



Jiangsu Expressway Company Limited

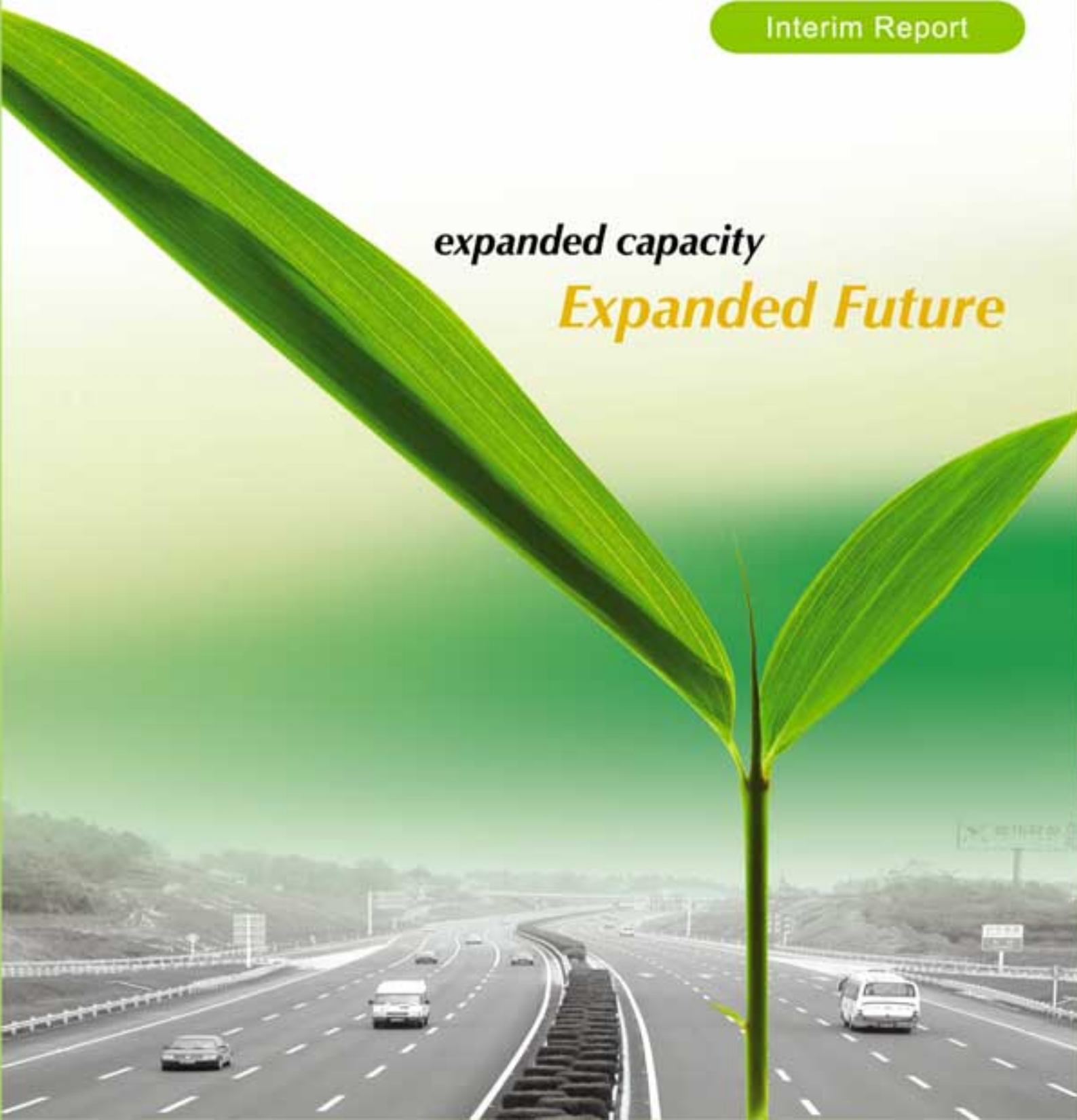
(Hong Kong Stock Exchange Stock Code: 177)

2006

Interim Report

expanded capacity

Expanded Future



Contents

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 severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of this interim report.

Mr. Shen Chang Quan, Chairman of the Company, Mr. Xie Jia Quan, General Manager, and Ms. Liu Wei, Financial Controller warrant the truthfulness and completeness of the financial statements in this interim report.

The financial statements in this interim report are unaudited operating results prepared in accordance with PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards") and accounting principles generally accepted in Hong Kong ("HKGAAAP") and have been reviewed by the audit committee of the Company.

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I. Corporate 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
Stock Exchanges where the Company's Shares are Listed:	A Share Shanghai Stock Exchange Stock name of A shares: G 寧滬 Stock code of A shares: 600377 Stock name before change: 寧滬高速 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
Legal Representative of the Company:	Shen Chang Quan
Secretary to the Board:	Yao Yong Jia
Telephone:	8625-8446 9332
Company Secretary in Hong Kong:	Lee Wai Fun, Betty
Telephone:	852-2801 8008
Securities Officers:	Jiang Tao, Lou Qing
Telephone:	8625-8420 0999-4706, 4716
Fax:	8625-8446 6643
E-mail Address:	nhgs@jsexpressway.com
Registered Office and Place of Business:	Jiangsu Communications Building 69 Shigu Road, Nanjing Jiangsu, the PRC





Postcode: 210004

Website of the Company: <http://www.jsexpressway.com>

E-mail Address of the Company: nhgs@public1.ptt.js.cn

Newspapers Designated for Regular Announcements: Shanghai Securities News, China Securities Journal
South China Morning Post, Hong Kong Economic Times

Website Designated for Information Disclosure: www.sse.com.cn
www.hkex.com.hk

Regular Reports Available at: Shanghai Stock Exchange
528 Pudong Road South
Shanghai
the PRC

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46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

Company Headquarters
Jiangsu Communications Building
69 Shigu Road
Nanjing, Jiangsu
the PRC

II. Financial Highlights

(Prepared in accordance with PRC Accounting Standards)

Major Financial Data and Indicators

Unit: RMB'000

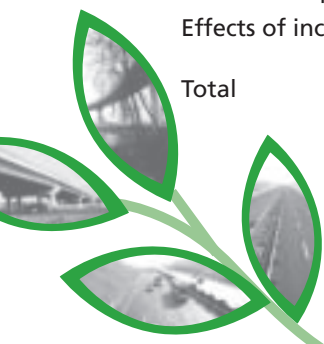
Item	As at 30 June 2006	As at 31 December 2005	Change (%)
Current assets	1,206,892	1,137,022	6.14
Current liabilities	7,305,942	7,233,689	1.00
Total assets	27,017,337	27,223,147	-0.76
Shareholders' equity (excluding minority interests)	14,451,052	14,632,560	-1.24
Net assets per share (RMB)	2.87	2.90	-1.24
Adjusted net assets per share (RMB)	2.87	2.90	-1.24

Item	Six months ended 30 June 2006	Six months ended 30 June 2005	Change (%)
Net profit	548,966	331,960	65.37
Net profit after non-recurring profit/loss	549,976	340,451	61.54
Earnings per share (RMB)	0.11	0.07	65.37
Return on net assets (%)	3.80	2.27	67.40
Net cash flow from operating activities	1,166,589	619,970	88.17

Deduction of Non-recurring Profit/Loss

Unit: RMB'000

Item	Six months ended 30 June 2006
Profit from disposal of fixed assets	174
Loss from disposal of long-term equity investment	-714
Government grants	1,810
Gain from short-term investments	865
Other non-operating income and expenses, net	-3,728
Effects of income tax	583
Total	-1,010



Impact of differences between the PRC Accounting Standards and HKGAAP on Net Profit and Shareholders' Equity

Unit: RMB'000

Item	Net Profit		Shareholders' Equity	
	Six months ended 30 June 2006	Six months ended 30 June 2005	As at 30 June 2006	As at 31 December 2005
Under PRC Accounting Standards	548,966	331,960	14,451,053	14,632,560
HKGAAP adjustments:				
Valuation, depreciation and amortization of fixed assets	15,203	16,151	(1,432,375)	(1,447,578)
Deferred taxation	—	—	7,983	7,983
Amortization of negative goodwill	(260)	(260)	2,076	2,336
Non-amortization of goodwill	6,258	6,258	18,774	12,516
Under HKGAAP	570,167	354,109	13,047,511	13,207,817

Return on net assets and earnings per share:

Unit: RMB

Profit during the reporting period	Return on net assets (%)		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal business	7.27	7.30	0.21	0.21
Operating profit	5.34	5.36	0.15	0.15
Net profit	3.80	3.82	0.11	0.11
Net profit after recurring loss/profit	3.87	3.88	0.11	0.11

III. Changes in Share Capital and Shareholders

(1) Changes in Share Capital

During the reporting period, the Company has completed the Share Segregation Reform. There has been no change to the total number of shares under the reform. The changes in share capital structure are set out below:

	Prior to current movement		Current movement (+,-)	After current movement	
	Number of shares	%	Shares given away	Number of shares	%
I. Shares subject to selling restrictions					
1. State-owned shares	2,778,663,600	55.16%	-39,366,894	2,739,296,706	54.37%
2. State-owned legal person shares	600,471,000	11.92%	-8,505,065	591,965,935	11.75%
3. Other domestic shares	286,612,900	5.69%	-128,041	286,484,859	5.69%
Including: Domestic legal person shares	286,612,900	5.69%	-128,041	286,484,859	5.69%
Domestic natural person shares	—	—	—	—	—
4. Foreign shares	—	—	—	—	—
Including: Foreign legal person shares	—	—	—	—	—
Foreign natural person shares	—	—	—	—	—
Total shares subject to selling restrictions	3,665,747,500	72.77%	-48,000,000	3,617,747,500	71.81%
II. Circulating shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	150,000,000	2.98%	+48,000,000	198,000,000	3.93%
2. Domestic listed foreign shares	—	—	—	—	—
3. Foreign listed foreign shares	1,222,000,000	24.26%	—	1,222,000,000	24.26%
4. Others	—	—	—	—	—
Total circulating shares not subject to selling restrictions	1,372,000,000	27.23%	+48,000,000	1,420,000,000	28.19%
III. Shares in total	5,037,747,500	100%	0	5,037,747,500	100%

(2) Number of Shareholders at the End of the Reporting Period

As at 30 June 2006, there was a total of 42,443 shareholders registered on the registers of members of the Company, of whom 41,700 were domestic shareholders and 743 were foreign shareholders.



