

THE INTELLIGENTIZED EXPRESSWAYS ; THE MODERNIZED LIFE



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)



2012

ANNUAL REPORT

IMPORTANT NOTICE

- The board of directors (the "Board"), the supervisory committee and the directors (the "Director(s)"), supervisors and senior management of Jiangsu Expressway Company Limited (the "Company") warrant the truthfulness, accuracy and completeness of the contents of this annual report and guarantee there are no false representations, misleading statements contained in, or material omissions from, and jointly and severally accept legal responsibility for this report.
- All the Directors attended the Board meeting in person.
- The annual financial statements of the Company for the year were prepared in accordance with the PRC Accounting Standards, and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who has issued an auditor's report with standard unqualified opinion. Investors are advised to read the whole text.
- Mr. Yang Gen Lin, Chairman of the Company, Mr. Qian Yong Xiang, Director and General Manager of the Company, and Ms. Yu Lan Ying, Deputy Financial Controller of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
- This annual report involves forward-looking statements including development strategies and future plans, which do not constitute actual commitments of the Company to investors. Investors are advised to pay attention to the investment risks involved.
- Profit Distribution Scheme: In 2012, the Group recorded net profit attributable to the shareholders of the Company of approximately RMB2,333,345,000. Earnings per share was RMB0.463. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of the Company has proposed to distribute a final cash dividend of RMB0.36 (tax inclusive) per share to all Shareholders
- No appropriation of funds by the controlling shareholder or other related parties for non-operating purpose was found in the Company.
- The Company did not provide external guarantees which were in violation of stipulated procedures.



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DEFINITIONS AND MAJOR RISK ALERTS

I. Projects Operated, Invested and Managed by the Company

| | |
|-----------------------------|--|
| Shanghai-Nanjing Expressway | Jiangsu Section of Shanghai-Nanjing Expressway |
| G312 | Shanghai-Nanjing Section of G312 |
| Nanjing-Lianyungang Highway | Nanjing Section of Nanjing-Lianyungang Highway |
| Guangjing Expressway | The north connection of Jiangyin Yangtze Bridge, Guangling-Jingjiang Section |
| Xicheng Expressway | The south connection of Jiangyin Yangtze Bridge, Jiangyin-Wuxi Section |
| Jiangyin Bridge | Jiangyin Yangtze Bridge |
| Sujiahang Expressway | Jiangsu Section of Suzhou-Jiaxing-Hangzhou Expressway |
| Yanjiang Expressway | Changzhou-Taicang Expressway |
| Changjia Expressway | Kunshan- Wujiang Section of Changshu-Jiaxing Expressway |
| Zhendan Expressway | Zhenjiang-Danyang Expressway |

II. The Company and Its Associated Enterprises

| | |
|---------------------------|---|
| Company | Jiangsu Expressway Company Limited |
| Group | the Company and its consolidated subsidiaries |
| Controlling Shareholder | Jiangsu Communications Holdings Company Limited |
| China Merchants Huajian | China Merchants Huajian Highway Investment Co., Ltd. |
| Network Operation Company | Jiangsu Expressway Network Operation and Management Co., Ltd. |
| Jiangsu Petroleum | Jiangsu Expressway Petroleum Company |
| Jiangsu Sundian | Jiangsu Sundian Engineering Co., Ltd. |
| Guangjing Xicheng | Jiangsu Guangjing Xicheng Expressway Company Limited |
| Sujiahang Company | Suzhou Sujiahang Expressway Co., Ltd. |
| Ninghu Investment | Jiangsu Ninghu Investment Development Co., Ltd. |
| Ninghu Properties | Jiangsu Ninghu Properties Co., Ltd. |
| Yanjiang Company | Jiangsu Yanjiang Expressway Co., Ltd. |
| Kuailu Company | Jiangsu Kuailu Motor Transport Co., Ltd. |
| Sujiayong Company | Suzhou Sujiayong Expressway Co., Ltd. |
| Far East Shipping | Jiangsu Far East Shipping Co., Ltd. |

DEFINITIONS AND MAJOR RISK ALERTS

III. Others

| | |
|----------------------------|--|
| Reporting Period, the Year | the fiscal year from 1 January 2012 to 31 December 2012 |
| YOY | as compared with the same period of 2011 |
| CSRC | China Securities Regulatory Commission |
| SFC | Securities and Futures Commission of Hong Kong |
| SSE | Shanghai Stock Exchange |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| A Shares | RMB-denominated ordinary shares issued by the Company and listed on the SSE |
| H Shares | overseas-listed foreign shares issued by the Company and listed on the Stock Exchange |
| ADR | level-1 depositary receipts of the Company listed and traded in the over-the-counter market of the United States |
| Listing Rules | listing rules of the SSE and/or the Stock Exchange |
| Listing Rules of SSE | Rules Governing the Listing of Stocks on The Shanghai Stock Exchange |
| Hong Kong Listing Rules | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| PRC Accounting Standards | "Accounting Standards for Business Enterprises of the People's Republic of China 2006" |
| Deloitte | Deloitte Touche Tohmatsu Certified Public Accountants LLP |

Major Risk Alerts

The risk factors may be faced by the Group in the operation and development of business in future have been described in this annual report. Investors are advised to refer to the part headed "Discussion and Analysis of Future Development" under Section IV "Report of the Directors" in this report.

COMPANY INFORMATION

I. General Information

| | |
|--|---|
| Statutory Name of the Company in Chinese and English | 江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited |
| Abbreviation of Chinese Name and English Name | 寧滬高速 Jiangsu Expressway |
| Legal Representative of the Company | Yang Gen Lin |
| Secretary to the Board of the Company | Yao Yong Jia Telephone: 8625-8446 9332 |
| Securities Officers | Jiang Tao, Lou Qing Telephone: 8625-84362700-301835, 301836 Fax: 8625-8446 6643 |
| Email Address | nhgs@jsexpressway.com |
| Company Secretary in Hong Kong | Lee Wai Fun, Betty Telephone: 852-2801 8008 Office Address: 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong |



COMPANY INFORMATION

| | |
|--|--|
| Registered Office and Office Address of the Company | 6 Xianlin Avenue, Qixia District, Nanjing, Jiangsu Province |
| Postcode | 210049 |
| Website of the Company | http://www.jsexpressway.com |
| Email Address of the Company | nhgs@nhgs.cn |
| Information of the Company's Shares | A Share Shanghai Stock Exchange Stock Name of A Shares: 寧滬高速 Stock Code of A Shares: 600377 H Share The Stock Exchange of Hong Kong Limited Stock Name of H Shares: Jiangsu Expressway Stock Code of H Shares: 00177 ADR The United States of America Stock Name of ADR: JEXWW Securities Code: 477373104 |
| Newspapers Designated for Regular Announcements | Shanghai Securities News, China Securities Journal |
| Website Designated for Information Disclosure | www.sse.com.cn www.hkexnews.hk www.jsexpressway.com |
| Regular Reports Available at | Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Qixia District, Nanjing, Jiangsu Province Reed Smith Richards Butler, 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong |
| Date of the Company's Initial Registration | 1 August 1992 |
| Initial Registration Address of the Company | Shengzhou Road, Nanjing, Jiangsu Province |
| Date of Last Time's Change of the Company's Registration | 14 August 2009 |
| Place of Change of the Company's Registration | 6 Xianlin Avenue, Qixia District, Nanjing, Jiangsu Province |
| SAIC Registration Number of the Company | 320000000004194 |
| Tax Registration Number of the Company | 320003134762764 |
| Company Organization Code | 13476276-4 |
| Legal Auditors | Deloitte Touche Tohmatsu Certified Public Accountants LLP Office Address: 30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC |
| Domestic Legal Advisors | C & T Partners Law Firm Office Office Address: 5/F, 26 Beijing Road West, Nanjing |
| Hong Kong Legal Advisors | Reed Smith Richards Butler Office Address: 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong |

COMPANY INFORMATION

| | |
|--|--|
| Domestic Share Registrar and Transfer Office | China Securities Depository & Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai |
| Overseas Share Registrar and Transfer Office | Hong Kong Registrars Limited Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Hong Kong Investor Relations Consultant | Wonderful Sky Financial Group Holdings Limited Office Address: 6/F, Nexxus Building, 41 Connaught Road Central, Hong Kong Telephone: (852) 3970 2139 Fax: (852) 2598 1588 |

II. Company Profile

The Company was incorporated as a joint stock limited company on 1 August 1992 in the Jiangsu Province of the People's Republic of China. The current registered capital amounts to RMB5.038 billion.

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

The Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on the Stock Exchange. On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the SSE. The Company established Sponsored Level I American Depositary Receipt Program ("ADR") which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31 December 2012, the total share capital of the Company was 5,037,747,500 shares with a nominal value of RMB1 each.

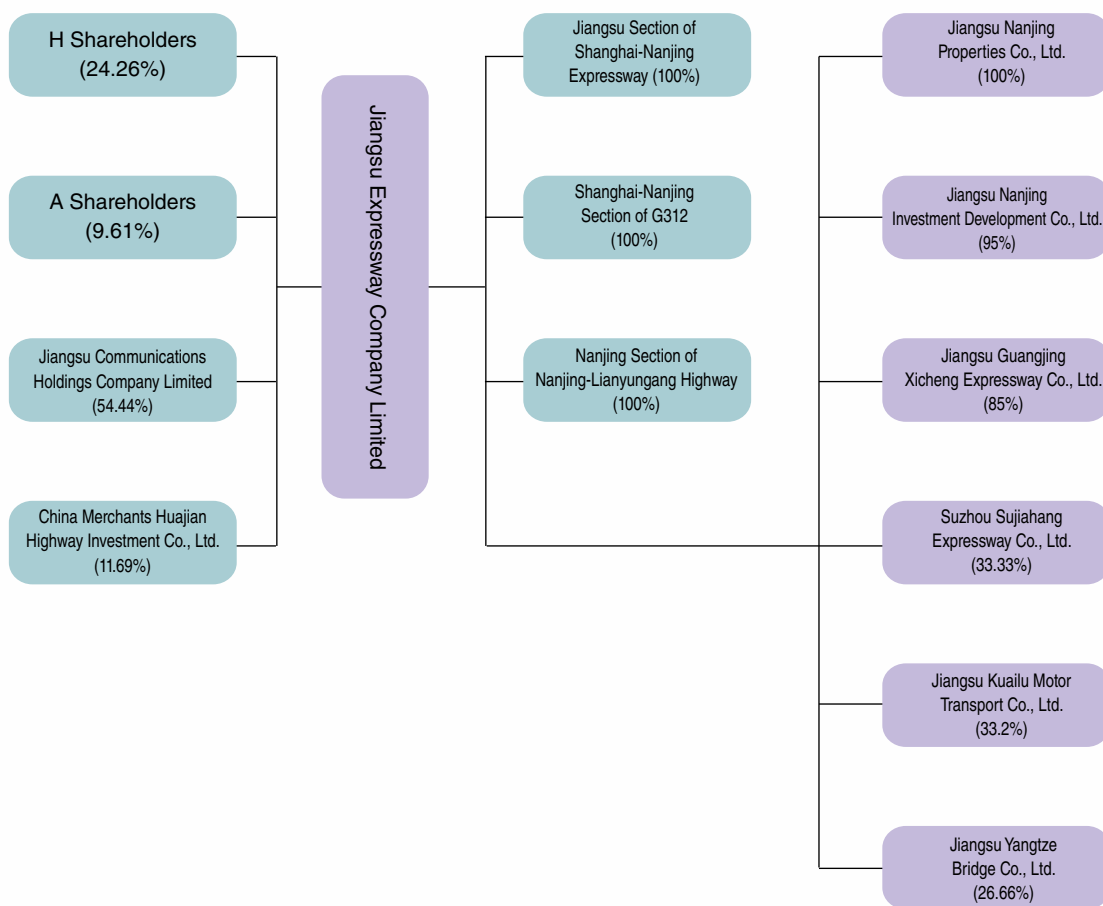
The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from the Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in the Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jianguyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2012, the highway mileage owned or managed through investment by the Company exceeded 850 km, with total assets amounting to RMB25.849 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets.

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

The Company, Ninghu Properties, Ninghu Investment and Guangjing Xicheng are collectively referred to as the Group.

COMPANY INFORMATION

III. Structure of the Group's Major Assets



COMPANY INFORMATION

IV. Major Events in 2012

- | | | |
|-----------|---|---|
| March | ◇ | The Company announced the 2011 annual results and conducted roadshows in Hong Kong. |
| April | ◇ | The Board of the Company considered and approved the "12th Five-year Plan" and arranged for its implementation. |
| May | ◇ | The Company was listed among the "2012 Top 100 Capital Brands of Chinese Listed Companies". |
| June | ◇ | The members of the seventh session of the Board and the supervisory committee were elected. |
| | ◇ | Guangjing Xicheng, a subsidiary of the Company, contributed RMB1,466.2 million in cash to Yanjiang Company by way of registered capital enlargement. |
| | ◇ | The Company issued the first tranche of RMB500 million of non-public financing instruments to target subscribers. |
| July | ◇ | The Company canceled the Nanjing, Luoshe, Yanqiao and Xilin toll points along the Shanghai-Nanjing section of the G312 as required by the government. |
| | ◇ | The Company was included in the SSE corporate governance sector on the SSE. |
| August | ◇ | The Company announced the 2012 interim results and conducted roadshows in Hong Kong. |
| | ◇ | The Company further injected RMB300 million into Ninghu Properties. |
| | ◇ | The Company issued RMB1 billion short-term commercial papers. |
| September | ◇ | The Company considered and approved the disposal of the assets of Zhenjiang branch of Shanghai-Nanjing Expressway and entered into the conditional disposal agreement. |
| | ◇ | The Company issued the second tranche of RMB500 million non-public financing instruments to target subscribers. |
| | ◇ | The Company further issued RMB1 billion short-term commercial papers. |
| | ◇ | The Company established the information department. |
| October | ◇ | The Company invested in the construction project of the Zhenjiang New District-Danyang section of Taizhou-Zhenjiang expressway. |
| November | ◇ | The Company issued the third tranche of RMB500 million non-public financing instruments. |
| | ◇ | The Company was awarded the Gold Award in the "H-share Category" of the "2012 Best Corporate Governance Disclosure Awards", organized by the Hong Kong Institute of Certified Public Accountants. |

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Financial statements for the year 2012 prepared by the Company in accordance with the PRC Accounting Standards were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP whose audited report expressed a standard unqualified opinion on the financial statements.

