analysis of principal operations by geographical location**

Unit: RMB'000

Region	**Income from principal operations**	**Year-on-year change in income from principal operations (%)**
Toll roads in Jiangsu Province	5,223,411	29.09

6.4 **Status of the use of proceeds from subscription**

☐ Applicable ☑ Not applicable

Changes

☐ Applicable ☑ Not applicable

6.5 **Status of funds other than proceeds from subscription**

☐ Applicable ☑ Not applicable

6.6 **The Board's explanation on the "non-standard audit opinion" by auditors**

☐ Applicable ☑ Not applicable

6.7 **The Board's proposal on the profit distribution or the increase of share capital through the transfer of capital reserve fund**

According to the audited results reported by auditors, the Group realized a net profit attributable to equity holders of the Company of RMB1,600,827,000 in 2007 under the PRC Accounting Standards. Earnings per share was RMB0.318. Under HKFRS, the net profit attributable to equity holders of the Company was RMB1,642,331,000, and earnings per share was RMB0.326. 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.

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 afore-mentioned profit distribution scheme proposed by the Board will be submitted to the 2007 annual general meeting for consideration and approval. The exact date and procedures for the payment of final dividends will be announced separately.

7. SIGNIFICANT MATTERS

7.1 Assets acquisition

☐ Applicable ☑ Not applicable

7.2 Disposal of assets

☑ Applicable ☐ Not applicable

1. Disposal of properties

On 25 September 2007, the Company entered into the Property Transfer Agreement with the Jiangsu Communications Bureau, pursuant to which the Company disposed of its former office property in the Jiangsu Communications Building with an area of approximately 5,929.95 m^2 to the Jiangsu Communications Bureau. The net book value of the property as at 31 August 2007 was RMB30,923,000, while the value as at the valuation date was RMB42,636,000. By selling the property at the valuation price, the disposal price of the property exceeded the book value by an amount of RMB11,713,000, representing 0.49% of the Company's total profit for the year. Jiangsu Communications Bureau should pay the consideration within seven dates upon delivering of the property assets. As Jiangsu Communications Bureau was one of the promoters of the Company when it was set up, even though Jiangsu Communications Bureau is not a shareholder of the Company at present, it remains a connected person of the Company pursuant to rule 1.01 of the Hong Kong Listing Rules and the transaction constituted a connected transaction of the Company. The Company had duly fulfilled the relevant reporting and disclosure obligations stipulated by rule 14A.32(1) of the Hong Kong Listing Rules. For details of the disposal of properties, please refer to the announcement dated 28 September 2007 published by the Company in designated newspapers and websites. The transfer procedures for the relevant assets were completed.

2. **Transfer of interests in a subsidiary**

On 18 December 2007, the Company and Guangjing Xicheng Expressway entered into the Share Transfer and Capital Increase Contract with Communications Holdings and its connected parties (including Yangtze Bridge, Ninghong Expressway, Xiyi Expressway, Yanjiang Expressway, Ningchangzhenhai Expressway and Husuzhe Expressway). TheCompany transferred its 56.15% interest in Jiangsu Sundian (representing capital contribution of RMB27.61 million) and 3.32% interest in Jiangsu Sundian (representing capital contribution of RMB1.63 million) to Communications Holdings and Ninghong Expressway, respectively, at the transfer prices of RMB32 million and RMB1.89 million, respectively.Guangjing Xicheng Expressway transferred its 10.53% interest in Jiangsu Sundian (representing capital contribution of RMB5.18 million) and 8.95% interest in Jiangsu Sundian (representing capital contribution of RMB4.40 million) to Yangtze Bridge and Xiyi Expressway, respectively, at the transfer prices of RMB6 million and RMB5.1 million, respectively. The assessed net assets value of the entire equity interests held by the shareholders of Jiangsu Sundian as at 30 June 2007 was RMB56.988 million, while its registered capital as at the assessment date was RMB49.17 million. Accordingly, the ratio of Jiangsu Sundian's paid-up capital to assessed net asset value would be RMB1:RMB1.159 and the transfer price of the relevant interests were determined on the basis of this ratio.