(3) Shareholdings of Major Shareholders

1. As at 30 June 2006, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Number of shares held at the end of the reporting period (shares)	Change during the period (+, -)	Shareholding	Number of shares held subject to selling restrictions	Type of shareholder
			proportion in the total share capital (%)		
Jiangsu Communication Holdings Company Ltd.	2,742,333,070	-39,410,530	54.44	2,742,333,070	State-owned shareholder
Huajian Transportation Economic Development Centre	589,006,291	-8,464,709	11.69	589,006,291	State-owned shareholder
Genesis Fund Managers, LLP	190,666,372	53,460,000	3.78	0	Foreign shareholder
J.P.Morgan Chase & Co.	96,726,200	21,656,700	1.92	0	Foreign shareholder
HSBC Halbis Partners (Hong Kong) Limited	85,142,000	-45,898,000	1.69	0	Foreign shareholder
Sumitomo Mitsui Asset Management Limited	73,680,000	2,218,000	1.46	0	Foreign shareholder
UBS AG	67,346,000	67,346,000	1.34	0	Foreign shareholder
Galaxy Securities Co., Ltd.	22,706,068	5,504,502	0.45	0	Others
Huaxia Securities Co., Ltd.	21,160,000	0	0.42	21,160,000	Others
Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	14,450,000	0	0.29	14,450,000	Others

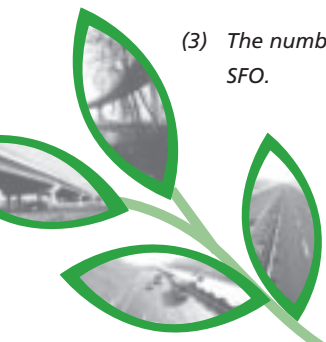
- (1) The Company is not aware whether the top ten shareholders are connected to each other or acting in concert;
- (2) During the reporting period, the Company has not been notified of any pledge or moratorium or custody of shares held by legal person shareholders holding more than 5 percent of the shares;
- (3) During the reporting period, there were no connected persons, strategic investors or general legal persons who have become one of the top ten shareholders of the Company as a result of the placement of new shares;
- (4) The numbers of shares held by H-share holders were extracted from the register required to be maintained under the Securities and Futures Ordinance of Hong Kong (the "SFO").

2. As at 30 June 2006, 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	Category of the shares held
Genesis Fund Managers, LLP ⁽³⁾	190,666,372	Overseas listed foreign shares
J.P.Morgan Chase & Co. ⁽³⁾	96,726,200	Overseas listed foreign shares
HSBC Halbis Partners (Hong Kong) Limited ⁽³⁾	85,142,000	Overseas listed foreign shares
Sumitomo Mitsui Asset Management Limited ⁽³⁾	73,680,000	Overseas listed foreign shares
UBS AG ⁽³⁾	67,346,000	Overseas listed foreign shares
Galaxy Securities Co., Ltd.	22,706,068	RMB-denominated ordinary shares
Winner Glory Development Ltd	12,000,000	Overseas listed foreign shares
Bank of China – Haifutong Income Growth Securities Investment Fund (中國銀行－海富通收益增長證券投資基金)	2,723,380	RMB-denominated ordinary shares
Xinghe Securities Investment Fund (興和證券投資基金)	1,830,453	RMB-denominated ordinary shares
Cao Duo Zhu (曹多祝)	1,378,900	RMB-denominated ordinary shares

Notes:

- (1) The Company is not aware whether the top ten shareholders of circulating shares are connected to each other or acting in concert.
- (2) The Company is not aware whether or not there are connected relationships between the top ten shareholders of circulating shares and the top ten shareholders.
- (3) The numbers of shares held by H-share holders were extracted from the register required to be maintained under the SFO.



3. As at 30 June 2006, 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		
			Listing and trading date	Number of additional listed and tradable shares	Selling restrictions
1	Jiangsu Communications Holdings Company Ltd.	2,742,333,070	16 May 2011	0	Nil
2	Huajian Transportation Economic Development Centre	589,006,291	16 May 2011	0	Nil
3	Huaxia Securities Co., Ltd.	21,160,000	16 May 2007	0	Note 1
4	Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	14,450,000	16 May 2007	0	Note 1
5	Shanghai Haiji Investment Development Co., Ltd. (上海海基投資發展有限公司)	14,150,000	16 May 2007	0	Note 1
6	Jiangsu High Technology Investment Group Co., Ltd. (江蘇高科技投資集團有限公司)	12,469,800	16 May 2007	0	Note 1
7	Shanghai Ruichen Investment Management Consultant Co., Ltd. (上海瑞晨投資管理諮詢有限公司)	4,400,000	16 May 2007	0	Note 1
8	Jiangsu Power Company (江蘇省電力公司)	4,000,000	16 May 2007	0	Note 1
9	Rundi Zhi Ye Co., Ltd. (潤地置業股份有限公司)	3,000,000	16 May 2007	0	Note 1
10	China Economic Technology Investment and Guaranty Co., Ltd. (中國經濟技術投資擔保有限公司)	3,000,000	16 May 2007	0	Note 1

Note 1: Consent shall be obtained from the Non-circulating Shareholders who have advanced the consideration on the relevant shareholder's behalf and that the consideration so advanced shall be repaid by the relevant shareholder. For repayment, the relevant (advancee) shareholder 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 of the Company's Share Segregation Reform for the consideration shares. Application for listing status of such shares shall then be submitted by the Company to the stock exchange.

4. As at 30 June 2006, to the Company's best knowledge, the following individuals or companies 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 SFO:

Name	Capacity	Direct interests	Number of shares	Percentage of H shares (total shares)
Jiangsu Communications Holdings Company Ltd.	Others	Yes	2,742,333,070	54.44
China Merchant Group Limited (招商局集團有限公司)/ Huajian Transportation Economic Development Centre ⁽¹⁾	Others	Yes	589,006,291	11.69
Genesis Fund Managers, LLP/ Genesis Asset Managers, LLP ⁽²⁾	Investment manager	Yes	190,666,372	15.60 (3.78)
J.P. Morgan Chase & Co. ⁽³⁾	Interests in controlled corporation	No	96,726,200	7.92 (1.92)
HSBC Halbis Partners (Hong Kong) Limited ⁽⁴⁾	Interests in controlled corporation	No	85,142,000	6.96 (1.69)
Sumitomo Mitsui Asset Management Company, Limited/Sumitomo Life Insurance Company ⁽⁵⁾	Interests in controlled corporation	No	73,680,000	6.03 (1.46)
UBS AG	Interests in controlled corporation	No	67,346,000	5.51 (1.34)



Notes:

- (1) *China Merchants Group Limited was deemed to hold interests by virtue of its control of Huajian Transportation Economic Development Centre's ("Huajian Transportation") interest in the shares.*
- (2) *Should be the same equity interests. It is stated in Forms 2 submitted by Genesis Fund Managers, LLP and Genesis Asset Managers LLP to the Hong Kong Stock Exchange on 22 May 2006 that their parent company is Affiliated Managers Group Inc.*
- (3) *J.P.Morgan Chase & Co. was deemed to hold interest by virtue of its controlling interests in the following corporations:*
 - (i) *82,678,600 shares (reported as lending pool) held by JPMorgan Chase Bank, N.A. (a 100% directly controlled corporation);*
 - (ii) *12,835,600 shares held by J.P. Morgan Whitefriars Inc (a 100% indirectly controlled corporation);*
 - (iii) *1,212,000 shares held by J.P. Securities Ltd. (an indirectly controlled corporation).*
- (4) *HSBC Halbis Partners (Hong Kong) Limited was deemed to hold interest in the shares in its capacity as the investment manager. It is stated in its Form 2 that its parent company is HSBC Holdings plc.*
- (5) *Sumitomo Life Insurance Company was the controlling shareholder of Sumitomo Mitsui Asset Management Company, Limited, which was deemed to hold interest in the shares. Sumitomo Mitsui Asset Management Company, Limited was deemed to hold interest in the shares in its capacity as the investment manager.*

Save as disclosed above, to the Company's best knowledge, as at 30 June 2006, there was no person who was required to make disclosure under the SFO.

(4) Change of the Controlling Shareholder

Name of the new controlling shareholder	Jiangsu Communications Holdings Company Ltd.
Name of the new de facto controller	Jiangsu Communications Holdings Company Ltd.
Date of the change of the controlling shareholder	16 May 2006
Designated newspapers for announcing the relevant information in respect of the change of the controlling shareholder	Shanghai Securities News, China Securities Journal South China Morning Post and Hong Kong Economic Times
Date of announcing the relevant information in respect of the change of the controlling shareholder	11 May 2006
Description of the change of the controlling shareholder and the de facto controller	Upon completion of the Company's Share Segregation Reform, the number of the Company's shares held by Jiangsu Communications Holdings Company Ltd. ("Communications Holdings") has changed. Pursuant to the Company's Share Segregation Reform, Communications Holdings has allocated 39,410,530 consideration shares to circulating A shareholders. As such, its holding in the Company's shares decreased from 2,781,743,600 shares to 2,742,333,070 shares; and the percentage of its shareholding in the Company's total shares has decreased from approximately 55.22% to approximately 54.44%.