Principal accounting data of the Group for the past five years:

Unit: RMB'000

| Item | 2012 | 2011 | Increase/ decrease over the previous year (%) | 2010 | 2009 | 2008 |
|--|-----------|-----------|---|-----------|-----------|-----------|
| Operating revenue | 7,795,943 | 7,401,310 | 5.33 | 6,756,244 | 5,741,346 | 5,277,139 |
| Net profit attributable to owners of the Company | 2,333,345 | 2,429,750 | -3.97 | 2,484,404 | 2,010,972 | 1,554,011 |
| Net profit attributable to owners of the Company after non-recurring items | 2,342,604 | 2,430,245 | -3.61 | 2,475,692 | 2,010,395 | 1,556,241 |
| Net cash flow from operating activities | 3,189,410 | 3,835,414 | -16.84 | 3,391,632 | 1,797,660 | 2,765,104 |

| | End of 2012 | End of 2011 | Increase/ decrease over the end of the previous year % | End of 2010 | End of 2009 | End of 2008 |
|--|----------------|----------------|--|----------------|----------------|----------------|
| Net assets attributable to owners of the Company | 18,688,862 | 18,144,690 | 3.00 | 17,563,723 | 16,756,571 | 15,968,921 |
| Total liabilities | 6,693,782 | 6,767,629 | -1.09 | 6,873,449 | 8,289,407 | 8,367,693 |
| Total assets | 25,849,258 | 25,375,439 | 1.87 | 24,897,493 | 25,496,204 | 24,775,429 |



HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

◇ Major financial indicators of the Group for the past five years:

Unit: RMB

| Principal financial indicator | 2012 | 2011 | Increase/ decrease over the previous year % | 2010 | 2009 | 2008 |
|---|-------|-------|--|-------|-------|-------|
| Basic earnings per share | 0.463 | 0.482 | -3.97 | 0.493 | 0.399 | 0.308 |
| Diluted earnings per share | N/A | N/A | N/A | N/A | N/A | N/A |
| Basic earnings per share after non-recurring profit/loss | 0.465 | 0.482 | -3.61 | 0.491 | 0.399 | 0.309 |
| Weighted average return on net assets (%) | 12.99 | 13.96 | Decreased by 0.97 percentage point | 14.81 | 12.55 | 10.03 |
| Weighted average return on net assets after non-recurring items (%) | 13.04 | 13.97 | Decreased by 0.93 percentage point | 14.76 | 12.55 | 10.04 |

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HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

◇ Non-recurring items and amounts deducted:

Unit: RMB'000

| Item | 2012 | Notes | 2011 | 2010 |
|--|---------|---|--------|--------|
| Gain (loss) from disposal of non-current assets | -15,675 | The Company obtained much gain from disposal of the assets of Shuofang Toll Station on Shanghai-Nanjing Expressway which offset the loss from disposal of assets. Therefore, the increase in loss from disposal of non-current assets over the previous year was great. | -1,724 | -5,765 |
| Gain (loss) from disposal of associates | | | — | 127 |
| Government subsidy | 192 | | 820 | 471 |
| Gain from disposal of held-for-trading investment | 656 | | 7,093 | 10,045 |
| Gain from disposal of available-for-sale financial assets | 15,679 | Gain from short-term financial management of the Company's capital reserves | — | — |
| Gain (loss) from change of fair value | -1,012 | | -923 | 1,270 |
| Reversal of impairment provisions made in prior years | 500 | | 586 | 80 |
| Except for the above items, other non-operating income and expenses, net | -12,253 | | -6,596 | 5,429 |
| Effects of minority interests' profit/(loss) | -196 | | 63 | -31 |
| Effects of income tax | 2,850 | | 186 | -2,914 |
| Total | -9,259 | | -495 | 8,712 |

HIGHLIGHTS OF ACCOUNTING DATA AND FINANCIAL INDICATORS

◆ Items calculated on a fair value basis in 2012:

During the reporting period, financial assets calculated on a fair value basis held by the Group were the financial assets held -for-trading invested by Ninghu Investment, a subsidiary of the Company. Of the assets, the fair value of "fund investment" at the end of the year was RMB18,065,000. The market prices of the fund investment at the end of the year and related information were sourced from the public information relating to the net value of the relevant fund. During the reporting period, the Company did not hold any financial liabilities calculated on a fair value basis.

Unit: RMB'000

| Item | Balance at the beginning of the period | Balance at the end of the period | Changes | Amount affecting the profit of the reporting period |
|--|--|----------------------------------|---------|---|
| Investment in equity products held-for-trading | 0 | 0 | 0 | 0 |
| Investment in spot gold | 0 | 0 | 0 | 656 |
| Fund investment | 19,077 | 18,065 | -1,012 | -1,012 |
| Total | 19,077 | 18,065 | -1,012 | -356 |



REPORT OF THE DIRECTORS



I. Message from the Chairman

To the Shareholders:

I hereby report to the Shareholders on behalf of the Board. In 2012, the Group recorded a net profit of approximately RMB2,333,345,000. Earnings per share was approximately RMB0.463, representing a decrease of approximately 3.97% as compared to the same period in 2011. Despite a slight decline in the results, the Board still maintains a policy of high dividend yields. The Board proposed to distribute a 2012 final cash dividend of RMB0.36 per share (tax inclusive), representing a payout ratio of approximately 77.72%. The proposal will be implemented after consideration and approval at the 2012 annual general meeting.

◇ Business Review

The 2012 saw our efforts to seek development in a complex and volatile economic and policy environment. The continued economic deceleration of China and the region led to a decline in traffic volumes and toll revenue growth. An array of adjustment measures in industry policies was a direct contributor to the loss of business revenue, exerting enormous impact on the principal activities of the Group. In the face of various difficulties and challenges, the Board actively devised future strategic planning while the management led all employees to face and overcome difficulties, and formulated a series of pragmatic management measures based on our strategic objectives to ensure that all business proceeded steadily.

The Group began in 2011 to study and plot the medium to long term development strategy around the theme of growth and transformation by applying innovative ideas and aggressive thinking. After a period of active exploration, analysis and demonstration, the Group worked out the “Twelfth Five-year” development plan in 2012 and set out to implement it following careful research by the Board. The “Twelfth Five-year” development plan laid down the “233” strategic development system of the Group, which means enhancing abilities in two aspects, namely infrastructure operation and management and investment management, and implementing three major strategies of “improving principal business”, “expanding operation” and “extending platform”, with an aim to form a rudimentary business structure covering three industries with one as the primary and two as ancillary, laying a solid foundation for the medium to long term strategic transformation. This development strategy, which specified the strategic objectives of the Group’s long-term sustainable development, was of great significance and marked a new journey of transformation and upgrading the Group is embarking on.

According to the strategic arrangement of the “Twelfth Five-year” development plan, the Group put vigorous efforts in building the “1+3” management platform in light of our businesses distribution in the three major industries, and made some substantial progress during the year. In respect of principal business development, the Group contributed to the capital increase of Yanjiang Company through Guangjing Xicheng, fully capitalizing on the investment and financing capabilities of subsidiaries as well as financial leverage effect. The Group also invested in new projects of Zhendan Expressway, advanced the investment progress of Changjia Expressway, expanding the scale of principal business and further enhancing the network effect of our road assets and the Group’s dominant position in the southern Jiangsu road network. As for expansion of ancillary business, the Group steadily pushed forward the property development projects of Ninghu Properties and made its first profit from property business during the year, starting to reap returns from this new source of earnings. Meanwhile, the Group used Ninghu Investment as a platform to actively innovate investment and financing models, and tried building a second financing platform by setting up a real estate fund management company to provide funding support for property business expansion. In addition, the Group actively explored the development of the service areas operation through branding in a bid to change operational ideas and increase profit making models. Thanks to all these measures, the Group accomplished comprehensive and balanced growth by adopting the strategy of “one principal business complemented by two ancillary businesses”, marking the first step in implementing the strategic plan and achieving the strategic objectives.

REPORT OF THE DIRECTORS

◇ Development Strategies

Looking into the future, the transportation infrastructure industry, as a quasi-public industry, will see its public-good nature increasingly strengthened with the rapid development of social economy. To cater to the common needs of the public, industry policy will be partly adjusted in an effort to ensure and improve the wellbeing of the people while requiring road operators to balance their role as a social benefits contributor with the demand of their own business development. In the face of uncertainties in industry policy, we aligned our development policies to changes in internal and external environment, made proper adjustment in line with the industry development trend with a view to seeking opportunities with more courage and wisdom and regain the initiative.

In the current business situation and policy environment, the Group's pursuit of long-term development must be based on consolidating and improving principal business operation management. We must formulate long-term plan on the back of resources of principal business and core competitiveness, and strive to increase the social contribution of toll roads and bridges as well as the economic contribution of other ancillary businesses, thus creating good social environment and business expansion environment.

Increasing social contribution means to center around the needs of road users, build an efficient operational system by pushing forward informatization, effectively promote road operation efficiency and service efficiency through advanced technology and management, deliver "Intelligent", "Unimpeded" and "Caring" expressway services, allow road users to feel our modern management and services, satisfy the travel demand of the public and bring into play the role of expressways in boosting regional economic growth and social development.

Increasing the economic contribution of ancillary business requires the Group to promote the effective implementation of strategic plans, accelerate industry distribution action, continuously find new drivers of profit growth and reduce its excessive reliance on the principal toll road business. Ninghu Properties and Ninghu Investment, as two major platforms for expansion of other business, will fully exploit their respective advantages, combine their strengths to expand the scale of property business by actively exploring the operational model of the real estate fund, and grow together for the gradual accomplishment of the industrial structure upgrading and sustainable development of the Group.

The "Twelfth Five-year" development plan presents a clear picture of the long-term future. We will foster culture and core values in line with our future development, lead all employees to keep pace with the Group's growth and push a new round of development of the Group with new mental outlook and innovative management concept. Meanwhile, this culture will be engraved in the heart of every employee and inspire initiative in us, which will give powerful spiritual impetus and cultural support for the Group's development and help build our competitive strengths.



Yang Gen Lin
Chairman

Nanjing, the PRC
22 March 2013



II. Management Discussion and Analysis

(I) Business Review and Operation Analysis

1. Business Overview

The Group is principally engaged in the investment, construction, operation and management of toll roads and bridges in the Jiangsu Province as well as ancillary services at service areas along such roads. The Group is also actively exploring and venturing into new business fields, such as property investment and development, distribution of advertising media along expressways and other financial and industrial investment with the aim to find new revenue growth opportunities and achieve the sustainable development of the Group.

During the reporting period, the Group realized accumulated total operating revenues of approximately RMB7,795,943,000, up by approximately 5.33% year-on-year, of which toll revenue amounted to approximately RMB5,092,022,000, representing a slight decrease of approximately 1.51% year-on-year; revenue from ancillary services amounted to approximately RMB2,357,432,000, up by approximately 8.54% year-on-year; and revenue from other operations amounted to approximately RMB346,489,000, up by approximately 486.48% year-on-year. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB3,173,427,000 during the reporting period, representing a decrease of approximately 2.97% over the same period in 2011. Net profit attributable to owners of the Company was approximately RMB2,333,345,000 and earnings per share was approximately RMB0.463, representing a decrease of approximately 3.97% over the same period in 2011.