Upon completion of the share transfer, Ninghong Expressway, Xiyi Expressway, Yanjiang Expressway, Ningchangzhenhai Expressway and Husuzhe Expressway contributed capital to Jiangsu Sundian in the sums of RMB4.11 million, RMB900,000, RMB6 million, RMB6 million and RMB6 million, respectively. The total capital contribution by these five parties amounted to RMB23.01 million, which would be used as registered capital of Jiangsu Sundian. After the capital increase, Jiangsu Sundian's registered capital became RMB72.18 million. The profit sharing and voting rights agreed among the shareholders of Jiangsu Sundian will be: 40% for Communications Holdings; and 7.5% each for eight other companies including the Company and Guangjing Xicheng Expressway. The share transfer and the capital increase contract were in effect on 1 Jaunary 2008.

As the parties involved in the share transfer and the capital increase are the parent company of the Company and the parent company's subsidiaries, they are connected parties to the Company and the relevant transactions constituted connected transactions, whereas the connected Directors abstained from voting when the Board considered the relevant resolution. The Company had duly fulfilled the relevant reporting and disclosure obligations stipulated by Chapter 14A of the Hong Kong Listing Rules. For details of the transactions, please refer to the announcement dated 19 December 2007 published by the Company in designated newspapers and websites.

7.3 **Material guarantees**

☐ Applicable ☑ Not applicable

7.4 **Major Connected Transaction**

7.4.1 **Connected transactions in respect of daily operations**

☑ Applicable ☐ Not applicable

1. **Road Maintenance Service Contracts with Jiangsu Sundian**

On 26 April 2007, Guangjing Xicheng, the Company's subsidiary, entered into a maintenance service contract with Jiangsu Sundian in respect of the repair and maintenance services of Guangjing Expressway and Xicheng Expressway, for a term commencing on 1 May 2007 and ending on 31 December 2007. The maximum contractual maintenance service fees were estimated to be no more than RMB20 million.

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 works. The upper limits of the maintenance service fees are set according to the estimated works in 2007. The maintenance service fees are to be paid out of Guangjing Xicheng's own funds. At the end of the reporting period, the actual amount of the maintenance service fee was RMB4,968,000.

Such transaction constituted a continuing connected transaction under the Hong Kong Listing Rules Chapter 14A. However, under the Shanghai Listing Rules, such transaction was exempted from the disclosure requirements for connected transactions.

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

On 26 April 2007, the Company entered into a technological service agreement with 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). The Toll-network Company would provide 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 service fees for 2007 would be no more than RMB6,000,000 in aggregate. At the end of the reporting period, the actual amount of the maintenance service fee was RMB5,402,000.

The Toll-network Company was jointly established by Communications Holdings and its road and bridge subsidiaries. Communications Holdings is the largest shareholder holding 30% equity interests. The Company made a total capital contribution of RMB1,750,000 and holds 5% equity interests. In accordance with the listing rules of the Shanghai Stock Exchange and Chapter 14A of the Hong Kong Listing Rules, the Toll-network Company is a connected company of the Company. Such transaction constituted a connected transaction relating to the daily operations of the Company.

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

During the reporting period, Guangjing Xicheng, the Company's subsidiary, continued to implement the agreement entered into with Jiangsu Expressway Petroleum Development Co., Ltd. (江蘇高速公路石油發展有限公司) ("Jiangsu Petroleum Company") regarding the leasing of the operation of the petroleum products sales business at the petrol station in the Yanqiao Service Area. Such transaction constituted a connected transaction. However, pursuant to Shanghai Listing Rues and Rule 14A33(3) of the Hong Kong Listing Rules, such transaction was exempted from the requirements of reporting, announcement and approval from independent shareholders.

During 2007, Jiangsu Petroleum Company has paid leasing fee to Guangjing Xicheng amounting to RMB2,776,000 in aggregate which was below the requirement for reporting and disclosure.