(5) Purchase, Sale and Redemption of Listed Securities of the Company

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

(6) Pre-emptive 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-emptive rights pursuant to which the Company was required to offer new shares to existing shareholders in proportion to their shareholdings.

(7) Public Float

As at 30 June 2006, the Company complied with the 25% public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules").

IV. Directors, Supervisors and Senior Management

(1) Shareholding of Directors, Supervisors and Senior Management

During the reporting period, there was no record showing that any directors, supervisors, key senior management of the Company or any of their associates had any interests in the registered share capitals of the Company, its subsidiaries or associated companies that were required to be disclosed pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Companies of the Hong Kong Listing Rules.

The Company and its subsidiaries or associated companies have not entered into any arrangements to enable the directors, supervisors, senior management of the Company or any of their associates to acquire benefits by means of acquisition of share capital in or debentures of the Company and its subsidiaries or associated companies.

(2) Appointment and Removal of Directors, Supervisors and Senior Management

On 5 June 2006, the 2005 annual general meeting of the Company carried out the election of members for the new sessions of the Board and the supervisory committee. Subsequent to the voting cast by way of poll by the shareholders who attended the meeting, Mr. Shen Chang Quan, Mr. Zhang Wen Sheng, Mr. Sun Hong Ning, Mr. Chen Xiang Hui, Mr. Xie Jia Quan, Ms. Fan Yu Shu and Mr. Cui Xiao Long were appointed as directors of the Company; Ms. Chang Yung Tsung, Mr. Fang Hung, Kenneth, Mr. Yang Xiong Sheng and Mr. Fan Chong Lai were appointed as independent non-executive directors of the Company; Mr. Zhou Jian Qiang, Mr. Zhang Cheng Yu and Ms. Ma Ning were appointed as supervisors of the Company; Ms. Shang Hong and Mr. Zhou Hao Xiang were appointed as the Company's supervisors representing the staff, thereby forming the fifth session of the Board and of the supervisory committee.

At the first meeting of the fifth Board and the first meeting of the fifth supervisory committee of the Company, Mr. Shen Chang Quan was elected as chairman of the Board and Mr Zhou Jian Qiang was elected as chairman of the supervisory committee, respectively.



V. Management Discussion and Analysis



(1) Business Review

In June 2006, the expansion project of Shanghai-Nanjing Expressway was delivered for inspection, which was passed and accepted. The quality of the construction works has achieved the highest level among current expressway expansion projects in the PRC. As the Company's core asset, Shanghai-Nanjing Expressway saw a good resumption of growth momentum after it had come into operation, which drove a comprehensive enhancement of the Company's various operations during the reporting period.

Quality road facilities provide a solid "hardware" platform for operational management. During the first half of 2006, the Company has realized a switch from project construction to operational management as the focus of its work, and has actively explored the on-site management and operational system of the 8-lane expressway. Furthermore, enhancing the tracking analysis on traffic flow and adjusting staff allocation at each toll gate and toll road at appropriate times have ensured smooth traffic capacity in toll gate areas. Given the new status of the management of the 8-lane expressway, the Company has improved organization of road traffic and safety management in time. Speed of response has also been raised. As a result, various aspects in operational management have basically met the new requirements, with the overall operation of the roads being in good order during the first half of the year.

Meanwhile, by bringing all positive elements into play, the Company aimed to further promote the operation of the road in a wider range of aspects so as to attract a rapid return of the traffic which had been diverted during the expansion period. The Company also initiated quality services, improved service skills and upgraded service quality to show a brand new image to road users.

Upon completion of the expansion project of Shanghai-Nanjing Expressway, the Company further improved its internal management systems, enhanced the capacity to implement decisions and strengthened risk control during the first half of 2006 in order to be in line with new requirements for developments. In accordance with the requirements for the management of the 8-lane road, the Company upgraded such quality, health and international safety standardization systems which had been established, with a view to further improving the flow of operational management. In addition, the Company monitored the whole process for the implementation of budget plans and fully tracked the budget benchmarks for sales revenues, costs and profits in order to strengthen cost control. Moreover, the Company actively prepared the issuance of asset-backed securities so as to develop new financing channels and reduce financial costs. By focusing on its core business, the Company has effectively integrated its assets and completed the equity transfer of China Transportation HEAD New Technology (Shanghai) Co. Ltd. ("China HEAD").

The implementation of a series of pro-active and effective measures for operational management resulted in comprehensive progress in all of the businesses of the Company during the first half of 2006. The Company has thus entered into a new phase of development.

(2) Analysis of Business Operations

1. Overview

During the reporting period, the Group realized an operating revenue of approximately RMB1,829,589,000, representing an increase of approximately 79.31% over the corresponding period of the previous year. According to the PRC Accounting Standards, profit after taxation of the Group for the reporting period amounted to approximately RMB548,966,000 and earnings per share was approximately RMB0.11, representing an increase of approximately 65.37% over the corresponding period of the previous year. According to the HKGAAP, profit after taxation of the Group amounted to approximately RMB570,167,000 and earnings per share was approximately RMB0.11, representing an increase of approximately 61.01% over the corresponding period of the previous year. The operations of various businesses were as follows:

Unit : RMB'000

Item	Operating Revenue	Increase/ decrease over corresponding period of the previous year (%)	Operating costs	Increase/ decrease over corresponding period of the previous year (%)	Gross Profit Margin (%)	Increase/ decrease over corresponding period of the previous year
Jiangsu Section of Shanghai-Nanjing Expressway	1,138,422	122.52	248,327	68.95	78.19	Increase by 6.92 percentage points
Shanghai-Nanjing Section of G312	108,512	-19.27	104,532	49.17	3.67	Decrease by 44.2 percentage points
Nanjing Section of Nanjing-Lianyungang Highway	50,522	29.36	19,189	14.64	62.02	Increase by 4.88 percentage points
Guangjing Xicheng Expressway	275,759	18.00	91,720	88.72	66.74	Decrease by 12.46 percentage points
Ancillary services	241,664	184.40	244,263	166.83	-1.08	Increase by 6.65 percentage points
Revenue from other operations	14,710	-11.35	9,587	-49.22	34.82	Increase by 48.6 percentage points
Total	1,829,589	79.31	717,618	82.68	60.78	Decrease by 0.72 percentage point





Reasons for the changes in revenues from operations compared to the corresponding period of the previous year:

- During the reporting period, Shanghai-Nanjing Expressway was opened to all vehicles while normal operation of all the ancillary services provided in the service areas along the expressway gradually resumed, resulting in a significant surge of operating revenues from these two business segments as compared to the corresponding period of the previous year.
- After Shanghai-Nanjing Expressway was opened to trucks, some of the trucks which had been diverted to the G312 during the expansion period gradually re-departed from G312, resulting in a decrease in operating revenue of the road.

Reasons for the changes in operating costs compared to the corresponding period of the previous year:

- During the reporting period, the increase in operating costs of Shanghai-Nanjing Expressway was mainly attributable to the increase in the depreciation charge of fixed assets. From January to June 2006, depreciation in road and auxiliary facilities at Shanghai-Nanjing Expressway increased by approximately RMB86,332,000 over the corresponding period of the previous year, accounting for approximately 85.19% of the total increase in operating costs.
- Following the increase in the amount of accrued depreciation, the depreciation charge for fixed assets for the Shanghai-Nanjing Section of G312 also increased during the first half of 2006, resulting in a rise of operating costs. Concurrently, the gross profit margin decreased significantly as compared to the corresponding period of the previous year as a result of the decrease in operating income.
- During the reporting period, the reinforcement and overhaul of Guangjing Xicheng Expressway led to an increase of approximately RMB38,411,000 in road maintenance and repair costs over the corresponding period of the previous year, accounting for approximately 89.08% of the total increase in operating costs. Consequently, the operating costs surged significantly as compared to the corresponding period of the previous year and the gross profit margin dropped.
- The increase in operating costs of ancillary services is basically consistent with the rise in revenue.

- During the reporting period, the decrease in operating costs from other operations was mainly attributable to the decrease in income from the road and bridge repair and maintenance business of the Company's subsidiary, Jiangsu Sundian Engineering Co. Ltd. ("Jiangsu Sundian"), resulting in a commensurate decrease in operating costs and an increase in gross profit margin. From January to June 2006, the operating costs of the maintenance and repair business of Jiangsu Sundian decreased by approximately RMB7,027,000 as compared to the corresponding period of the previous year, accounting for approximately 75.62% of the total decrease in operating costs from other operations.

2. Toll Road Operations

As from 1 January 2006, with the full operation of the 8-lane main road of the Group's core asset - Shanghai-Nanjing Expressway – which was also opened to trucks for the whole expressway, the adverse impact brought to the Group during expansion has basically vanished. During the reporting period, toll revenues from all the roads and bridges recorded satisfactory recovering growth. A total toll revenue of approximately RMB1,573,215,000 was realized, representing an increase of approximately 71.23% over the corresponding period of 2005 and accounting for approximately 85.99% of total operating revenue.