2. Toll road and bridge operations

(1) Overall Business Performance

The Group's toll road and bridge business demonstrated a slight downward trend in 2012 and recorded toll revenue of approximately RMB5,092,022,000, representing a year-on-year decrease of approximately 1.51%. Toll revenue represented 65.32% of the Group's total operating revenue. The operating performance of each road and bridge project is as follows:

Comparison of average daily traffic volume and toll revenue

| Road/Bridge | Average daily traffic volume (vehicle/day) | | | Average daily toll revenue (RMB'000/day) | | |
|--|---|--------|---------------|---|----------|---------------|
| | 2012 | 2011 | Change (%) | 2012 | 2011 | Change (%) |
| Shanghai-Nanjing Expressway | 66,120 | 63,237 | 4.56 | 11,725.6 | 11,834.5 | -0.92 |
| Shanghai-Nanjing Section of G312 | 14,788 | 19,756 | -25.15 | 229.0 | 322.2 | -28.91 |
| Nanjing Section of Nanjing-Lianyungang Highway | 4,524 | 4,666 | -3.04 | 91.6 | 106.7 | -14.09 |
| Guangjing Expressway | 47,122 | 44,111 | 6.83 | 678.4 | 676.2 | 0.33 |
| Xicheng Expressway | 50,416 | 46,864 | 7.58 | 1,187.9 | 1,225.7 | -3.08 |
| Jiangyin Yangtze Bridge | 56,147 | 52,064 | 7.84 | 2,277.8 | 2,269.6 | 0.36 |
| Sujiahang Expressway | 42,005 | 39,216 | 7.11 | 2,590.5 | 2,644.0 | -2.02 |

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Ratios of traffic volume and toll revenue between passenger vehicles and trucks

| Road/Bridge | Vehicle type | Average daily traffic volume of passenger vehicles/ trucks (vehicle/day) | | | | | Average daily full-trip revenue per vehicle (RMB/Vehicle) | | |
|--|--------------------|--|------------|---|------------|---------|---|---|---------|
| | | Reporting Period | | Corresponding period of the previous year | | Change | Reporting Period | Corresponding period of the previous year | Change |
| | | Traffic volume | Proportion | Traffic volume | Proportion | | | | |
| Shanghai-Nanjing Expressway | Passenger vehicles | 47,594 | 71.98% | 44,605 | 70.54% | 6.70% | 177.3 | 187.1 | -5.24% |
| | Trucks | 18,526 | 28.02% | 18,632 | 29.46% | -0.57% | | | |
| Shanghai-Nanjing Section of G312 | Passenger vehicles | 8,980 | 60.72% | 11,319 | 57.29% | -20.67% | 15.5 | 16.3 | -4.91% |
| | Trucks | 5,808 | 39.28% | 8,438 | 42.71% | -31.16% | | | |
| Nanjing Section of Nanjing-Lianyungang Highway | Passenger vehicles | 2,495 | 55.16% | 2,233 | 47.86% | 11.74% | 20.2 | 22.9 | -11.79% |
| | Trucks | 2,028 | 44.84% | 2,432 | 52.14% | -16.61% | | | |
| Guangjing Expressway | Passenger vehicles | 33,994 | 72.14% | 31,066 | 70.43% | 9.43% | 14.4 | 15.3 | -5.88% |
| | Trucks | 13,128 | 27.86% | 13,045 | 29.57% | 0.63% | | | |
| Xicheng Expressway | Passenger vehicles | 37,701 | 74.78% | 33,970 | 72.49% | 10.98% | 23.6 | 26.2 | -9.92% |
| | Trucks | 12,716 | 25.22% | 12,894 | 27.51% | -1.38% | | | |
| Jiangyin Yangtze Bridge | Passenger vehicles | 41,045 | 73.10% | 37,308 | 71.66% | 10.02% | 40.6 | 43.6 | -6.88% |
| | Trucks | 15,102 | 26.90% | 14,755 | 28.34% | 2.35% | | | |
| Sujiayang Expressway | Passenger vehicles | 26,004 | 61.91% | 23,643 | 60.29% | 9.99% | 61.7 | 67.4 | -8.46% |
| | Trucks | 16,000 | 38.09% | 15,573 | 39.71% | 2.74% | | | |

(2) Analysis of Business Environment

The overall performance of the Group's toll road and bridge operations in 2012 were affected by the following factors:

◇ Impact of the macroeconomic environment

By complex and volatile economic environment at home and abroad, China's macro economy underwent a continued decline in growth in the year, with GDP growth for the year down to 7.8%, marking a year-on-year decrease of 1.4 percentage points. Jiangsu Province's economy as a whole witnessed a steady growth, with the provincial GDP growth for the year at 10.1%, down 0.9 percentage point year on year (data source: governmental statistics information website (政府統計信息網站)).

The macroeconomic development trend is the key factor affecting the change in traffic volume on the Group's road and bridge assets. The traffic volume of trucks, in particular, is even more volatile amid fluctuations in economic performance. The continuous slowdown in the growth rate of the real economy has generated a direct impact on the demand for cargo transportation on highways. During the Reporting Period, the truck traffic volume on the Group's roads and bridges saw a notable slowdown in growth rate or even a drop. Although the average daily full-trip traffic volume of roads still maintained a steady growth, such an increment was mainly attributable to the increase of passenger vehicles, especially small ones, which led to changes of vehicle mix. As such, the revenue per vehicle for each road declined to various degrees. As passenger vehicles account for a large portion in vehicle mix of each of the Group's road and bridge and the traffic volume of passenger vehicles is less susceptible to the fluctuations in micro economy, the overall traffic volume and toll revenue demonstrated a strong stability.

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◇ Impact of toll road policies

The fluctuations in micro economy lead to changes in traffic volume and vehicle mix. A series of adjustments to toll road policies in the year, including the special rectification campaign for toll roads, the toll-free policy for small passenger vehicles on major holidays and the continuous implementation of toll-free policy on the Green Passage, have generated direct impact on the toll revenue, and the revenue of each project suffered a drop or even a negative growth.

Special rectification campaign for toll roads: The clean up work on toll roads which commenced in June 2011 continued during the year and all local governments introduced a series of measures to clean up toll roads. In January 2012, the government of the Jiangsu Province adjusted downwards the minimum toll standards for passenger vehicles using the inter-network toll highways across the province. The minimum toll standard for passenger cars with less than seven seats was adjusted from RMB15 to RMB5, while the minimum toll standards for other vehicle types were adjusted accordingly. As the Group's expressways were all subject to this toll adjustment, the Group's toll revenue was affected to a slight extent. On 15 July 2012, the government of the Jiangsu Province announced the removal of the Nanjing toll station, Luoshe toll station (including Yanqiao toll point) and Xilin toll point along the Shanghai-Nanjing section of the G312, which has brought to the Company a direct loss in daily average revenue of approximately RMB150,000, and led to further losses to G312.

Toll-free passage for small passenger vehicles on major holidays: In August 2012, the five ministries and commissions of the State unveiled a policy allowing all small passenger vehicles to travel toll-free on major holidays, including Spring Festival, Tomb-sweeping Day, May Day and National Day holidays, which took effect from the Mid-Autumn Day and National Day holidays this year. Due to the toll-free passage, the Group's actual toll revenue during the 8-day holidays amounted to approximately RMB35,030,000, decreasing by RMB89,440,000 as compared with the same period last year, which accounted for approximately 1.76% of the Group' total toll revenue for the year.

Toll-free policy on the Green Passage: During the year, the toll-free policy on the Green Passage for transportation of fresh and live stocks which became effective since 2008 continued to take effect, and its coverage was extended from the original "One Vertical and Two Horizontal" expressways to all toll roads within the entire province of Jiangsu. As such, there was an increase in toll-free traffic volumes within the Group's road network. In 2012, total toll fees waived for vehicles using the Green Passage amounted to approximately RMB116.58 million, representing a year-on-year increase of approximately 26.81% and accounting for 2.29% of total toll revenue.



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◇ Changes in traffic demand and competition pattern

In 2012, the transportation capacity of Jiangsu Province improved at a steady pace. The passenger and cargo transportation volumes rose by 8.5% and 8.8% year on year, respectively. Turnover of passengers and goods increased by 9.7% and 12.8% year on year, respectively. Despite a slight year-on-year decrease in growth, the traffic demand remained robust. As at the end of the year, vehicle ownership for civilian use in the Jiangsu Province totalled 8,131,000, representing a net increase of 1,247,000 or an 18.1% year-on-year increase. The number of private vehicles maintained a rapid growth of over 20% (data source: governmental statistics information website (政府統計信息網站)). The fast growth in vehicle ownership for civilian use, private cars in particular, not only has been the main force driving the growth in the total traffic volume on highways for this year, but also brought positive effect on future development as it would bring endogenous force to the natural growth of road traffic flow on one hand, and a higher car parc in a region will give more free play to the competitive advantage of highways in the short-distance transportation and thus improve the ability to resist diversion impact of other transport modes on the other.

During the Reporting Period, there was a stable development on the transportation infrastructure in the region. As at the end of 2012, total operating expressway mileage in the Jiangsu Province amounted to 4,371 kilometers, with newly-added mileage of 249 kilometers. The newly-opened sections did have diversion impact on the Group's road network. In respect of competition from railways, the railway operating mileage in the Jiangsu Province amounted to 2,309 kilometers as at the end of 2012 and no additional lines were put into operation during the year. The inter-city high-speed railways between Shanghai and Nanjing and Beijing and Shanghai operated steadily since opening to traffic, and did not have noticeable diversion impact on the traffic volumes of the Group's Shanghai-Nanjing Expressway running the same direction. The pattern of competition within the road networks remained stable.

(3) Analysis of operation of projects

◇ Shanghai-Nanjing Expressway

As affected by the macroeconomic conditions, the truck traffic volume of Shanghai-Nanjing Expressway in the year was not so satisfactory, and the changes in truck traffic volume were basically the same as macroeconomic movements. In the first half of the year, the absolute truck traffic volume of Shanghai-Nanjing Expressway decreased by approximately 2.43% year on year; in the second half of the year, the truck traffic volume recovered slightly and recorded a moderate increase of 1.17% year on year. As such, the average truck traffic volume for the year was still down by 0.57% year on year. Truck traffic volume accounted for approximately 28.02% of the total traffic volume for the year, down 1.44 percentage points year on year. Passenger vehicle traffic volume still maintained a stable performance during the year and increased approximately 6.7% year on year, though demonstrating a slowdown trend. Under the combined effects of decrease in truck traffic volume and adjustments to toll road policies, the average daily toll revenue posted a slight year-on-year decrease of 0.92%, and average daily full-trip revenue per vehicle saw a year-on-year decrease of 5.24%.

With the rapidly increasing use of the electronic toll collection system (the "ETC") during the year, the ETC average daily traffic volume and average daily revenue of Shanghai-Nanjing Expressway for the year amounted to approximately 11,075 vehicles and approximately RMB1,768,300, up by approximately 45.36% and 40.07% year on year respectively, representing approximately 16.75% and 15.08% of its average daily traffic volume and revenue respectively. This trend will develop further in the future.

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◇ **Shanghai-Nanjing Section of G312**

Since the downward adjustment to the toll standards of Gunan toll station in September 2011 and the removal of Nanjing toll station, Luoshe toll station, Yanqiao toll point and Xilin toll point on 15 July 2012, the Shanghai-Nanjing Section of the G312 underwent continued decline in operating performance, with average daily traffic volume and revenue posting a year-on-year decrease of 25.15% and 28.91% respectively, causing further losses.

After the removal of the two toll stations and two toll points, the Company properly arranged the resettlement of relevant employees and actively communicated and coordinated with the government in respect of the economic compensations for the losses resulting for the removal. The government of Jiangsu Province gave strong support to the Company's efforts in safeguarding the legitimate interests of the Company and investors. The government has granted approval to the compensations for losses resulting for the removal according to the audited net assets in relation to the toll collection rights. Currently, the specific compensation plan is being discussed and drafted.

◇ **Nanjing Section of the Nanjing-Lianyungang Highway**

During the Reporting Period, the traffic volume of the Nanjing section of the Nanjing-Lianyungang Highway recorded a moderate decrease of 3.04%. The traffic volumes of trucks and passenger vehicles varied significantly. The average daily traffic volume of passenger vehicles grew by 11.74% while the average daily traffic volume of trucks decreased by 16.61%, causing toll revenue to decrease by 14.09%. In addition to economic factors, the decrease in the truck traffic volume was mainly due to the fact that vehicles carrying fresh and live agricultural products and other trucks, which were initially using the Nanjing-Lianyungang Highway, switched back to the Nanjing-Lianyungang Expressway which runs in parallel with the highway.

◇ **Guangjing Expressway, Xicheng Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway**

During the Reporting Period, all these four projects achieved a favourable performance in traffic volume, with growth in the traffic volume of passenger vehicles maintaining at around 10%. However, the slowed growth in the number of trucks resulted in a slight change in the vehicle mix and a decline in revenue per vehicle.

(4) **Business Improvement**

Actively promoting the modernization of expressway operation and management. In 2012, the Company established a preliminary index system for modernizing the operation and management of Shanghai-Nanjing Expressway with reference to industry development trend and international advanced management experience. Information technology was taken as an important means to basically realize modernization and all-around planning and construction were launched. An information technology department was formed with a professional team to integrate information technology with expressway operation and management and public services. An overall development framework of one center and three platforms, the targets to be achieved within the "12th Five-Year Plan" period and the phased plans were established

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Focusing on on-site management to improve services. During the year, the priorities in the Company's road operation and management were to focus on on-site services and ensure smooth traffic flow by further cementing the standardized service achievement of "Caring Shanghai-Nanjing Expressway", sparing no efforts to ensure road safety and smooth traffic flow, enhancing quality and civilized services and catering to customers' diversified needs. The Company endeavored to accomplish the goal of delivering "smooth expressways and a warm Jiangsu", demonstrating a high-quality courtesy counter image.

Enhancing daily road maintenance to keep the quality of roads. The Company always takes high-quality road surface and the quality of bridges and traffic safety facilities as the basics of daily maintenance. Through regular quality testing and hidden risk checking, improvement in preventive maintenance mechanism, further separation in road management and maintenance and enhancing the development and application of innovative technologies, the Company continuously improved the modernization level of road maintenance and management and achieved a 100% qualification rate in road maintenance in the year, maintaining the good quality of roads.

Enhancing hindrance clearance and emergency rescue services and the capacity to ensure smooth traffic conditions. In respect of smooth traffic conditions, the Company enhanced its abilities in diversion and emergency response during peak traffic hours, emergencies and inclement weather through enhancing standards and use of information technology in daily operation and management, and focused closely on various indicators such as "arrival timeliness" and "rate of smooth traffic flows" to constantly improve the efficiency of hindrance clearance and emergency rescue services. The timing of arrival for hindrance clearance services was shortened from the previous 30 minutes to 20 minutes in the year. The Company improved hindrance clearance timeliness by means of various initiatives such as increasing hindrance clearance points, manpower and facilities and enhancing cross-region coordination. For the year, the average rate of arrivals within 20 minutes and 30 minutes for hindrance clearance services reached 84.5% and 98.5%, respectively, and the average rate of smooth traffic flows within 2 hours reached 98.2%, thus delivering a faster, safer and comfortable trip to road users.

3. *Ancillary Services at Service Areas*

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

The operation and management at service areas focused on raising customer satisfaction, aiming to achieve synchronous improvement in both revenue and services. The Company improved its service quality and social image through enhancing quality management system and the "mystery customer" assessment mechanism; upheld business integrity by enhancing management on suppliers and operators of service areas; and established clear business orientation and created local features for food and beverage sales according to the geographical characteristics of each service area. Meanwhile, the Company actively explored new business models and brand development for service areas. The Company made active efforts in introducing famous western fast food brands in the year and currently is under final negotiations for business contracts.