7.4.2 **Connected debts and liabilities**

☑ Applicable ☐ Not applicable

Unit: RMB'000

Connected party	**Capital provided to connected party**		**Capital provided by connected party to listed company**	
	Amount	**Remaining amount**	**Amount**	**Remaining amount**
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	0	0	(50,000)	250,000

7.4.3 **Appropriation of Funds and Progress of Liquidations in 2007**

☐ Applicable ☑ Not applicable

7.5 **Entrusted fund management**

☐ Applicable ☑ Not applicable

7.6 **Implementation of undertakings**

7.6.1 Undertakings of the Company's shareholders or shareholders holding 5% or more of the Company shares during or continue to the reporting period

☑ Applicable ☐ Not applicable

(i) The Board of the Company has made an undertaking in respect of the profit distribution proposal for 2007 as follows: one cash dividend distribution will be made for the year at a ratio of no less than 85% of the attributable profit of the year. The Board of the Company has faithfully fulfilled such undertaking. For details, please refer to "Profit Distribution Scheme" under the section headed "Report of the Directors".

(ii) Special undertakings made by the original Non-circulating Shareholders during the process of the Share Segregation Reform and their fulfillment:

Name of shareholder	Special undertakings	Fulfillment of undertakings
Communications Holdings Huajian Transportation	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 shareholder was in breach of the relevant undertakings during the reporting period.
Communications Holdings Huajian Transportation Jiangsu Communications Construction Group Co., Ltd. Jiangsu Communications Engineering Co., Ltd	These companies undertake that they shall bear all relevant expenses arising from the Share Segregation Reform as per their agreement.	Fulfilled

7.6.2 **The Company's explanation on whether certain assets or projects met the original profit forecasts and the reasons behind, regarding the Company's assets or projects with profit forecasts and that the reporting period was within the term of such project forecasts**

☐ Applicable ☑ Not applicable

7.7 **Material litigation or arbitration**

☐ Applicable ☑ Not applicable

7.8 **Analysis and explanation on other significant matters, the impacts and the relevant solutions**

7.8.1 **Securities investments**

☐ Applicable ☑ Not applicable

7.8.2 **Shareholdings in other listed companies**

☐ Applicable ☑ Not applicable

7.8.3 **Holdings of equity interests in non-listed financial enterprises**

☐ Applicable ☑ Not applicable

7.8.4 **Trading in the shares of other listed companies**

☐ Applicable ☑ Not applicable

7.9 **Other significant matters**

(i) **Remuneration of auditors**

At the 2006 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 international auditors, respectively of the Company for 2007. Auditing fees for the year amount to RMB2.1 million. The Company did not pay any other fees and nor were there any charges that might have affected the auditors' independence. The above-mentioned auditing firms have been providing audit services to the Company for five consecutive years since 2003.

(ii) **Purchase, Sale and Redemption of Shares of the Company**

As at 31 December 2007, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries.

(iii) **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.

(iv) **Public Float**

According to public information and as far as the Directors are aware, as at 31 December 2007 and 28 March 2008 (the latest practicable date of this disclosure statement), the Company complied with the 25% public float requirement under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

(v) **Audit Committee**

The Company has established an audit committee comprising three members, of whom two are independent non-executive directors, and the remaining one is an independent non-executive director holding relevant professional qualifications and professional financial management experience. Mr. Yang Xiong Sheng is chairman of the committee. The audit committee has reviewed the Company's annual financial statements for the year 2007.

(vi) **Independent non-executive director**

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

(vii) **Model Code for Securities Transactions by Directors**

Upon specific enquiries to all of the directors and supervisors of the Company, the directors and supervisors of the Company have complied with the provisions on securities transactions under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. During the reporting period, the Company has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the relevant employees" to govern the relevant people to comply with the code when conducting securities transactions.