Comparison between average daily traffic volumes and toll revenues:

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	Reporting period	The corresponding period of the previous year	Change %	Reporting period	The corresponding period of the previous year	Change %
Shanghai-Nanjing Expressway	37,215	20,882	78.22	6,289.6	2,826.6	122.52
Shanghai-Nanjing Section of G312	33,591	40,048	-16.12	599.5	742.6	-19.27
Nanjing Section of Nanjing-Lianyungang Highway	14,249	11,963	19.11	279.1	215.8	29.36
Guangjing Expressway	35,648	32,866	8.46	633.0	630.3	0.43
Xicheng Expressway	30,662	24,343	25.96	890.5	660.8	34.76
Jiangyin Yangtze Bridge	37,229	33,946	9.67	2,130.4	2,032.8	4.80
Sujiahang Expressway	17,791	16,229	9.62	1,427.7	1,499.7	-4.80





– **Shanghai-Nanjing Expressway**

After Shanghai-Nanjing Expressway has been fully opened to trucks, the traffic volume saw a satisfactory recovery. From January to June 2006, the average daily traffic for the whole expressway was 37,215 vehicles, up approximately 78.22% as compared to the corresponding period of 2005 and an increase of approximately 6.06% compared to the corresponding period of 2004 before the implementation of truck diversion. Of the average daily traffic flow, the number of passenger vehicles was 27,708, up approximately 16.52% as compared to the corresponding period of 2004; the number of trucks was 9,507, down approximately 15.93% as compared to the corresponding period of 2004. Trucks accounted for an average of approximately 25.41% of the total traffic volume, which was still low compared with the level of 32.18% over the corresponding period of 2004. However, there was a month-after-month growth momentum since the resumption of truck traffic at the beginning of the year. Average daily truck traffic increased from 7,872 vehicles in the first quarter to 11,522 vehicles in June, with the proportion of truck traffic rising from approximately 22.03% in the first quarter to approximately 30.67% in June.

From January to June, the total toll revenue realized for Shanghai-Nanjing Expressway was approximately RMB1,138,422,000, accounting for approximately 62.22% of the total revenue of the Group, representing an increase of 12.08 percentage points as compared to 2005. Of the total toll revenue of Shanghai-Nanjing Expressway in the first half of this year, revenue from passenger vehicles accounted for approximately 59.12% while revenue from trucks accounted for approximately 40.88%. Average daily toll revenue was approximately RMB6,289,600, representing a significant surge of approximately 122.52% as compared to the corresponding period of 2005, but still a decrease of approximately 9.08% as compared to the corresponding period of 2004. This is mainly attributable to the fact that truck traffic has not returned to the level prior to the diversion period and that the higher proportion of small vehicles resulted in a decrease in revenue per vehicle.

As at 30 June 2006, funds of approximately RMB9,218,000,000 in aggregate had been contributed to the expansion project of Shanghai-Nanjing Expressway, while the balance would be settled in full upon completion of the final construction audit of the project.

– **Shanghai-Nanjing Section of G312**

After Shanghai-Nanjing Expressway was opened to trucks, some of the trucks which had been diverted to G312 during the expansion period gradually re-departed, resulting in a decline in both traffic volume and toll revenue for G312. From January to June 2006, average daily tolled traffic on the Shanghai-Nanjing Section of G312 was 33,591 vehicles, while average daily toll revenue was approximately RMB599,500, representing decreases of approximately 16.12% and 19.27%, respectively, as compared to the corresponding period of the previous year and basically at the same levels as those before the traffic diversion from Shanghai-Nanjing Expressway in 2004.

– **Nanjing Section of Nanjing-Lianyungang Highway**

During the reporting period, the local governments had set up check points along the local roads parallel to the Nanjing Section of Nanjing-Lianyungang Highway, which led to a significant surge in traffic volume, in particular truck traffic, on the Nanjing Section of Nanjing-Lianyungang Highway. The average daily tolled traffic recorded 14,249 vehicles, up approximately 19.11% as compared to the corresponding period of 2005 while the average daily toll revenue amounted to approximately RMB279,100, up approximately 29.36% as compared to the corresponding period of 2005.

– **Other Road and Bridge Assets**

All the other road and bridge assets including Guangjing Expressway, Xicheng Expressway, Sujianghang Expressway and Jiangyin Yangtze Bridge, which the Company owns or in which it has an equity investment, saw a satisfactory growth momentum stimulated by the commencement of operation of the 8-lane Shanghai-Nanjing Expressway. Xicheng Expressway, which had been affected the most by the expansion project, enjoyed a remarkable recovery, recording a rise of approximately 25.96% in average daily traffic volume and a rise of approximately 34.76% in average daily toll revenue, respectively, between January and June 2006. Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway continued to maintain stable growth trends. However, being affected by the proportionate increase in passenger vehicles and small trucks, growth rates in toll revenue were lower than those in traffic volume.

3. Ancillary Services

During the first half of 2006, the expansion works of various service areas along Shanghai-Nanjing Expressway have been fully completed and such areas have been re-opened for operation. Various business operations were re-deployed in the re-constructed service areas according to the expenditure patterns of the drivers, so as to enhance services and to attract customer flow. As a result, there were new developments in both the operation scale and the operation model.

During the reporting period, revenues from ancillary services in various service areas amounted to approximately RMB241,664,000, up approximately 184.4% as compared to the corresponding period of 2005. Due to a relatively substantial increase in operating costs of the business brought by newly added assets depreciation, a loss of approximately RMB2,599,000 was still recorded. However, it was basically close to a breakeven in income and expenses.



4. Operations and Results of Subsidiaries

Unit : RMB'000

Name of subsidiary	Profit/Loss generated	Proportion of total net profit (%)
Jiangsu Guangjing Xicheng Expressway Co. Ltd.	119,007	21.68
Jiangsu Sundian Engineering Co., Ltd.	35	—
Jiangsu Ninghu Investment Development Co. Ltd.	3,509	0.64

5. Operations and Results of Companies in which the Company has Equity Investments

Unit : RMB'000

Name of company	Scope of operation	Net profit	Revenue from investment	Proportion of the total net profit of the listed Company (%)
Jiangsu Yangtze Bridge Co., Ltd	Mainly engaged in the management and operation of the Jiangyin Yangtze Bridge	186,214	45,360	8.26
Suzhou Sujiahang Expressway Co., Ltd	Management and operation of the Jiangsu Section of Sujiahang Expressway	25,368	6,482	1.18
Jiangsu Kuailu Bus Transportation Stock Co., Ltd.	Road transportation, automobile repairs and sales of automobiles and spare parts	10,021	3,586	0.65
China HEAD *	In respect of development of software on traffic technology and consultancy	-3,492	-1,961	-0.36

* During the reporting period, all of the shareholding interests held by the Company in China HEAD were completely disposed of.

(3) Major Operating Results and Financial Analysis

1. Operating Results

Under PRC Accounting Standards

Item	Six months ended 30 June 2006	Six months ended 30 June 2005	Change (%)
	RMB'000	RMB'000	
Revenue from principal business	1,814,879	1,003,745	80.81
Profit from principal business	1,050,505	580,924	80.83
Finance costs	202,709	53,695	277.52
Operating profit	771,421	437,687	76.25
Investment gains	57,461	62,461	-8.00
Gross profit	827,137	494,362	67.31
Income tax	260,145	145,117	79.27
Minority interests	18,026	17,284	4.29
Net profit	548,966	331,960	65.37
Earnings per share (RMB)	0.11	0.07	65.37

- During the reporting period, the operating activities of the Group's various businesses were gradually back to normal. As a result, indicators of operating results including revenue from principal business, profit from principal business, operating profit and gross profit improved significantly as compared to the corresponding period of the previous year.
- During the reporting period, the increase in finance costs was mainly attributable to the increase in the size of interest-bearing liabilities and the release of capitalized interests of borrowings for the expansion project. As at 30 June 2006, total borrowings of the Group amounted to approximately RMB9,863,326,000, of which short-term borrowings amounted to RMB1,050,000,000, short-term commercial papers amounted to approximately RMB3,970,006,000 and mid-to-long-term borrowings amounted to approximately RMB4,843,320,000.



Under HKGAAP

Item	Six months ended 30 June 2006	Six months ended 30 June 2005	Change (%)
	RMB'000	RMB'000	
Revenue	1,758,535	954,864	84.17
Other income	17,829	5,367	232.20
Share of results of associates	63,108	68,022	-7.22
Finance costs	206,775	56,427	266.45
Taxation	260,145	145,117	79.27
Profit attributable to minority shareholders	18,026	17,284	4.29
Profit attributable to equity holders of the Company	570,167	354,109	61.01
Earnings per share (RMB)	0.11	0.07	61.01

2. Capital Structure

Under PRC Accounting Standards

Item	As at 30 June 2006		As at 31 December 2005	
	RMB'000	%	RMB'000	%
Current liabilities	7,305,942	27.04	7,233,689	26.57
Long-term liabilities	4,837,990	17.91	4,939,990	18.15
Liabilities at fixed interest rates	9,863,326	36.51	9,308,659	34.19
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	2,280,606	8.44	2,865,020	10.53
Shareholders' equity	14,451,052	53.49	14,632,560	53.75
Minority interests	422,353	1.56	416,908	1.53
Total assets	27,017,337	100.00	27,223,147	100.00
Gearing ratio	—	44.95	—	44.72

As at 30 June 2006, the capital structure of the Company was relatively stable as compared to 31 December 2005, without substantial adjustments or changes.