In 2012, the Company realized revenue of approximately RMB2,357,432,000 from the ancillary services, an increase of approximately 8.54% over the corresponding period in the previous year. Of this revenue, revenue from sales of petroleum products was approximately RMB2,162,037,000, an increase of approximately 9.37% over the corresponding period in the previous year, representing approximately 91.71% of the total ancillary services revenue. As boosted by increased traffic volume, refuelling volume at service areas increased by 5.98% year-on-year, while the average selling price of petroleum products saw a slight year-on-year increase after several times of upward and downward adjustments. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services amounted to RMB195,395,000, basically flat as compared to the corresponding period in 2011.

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4. Other Businesses

Other businesses include real estate development and sale business and advertisement business, etc.

(1) Property Development and Sales Business

Ninghu Properties, a wholly-owned subsidiary, is responsible for the Group's property development and operation. The Group's real estate business was formally launched in 2009. Ninghu Properties, as the platform of the Group's real estate business, will advance the real estate development business stressing both urban residential and commercial properties and, on top of the steady development of the residential properties, expand investment and operation of commercial real estate through commercial complex properties. Ninghu Properties has actively explored the primary land market development business and profit model and gradually developed business development modes for urban residential real estate, commercial real estate and land market development. During the Reporting Period, the Company made a capital contribution of RMB300 million to Ninghu Properties so as to expand its development scale and financing capacity. After the capital increase, the capital of Ninghu Properties reached RMB500 million, thus making reserves for further business development.

In 2012, as the State continued to consolidate the results of macro control on real estate, the overall market environment remained in the doldrums and the development, sales and scale expansion of real estate business were impacted to certain extent. Confronted with such unfavourable market conditions, Ninghu Properties steadily promoted project development and kept optimizing its marketing strategy. Thanks to these efforts, Ninghu Properties recorded profit for the first time since its establishment and entered profit-making stage. As at the end of 2012, all the development projects of Ninghu Properties were well underway. The total development area exceeded 270,000 square meters and a total of approximately RMB250 million was invested in project development during the year. During the year, the sales revenue from the Group's real estate projects amounted to approximately RMB304,442,000. Details and progress of each project are set out as follows:

◇ Land lots at Huaqiao International Business Services City in Kunshan

On 29 September 2009, by submitting bids at an auction, Ninghu Properties won seven lots of land at Huaqiao International Business Services City in Kunshan, with a total land area of 129,129 square meters for a total consideration of RMB295,404,000. The lots have a plot ratio of no more than 3.0 and are for commercial and residential purposes. The project will comprise a residential, hotel and commercial and business office complex.

C4 "Hongqiao Mansion, One City" is a residential project, offering a saleable area of approximately 42,200 square meters. Pre-sale officially began in January 2011 and delivery began in 2012. As at the end of this Reporting Period, approximately 94.1% of the residential flats have been sold, and approximately 87.2% of the sold flats were delivered to buyers.



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C7 “Pujiang Center, One City” is a commercial project. The project has a gross floor area of approximately 70,600 square meters and is now under interior and exterior decoration. The project is marketed as luxurious “MINI House” serviced apartments, and pre-sale permit has been obtained. The Company is looking for big buyers to sell the entire building as a whole.

Lot C5 is a “Regal Royale” five-star hotel project, with a gross floor area of approximately 66,000 square meters. The project has formally commenced construction and is now under pile foundation construction.

The overall name of the residential projects for lots B3, B18, B19 and B4 in Huaqiao has been determined as “Guangming Mansion, One City (同城•光明捷座)”, among which the B4 Project has commenced pile foundation construction and lot B19 is at positioning and planning stage.

◇ Land lot on Xinshi Road, Canglang District, Suzhou

On 5 November 2009, by submitting a bid at an auction, Ninghu Properties won a lot of land on Xida Street, Xinshi Road, Canglang District, Suzhou, with a total land area of 22,050 square meters for a total consideration of RMB450,317,000. The lot has a plot ratio of less than 1.0 and is for urban residential purposes. The project involves a piece of scarce residential land in the central area of Suzhou, which will feature high-end residential products known as “Qingyuan”.

As at the end of the Reporting Period, most of the civil and ancillary works of the “Qingyuan” project in Suzhou were completed and the principal structure had passed the quality inspection. Preparations for preliminary sales have been completed and the sale of ready-for-delivery apartments will start in 2013.

◇ Land lots at Hongyan Community, Baohua Town, Jurong City

On 9 September 2009, by submitting bids at an auction, Ninghu Properties won two land lots A and B at Hongyan Community in Baohua Town, Jurong City, with a total land area of 333,088 square meters for a total consideration of RMB686,500,000. The two lots have a plot ratio of no more than 3.0 and are for commercial and residential purposes.

The land lots in Jurong ARE named “Shijia, One City” which reflects continuity in the brand of the Company’s real estate projects. Land lot B phase I project comprises 48 buildings with a gross floor area of approximately 59,800 square meters. The principal structure of the project has been topped out and preparations for pre-sales are underway.



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(2) Advertising and Other Businesses

Other businesses of the Company mainly comprise advertisement operations by Ninghu Investment and its other subsidiaries and property services provided by Ninghu Properties. In 2012, the revenue from advertising and other business of the Group amounted to RMB42,047,000, representing a year-on-year decrease of 7.19%.

Ninghu Investment is principally engaged in the distribution of advertising media along the Shanghai-Nanjing Expressway and in other industrial investments. In the year, Ninghu Investment delivered a good performance in the distribution of advertising media, with the utilization rate of large high-column billboards for commercial advertising reaching 97% and utilization rates of toll station roofs, central green island lightboxes (中央綠島燈箱), collision post lightboxes (防撞柱燈箱), small lightboxes at service areas and other small media for commercial advertising reached 100%. However, as the number of billboards decreased as a result of a major campaign staged by the government of the Jiangsu Province for cleaning up and rectifying advertising facilities along the expressways in 2011, Ninghu Investment recorded a revenue from advertising business of approximately RMB37,625,000 in 2012, down approximately 8.61% year on year.

(II) Financial Analysis

1. Changes in relevant items in income statement and cash flow statement

Unit: RMB'000

| Item | Current period | Corresponding period of last year | Changes (%) |
|---|----------------|-----------------------------------|-------------|
| Operating revenue | 7,795,943 | 7,401,310 | 5.33 |
| Operating costs | 4,054,627 | 3,635,779 | 11.52 |
| Selling expenses | 8,525 | 8,570 | -0.52 |
| Administrative expenses | 177,535 | 183,773 | -3.39 |
| Financial expenses | 333,410 | 316,953 | 5.19 |
| Net Cash Flow from Operating Activities | 3,189,410 | 3,835,414 | -16.84 |
| Net Cash Flow from Investing Activities | -1,310,394 | -630,446 | 107.85 |
| Net Cash Flow from Financing Activities | -1,998,661 | -2,873,923 | -30.46 |

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2. Business Classifications

In 2012, the Group recognized aggregate operating revenue of approximately RMB7,795,943,000, representing an increase of approximately 5.33% as compared to the corresponding period in 2011. Operating costs amounted to approximately RMB4,054,627,000 in aggregate, representing an increase of approximately 11.52% as compared to the corresponding period in 2011. The growth rate of revenue was lower than the growth rate of costs, leading to a decrease of 2.89 percentage points of the Group's consolidated gross profit margin. The structures of revenues and costs are set out below:

| Item | Operating revenue | | Operating cost | | Gross profit margin (%) | |
|---|-------------------|--|-------------------|--|-------------------------|--|
| | 2012 (RMB'000) | Change over the previous year (%) | 2012 (RMB'000) | Change over the previous year (%) | 2012 | Year-on-year increase/ decrease |
| Toll road | 5,092,022 | -1.51 | 1,508,833 | 0.93 | 70.37 | Decreased by 0.72 percentage points |
| Shanghai-Nanjing Expressway | 4,291,576 | -0.65 | 1,023,713 | 5.15 | 76.15 | Decreased by 1.32 percentage points |
| Shanghai-Nanjing Section of G312 | 83,829 | -28.71 | 222,006 | -16.04 | -164.83 | Decreased by 39.97 percentage points |
| Nanjing Section of Nanjing- Lianyungang Highway | 33,537 | -13.85 | 16,568 | -6.89 | 50.60 | Decreased by 3.69 percentage points |
| Guangjing Xicheng Expressway | 683,080 | -1.60 | 246,546 | 3.11 | 63.91 | Decreased by 1.65 percentage points |
| Ancillary Services | 2,357,432 | 8.54 | 2,307,046 | 8.85 | 2.14 | Decreased by 0.28 percentage point |
| Other Businesses | 346,489 | 486.48 | 238,748 | 1011.09 | 31.10 | Decreased by 32.53 percentage points |
| Property Sales | 304,442 | 2110.37 | 223,571 | 3088.57 | 26.56 | Decreased by 22.53 percentage points |
| Advertising and others | 42,047 | -7.19 | 15,177 | 4.84 | 63.90 | Decreased by 4.15 percentage points |
| Total | 7,795,943 | 5.33 | 4,054,627 | 11.52 | 47.99 | Decreased by 2.89 percentage points |

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3. Structures of Revenue

| Item of operating Revenue | 2012 | Percentage | 2011 | Percentage | Change over the previous year (%) |
|-----------------------------------|------------------|------------|------------------|------------|-----------------------------------|
| | (RMB'000) | % | (RMB'000) | % | |
| Revenue from toll road operations | 5,092,022 | 65.32 | 5,170,306 | 69.86 | -1.51 |
| Revenue from ancillary business | 2,357,432 | 30.24 | 2,171,925 | 29.34 | 8.54 |
| Revenue from other businesses | 346,489 | 4.44 | 59,079 | 0.80 | 486.48 |
| Total | 7,795,943 | 100 | 7,401,310 | 100 | 5.33 |

As the major customers of the Group's toll business, operation business in service zone and property sales business are social individual consumers and there is no bulk procurement related to day-to-day operations, there is no information on major customers and suppliers of the Group required to be further disclosed.

4. Structures of Costs

During the reporting period, aggregated operating costs amounted to approximately RMB4,054,627,000, representing an increase of approximately 11.52% year-on-year. The structures of costs of each business category are set out below:

| Item of Operating Costs | 2012 | Percentage | 2011 | Percentage | Change over the previous year (%) |
|--|------------------|--------------|------------------|--------------|-----------------------------------|
| | (RMB'000) | % | (RMB'000) | % | |
| Operating costs of the toll road operations | 1,508,833 | 37.21 | 1,494,890 | 41.12 | 0.93 |
| Depreciation and amortization | 877,671 | 21.65 | 893,581 | 24.58 | -1.78 |
| Costs on toll collection operation | 129,430 | 3.19 | 130,509 | 3.59 | -0.83 |
| Costs on roads and bridges maintenance | 136,530 | 3.37 | 140,823 | 3.87 | -3.05 |
| Costs on system maintenance | 30,276 | 0.75 | 30,309 | 0.83 | -0.11 |
| Labor costs | 334,926 | 8.25 | 299,668 | 8.25 | 11.77 |
| Costs on ancillary businesses | 2,307,046 | 56.90 | 2,119,401 | 58.29 | 8.85 |
| Raw materials | 2,153,083 | 53.10 | 1,980,688 | 54.48 | 8.70 |
| Depreciation and amortization | 20,463 | 0.50 | 19,609 | 0.54 | 4.36 |
| Labor costs | 94,960 | 2.34 | 84,517 | 2.32 | 12.36 |
| Other costs | 38,540 | 0.95 | 34,587 | 0.95 | 11.43 |
| Costs on other businesses | 238,748 | 5.89 | 21,488 | 0.59 | 1,011.09 |
| Costs on property sales business | 223,571 | 5.51 | 7,012 | 0.19 | 3,088.57 |
| Costs on advertising and other business | 15,177 | 0.38 | 14,476 | 0.40 | 4.84 |
| Total | 4,054,627 | 100 | 3,635,779 | 100 | 11.52 |

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- The cost structure of toll road operations remained basically stable. In the cost structure, though the traffic volumes of some of the Group's expressways recorded year-on-year growths to varying degrees, the costs on depreciation and amortization which is mainly amortization of road operation rights decreased over the previous year under the influence of demolition of G312 toll stations and decreased traffic volume of G312 and Nanjing Section of Nanjing-Lianyungang Highway and other factors. Due to the preparations for major inspections on maintenance of nationwide highways last year, the costs on roads and bridges maintenance and system maintenance were high. During the reporting period, the costs on both decreased by 3.05% and 0.11% respectively; the labor costs, mainly consisting of salary as well as expenses other than salary including social insurance, increased by approximately 11.77% year-on-year.
- The costs on ancillary business at service zones increased by 8.85% year-on-year, mainly due to the increase in procurement costs of raw materials of petrol as a result of the growth of refueling volume and the increase in labor costs at service zones.
- As the properties sold by Ninghu Properties have been delivered, the costs of property were confirmed to be RMB223,571,000, resulting in significant increase in the costs of other businesses.

5. Expenses

(1) Administrative Expenses

During 2012, administrative expenses of the Group amounted to RMB177,535,000 in aggregate, down by 3.39% year-on-year. The Company further consolidated energy conservation and consumption reduction through strengthening budget management and strict expenses control. The budget control of administrative expenses of the Company was in condition in 2012.

(2) Financial expenses

As at 31 December 2012, the total interest-bearing liabilities of the Group amounted to RMB5,701,399,000, representing an increase of RMB169,860,000 as compared to the corresponding period in 2011. As interest-bearing liabilities increased and the average interest rate of bank loan for the year increased over the previous year, the Group's aggregate finance costs amounted to RMB333,410,000, representing an increase of 5.19% year-on-year. The Company actively employed measures to enhance capital utilization efficiency, as well as reducing finance costs through various means including the issue of short-term commercial papers and non-public directed debt instrument, finance costs of the Group during the reporting period were under effective control in general.