(viii) **The Code on Corporate Governance Practices**

The Board reviewed the daily governance of the Company in accordance with the relevant provisions of the the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Hong Kong Listing Rules during the reporting period and considers that, from 1st January 2007 to the date before the publication of this announcement, the Company regulated its operation and stringently governed in accordance with the relevant provisions of the Code, and strived to achieve the various recommended best practices, except deviations of certain provisions which are mainly related to the rotation of directors and the determination of remuneration policies for executive directors. The Board is adopting active measures to improve and comply with the relevant provisions. For details, refer to the full text of the "Corporate Governance Report" set out in the annual report.

8. REPORT OF SUPERVISORY COMMITTEE

The Supervisory Committee considers that the Company has operated in compliance with the law, and that the Company's financial conditions, the use of proceeds from subscription, acquisitions, disposal of assets and connected transactions have not presented any problem.

9. FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS)

9.1 Auditing opinion

The financial statements for the reporting period have been audited. Certified auditors have signed the financial statements with a standard unqualified audit opinion issued.

9.2 **Financial statements**

Consolidated Balance Sheet (Prepared under Hong Kong GAAP)

As at 31 December 2007

	2007	**2006**
	RMB '000	*RMB '000*
Non-current assets		
Property, plant and equipment	1,598,189	1,855,686
Toll road infrastructures	18,793,287	19,367,653
Prepaid lease payments	1,160,542	1,208,377
Interests in associates	1,603,897	1,587,391
Available-for-sale financial assets	5,500	5,500
Deferred tax assets	5,865	8,014
	23,167,280	24,032,621
Current assets		
Inventories	13,196	10,045
Properties under development	41,695	11,650
Prepayments and other receivables	107,335	93,339
Prepaid lease payments	65,280	64,483
Held-for-trading investments	42,345	37,784
Bank balances and cash	1,128,947	796,874
	1,398,798	1,014,175
Current liabilities		
Other payables	261,169	170,938
Payables to associates	62,900	-
Construction costs payable	938,625	1,731,863
Tax liabilities	276,487	104,960
Dividend payable	19,472	11,058
Long-term borrowings — due within one year	201,810	1,935
Short-term borrowings	4,753,930	4,510,000
	6,514,393	6,530,754
Net current liabilities	-5,115,595	-5,516,579
Total assets less current liabilities	18,051,685	18,516,042
Non-current liabilities		
Deferred tax liabilities	1,350	-
Long-term borrowings — due after one year	3,284,386	4,436,759
	3,285,736	4,436,759
Net assets	14,765,949	14,079,283
Capital and reserves		
Share capital	5,037,748	5,037,748
Reserves	9,298,866	8,613,707
Equity attributable to equity holders of the Company	14,336,614	13,651,455
Minority interests	429,335	427,828
Total equity	14,765,949	14,079,283

Consolidated Statement of Changes in Equity (Preapred under HKFRS)
For the year ended 31 December 2007

RMB '000

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Retained profits	Total	Minority interests	Total
At 1 January 2006	5,037,748	5,730,454	705,619	352,811	1,381,185	13,207,817	416,908	13,624,725
Transfer	-	-	352,811	-352,811	-	-	-	-
Profit for the year and total income recognized	-	-	-	-	1,174,111	1,174,111	39,167	1,213,278
Appropriations	-	-	135,704	-	-135,704	-	-	-
Dividends	-	-	-	-	-730,473	-730,473	-	-730,473
Dividends paid to minority shareholders	-	-	-	-	-	-	-28,247	-28,247
At 31 December 2006	5,037,748	5,730,454	1,194,134	-	1,689,119	13,651,455	427,828	14,079,283
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 recognized	-	-	-	-	1,642,331	1,642,331	38,162	1,680,493
Adjustment (Note 1)	-	-	-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

Note:

1) On 1 January 2007, the Company adopted the new Accounting Standards announced by the Ministry of Finance on 15 February 2006. Accordingly, retroactive adjustments were made to the financial statements and the amount of profit appropriated to the statutory surplus reserve under the PRC statutory financial statements was adjusted as well.