Under HKGAAP

Item	As at 30 June 2006		As at 31 December 2005	
	RMB'000	%	RMB'000	%
Current liabilities	7,305,942	28.52	7,233,688	28.04
Long-term liabilities	4,837,990	18.89	4,939,990	19.15
Liabilities at fixed interest rates	9,863,326	38.51	9,308,659	36.08
Liabilities at floating interest rates	—	—	—	—
Interest-free liabilities	2,280,606	8.90	2,865,019	11.11
Shareholders' equity	13,047,511	50.94	13,207,817	51.19
Minority interests	422,353	1.65	416,908	1.62
Total assets	25,613,796	100.00	25,798,403	100.00
Gearing ratio *	—	38.51	—	36.08

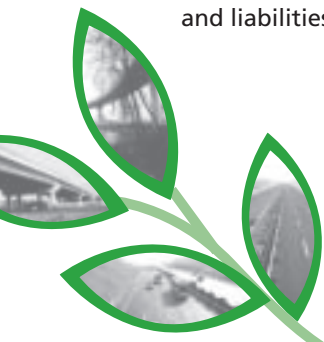
* Basis of the gearing ratio: Liabilities at fixed interest rate / total assets

3. Capital Expenditure

During the first half of 2006, the Group's planned capital expenditure amounted to approximately RMB926,281,000, particulars of which are as follows:

Capital Expenditure	RMB'000
Expansion of Shanghai-Nanjing Expressway	887,048
Others	39,233
Total	926,281

Major source of funds: During the reporting period, the accumulation of the Company's funds had quickly become strong following the normal operation of Shanghai-Nanjing Expressway upon completion of its expansion. As such, the capital expenditure mainly came from the accumulation of its internal source of funds. As at 30 June 2006, the net cash flow from the Company's operating activities aggregated approximately RMB1,166,589,000. As such, the management is not aware of any risks arising from the management of cash and liabilities.





4. Taxation Policy

Enterprise income tax was paid in full by the Company at a statutory tax rate of 33%. During the first half of 2006, the income tax expenses aggregated approximately RMB260,145,000. Business tax for toll revenues from expressways was charged at 3%.

5. Trust Deposits

During the reporting period, the Company did not have any trust deposits with any financial institutions in China or any term deposits which were irrecoverable upon their maturity.

6. Trust Loans

During the reporting period, the Company secured a loan of RMB200,000,000 from its subsidiary Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng") by way of a trust loan for a term from 16 January 2006 to 15 July 2006 at a monthly interest rate of 3.915%. As at the date of this report, the principal amount and interests of the loan have been repaid in full.

7. Foreign Exchange Risks

The Group operates its businesses principally in China. No major foreign exchange risks are involved as revenues from operations and capital expenditures of the Company are settled in Renminbi, except dividend payout for H shares. A loan of US\$9,800,000 was secured from the Spanish Government in 1998. As at 30 June 2006, the balance of the loan was equivalent to approximately RMB43,320,000. Although the Company has not made any foreign exchange hedging for that loan, fluctuations in the exchange rates do not have any material impact on the Company's results.

8. Contingent Liabilities

As at 30 June 2006, the Company did not have any contingent liabilities.

(4) Problems and Difficulties Arising from Operations

The operating activities of the Group's various businesses were gradually back to normal upon the commencement of operation of the 8-lane Shanghai-Nanjing Expressway, the Group's core asset. Operating results also gradually improved with operating income and net profit increased significantly in the first half of 2006 as compared to the corresponding period of the previous year. Various businesses started to enter a new round of development stage. At present, the Group is not aware of any potential policy or operation risks.

(5) Business Development Initiatives for the Second Half of the Year

Upon completion of the expansion project of Shanghai-Nanjing Expressway, modernized on-site management facilities have enabled a more advanced management approach and have brought new changes to the management mode. The Company will actively seek innovation and breakthroughs in management mechanisms. By exploration and practices, a comprehensive maintenance and repair model of the 8-lane expressway as well as safety management and service standards will gradually be formed. A highly efficient, applicable and scientific management system will be established, thereby effectively reducing operating costs and ensuring a safe and smooth traffic flow during times of heavy traffic. Furthermore, the Company will attract vehicles from the social community by providing quality services and a smooth traffic environment which will promote the rapid growth of traffic flow.

As the significant surge in asset depreciation and financial costs during this fiscal year will work against a rapid rise of the Company's results, the Company will further enhance its budget management in the second half of the year and will carry out effective control over various costs and expenses. In addition, the Company will actively prepare the issuance of asset-back securities and will strive for the securities to be issued in this year, so as to reduce financial costs and increase profitability by reasonable adjustments in debt structure.

With regard to future business developments, the Company will take a broad and long-term view and will start a study on the development and implementation of comprehensive medium-to-long term development strategies. The Company will also fully make use of its competitive advantages in resources, capital and brandname, and to explore various investment realms that it may enter in the future. Furthermore, the Company will seek potential projects with good quality from a broader range of industries, searching for new income bases.



VI. Significant Matters

(1) Corporate Governance

During the reporting period, the Company reviewed its operations and management conduct, and endeavored to enhance its corporate governance standards in accordance with the documentation requirements of the China Securities Regulatory Commission (the "CSRC") in respect of corporate governance and regularization of operations, and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

1. Share Segregation Reform

During the reporting period, the Company has completed the Share Segregation Reform in accordance with the relevant requirements and procedures of the CSRC. After thorough communications with the Circulating A Shareholders and having taken into consideration the various interests of both the Circulating Shareholders and the Non-circulating Shareholders, the final Share Segregation Reform Proposal of the Company was as follows: the Non-circulating Shareholders shall transfer 48,000,000 shares to the Circulating Shareholders at no consideration, representing a consideration of 3.2 shares paid by the Non-circulating Shareholders for every 10 Circulating A Shares held by the Circulating A Shareholders.

On 24 April 2006, the Company held a Relevant Shareholders' Meeting on the A share Segregation Reform. Subsequent to the on-line voting and on-site voting by the relevant A Shareholders, the Company's Share Segregation Reform Proposal was approved by 99.574% of the total number of shares from all shareholders voting at the meeting and 76.83% of the total number of the shares from the Circulating A Shareholders.

On 11 May 2006, the Company issued an announcement on the Implementation of the Share Segregation Reform Proposal to confirm the record date for A shares being 12 May 2006 and the resumption of trading in shares being on 16 May 2006. The Non-circulating Shares held by all the Non-circulating Shareholders of the Company have been granted listing status at the A-share market commencing from 16 May 2006. The 48,000,000 shares which were transferred by the Non-circulating Shareholders to the Circulating A Shareholders at no consideration would have listing status. The number of Circulating A shares with no selling restrictions increased from 150,000,000 shares to 198,000,000 shares. The stock abbreviation of the Company's A shares was changed to "G Ninghu" (G 寧滬) and the stock code number "600377" remained unchanged.

The Company's major shareholders – Communications Holdings and Huajian Transportation indicated that they would make consideration advances on behalf of those Non-circulating Shareholders who have raised objection or did not express explicit consent and the Non-circulating Shareholders who could not implement the consideration arrangement for reasons such as a freezing of assets by the courts. The considerations so advanced shall be repaid by the relevant Non-circulating Shareholders. For repayment, the relevant 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 of the Company's Share Segregation Reform for the consideration shares. When the relevant Non-circulating Shareholders, whose considerations were advanced on their behalf, apply for the listing status of the Non-circulating Shares held by them, consent shall be obtained from the Non-Circulating Shareholders who have made the advances on the former's behalf, and the application for such listing status shall be submitted by the Company to the stock exchange.

In accordance with the undertakings given by Communications Holdings and Huajian Transportation, the shares of the Company held by these two companies will not be traded on the Shanghai Stock Exchange within 60 months from the day on which the listing status is granted.

To date, a full circulation of all the shares of the Company has been achieved. The Circulating Shareholders subject to selling restrictions may list their shares by batches after satisfying the selling restrictions.

2. Election of Directors and Supervisors for the New Session

Terms of offices for the 4th session of the Board and the supervisory committee will all expire in this fiscal year. During the reporting period, elections for all the directors and supervisors for the new session were made at the 2005 Annual General Meeting to form the 5th session of the Board and of the supervisory committee. Mr. Shen Chang Quan is the chairman of the Board while Mr. Zhou Jian Qiang is the chairman of the supervisory committee. The new sessions of the Board and the supervisory committee will continue to perform their obligations faithfully and diligently by observing the principle of integrity, and will endeavor for the continuous healthy development of the Company as well as the stable growth of the shareholders' interests, providing guidance for persistent achievements on the Company's business operations.

In accordance with the requirements of Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules, a sufficient number of independent non-executive directors, as well as independent non-executive directors with appropriate professional qualifications or with appropriate accounting or relevant financial management expertise had been appointed for the new session of the Board.





3. Amendment to the Article of Association

In view of the deletion of requirements in respect of appropriation of public welfare fund from the new "Company Law" being implemented from 1 January 2006, it was reviewed at the annual general meeting of the Company for the deletion of article in 18.4 of chapter 18 of the article of association in respect of profit allocation: whereby the Company shall appropriate between 5% and 10% of profit after tax to statutory public welfare fund. Starting from the year of 2006, the distributable profit of the Company for the current year is 90% of the realized net profit of the fiscal year.

4. The Code on Corporate Governance

For the period between 1 January 2006 and the date of publication of this report, the Board has reviewed its day-to-day governance practices in accordance with the provisions set out in the Code on Corporate Governance Practice under Appendix 14 of the Hong Kong Listing Rules. The Board is of the view that the Company has complied with the relevant rules and regulations to regulate its operations and has adhered to strict corporate governance. It has strived to fulfill the recommended best practices and there was no act in breach of, or not complying with, the provisions of the Code.

On 5 June 2006, members of the new sessions of the Board and the supervisory committee were elected. The term of the fifth sessions of the Board and the supervisory committee is three years, until the date of the 2008 annual general meeting.

5. Internal Controls

During the reporting period, the Company has examined, supervised and evaluated the financial conditions, operations and internal control activities under various businesses and work procedures with a view to minimizing operating risks. No significant omissions have been discovered.

6. The Audit Committee

The Audit Committee of the Company comprises three members, all of whom are Non-executive Directors, including one who is an Independent Non-executive Director having the appropriate professional qualifications or appropriate accounting expertise or relevant expertise in financial management as required under Rule 3.10(2) of the Hong Kong Listing Rules. Independent Non-executive Directors represent a majority among the members of the Audit Committee, and the chairman is an Independent Non-executive Director.