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(3) Selling expenses

In 2012, the Group's aggregate selling expenses amounted to approximately RMB8,525,000, similar to that of the previous year.

(4) Income Tax

The statutory tax rate of all companies under the Group was 25%. In 2012, income tax expense of the Group amounted to RMB764,454,000 in aggregate, representing a year-on-year decrease of 2.43%.

6. Cash Flow

| Items of Cash Flow Statements | 2012 (RMB'000) | 2011 (RMB'000) | Change over the previous year (%) | Reasons for Changes |
|--|-------------------|-------------------|--------------------------------------|--|
| Net cash flow from operating activities | 3,189,410 | 3,835,414 | -16.84 | The cash inflow from toll revenue and property business decreased over the previous year and cash outflow from operating costs and taxes increased, leading to the decrease in net cash flow from operating activities over the previous year. |
| Net cash flow from investment activities | -1,310,394 | -630,446 | 107.85 | In order to improve capital usage efficiency, the Company used idle capital to acquire prudent financial management product, and held equity interests in Yanjiang Expressway and invested in Sujiaoyong Company, leading to increase in net cash outflow from investment activities during the reporting period over the previous year. |
| Net cash flow from financing activities | -1,998,661 | -2,873,923 | -30.46 | The Group's cash inflow from borrowings and bonds during the year increased over the previous year and cash repayments of borrowings relatively decreased, leading to the decrease in net cash outflow from financing activities over the previous year. |

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7. Financial Strategy and Financing Arrangement

During the reporting period, the Company actively expanded its financing channels and adjusted its debt structure. The total direct financing amount for the year amounted to RMB3.5 billion, which could satisfy the fund demands of operation management and project investment and effectively reduced financing costs. In 2012, the Company's consolidated borrowing cost of interest-bearing liabilities was approximately 5.42%. Though it was approximately 0.27 percentage point higher than the previous year, it managed to be approximately 0.98 percentage point lower than the prevailing bank borrowing rate of the same period.

In 2012, the Company's major financing activities are as follows:

| Financing category | Financing date | Term | Financing amount (RMB100 million) | Issuing interest rate (%) | Prevailing bank basic rate (%) | Decrease in financing costs (%) |
|-----------------------------|-------------------|----------|--------------------------------------|------------------------------|-----------------------------------|------------------------------------|
| Short-term Bonds (短期融资券) | 2 August 2012 | 1 year | 10 | 3.75 | 6.0 | 37.5 |
| Short-term Bonds (短期融资券) | 21 September 2012 | 1 year | 10 | 4.37 | 6.0 | 27.17 |
| Private Placement Bonds | 19 June 2012 | 3 years | 5 | 5.3 | 6.4 | 17.19 |
| Private Placement Bonds | 19 September 2012 | 6 months | 5 | 4.8 | 5.6 | 14.29 |
| Private Placement Bonds | 9 November 2012 | 6 months | 5 | 4.6 | 5.6 | 17.86 |



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8. Assets and Liabilities

| Item of Assets and Liabilities | 2012 | Percentage | 2011 | Percentage | Change over the previous year |
|--|------------|------------|------------|------------|-------------------------------------|
| | (RMB'000) | % | (RMB'000) | % | (%) |
| Cash and bank balances | 686,485 | 2.66 | 806,130 | 3.18 | -14.84 |
| Accounts receivable | 83,407 | 0.32 | 47,368 | 0.19 | 76.08 |
| Inventories | 1,945,199 | 7.53 | 1,919,255 | 7.56 | 1.35 |
| Investment properties | 22,727 | 0.09 | 17,807 | 0.07 | 27.63 |
| Long-term equity investment | 3,777,367 | 14.61 | 2,190,631 | 8.63 | 72.43 |
| Fixed assets | 1,128,318 | 4.36 | 1,154,827 | 4.55 | -2.30 |
| Construction in progress | 30,794 | 0.12 | 26,032 | 0.10 | 18.29 |
| Short-term borrowings | 2,550,000 | 9.86 | 2,865,000 | 11.29 | -10.99 |
| Long-term borrowings | 453,360 | 1.75 | 2,464,978 | 9.71 | -81.61 |
| Shareholders' equity attributable to equity holders of the Company | 18,688,862 | 72.30 | 18,144,690 | 71.5 | 3.00 |
| Minority interests | 466,614 | 1.81 | 463,120 | 1.83 | 0.75 |
| Total Assets | 25,849,258 | 100 | 25,375,439 | 100 | 1.87 |
| Total gearing ratio | 25.90% | — | 26.67% | — | Decreased by 0.77 percentage point |
| Net gearing ratio | 34.94% | — | 36.37% | — | Decreased by 1.43 percentage points |

- Calculation basis for the total gearing ratio: liabilities/total assets;
Calculation basis for the net gearing ratio: liabilities/shareholders' equity.
- Accounts receivable increased by 76.08% over the previous year, mainly due to integration of road network in the south and north, increase in the quantity of companies which participated in splitting toll road income and increase in toll road fee receivable.
- Investment properties increased by 27.63% over the previous year, mainly due to that Ninghu Investment, a subsidiary of the Company, leased certain business shops of Kunshan Huijeyayuan, a self-developed property project, for long term, and relevant properties were reclassified as investment properties accordingly since the property is held for rental earning purpose.
- Long-term equity investment increased by 72.43% over the previous year, mainly due to that Guangjing Xicheng invested RMB1,466,200,000 in Yanjiang Expressway; in addition, the Company has subscribed for equity interest in Suzhou Sujiayong Expressway Co., Ltd. ("Sujiayong Company") and had contributed an aggregate of RMB75,000,000 as scheduled.
- Long-term borrowings decreased by 81.61%, mainly due to that the Company repaid certain long-term borrowings in advance during the reporting period, and some long-term borrowings due within one year were transferred to non-current liabilities due within one year.

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9. *Explanations on the changes in assets calculated on a fair value basis and the measurement attributes of major assets*

During the reporting period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Foundation (富安達優勢成長基金) purchased in 2011. The net value at the beginning of the year amounted to RMB19,077,000 and the net value at the end of the year amounted to RMB18,065,000, and the fair value decreased by RMB1,012,000; meanwhile, Ninghu Investment participated in the transaction of precious metal at the Shanghai Gold Exchange and sold all the precious metal purchased during the reporting period, thus it had no balance at the end of the reporting period and the income from the transaction amounted to RMB656,000.

10. *Capital expenditures*

In 2012, the Group's planned capital expenditures actually incurred amounted to approximately RMB1,706,358,000, representing an increase of 453.07% or RMB1,397,832,000 from 2011, mainly include (1) the investment of RMB1,466,200,000 in Yanjiang Company by Guangjing Xicheng, a subsidiary of the Company; (2) investment of RMB75,000,000 by the Company in Sujiaoyong Company; and (3) other project payments of the Group. The aforesaid equity investment projects (1) and (2) resulted in significant increase in capital expenditures during the reporting period.

In 2012, the Group's implemented capital expenditure projects and amounts are as follows:

| Capital Expenditure Project | RMB'000 |
|--|------------------|
| Equity investment in Yanjiang Expressway | 1,466,200 |
| Equity investment in Sujiaoyong Company | 75,000 |
| Balance payment of the expansion works of Shanghai-Nanjing Expressway | 12,791 |
| Renovation of the three major systems and traffic signals of Shanghai-Nanjing Expressway | 24,755 |
| Renovation of intersections and toll collection points of Shanghai-Nanjing Expressway | 23,330 |
| Renovation of petrol stations of Shanghai-Nanjing Expressway | 13,197 |
| Renovation of toll collection points of Guangjing Xicheng Expressway | 33,229 |
| Renovation of service areas of Guangjing Xicheng Expressway | 5,238 |
| Viaduct project of Guangjing Xicheng Expressway | 13,062 |
| Setting up of advertising signages | 2,388 |
| Other construction in progress and equipments | 37,168 |
| Total | 1,706,358 |

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11. *Pledge of assets*

During the year, Guangjing Xicheng, a subsidiary of the Company, obtained long-term bank borrowings through pledging the operation right of Guangjing Xicheng Expressway. As at 31 December 2012, the net carrying amount of such pledged assets was RMB1,599 million.

12. *Contingencies*

Ninghu Properties, a subsidiary of the Company provided guarantees to banks for bank borrowings granted to buyers of properties Kunshan Huaqiao Tingeing Hongqiao Mansion. The obligation will commence from the date on which the guarantee contract comes into effect and will end when the buyers complete registration of mortgage and pass the properties ownership certification to bank. As at 31 December 2012, the outstanding guarantees amounted to approximately RMB11,242,012 (31 December 2011: RMB34,620,000).

13. *Trust deposits*

As at 31 December 2012, the Company did not have any trust deposits with any financial institutions in China or any fixed term deposits which were irrecoverable upon their maturity.

14. *Trust loans*

The Company borrowed RMB100,000,000 respectively on 10 May 2012 and 4 July 2012, by way of trust loans from Far East Shipping, a related company. The loan has a term of one year, carrying an annual interest rate of 6.56% and 6.31%. During the reporting period, the Company repaid RMB50,000,000 in advance and the outstanding balance is RMB150,000,000 as at the end of the reporting period.

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15. Reserves

Unit: RMB'000

| | Share capital | Capital reserve | Statutory surplus reserve | Retained profits | Total shareholders' equity attributable to equity holders of the Company |
|----------------------------|---------------|-----------------|---------------------------|------------------|--|
| 1 January 2011 | 5,037,748 | 7,576,723 | 2,022,082 | 2,927,170 | 17,563,723 |
| Profit of the year | | | | 2,429,751 | 2,429,751 |
| Other comprehensive income | | -35,195 | | | -35,195 |
| Profit distributed | | | 269,652 | -269,652 | 0 |
| Dividends distributed | | | | -1,813,589 | -1,813,589 |
| 31 December 2011 | 5,037,748 | 7,541,528 | 2,291,734 | 3,273,680 | 18,144,690 |
| 1 January 2012 | 5,037,748 | 7,541,528 | 2,291,734 | 3,273,680 | 18,144,690 |
| Profit of the year | | | | 2,333,345 | 2,333,345 |
| Other comprehensive income | | 24,416 | | | 24,416 |
| Profit distributed | | | 258,393 | -258,393 | 0 |
| Dividends distributed | | | | -1,813,589 | -1,813,589 |
| 31 December 2012 | 5,037,748 | 7,565,944 | 2,550,127 | 3,535,043 | 18,688,862 |

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

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

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(III) Disposal of Assets

In accordance with the Notice of the General Office of the Provincial Government on Relevant Issues regarding the Removal and Relocation of Some Highway Toll Collection Points (Su Zheng Ban Fa [2012] No. 126) issued by the People's Government of Jiangsu Province on 6 July 2012, the Company would cease to collect tolls at Nanjing Toll Station, Luoshe Toll Station (including Yanqiao Point) and Xilin Toll Station of Shanghai-Nanjing Section of G312 from 8:00a.m. on 15 July 2012.

The total investment in Shanghai-Nanjing Section of G312 amounted to approximately RMB4.046 billion, which was taken as intangible assets -road operation rights for accounting by the Company in accordance with relevant provisions under the Accounting Standards for Business Enterprises. As at the end of July 2012, the accumulated amortisation of the operation rights amounted to approximately RMB1.675 billion and the net value was approximately RMB2.371 billion. After the removal of two stations and two points, the Company appointed Jiangsu Suyu Jincheng CPA Co., Ltd. (江蘇蘇亞金誠會計師事務所) to conduct special audit for the balance after amortisation of operation rights of toll roads. The audit result was that: as at 31 July 2012, the balance after amortisation of operation rights of the toll roads involved in the removal of two stations and two points amounted to RMB1,124 million. The Company has stopped the amortisation of the net asset value of operation rights of the toll roads involved in the removal of stations and points in August 2012.

After the removal of toll stations and points, the Company submitted an application to Jiangsu Provincial Government for compensation against the incurred economic losses, and received relevant reply on 31 December 2012. Jiangsu Provincial Government agreed to compensate the losses incurred by the removal of toll stations and points of Shanghai-Nanjing Section of G312 in accordance with the net asset value of operation rights corresponding to the removal of stations and points as confirmed in the audit by the qualified third party. The Company disposed of the intangible assets involved in the removal of stations and points of Shanghai-Nanjing Section of G312 in accordance with relevant requirements under the Accounting Standards for Business Enterprises in 2012, and confirmed that the compensation due from Jiangsu Provincial Government amounted to RMB1,124 million.

(IV) Analysis of Investments

1. Operations of Major Subsidiaries

| Name of company | Scope of business | Investment cost RMB' 000 | Equity of the Company (%) | Total assets RMB' 000 | Net assets RMB' 000 | Net profit RMB' 000 | Percentage over the Company's Net Profit (%) | Year-on-year |
|---|---|-----------------------------|------------------------------|--------------------------|------------------------|------------------------|---|--|
| | | | | | | | | increase/decrease on net profit (%) |
| Jiangsu Guangjing Xicheng Expressway Co., Ltd. | Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway in Jiangsu | 2,125,000 | 85 | 3,912,199 | 3,037,550 | 314,190 | 13.19 | -3.70 |
| Jiangsu Ninghu Investment Development Co., Ltd. | Investment in various infrastructure, industrial and assets investment | 95,000 | 95 | 293,794 | 274,905 | 15,261 | 0.64 | -23.95 |
| Jiangsu Ninghu Properties Co., Ltd. | Development and operation and consultancy of properties | 500,000 | 100 | 1,999,739 | 522,974 | 32,633 | 1.37 | — |

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- During the reporting period, Guangjing Xicheng realized an operating income of approximately RMB712,906,000, a decrease of approximately 1.26% over the last year; accumulated operating costs of approximately RMB279,379,000, an increase of approximately 3.05%; and operating profit of approximately RMB411,325,000, a decrease of approximately 5.90%. As Guangjing Xicheng Company invested in Yanjiang Company during the reporting period, resulting in new bank borrowings, the financial expenses increased significantly over the previous year, but given the income from investment contributed by Yanjiang Company and the dividends distributed from financial leasing, the income from investment realized during the reporting period increased by 78.73% over the previous year. The said factors led to the decrease in net profit of Guangjing Xicheng Company realized during the year by approximately 3.70%.
- Please refer to the details in “Business Review and Analysis of Operations” in this report for the operating status and change in results of Ninghu Investment and Ninghu Properties.