Consolidated Cash Flow Statement (Prepared under HKFRS)
For the year ended 31 December 2007

	2007 *RMB ‘000*	2006 *RMB ‘000*
Operating activities		
Profit before tax	2,450,053	1,762,326
Adjustments for:		
Finance costs	512,400	455,278
Interest income	-8,294	-10,186
Change in fair value of held-for-trading investment	-9,594	-2,047
Dividend from unlisted available-for-sale financial assets	-200	-200
Share of profits of associates	-129,527	-128,265
Loss (gain) on disposal of an associate	-	714
Depreciation of property, plant and equipment	206,722	184,858
Depreciation of toll road infrastructures	612,910	570,390
Operating lease rental in respect of land use rights	65,280	64,593
Impairment loss (reversed) on other receivables	-885	297
Loss on disposal of property, plant and equipment and toll road infrastructures	-4,941	15,271
Operating cash flows before movements in working capital	3,693,924	2,913,029
Increase in inventories	-3,151	-945
Increase in properties under development	-30,045	-1,207
Increase in prepayments and other receivables	-7,622	-40,201
Increase in held-for-trading investments	5,033	-35,737
Increase in other payables	87,733	27,647
Cash generated from operations	3,745,872	2,862,586
Interest paid	-512,400	-455,278
PRC income tax paid	-594,534	-470,807
Net cash generated from operating activities	2,638,938	1,936,501
Investing activities		
Interest received	8,294	10,186
Dividend received from associates	107,532	112,865
Dividend received from available-for-sale investments	200	200
Disposal of a subsidiary	-	4,082
Amount received from connected companies	39,890	-
Proceeds on disposals of property, plant and equipment and toll road infrastructures	42,912	2,814
Purchase of property, plant and equipment and toll road infrastructures	-837,220	-1,210,499
Purchase of available-for-sale investments	-	-2,500

	2007	2006
	RMB '000	*RMB '000*
Repayment of receivable from a former joint venture	-	1,000
Net cash used in investing activities	-638,392	-1,081,852
Financing activities		
Dividends paid	-948,758	-743,621
Dividends paid to minority shareholders	-36,655	-28,247
Amount received from connected companies	23,010	-
Repayment of long-term borrowings	-950,000	-507,939
Repayment of short-term bonds	-	-3,912,026
New short-term borrowings raised	8,423,930	6,310,000
Repayment of short-term borrowings	-8,180,000	-2,250,000
Net cash (used in) from financing activities	-1,668,473	-1,131,833
Net (decrease) increase in cash and cash equivalents	332,073	-277,184
Cash and cash equivalents at beginning of the year	796,874	1,074,058
Cash and cash equivalents at end of the year, represented by bank balances and cash	1,128,947	796,874

9.3 Changes in PRC Accounting Standards, Accounting Estimates or Auditing Method during the Reporting Period

As from 1 January 2007, the Company has adopted the New Accounting Standards promulgated by the Ministry of Finance in PRC on 15 February 2006 and the Company's transactions and events were recognized, calculated and reported according to the regulations stipulated by the New Accounting Standards of the Ministry of Finance effective from the same date. Regarding accounting policy changes resulting from the initial adoption of the New Accounting Standards, retroactive adjustments and re-statements have been made to the data for the corresponding period of the previous year in comparative statements.

Due to the RMB26,848,762 retroactive adjustment for undistributed profit at the beginning of the reporting period resulting from the difference in long-term equity investments, the consolidated equity attributable to equity holders was adjusted by RMB26,848,762. Due to RMB8,013,476 of deferred income tax assets recognized as a result of adopting the balance sheet liability method, the undistributed profit at the beginning of the reporting period was adjusted by RMB8,013,476. Meanwhile, RMB427,827,147 of minority interests were listed as shareholders' equity. In aggregate, shareholders' equity at the beginning of the reporting period was adjusted by RMB462,689,385.

9.4 **There is no change in the accounting difference during the reporting period.**

9.5 **There is no change in the scope of the Company's consoldiated statement during the reporting period.**

By Order of the Board
Shen Chang Quan
Chairman

Nanjing, the PRC, 28 March 2008

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

** Independent Non-executive Directors*