The Audit Committee has reviewed the accounting principles, accounting standards and methods of review adopted by the Company. It has also reviewed the unaudited financial statements for the first quarter and the first half of 2006. The Audit Committee considered that the financial statements for the first quarter and the first half of 2006 complied with the applicable accounting standards and legal requirements, and that the Company has made appropriate disclosure thereof.

7. The Model Code for Securities Transactions by Directors


Upon specific enquiries made to all 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 Companies under Appendix 10 of the Hong Kong Listing Rules (the "Model Code"). The relevant personnel of the Company have also complied with the "Standard Regulations for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees Governing the Conduct of Securities Transactions" which is no less stringent than the requirements of the Hong Kong Listing Rules.

(2) Profit Distribution Scheme and its Implementation

The following profit distribution scheme for 2005 was approved at the 15th meeting of the fourth session of the Board held by the Company: a cash dividend of RMB1.45 (tax inclusive) for every 10 shares shall be distributed to all shareholders on the basis of a total of 5,037,747,500 shares in issue at the end of 2005. Such scheme was reviewed and approved at the 2005 annual general meeting.

The Board of the Company, with authorization given by the shareholders' general meeting, decided that the record date for determining the entitlements of domestic shareholders was 15 June 2006, and the ex-dividend date was 16 June 2006. Dividends for H-Share holders are denominated in RMB and payable in HK dollar, and a cash dividend of HK\$1.402 was paid for every 10 shares held. The latest time for registering transfer of H Shares for dividends was 5 May 2006. The dividends were declared on 5 June 2006.





The dividends for 2005 were paid on 26 June 2006 and the profit distribution scheme for the previous year has been implemented.

During the reporting period, the Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2006.

(3) Material Litigation or Arbitration during the Reporting Period

During the reporting period, the Company was not involved in any material litigation or arbitration.

(4) Asset Transfer

Disposal of the share interests of China HEAD

On 30 May 2006, the Company entered into an equity transfer agreement (“Equity Transfer Agreement”) with Jiangsu Expressway Information Engineering Co., Ltd. (“Information Engineering Co.”) in respect of the disposal of approximately 35.71% of the equity interests in China HEAD Transportation HEAD New Technology (Shanghai) Co., Ltd. (“China HEAD”) held by the Company. Both parties completed all the equity transfer procedures on 14 June 2006.

In June 2002, the Company invested RMB7,500,000 in China HEAD holding 35.71% of its equity interests. In consideration of the Company’s development strategies of focusing on its principal business and reducing diversified operations, at the 13th meeting of the fourth session of the Board meeting on 19 August 2005, the Company decided to dispose of all its equity interests in China HEAD. Pursuant to the approved valuation results, the market value of China HEAD as at the valuation date of 31 May 2005 amounted to approximately RMB14,030,000. The interests of the Company in China HEAD amounted to approximately RMB5,010,400. Since November 2005, the Company has openly posted the transfer of interests in China HEAD on the Jiangsu Assets and Equity Exchange for three times. The final listed transfer price was RMB4,058,400. Information Engineering Co. was the only party applying to be a transferee, and the Jiangsu Assets and Equity Exchange had affirmed that it possessed the qualification of being a transferee.

Pursuant to the Equity Transfer Agreement, the net profit/loss generated during the period between the valuation date and the completion of the transfer registration at the State Administration of Industry and Commerce would be borne by the Company. As such, both parties have jointly appointed an auditing firm to audit the finance of China HEAD for the aforesaid period. For the period between 1 June 2005 and 31 May 2006, China HEAD recorded a net profit/loss of RMB64,600. In accordance with the proportionate equity interest of the Company, Information Engineering Co. would pay the Company RMB23,100.

Information Engineering Co. is 33.33% owned by Communications Holdings, a controlling shareholder of the Company and is a connected person of the Company. Such transaction constituted a connected transaction under Rule 14A.32(1) of the Hong Kong Listing Rules and has been disclosed in accordance with the relevant requirements.

(5) Connected Transactions

The Company entered into the following transactions with connected parties during the reporting period:

1. Road Maintenance Service Contracts with Jiangsu Sundian

On 7 April 2006, Guangjing Xicheng, the Company's subsidiary, entered into 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 2006 and ending on 31 December 2006. The maximum contractual maintenance service fees were estimated to be no more than RMB30 million.

The maintenance service fees are determined by the following principles: tender prices accepted will be 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. The upper limits of the maintenance service fees are set according to the estimated works in 2006. The Company will supervise the situation to ensure that the total amount of works so arranged will not exceed the relevant limits. The maintenance service fees are to be paid from the funds owned by Guangjing Xicheng, respectively.

As the maximum estimated annual maintenance fees of the maintenance service contract aggregated RMB30 million, being less than 2.5% of the audited consolidated gross asset value, income and market capitalization of the Company as at 31 December 2005, such maintenance service arrangements constituted a continuing connected transactions under rule 14A.34 of the Hong Kong Listing Rules, which required compliance with the reporting and announcement requirements but did not require independent shareholders' approval. The relevant announcement was published in the newspapers in both Hong Kong and the PRC on 10 April 2006.





2. Interests Transfer between Connected Parties

For details, please refer to "Asset Transfer" set out in this report.

3. Business Leasing of Connected Party

During the reporting period, 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 Expressway Petroleum Development Co. Ltd. (江蘇高速公路石油發展有限公司) ("Jiangsu Petroleum Company") (江蘇高速石油公司) for a period of three years.

Jiangsu Petroleum Company, a 51.17% owned subsidiary of Communications Holdings (as the Company's controlling shareholder), is an associate of the Company, and accordingly the transaction constituted a continuing connected transaction. However, in accordance with the listing rules of Shanghai Stock Exchange and Article 14A33(3) of the Hong Kong Listing Rules, the transaction is exempted from reporting, announcement and independent shareholders approval requirements. Due to the persistent rise in the wholesale prices of petroleum products, the room for making a profit for the self-operated petroleum products sale business of Jiangsu Petroleum Company is very limited. In order to enhance the operations efficiency of the company, the business was leased to Jiangsu Petroleum Company for operation. Under the agreement entered into by both parties, the leasing fee will be calculated based on the sales volume of the petroleum products at RMB100 per ton of sales, with the minimum leasing fee payable to Guangjing Xicheng by Jiangsu Petroleum Company being RMB500,000 per annum. The lease period is from 1 January 2006 to 31 December 2008.

4. Capital Dealings with Connected Parties

During the reporting period, the Company secured a loan of RMB200,000,000 from its subsidiary, Guangjing Xicheng, by way of a trust loan for a period from 16 January 2006 to 15 July 2006 at a monthly interest rate of 3.915%. As at the date of this report, the principal amount of the relevant loan and the interests thereon have been fully settled.

(6) Significant Contracts and their Implementations

1. Material trusts, subcontracting or leasing

During the reporting period, the Company had no material trusts or leasing arrangement.

The material subcontracting activities of the Company mainly involved the entering into of subcontracting contracts with various subcontractors participating in the expansion project of the Jiangsu Section of Shanghai-Nanjing Expressway. As at 30 June 2006, there was a total of 546 subcontracts entered into for the expansion project, amounting to approximately RMB9.32 billion. The actual amount paid was approximately RMB7.804 billion.

2. Material guarantees and pledge of assets

During the reporting period, the Company did not provide any guarantee to any shareholders or connected parties 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, material contracts which were entered into and were being performed upon included:

On 7 April 2006, Guangjing Xicheng, the Company's subsidiary, entered into maintenance service contracts with Jiangsu Sundian in respect of the repair and maintenance services for Guangjing-Xicheng Expressways, for a term commencing on 1 May 2006 and ending on 31 December 2006. Total contract sum was estimated to be no more than RMB30 million.





(7) Undertakings

1. The Board of the Company has made an undertaking in respect of the profit distribution proposal for 2006 that 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.
2. Special undertakings made by the original Non-circulating Shareholders during the process of the Share Segregation Reform and their executions:

Name of shareholder	Special undertaking	Execution of undertaking
Communications Holdings Huajian Transportation	<ol style="list-style-type: none"> 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 put forward 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. 	Under execution
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.	Executed

(8) Appointment of Auditors

At the 2005 annual general meeting of the Company, it was approved that Deloitte Touche Tohmatsu CPA Limited and Deloitte Touche Tohmatsu would continue to be appointed as the domestic and international auditors of the Company for 2006. Auditing fees for the year will be determined in accordance with the workload of auditing work for the year.

(9) Regulatory Sanctions

During the reporting period, there was no punishment, reprimand or other public censors imposed against the Company, the Board or any of its directors by any regulatory authorities.

(10) Other Information Sources

Announcements of the Company were published in China Securities Journal, Shanghai Securities News, Hong Kong Economic Times and South China Morning Post. For details of the announcements, please refer to the publications on the said date or visit www.sse.com.cn, www.hkex.com.hk or www.jsexpressway.com.