2. Operations of Major Associates

In 2012, the Group's investment income amounted to approximately RMB161,448,000, down by 19.86% year-on-year. The main reason for the decrease was the drop in profit of associates in which the Group had equity interests. Investment income contributed by associates, in which the Company had equity interests, amounted to approximately RMB133,213,000, representing a decrease of 29.93% as compared to 2011 and accounting for 5.59% of the Group's net profit. Operating results of major companies in which the Group had equity investments are as follows:

| Company name | Principal business | Investment cost (RMB'000) | Equity interest attributable to the Company % | Net profit RMB'000 | Share of investment income (RMB'000) | Proportion of net profit attributable to the Company % | Change over the previous year % |
|--|---|------------------------------|--|-----------------------|---|---|------------------------------------|
| Suzhou Sujiahang Expressway Co., Ltd. | Management and operation of the Jiangsu Section of Sujiahang Expressway | 526,091 | 33.33 | 202,937 | 67,589 | 2.84 | -24.48 |
| Jiangsu Kuailu Motor Transport Co., Ltd. | Road transportation, automobile repair and sales of automobiles and automobile parts and components | 49,900 | 33.2 | -2,989 | -3,571 | — | — |
| Jiangsu Yangtze Bridge Co., Ltd. | Mainly engaged in the management and operation of Jiangyin Yangtze Bridge | 631,159 | 26.66 | 180,097 | 48,014 | 2.02 | -50.23 |
| Jiangsu Yanjiang Expressway Co., Ltd. | Mainly engaged in the management and operation of Yanjiang Expressway | 1,466,200 | 32.26 | 48,220 | 21,176 | 0.89 | — |

- Due to the decreased toll revenue as a result of the impact of economic environment and adjustment of toll policies and an increase in cost expenses, resulting in a decrease in profit, investment income contributed by Sujiahang Expressway decreased by 24.48% during the year.

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- Under the impact of traffic diversions by the high-speed rail, Kuailu Company recorded loss during the reporting period and the investment income contributed by it decreased significantly.
- Taizhou Bridge, an associate invested by Yangtze Bridge during the year, was put into operation. The amortization of income at the preliminary stage of operation led to a decrease in profit.
- Under the impact of operating environment, the toll income of Yanjiang Company decreased over the previous year during the reporting period. In addition, Yanjiang Company disposed of its equity investment in Suzhou Raocheng in this financial year, resulting in the lower-than-expected actual investment income contributed by Yanjiang Company in this year.

(V) Analysis of Core Competitiveness

The core business of the Group is licensed operation of transportation infrastructure. Our operations are located in one of the most energetic economic regions in the PRC -the Yangtze River Delta. The roads and bridges owned or invested by the Group are the key land transport corridor of the two important industrial belts along the Yangtze River and Shanghai-Nanjing in the southern part of Jiangsu, putting us in a predominant position in the expressway network in southern Jiangsu. Unique geographical advantage, quality assets network and efficient operation system are distinct core competitive edges of the Group. Despite the relative monopoly nature of licensed operation of toll highways and bridges in certain regions as the tolling right is conferred on an exclusive basis, this business segment is susceptible to policy changes. During the reporting period, government authorities made some amendments to industry policy, resulting in adverse impact on the Company's principal business. Detailed discussion about the magnitude of such influence is set out in the analysis of operation environment.

(VI) Discussion and Analysis of Future Development

1. *Competition Pattern and Development Trend of the Industry*

◇ **Macroeconomic environment**

The macroeconomic pattern in 2013 will be that of a sustained and steady growth. The government will step up efforts to adjust the economic structure driven by expansion of domestic demands and urbanization of a new model, focusing on ensuring and improving people's livelihood, and achieving sustained and healthy economic development and a harmonious and stable society. In such a macro environment, as a major expressway operator serving the national economy and social development in southern Jiangsu region, the Group, with its "one core and two supports" business development strategy, faces ever more business opportunities, as the government pushes forward the urban-countryside integration and promotes consumption as the driver of economic growth.

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◇ **Competition pattern of the industry**

From the perspective of the development environment for regional transportation, the expressway networks in the Jiangsu Province, particularly the southern Jiangsu road network, are fairly developed. According to the second-stage plan for expressway construction for the Jiangsu Province, the mileage of expressways to be added during the “Twelfth Five-Year” Plan period will be in total of approximately 1,150 km. The new portion of expressways will be concentrated in the northern Jiangsu region. Therefore, there will be limited diversionary pressure from the newly constructed roads in the operating region of the Group. The railway transportation in the same region, due to its unique service functions and customer demands, complements and coordinates the development of highway transportation. Therefore, the competition pattern in respect of the business development of the Group’s toll roads will remain relatively stable going forward. Meanwhile, with increasing vehicle ownerships among civilians and escalating consumer spending, the demand for passenger and cargo transport on roads will continue to grow steadily, thereby driving the sustainable and steady development of the principal business of the Group.

◇ **Trend of toll road policies**

At present, changes to the policy climate regarding the toll road industry are taking place. Though it is still largely difficult for the government’s financial funds to satisfy the needs for road construction and repayment of remaining debt, toll roads will remain a key component of the state’s communication and transportation network in the long run. However, the public welfare property of toll roads will be further strengthened, as relevant industry policies are gradually tightening. The authorities of the industry have issued a series of policy adjustment measures, such as the green passage policy, gradual removal of toll collection on secondary roads with loan repayment by the government, rectification of toll roads, and free use of highways by passenger cars on major festivals and holidays, the implementation of which has brought great pressure and challenges to the development of the industry.

According to the work arrangements of the Ministry of Transport for 2013, the special rectification project for toll roads will be further pushed forward; relevant free-toll policy on major festivals and holidays will be improved; revision of the “Regulation on the Administration of Toll Roads” may be completed by the end of the year. However, as there is still much uncertainty as to the trend of policy development, the Group will take active countermeasures to policy changes.

2. *Development Strategies of the Company*

In 2012, the Board considered and approved the “Twelfth Five-Year” development plan of the Group and started full implementation. This plan determined the “233” strategic development system, that is, implementing the three strategies of “enhancement of principal business”, “business expansion” and “extension of platforms”, on the two bases of boosting the infrastructure operation and management capability and investment management capability, and preliminarily setting up the distribution framework of “one core and two supports” three sectors, thereby laying a solid foundation for mid- and long-term strategic transformation.

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Two supports will be regarded as the core competitiveness to fulfil the Company's sustained development. Infrastructure operation and management capability represents enhanced enterprise standardization, effectiveness and cost economics of the investment, construction, operation and management system for large-scale transportation infrastructure, based on the existing toll roads operation and management system, so as to prepare the Company for participating in the investment, construction, operation and management of other transportation infrastructure. Investment management capability shall be strongly cultivated based on the Company's capital-intensive industry characteristic and ample cash flow business characteristic, and is an objective need of the Company to fully exert the platform role of the capital market and further step up capital operation.

Three strategies put "enhancement of principal business" at the first place, as it is centred on enhancing the operation and management level of toll roads. The "business expansion" strategy focuses on investing in industries with same or similar profit models, operation and management requirements, high one-time capital input and high industry access threshold for the purpose of diversifying the form of principal business, and expanding the size of buy-and-hold commercial properties based on the existing development team and experience in the real estate sector, and proactively entering the equity investment business sector by virtue of the Company's steady cash flow advantage. The "extension of platforms" strategy is about maximizing assets income by fully exerting the function of the Company's capital operation platform, building a financing platform by exploring infrastructure industrial investment fund, and establishing a supporting fund management platform.

The distribution framework of three sectors refers to the formation of the "one core and two supports" three business sectors. Among which, one core is adhering to the Company's principal business of "transportation infrastructure and extension and development of the industrial chain". One support is the "development of urban residential and commercial properties" by leveraging the platform provided by Ninghu Properties; the other is the "equity investment" business by way of Ninghu Investment. The determination of business distribution marked the first step of the Company to achieve its sustainable development.

In 2013, guided by this development plan, the Group will vigorously push forward and preliminarily realize management and service modernization of the Shanghai-Nanjing Expressway, and further increase its contribution to economic and social development; steadily advance the implementation of the Company's "Twelfth Five-Year" Plan, improve the "1+3" platform, promote comprehensive development of the "one core and two supports" business, and lift the economic contribution of non-road-and-bridge sectors to the Company; further facilitate development of brand and corporate culture, build a harmonious enterprise and provide a strong internal driving force behind the Company's development.



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3. Operational Plan

◇ Revenue target

Based on the anticipation on the operating status and policy environment in 2013, the management believes that the Group's operations will face a certain amount of uncertainty. In view of this, the Group has set a target of achieving total revenue of more than RMB7,750,000,000 for 2013. Taking into account of increases in labour costs and other costs, the Group strives to incur operating costs and related costs of not more than RMB4,800,000,000 and to realize the net profit after tax of not less than RMB2,300,000,000, which remain on par with the target of 2012.

◇ Plans and Measures

The Group will implement the following key measures in 2013, in line with the overall business environment in 2013 so as to ensure that the profit target for the year can be achieved and that good planning preparations can be made for the future strategic development:

- (1) **Steadily advance implementation of the "Twelfth Five-Year" Plan.** By combining the indicators for operation and management modernization, the Group will further improve the strategic indicators system and establish a strategic management and assessment mechanism to strengthen strategy execution. Moreover, the Group will press ahead with strategic distribution in a stable, robust and orderly manner, improve the "1+3" platform, provide effective support to the three platforms in respect of management, service and resources, offer full support to human resources, capital and policy, further step up efforts to reform branches and subsidiaries, continuously adapt to the demand of market changes, and seek for more room for further development, in order to fulfil comprehensive and balanced development of all business sectors of the Group.
- (2) **Consolidate the development and extension of the principal toll collection business.** The Group will pay active attention to the changes of toll road-related policies, and prepare countermeasures to relevant risks; strengthen tracking of new investment projects, monitor the investment progress of the Changshu-Jiaxing and Zhenjiang-Danyang new projects, and accelerate the subsequent transfer process regarding the Zhenjiang branch line. In addition, the Group will continuously pay close attention to and study the investment opportunities in respect of expressways and other transportation infrastructure, explore and utilize expressway resources, and make due experiments and explorations on industry extension.
- (3) **Push forward diversified business expansion in an orderly manner.** According to industry policies and market conditions, Ninghu Properties will further adjust its development rhythm of real estate projects, and strive to realize the target of a total developed area of over 400,000 sqm, and sales and pre-sales volume of over RMB500 million in 2013, to raise its contribution to the revenue and profit of the Group. Meanwhile, Ninghu Properties will keep aware of market dynamics, look for opportunities for project investment, duly increase land reserves, and expand its business scale. Ninghu Investment shall actively promote the establishment of a real estate fund management firm, further study the operational model of real estate funds, ensure standard operation and risk control, build itself into the second financing platform of the Group, assist Ninghu Properties with capital demands for development of real estate projects, and pursue development and growth hand in hand.

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- (4) **Accelerate the process of modernization and informatization to boost service quality.** According to the modernization indicators system, the Group will lay down phased targets and relevant measures, monitor and inspect the achievement status and conduct accountability appraisal in attempts to let the public truly experience modernized management and services, and satisfy the travelling needs of the general public. The Group will also preliminarily complete the construction of a basic framework of the informatization system, develop an intensive management model integrating management, scheduling and control of expressways, and public services, and complete construction of the demonstration bases for the “smart expressway demonstration project in Jiangsu” (「江蘇省智慧高速公路示範工程項目」) and the “smart transportation ‘232 smooth network’ project of Jiangsu” (江蘇智慧交通「232暢通網」).
- (5) **Enhance internal fundamental management levels.** Aiming to push forward the Company’s transformation and upgrade, and realize higher levels of management enhancement, the Group will further strengthen various internal fundamental management work, deepen human resources reform based on the actual demands of strategic development, standardize internal control to effectively prevent operation and management risks, enhance recognition of corporate culture and brand planning, and increase development potential of the Company.

4. Capital Expenditure and Financing Plan

In 2013, the planned capital expenditure of the Group totalled approximately RMB870 million and major capital expenditure items include:

| Capital expenditure item | RMB'000 |
|--|---------|
| Construction of facilities, equipment and systems for monitoring, toll collection, communication, and lighting | 480,000 |
| Reconstruction of buildings | 130,000 |
| Investment in construction of Sujiayong Expressway | 100,000 |
| Investment in construction of Zhenjiang-Danyang Expressway | 100,000 |
| Other fixed assets and equipment | 60,000 |
| Total | 870,000 |

According to the capital expenditure plan and debt roll-over capital needs for 2013, the Group, while fully leveraging its own capital, will actively seek more convenient financing channels and lower-cost financing products, and raise funds by way of direct financing such as issuing short-term commercial papers, to reduce finance costs and resolve capital supply and demand conflicts. The total debt financing in the 2013 plan is RMB4 billion, specifically including roll-over issue of one-year short-term bonds in the amount of not more than RMB3 billion, issue of one-year non-public directed debt financing instruments in the amount of RMB500 million and 5-year mid-term notes in the amount of RMB500 million. In case of other capital expenditure demands on special occasions, the Group will adjust its financing plan based on the expenditure scale and actual cash flow condition.

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5. Possible Risks

As a listed company in the transportation infrastructure sector primarily engaged in the investment, construction, operation and management of toll roads and bridges, the Company has established the risk management system, involving the Company's strategy, planning, operation, decision-making and other aspects, in a bid to ensure achievement of its operational target and sustained and healthy development in the future. Amid its future strategic development, the Company will pay keen attention to the following risks and proactively take effective countermeasures:

(1) Risks associated with the macroeconomic environment

Risk analysis: Roads are a type of transportation infrastructure indispensable to the promotion of economic development, and macroeconomic growth, in turn, drives the growth of traffic volume, as the two are highly related. Macroeconomic growth directly affects the demand of road transportation, thus influencing the operating results of road operators.

Countermeasures: By analyzing the current economic condition and control objective, the Company will evaluate the impact of the macroeconomic trend on road transportation demands, analyze the economic development level surrounding road networks, traffic volume of road networks and the characteristics of changes in vehicle mix on a regular basis, and through timely analysis and countermeasures, strive to reduce the adverse impact of economic conditions on the Company's operation.

(2) Risks associated with industry policy changes

Risk analysis: The transportation infrastructure industry, with a pseudo-public nature, has always been strictly regulated by the government, so changes in the government's industry policies have a certain impact on toll road enterprises. Currently, the public welfare property of toll roads is increasingly strengthened, which may lead to adjustment to policies on toll roads. The special rectification project for toll roads will be further pushed forward, and the toll-free "green passage" policy and toll-free policies for major festivals and holidays further improved. There is still great uncertainty as to the future trend of policy development.

Countermeasures: The Company will take active measures to tackle changes in industry policies, and, while setting toll-free green passages at all toll stations, boost the sense of responsibility and inspection skills of front-line toll collectors, and step up inspection over vehicles enjoying preferential tolls for using green passages. During toll-free periods on major festivals and holidays, the Company will set special toll-free passages and erect clear signs, reinforce toll collection on vehicles charged normal tolls, and at the same time, analyze and study relevant industry policy adjustments, actively communicate with competent authorities, and do its utmost to safeguard the interest of the Company and investors.



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- (3) Risks associated with alternative means of transportation and traffic diversion of road networks

Risk analysis: With the rapid progress in construction of railway networks in the PRC, the construction of high speed railways has raised the passenger and cargo transport capability of railways, which poses a potential competition risk to road transportation. As far as the Yangtze River delta region (where the Company is located) is concerned, all the prefecture-level cities in Jiangsu, Shanghai and Zhejiang will meet the conditions to run CRH trains by the end of 2015. The arrival of a new transportation model will bring new competition pressure on the Company's road operation in the future. On the other hand, the expressway network is being further expanded and improved, with parallel and alternative lines continuously added, traffic diversion of road networks will generate negative impact on the growth of toll revenues of the Company.

Countermeasures: As regards the risks associated with alternative means of transportation and traffic diversion of road networks, the Company will actively communicate with the government and its peers in the sector, keep informed of road network plans and project construction status, and conduct special analysis on traffic diversion of road networks in advance. Meanwhile, the Company will preliminarily set up a modernization indicators system on the operation and management of Shanghai-Nanjing Expressway, realize quality facilities, safeness and smoothness, quality service, energy conservation and environment protection by means of informatization, devotedly build "caring", "smooth" and "smart" expressways, and enhance its leading position and competitiveness in road networks.

- (4) Risks associated with expiry of franchise rights

Risk analysis: Toll road assets, due to its franchise mode, are of a relative monopoly nature, but franchise rights are subject to certain limits on toll collection terms, upon maturity of which, road-operating enterprises face serious challenges in respect of sustained development.

Countermeasures: In response to the need for sustained development upon maturity of toll collection terms, the Company has formulated the "Twelfth Five-Year" development plan, aiming for long-term development. The Company has preliminarily set up the distribution framework of "one core and two supports" three sectors, and will actively expand development room in other related industries, gradually increase the percentage of non-principal business in its revenues and profit, curb over-dependence on the principal business of toll roads, and gradually achieve upgrade of industrial structure and sustained development.

- (5) Financial risks

Risk analysis: The toll road industry has such characteristics as high capital investment and long cycle for investment return, the gradual increase in depreciation, amortization, toll collection, maintenance and labour costs as well as changes in the market interest rates has a direct impact on the profitability of operating enterprises. Meanwhile, due to complicated and changing policies and market environments, direct financing in the capital market still involves certain risk relating to issuance.

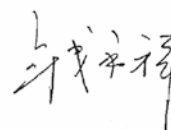
Countermeasures: By implementing all-round budget management, the Company will strictly control expenditure of all costs, boost capital utilization efficiency by strengthening internal capital management, procure favorable loan policies by reinforcing cooperation with banks, actively pursue more convenient financing channels and lower-cost financing products, raise funds by issuing corporate bonds and other direct financing means, optimize debt structure, reduce finance costs and resolve capital supply and demand conflicts.

REPORT OF THE DIRECTORS

(6) Risks associated with business expansion

Risk analysis: Based on its development strategy, the Company will proactively promote the distribution of “one core and two supports” three sectors. Due to relatively large difference between new business and the toll road business, failure to adapt to the new types of business in respect of market savvy, management model and human resources might affect the expansion of new business and thus bring risks to the overall development of the Group.

Countermeasures: As for the above risks, the Company, according to the external objective environment and its own actual conditions, will comprehensively consider the uniqueness of the industry and its merits and demerits, and formulate varied investment tactics and control models for different business sectors. Meanwhile, the Company will gradually adjust the organization structure and reform the management mechanism based on its strategic development need, vigorously establish strategy-oriented human resource planning, step up control over strategy implementation and effectively control risks associated with business expansion.



Qian Yong Xiang
Director and General Manager

Nanjing, the PRC
22 March 2013

III. Profit Distribution Policy and 2012 Profit Distribution Scheme

1. Profit Distribution Policy and Its Implementation

The Company's most important responsibility is to maintain stable long-term returns for our shareholders. The Company enhances its corporate value and maximizes shareholder returns through continued development. In order to establish a long-term cash dividend mechanism, the Company clarified in Article 18.8 of the Articles of Association: “The Company may distribute certain dividends by way of cash or bonus shares (or a combination of both) each year. The accumulative profits distribution in cash in the recent three years shall be no less than 30% of the average annual distributable profits in the same period.” The Company has been distributing cash dividends since its listing and the average dividend payout ratio is above 75%, providing investors opportunities to share the economic growth results of the Company.

During the reporting period, according to the requirement of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission, the Company revised the related clauses under Chapter XVIII “Profit Distribution” of the Articles of Association, setting out particulars of the cash dividend policy, so as to further improve the decision-making procedure and mechanism for cash dividend distribution. The decision-making procedure and mechanism set out in the amended profit distribution plan include:

1. The Company's annual profit distribution plan shall be proposed and formulated by the Board by reference to the Articles of Association, profits achieved by the Company and the supply and requirement of funds. When considering specific plan for distribution of cash dividends, the Board shall study and identify the timing, conditions and minimum proportion, conditions for adjustment and requirements for decision-making procedures involved for implementing the distribution of cash dividends, etc. Independent Directors shall explicitly express their independent opinions on the profit distribution plan. After being considered and approved by the Board, the profit distribution plan shall be proposed at the general meeting for shareholders' consideration and approval and be implemented afterwards.

REPORT OF THE DIRECTORS

- When convening a general meeting to consider a profit distribution plan, the Company shall provide sufficient access channels to encourage shareholders, especially minority shareholders, to attend and vote at the meeting. When the profit distribution plan is considered at the general meeting, the Company shall take the initiative to communicate and exchange views with shareholders, especially minority shareholders, giving due care to their interest and appeal and timely responding to their queries.
- When the Company has to, as required by its production and operation, investment plan and long-term development, adjust or change its profit distribution policy set out in the Articles of Association, and formulate or adjust its shareholders' return plan, for the purpose of protecting shareholders' interests, such adjustment or change shall be made after detailed consideration and discussions by the Board, for which the independent Directors shall explicitly express their opinions. Relevant proposals shall be submitted to the general meeting and passed by more than two thirds of voting rights represented by the shareholders present at the meeting.
- The supervisory committee of the Company shall supervise the implementation of the Company's profit distribution policy and shareholders' return plan by the Board, the adjustment to or change of Company's profit distribution plan by the Board, as well as the decision-making procedures of the Board and general meetings for profit distribution and its implementation.

2. 2012 Profit Distribution Scheme

In 2012, the Group realized an audited net profit attributable to the shareholders of the Company of approximately RMB2,333,345,000 and earnings per share of approximately RMB0.463. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of the Company has proposed to pay cash dividends of RMB0.36 per share (tax inclusive) to all shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2012 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

Cash dividends for the past three years:

Unit: RMB'000

| Item | 2012 | 2011 | 2010 |
|--|-----------|-----------|-----------|
| Cash dividends per share (RMB) | 0.36 | 0.36 | 0.36 |
| Cash dividends | 1,813,589 | 1,813,589 | 1,813,589 |
| Net profit attributable to shareholders of the Company | 2,333,345 | 2,429,750 | 2,484,404 |
| Cash dividend payout ratio | 77.72% | 74.64% | 73.00% |

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

REPORT OF THE DIRECTORS

Shareholders should note that the requirements under the “Circular on Some Policy Questions Concerning Individual Income Tax” (Cai Shui Zi [1994] No.20) regarding the dividends and bonuses received by foreign individuals from foreign investment enterprises that were temporarily exempted from individual income tax have ceased to be effective since 2011.

Pursuant to the letter entitled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies” issued by the Hong Kong Stock Exchange on 4 July 2011 (accompanied with a reply in Chinese from the State Administration of Taxation to the Hong Kong Inland Revenue Department issued on 28 June 2011) (the “Stock Exchange Letter”), the overseas resident individual shareholders of the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements inked between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau).

The Company will finally withhold and arrange for the payment of the relevant tax pursuant to the above Stock Exchange Letter and other relevant laws and regulations, including the “Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled to Non-residents under Tax Treaties (Tentative)” (Guo Shui Fa [2009] No.124) (the “Tax Treaties Notice”). The Company will determine the country of domicile of the individual H Shareholders based on their registered address as recorded in the registers of the members of the Company on the record date for the final dividend for the year ended 31 December 2012 (the “Registered Address”). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Shareholders or any disputes over the withholding mechanism or arrangements.

H Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.

IV. Performance of Social Responsibility

The Board of the Company has prepared the 2012 Corporate Social Responsibility Report to disclose the performance of social responsibility of the Company during the year. The contents include the efforts of the Company in respect of promoting the economy of the region and maintaining the legitimate rights and interests of lenders, consumers, staff, communities, and other stakeholders; and the measures taken by the Company in respect of environmental protection, energy conservation and emission reduction and realization of sustainable development. Full text of the 2012 Corporate Social Responsibility Report has been posted on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).



SIGNIFICANT MATTERS

I. Material Litigation or Arbitration and Generally Questioned Issues by the Media

The Company or its subsidiaries were neither involved in any material litigation, arbitration or matters generally questioned by the media during the Reporting Period, nor was the Company or its subsidiaries involved in any material litigation or arbitration before and until the reporting period.

II. Appropriation of Funds by Related Parties

During the Reporting Period, no appropriation of funds on a non-operating basis by the Controlling Shareholder or its subsidiaries was found in the Company. Deloitte, the auditors of the Company for the Year, conducted a special audit and produced the Special Statement on Funds Appropriation by the Controlling Shareholder and other Related Parties of Jiangsu Expressway Company Limited (《關於江蘇寧滬高速公路股份有限公司控股股東及其他關聯方資金佔用情況的專項說明》) .

III. Bankruptcy and Restructuring

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

IV. Asset Transactions

1. Capital contribution to Yanjiang Company by way of registered capital enlargement

During the Reporting Period, Guangjing Xicheng, a subsidiary of the Company, made a cash contribution of RMB1,466,200,000 to Yanjiang Company in the subscription of approximately 32.26% of the enlarged registered capital of Yanjiang Company, by way of registered capital enlargement. Please refer to the announcement of the Company on related party/connected transaction published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 26 March 2012 for details of the transaction.

2. Disposal of Zhenjiang branch of Shanghai-Nanjing Expressway

In order to expedite the development and the urbanization process in the southern area of Zhenjiang and promote the economic development of the city, the Municipal Government of Zhenjiang proposes to acquire from the Company and renovate the Zhenjiang branch of Shanghai-Nanjing Expressway. To support the local economic development and safeguard the Company's interests as well, the Company held the third meeting of the seventh session of the Board on 17 August 2012 where the resolution on the disposal of the Zhenjiang branch of Shanghai-Nanjing Expressway was considered and passed, approving the disposal of the operating right of the toll roads along the 9.225km-long Zhenjiang Branch of Shanghai-Nanjing Expressway and the relevant property rights to Zhenjiang Transport Bureau. The appraised net book value of relevant assets was RMB130,752,000 as at the valuation base date (being 30 June 2012) and the consideration for the disposal was RMB210,084,000. Please refer to the interim announcement of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>) on 10 September 2012 for details of the transaction. At present, disposal of the asset is going through the government's administrative approval procedures.



SIGNIFICANT MATTERS

3. Investment in new project for expressway construction

To further expand its principal business, the Company considered and approved an investment in a new project for the construction of the Zhenjiang New District-Danyang section of the Taizhou-Zhenjiang Expressway (the "Project") at the fourth meeting of the seventh session of the Board on 26 October 2012. According to the feasibility report on the Project, the Project pertains to a dual 4 lane expressway of a length of 21.7 km. Total investment of the Project is expected to amount to approximately RMB1.63 billion, 35% of which comes from the project capital, and the remaining construction fund shall be raised by way of bank loans. 70% of the project capital, namely RMB400 million, will be contributed by the Company. Please refer to the announcement of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 29 October 2012 for investment details of the project.