Publication		
No.	Date	Item
1	20 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares
2	22 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares**
3	24 February 2006	Indicative Announcement of the Meeting of Holders of Non-circulating A Shares**
4	6 March 2006	Announcement of Investor On-line Roadshow for Share Segregation Reform*
5	6 March 2006	Notice of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
6	15 March 2006	Announcement of the Delayed Disclosure of Adjustment to the Share Segregation Reform Proposal
7	22 March 2006	Announcement of the Delayed Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform*
8	7 April 2006	Announcement of the Share Registration Date and Date of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform*
9	7 April 2006	Announcement of Adjustments to the Share Segregation Reform Proposal



Publication		
No.	Date	Item
10	10 April 2006	Announcement of the Connected Transaction of 2006 Road Maintenance Service Contract between Guangjing Xicheng and Jiangsu Sundian
11	10 April 2006	Announcement of 2005 Annual Results
12	10 April 2006	Announcement of the 15th Meeting of the Fourth Session of the Board of Directors and Announcement of the 9th Meeting of the Fourth Session of the Supervisory Committee
13	12 April 2006	Indicative Announcement of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform**
14	18 April 2006	Indicative Announcement of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform**
15	19 April 2006	Announcement of the Approval of the Company's Share Segregation Reform Proposal by the State Asset Supervision and Administration Commission of the People's Government of the Jiangsu Province
16	20 April 2006	Notice of 2005 Annual General Meeting
17	25 April 2006	Announcement of the Voting Results of the Meeting of the Relevant Holders of A Shares in Respect of the Share Segregation Reform
18	2 May 2006	2006 First Quarterly Report
19	11 May 2006	Announcement of the Implementation of the Share Segregation Reform Proposal
20	2 June 2006	Announcement of the Transfer of Equity Interests in China Transportation HEAD New Technology (Shanghai) Co., Ltd.
21	6 June 2006	Announcement of the Resolutions of the 2005 Annual General Meeting
22	6 June 2006	Announcement of the Resolutions of the First Meeting of the Fifth Session of the Board of Directors and the First Meeting of the Fifth Session of the Supervisory Committee*
23	12 June 2006	Announcement of the Implementation of 2005 Profit Distribution Scheme*

* Overseas regulatory announcement not published in Hong Kong newspapers

Repeated announcement

VII. Auditors' Report

This unaudited interim financial report, prepared according to the Hong Kong generally accepted accounting principles, has been reviewed by the Audit Committee of the Company.

Deloitte.

德勤

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF JIANGSU EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

Introduction

We have been instructed by the directors of Jiangsu Expressway Company Limited (the "Company") to review the interim financial report set out on pages 39 to 54.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

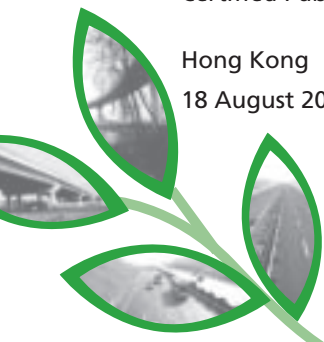
On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 August 2006



CONDENSED CONSOLIDATED INCOME STATEMENT

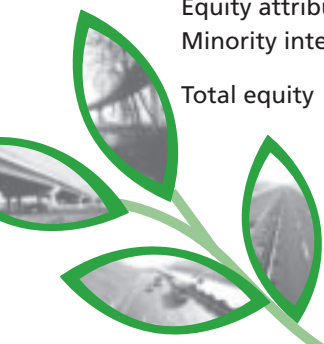
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended	
		30.6.2006 RMB'000 (Unaudited)	30.6.2005 RMB'000 (Unaudited)
Revenue	4	1,758,535	954,864
Cost of sales and other direct operating costs		(725,070)	(390,031)
Gross profit		1,033,465	564,833
Other income		17,829	5,367
Administrative expenses		(58,575)	(65,285)
Finance costs	6	(206,775)	(56,427)
Share of results of associates		63,108	68,022
Loss on disposal of an associate		(714)	—
Profit before taxation	7	848,338	516,510
Taxation	8	(260,145)	(145,117)
Profit for the period		588,193	371,393
Attributable to:			
Equity holders of the Company		570,167	354,109
Minority interests		18,026	17,284
		588,193	371,393
Dividend	9	730,473	730,473
Earnings per share – Basic	10	RMB0.11	RMB0.07

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30.6.2006 RMB'000 (Unaudited)	31.12.2005 RMB'000
Non-current assets			
Property, plant and equipment	11	1,712,989	2,565,049
Toll roads infrastructures	12	19,842,972	19,160,095
Prepaid lease payments		1,250,842	1,283,193
Interests in associates	13	1,527,224	1,576,787
Available for sale investments	14	5,500	3,000
Deferred tax assets		7,983	7,983
		24,347,510	24,596,107
Current assets			
Inventories		12,757	9,100
Prepayments and other receivables	15	147,287	54,435
Prepaid lease payments		64,703	64,703
Bank balances and cash		1,041,539	1,074,058
		1,266,286	1,202,296
Current liabilities			
Other payables		179,157	143,291
Construction costs payable		1,926,632	2,670,834
Tax liabilities		140,665	26,688
Dividend payable		34,152	24,206
Long-term borrowings – due within one year	16	5,330	6,643
Short-term borrowings	17	5,020,006	4,362,026
		7,305,942	7,233,688
Net current liabilities		(6,039,656)	(6,031,392)
Total assets less current liabilities		18,307,854	18,564,715
Non-current liabilities			
Long-term borrowings – due after one year	16	4,837,990	4,939,990
Net assets		13,469,864	13,624,725
Capital and reserves			
Share capital	18	5,037,748	5,037,748
Reserves		8,009,763	8,170,069
Equity attributable to equity holders of the Company		13,047,511	13,207,817
Minority interests		422,353	416,908
Total equity		13,469,864	13,624,725



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company							
	Share capital	Share premium	Statutory		Retained profits	Total	Minority interests	Total
			surplus reserve	public welfare fund				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2005	5,037,748	5,730,454	617,028	308,515	1,576,517	13,270,262	413,464	13,683,726
Profit for the period and total income recognized	—	—	—	—	354,109	354,109	17,284	371,393
Dividends	—	—	—	—	(730,473)	(730,473)	—	(730,473)
Dividends paid to minority shareholders	—	—	—	—	—	—	(14,939)	(14,939)
At 30 June 2005	<u>5,037,748</u>	<u>5,730,454</u>	<u>617,028</u>	<u>308,515</u>	<u>1,200,153</u>	<u>12,893,898</u>	<u>415,809</u>	<u>13,309,707</u>
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 (note)	—	—	352,811	(352,811)	—	—	—	—
Profit for the period and total income recognised	—	—	—	—	570,167	570,167	18,026	588,193
Dividends	—	—	—	—	(730,473)	(730,473)	—	(730,473)
Dividends paid to minority shareholders	—	—	—	—	—	—	(12,581)	(12,581)
At 30 June 2006	<u>5,037,748</u>	<u>5,730,454</u>	<u>1,058,430</u>	<u>—</u>	<u>1,220,879</u>	<u>13,047,511</u>	<u>422,353</u>	<u>13,469,864</u>

Note: In accordance with "Cai Qi [2006] No. 67, Notice of accounting treatment as a result of the implementation of the PRC Company Law", the balance of statutory public welfare fund at 31 December 2005 is transferred to the statutory surplus reserve. Further, effective from 1 January 2006, appropriation of the profit as reported under the People's Republic of China statutory financial statements to the statutory public welfare fund is no longer required.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended	
	30.6.2006 RMB'000 (Unaudited)	30.6.2005 RMB'000 (Unaudited)
Net cash generated from operating activities	<u>1,162,514</u>	<u>575,144</u>
Net cash used in investing activities		
(Decrease) increase of construction costs payable	(744,202)	78,468
Purchase of property, plant and equipment and toll road infrastructures	(179,571)	(1,975,455)
Other investing cash flows	113,956	97,964
Deposits paid for acquisition of toll highway operating rights	—	(750,000)
	<u>(809,817)</u>	<u>(2,549,023)</u>
Net cash (used in) generated from financing activities		
Dividends paid	(733,108)	(705,976)
Repayment of borrowings	(553,313)	(1,753,928)
Other financing cash flows	(148,795)	(71,365)
New borrowings raised	1,050,000	4,650,000
	<u>(385,216)</u>	<u>2,118,731</u>
Net (decrease) increase in cash and cash equivalents	(32,519)	144,852
Cash and cash equivalents at beginning of the period	<u>1,074,058</u>	<u>524,774</u>
Cash and cash equivalents at end of the period	<u>1,041,539</u>	<u>669,626</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>1,041,539</u>	<u>669,626</u>





NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 ultimate holding company is Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司 ("Jiangsu Communications"), a state-owned enterprise incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The financial statements are presented in Renminbi, 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 ("Shanghai-Nanjing Expressway"), the Shanghai-Nanjing section of the 312 National Highway (the "Nanjing-Shanghai Class 2 Highway"), Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Class 1 Highway") and other toll roads in Jiangsu Province, and the provision of passenger transport services and other supporting services along the toll roads.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except as described below:

In current period, the Group has adopted all of the new and revised Hong Kong Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs has not resulted in any significant changes to the Group's accounting policies and has had no impact on the amounts reported for the current or prior periods.

The Group has not early applied the following new HKFRSs that have been issued but not yet effective. The Group anticipate that the application of these new HKFRSs will have no material impact on the financial position and results of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006



4. REVENUE

	Six months ended	
	30.6.2006 RMB'000 (Unaudited)	30.6.2005 RMB'000 (Unaudited)
Turnover comprises:		
Toll revenue	1,518,418	871,564
Sales of petrol	196,194	63,738
Sales of food and beverages	40,960	17,250
Emergency assistance income	2,963	2,312
	<u>1,758,535</u>	<u>954,864</u>

5. SEGMENT INFORMATION

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

6. FINANCE COSTS

	Six months ended	
	30.6.2006 RMB'000 (Unaudited)	30.6.2005 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable:		
Within five years	132,351	109,511
Over five years	74,424	58,709
Total borrowing costs	206,775	168,220
Less: Amount capitalised	—	(111,793)
	<u>206,775</u>	<u>56,427</u>

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2006 RMB'000 (Unaudited)	30.6.2005 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Staff costs including directors' remuneration	54,634	51,551
Retirement benefits scheme contributions	9,388	8,431
Total staff costs	64,022	59,982
Cost of inventories recognised as expense	233,282	93,769
Depreciation of property, plant and equipment and toll roads infrastructures	348,695	221,341
Loss on derecognition of property, plant and equipment and toll roads infrastructures	—	4,996
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	32,351	32,351
Share of tax of associates (included in share of results of associates)	31,255	27,665
and after crediting:		
Government subsidies received (note)	1,810	—
Interest income from bank deposits	4,066	2,731
Profit on derecognition of property, plant and equipment and toll roads and infrastructures	174	—

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



8. TAXATION

	Six months ended	
	30.6.2006	30.6.2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Taxation attributable to the Company and its subsidiaries	<u>260,145</u>	<u>145,117</u>

The Company and its subsidiaries are subject to PRC income tax rate of 33% (Six months ended 30 June 2005: 33%) pursuant to the relevant PRC income tax laws.

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

9. DIVIDEND

During the period, the final dividend for 2005 of RMB0.145 (Six months ended 30 June 2005: 2004 final dividend of RMB0.145) per share had been approved by the shareholders in the general meeting.

The directors do not recommend the payment of an interim dividend (Six months ended 30 June 2005: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2006 of RMB570,167,000 (Six months ended 30 June 2005: RMB 354,109,000) and 5,037,747,500 (Six months ended 30 June 2005: 5,037,747,500) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for each of the six months ended 30 June 2006 and 30 June 2005.

11. 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 2006	862,500	336,873	252,917	317,389	173,070	292,843	1,121,070	3,356,662
Additions	340	118	65	294	580	767	177,407	179,571
Transfers	52,940	216,344	16,329	12,642	706	8,557	(1,240,358)	(932,840)
Disposals	—	—	—	—	—	(101)	—	(101)
At 30 June 2006	915,780	553,335	269,311	330,325	174,356	302,066	58,119	2,603,292
DEPRECIATION AND AMORTISATION								
At 1 January 2006	134,065	265,397	71,882	118,993	70,757	130,519	—	791,613
Provided for the period	18,493	21,822	13,021	19,184	9,107	17,105	—	98,732
Eliminated on disposals	—	—	—	—	—	(42)	—	(42)
At 30 June 2006	152,558	287,219	84,903	138,177	79,864	147,582	—	890,303
NET BOOK VALUES								
At 30 June 2006	763,222	266,116	184,408	192,148	94,492	154,484	58,119	1,712,989
At 1 January 2006	728,435	71,476	181,035	198,396	102,313	162,324	1,121,070	2,565,049

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





12. TOLL ROADS INFRASTRUCTURES

	RMB'000
COST	
At 1 January 2006	20,769,347
Transfer	932,840
At 30 June 2006	<u>21,702,187</u>
DEPRECIATION	
At 1 January 2006	1,609,252
Provided for the period	249,963
At 30 June 2006	<u>1,859,215</u>
NET BOOK VALUES	
At 30 June 2006	<u><u>19,842,972</u></u>
At 31 December 2005	<u>19,160,095</u>

13. INTERESTS IN ASSOCIATES

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

14. AVAILABLE-FOR-SALE INVESTMENTS

The 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.

15. PREPAYMENTS AND OTHER RECEIVABLES

	30.6.2006	31.12.2005
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayment for materials and equipment	6,526	5,513
Others	145,497	53,666
	152,023	59,179
Less: Accumulated impairment losses	(4,736)	(4,744)
	147,287	54,435

16. LONG-TERM BORROWINGS

	Maturity date	Effective interest rate		Carrying amount	
		30.6.2006	31.12.2005	30.6.2006	31.12.2005
				RMB'000	RMB'000
				(Unaudited)	(Audited)
Unsecured bank loans	2008-2016	5.57%	5.68%	4,800,000	4,900,000
USD denominated Spain government loans (Note)	2007-2026	1.00%	1.00%	39,990	39,990
USD denominated buyer's credit loans (Note)	2001-2006	6.77%	6.77%	3,330	6,643
				4,843,320	4,946,633



16. LONG-TERM BORROWINGS (Continued)

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

	30.6.2006	31.12.2005
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	5,330	6,643
More than one year but not exceeding two years	201,999	1,999
More than two years but not exceeding three years	102,000	201,999
More than three years but not exceeding four years	1,202,000	702,000
More than four years but not exceeding five years	701,999	1,202,000
More than five years	2,629,992	2,831,992
	<hr/>	<hr/>
	4,843,320	4,946,633
Less: Amount due within one year included in current liabilities	(5,330)	(6,643)
	<hr/>	<hr/>
Amount due after one year	4,837,990	4,939,990
	<hr/> <hr/>	<hr/> <hr/>

All the bank loans are at fixed interest rates and expose the Group to fair value interest rate risk. The carrying amount of the above Group's bank loans approximates to their fair value.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are US\$5,367,000 (31.12.2005: US\$5,778,000).

Note: These long-term borrowings were guaranteed by the ultimate holding company, Jiangsu Communications, which is controlled by the PRC Government.

17. SHORT-TERM BORROWINGS

	30.6.2006	31.12.2005
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term bond	3,970,006	3,912,026
Unsecured bank loans	1,050,000	450,000
	<hr/> 5,020,006 <hr/>	<hr/> 4,362,026 <hr/>

During the year ended 31 December 2005, the Company issued short-term bond of RMB4,000,000,000 to selected banking institutions. The net receipt of the short-term bond by the Company amounted to RMB3,886,400,000 after netting off the prepaid interest of RMB113,600,000, which is unsecured, bears an effective interest at 2.92% per annum and of which, RMB2,000,000,000 will due for repayment on 22 September 2006 and the remaining RMB2,000,000,000 will due for repayment on 7 November 2006.

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



18. SHARE CAPITAL

	31.12.2005		Transfer		30.6.2006	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Non-tradable shares	3,665,747,500	3,665,748	(3,665,747,500)	(3,665,748)	—	—
2. Restricted tradable shares	—	—	3,617,747,500	3,617,748	3,617,747,500	3,617,748
3. Tradable shares						
H shares	1,222,000,000	1,222,000	—	—	1,222,000,000	1,222,000
A shares	150,000,000	150,000	48,000,000	48,000	198,000,000	198,000
Total	<u>5,037,747,500</u>	<u>5,037,748</u>	<u>—</u>	<u>—</u>	<u>5,037,747,500</u>	<u>5,037,748</u>

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

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

The non-tradable shares, H shares and A shares have a par value of RMB 1 each and rank pari passu in all respects, except that ownership of non-tradable shares 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.

19. OTHER COMMITMENTS

At 30 June 2006, the Group is committed to pay Ninglian Ningtong Management Office, an independent third party, a service charge at a fixed rate of 17% of the total toll revenue collected on Nanjing-Lianyungang Class 1 Highway - Nanjing Section per annum for a term of 30 years from 1 January 2000.

20. CAPITAL COMMITMENTS

	30.6.2006	31.12.2005
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the financial statements	4,493	9,416

21. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries, all of which are limited liability companies, as at 30 June 2006 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.	Jiangsu, PRC	850,000,000	85.00%	—	Construction, management and operation of expressway
Jiangsu Ninghu Investment Development Co., Ltd.	Jiangsu, PRC	100,000,000	95.00%	—	Infrastructure and industrial investments
Jiangsu Sundian Engineering Co., Ltd.	Jiangsu, PRC	35,000,000	—	95.50%	Construction and maintenance of expressway
Kunshan Feng Yuan Real Estate Development Co., Ltd.	Jiangsu, PRC	11,319,427	—	100%	Inactive
Tong Yuan Trading Limited	Hong Kong, PRC	—	—	100%	Inactive

Kuanshan Feng Yuan Real Estate Development Co., Ltd. ("Feng Yuan") and Tong Yuan Trading Limited ("Tong Yuan") were newly established during the six months ended 30 June 2006. Feng Yuan and Tong Yuan were all set up and funded by the subsidiary of the Company, Jiangsu Ninghu Investment Development Co., Ltd.

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



VIII. Documents Available for Inspection



- (1) Copies of the interim report signed by the Chairman.
- (2) Financial reports signed and sealed by the unit heads and the chief accounting officer of the Company.
- (3) All the public disclosure documents published in the designated press during the reporting period.
- (4) The articles of association of the Company.
- (5) Interim reports released in other securities markets.
- (6) Other relevant information.

By order of the Board
Shen Chang Quan
Chairman

18 August 2006

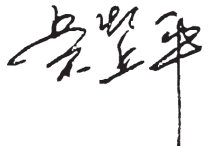
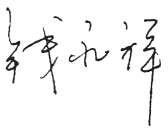
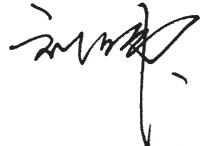

Confirmation Opinion to 2006 Interim Report by Directors and Senior Management

The Company's directors and senior management hereby confirm in writing that they have reviewed the interim 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

 <hr/> Shen Chang Quan	 <hr/> Xie Jia Quan	 <hr/> Zhang Wen Sheng
 <hr/> Sun Hong Ning	 <hr/> Chen Xiang Hui	 <hr/> Fan Yu Shu
 <hr/> Cui Xiao Long	 <hr/> Chang Yung Tsung	 <hr/> Fang Hung, Kenneth
 <hr/> Yang Xiong Sheng	 <hr/> Fan Chong Lai	

Senior Management Members

 <hr/> Wu Zan Ping	 <hr/> Qian Yong Xiang	 <hr/> Liu Wei
 <hr/> Yao Yong Jia		

Jiangsu Expressway Company Limited
18 August 2006