The Project is the southern extension of the cross-river pathway of Taizhou highway, directly connecting Shanghai-Nanjing Expressway; therefore, upon completion of the Project, it will become a most expedite passage linking north, central and south Jiangsu, with distinct geographical advantages. Due to its relatively small investment scale but relatively high traffic concentration among road networks, the Project has certain investment value. According to the financial evaluation in the feasibility report, the internal rate of return on the Project's own funds was preliminarily estimated at approximately 9% which was a relatively high investment return compared to the current expressway projects under construction or proposed expressway projects in the province. Currently the Project has entered the stage of project initiation and approval.

V. Implementation of Share Incentive Scheme

The Company does not implement any share incentive scheme at the moment.

VI. Material Related Party/Connected Transactions

1. Major Related Party/Connected Transactions Relating to Day-to-Day Operation

During the Reporting Period, the major related party/connected transactions relating to day-to-day operations of the Company were as follows:

| Related party/ connected person | Sale of products or provision of services to related party//connected person | | Purchase of products or receipt of services from related party//connected person | |
|------------------------------------|--|---|--|---|
| | Transaction amount <i>RMB'000</i> | Percentage on transaction amount of the same type (%) | Transaction amount <i>RMB'000</i> | Percentage on transaction amount of the same type (%) |
| Jiangsu Sundian | 1,690 | 16.70 | 23,078 | 49.51 |
| Network Operation Company | 4,460 | 44.07 | 23,536 | 50.49 |
| Jiangsu Petroleum | 3,971 | 39.23 | — | — |
| Total | 10,121 | 100 | 46,614 | 100 |

SIGNIFICANT MATTERS

(1) *Road Maintenance Service Contracts with Jiangsu Sundian*

On 23 March 2012, the Company and its subsidiary, Guangjing Xicheng, entered into separate maintenance service contracts with Jiangsu Sundian, in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, and Guangjing Expressway and Xicheng Expressway respectively, for a term commencing on 23 March 2012 and ending on 31 December 2012. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB30 million and RMB30 million, respectively. As Jiangsu Communications Holdings Company Limited ("Communications Holdings"), the Controlling Shareholder of the Company, and its associates hold more than 30% equity interests in Jiangsu Sundian, Jiangsu Sundian is a related party and a connected person of the Company. The relevant transaction constituted a continuing connected transaction of the Company.

Please refer to the announcement on related party transaction of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>) on 26 March 2012 for details of the transaction. As at the end of the Reporting Period, the actual amount of the two contracts was RMB19,600,00 and RMB3,478,000, respectively.

(2) *Technical Services Provided by Network Operation Company*

During the Reporting Period, the Company and Guangjing Xicheng continued to perform the technical services agreement with Network Operation Company. The term of the agreement commenced on 1 January 2012 and will end on 31 December 2014. The service fee payable to Network Operation Company shall be based on the standards as approved by the Jiangsu Price Bureau. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to non-cash income. Based on the fees actually paid in 2011 and the forecast for the toll income and the toll income mix of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway for the next three years, it is estimated that the maximum annual service fee for 2012, 2013 and 2014 will not exceed RMB34 million, RMB46 million and RMB64 million.

Network Operation Company was jointly established by the Company's Controlling Shareholder, Communications Holdings, and its road and bridge subsidiaries. Communications Holdings is the largest shareholder directly and indirectly holding over 30% equity interests, while the Company and Guangjing Xicheng each holds approximately 4.42% equity interests in Network Operation Company, which is therefore a related party and a connected person of the Company. Such transaction constituted a continuing connected transaction relating to the day-to-day operations of the Company.

Please refer to the announcement on related party/connected transaction of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>) on 31 December 2011 for details of the transaction. As at the end of 2012, the Group paid in aggregate RMB23,536,000 of service fees to Network Operation Company.

(3) *Leasing of Operation of Petroleum Products Sales Business*

During the Reporting Period, Guangjing Xicheng, the Company's subsidiary, renewed the leasing agreement in respect of its petroleum products sales business at the petrol station in the Yanqiao Service Area with Jiangsu Petroleum for a period of three years from 1 January 2012 to 31 December 2014. Under the agreement between both parties, the leasing fee will be calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee payable to Guangjing Xicheng by Jiangsu Petroleum amounting to RMB500,000 per annum. Jiangsu Petroleum is a related/connected person which is held as to 51.17% equity interests by the Company's Controlling Shareholder. Such transaction constituted a continuing connected transaction relating to day-to-day operations.

During the Reporting Period, Jiangsu Petroleum paid leasing fees to Guangjing Xicheng amounting to RMB3,971,000 in aggregate. As the leasing fees are less than 0.1% of the audited consolidated total assets of the Company as at 31 December 2011, the audited consolidated revenue for 2011 and market value of the Company at that time, the transaction was exempt from reporting, announcement and independent shareholder's approval requirements under Rule 14A.33(3) of the Hong Kong Listing Rules.

SIGNIFICANT MATTERS

(4) *Leasing of Offices*

On 19 August 2011, the Company renewed property leasing agreements with its related/connected parties Jiangsu Sundian and Network Operation Company, respectively, pursuant to which, the Company would lease the offices located in No. 2 Xianlin Avenue and No. 189 Maqun New Street to Jiangsu Sundian and Network Operation Company, respectively with leasing terms commencing on 1 September 2011 and ending on 31 August 2014. Given that the use of the two office premises is limited to some extent and that the service provided by Jiangsu Sundian and Network Operation Company is on a long-term basis, all parties agreed to keep the annual rental unchanged at RMB1.69 million and RMB4.46 million, respectively after friendly negotiation. During the reporting period, the Group has included in its operating revenue the relevant office rentals received from Jiangsu Sundian and Network Operation Company, respectively.

As the leasees is held as to 30% or more by Communications Holdings (the controlling shareholder of the Company) and its associates and the two transactions are both relating to property leasing agreements, they shall be calculated on aggregate basis under the Rule 14A.27 of the Hong Kong Listing Rules although the leasees are different parties. The annual leasing fees under Network Operation Company property leasing agreement amounted to RMB4,460,000 and the annual leasing fees under Jiangsu Sundian property leasing agreement amounted to 1,690,000, both of which are less than 0.1% of the audited consolidated total assets of the Company as at 31 December 2010, consolidated total assets of the Company as at 30 June 2011, the audited consolidated revenue for 2011 and market value of the Company at that time, the transactions were exempt from reporting, announcement and independent shareholder's approval requirements under Rule 14A.33(3) of Hong Kong Listing Rules.

2. **Related Party/Connected Transactions Relating to Asset Acquisition and Disposal**

During the Reporting Period, Guangjing Xicheng, a subsidiary of the Company, made a cash contribution of RMB1,466,200,000 to Yanjiang Company in the subscription of approximately 32.26% of the enlarged registered capital Yanjiang Company by way of registered capital enlargement. As the Controlling Shareholder of the Company is interested in approximately 80.12% of the original registered capital of Yanjiang Company, the transaction constituted a related party/connected transaction. The Company has performed its reporting and announcement duties under the relevant requirement and obtained approval by shareholders at the general meeting held on 19 June 2012. Please refer to the announcement of the Company on related party/connected transaction published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 26 March 2012 and the circular dated 23 April 2012 for details of the transaction.

3. **Capital Dealings with Related/Connected Parties**

Unit: RMB'000

| Related Parties | Provide funding to related parties | | Related Parties provide funding to the Company | |
|-------------------|------------------------------------|---------|--|---------|
| | Amount | Balance | Amount | Balance |
| Far East Shipping | 0 | 0 | 200,000 | 150,000 |
| Total | 0 | 0 | 200,000 | 150,000 |

SIGNIFICANT MATTERS

On 10 May 2012 and 4 July 2012, the Company secured two loans of RMB100,000,000 each from Far East Shipping, a related party, by way of entrusted loan with a term of one year at an annual interest rate of 6.56% and 6.31% respectively. The Company repaid RMB50,000,000 in advance in the Reporting Period, and the remaining balance was RMB150,000,000 as at the end of Reporting Period. As the entrusted loan constitutes financial assistance which is provided on normal commercial terms and no security over the assets of the Company is granted in respect of the financial assistance, the transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under the Rule 14.65(4) of the Hong Kong Listing Rules.

4. Confirmation Opinion by Independent Non-executive Directors on Related Party/ Connected Transactions

The Independent Non-executive Directors of the Company have reviewed all related party/connected transactions and confirmed that:

- (1) Such transactions were conducted in the usual course of business of the Company;
- (2) Such transactions were conducted on normal commercial terms or, if transactions available for comparison were insufficient to determine whether the terms of such transactions are normal commercial terms, from the perspective of the Company, the terms of such transactions were no less favorable than the terms offered to or by (as the case may be) independent third parties; and
- (3) Such transactions were conducted in accordance with the terms of the agreements governing relevant transactions. The transaction terms were fair and reasonable and in the best interests of the Company's shareholders as a whole.

5. Confirmation Opinion from the Auditor on Continuing Connected Transactions

Deloitte, having been advised that the continuing connected transactions would be disclosed in the 2012 annual report of the Company, has reviewed those connected transactions and issued a letter to the Board to confirm that the continuing connected transactions:

- (1) have been approved by the Board of the Company;
- (2) were carried out based on the pricing policy of the Company if the transaction involves provision of goods or services by the Company;
- (3) were carried out in accordance with terms of relevant agreements; and
- (4) have not exceeded the caps as disclosed in the previous announcements.

6. Related party transactions in the Notes to the Financial Statements of the Company for 2012

The related party transactions set out in Note 7 and Note 12 to the Financial Statements of the Company for 2012 are in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules:

SIGNIFICANT MATTERS

1. Note VII.5 to the financial statements of the Company- Related Party Transactions

(1) Sales and purchase of goods, provision and receipt of services

| Related party | Type of related party transactions | Details of related party transaction | Whether or not constituting connected transaction/ continuing connected transaction (connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|---------------------------|------------------------------------|--|--|---|
| Kuailu Co., Ltd. | Goods sold | Petrol fee | No (investee company of the Company) | N/A |
| Kuailu Co., Ltd. | Service provided | Toll road fee | No (investee company of the Company) | N/A |
| Yangtze Bridge | Service provided | Toll service expenses | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Network Operation Company | Service provided | Management fee for toll road system management and maintenance | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (published an announcement on 30 December 2011) |
| Jiangsu Sundian | Service provided | Road maintenance fee | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (published an announcement on 23 March 2012) |
| Jiangsu Sundian | Goods sold | Petrol fee | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Nanlin Hotel | Service received | Food and beverage and accommodation | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Far East Shipping | Financing | Interest of entrusted loan | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.65(4)) |
| Communications Holdings | Assets transfer | House transfer | Connected transaction (the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.31(2)(a)) |



SIGNIFICANT MATTERS

(2) Leases with related parties

| Name of lessor | Name of lessee | Type of leased assets | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|-------------------|---------------------------|-----------------------|---|---|
| The Company | Network Operation Company | Buildings lease | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| The Company | Sundian | Buildings lease | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Guangjing Xicheng | Jiangsu Petroleum | Petrol business lease | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |

(3) Guarantees with related parties

| Guarantor | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|------------------------|---|---|
| Communications Holding | Continuing connected transaction (substantial shareholder of the Company) | Yes (exempt from the announcement requirement according to Rule 14A.65(4)) |

(4) Borrowings/loans with related parties

During the year:

| Related party | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|-------------------|---|---|
| Borrowed from: | | |
| Far East Shipping | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.65(4)) |
| Far East Shipping | Continuing connected transaction (associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.65(4)) |

SIGNIFICANT MATTERS

(5) Compensation for key management personnel

| Item | Whether or not constituting a connected transaction/continuing connected transaction(connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|---|--|---|
| Compensation for key management personnel | Continuing connected transaction(Directors and General Manager of the Company) | Yes (exempt from the announcement requirement according to Rule 14A.31(6)) |

2. Note XII.31 to the financial report of the Company- Related Party Transactions

(1) Sales and purchase of goods, provision and receipt of services

| Related party | Type of related party transactions | Details of related party transaction | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship) | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|---------------------------|------------------------------------|--|---|---|
| Kuailu Co., Ltd. | Goods sold | Petrol fee | No (investee company of the Company) | N/A |
| Kuailu Co., Ltd. | Service provided | Toll road fee | No (investee company of the Company) | N/A |
| Jiangsu Sundian | Service received | Road maintenance fee | Continuing connected transaction(associate of the Company's substantial shareholder) | Yes (published an announcement on 23 March 2012) |
| Jiangsu Sundian | Goods sold | Petrol fee | Continuing connected transaction(associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Network Operation Company | Service received | Management fee for toll road system management and maintenance | Continuing connected transaction(associate of the Company's substantial shareholder) | Yes (published 30 December 2011) |
| Guangjing Xicheng | Financing | Interest of entrusted loan | No (a 85% subsidiary of the Company) | N/A |
| Far East Shipping | Financing | Interest of entrusted loan | Continuing connected transaction(associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.65(4)) |
| Ninghu Investment | Financing | Interest of entrusted loan | No (a 95% subsidiary of the Company) | N/A |
| Yangtze Bridge | Service received | Toll service expenses | Continuing connected transaction(associate of the Company's substantial shareholder) | Yes (exempt from the announcement requirement according to Rule 14A.33(3)) |
| Communications Holding | Asset transfer | House transfer | Connected transaction(substantial shareholder of the Company) | Yes (exempt from the announcement requirement according to Rule 14A.31(2)(a)) |

SIGNIFICANT MATTERS

(2) Leases with related parties

| Name of lessor | Name of lessee | Type of leased assets | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship); | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|-------------------|---------------------------|-----------------------|--|---|
| The Company | Network Operation Company | Buildings lease | Continuing connected transaction (associate of the substantial shareholder of the Company) | Yes (exempt from the announcement requirement under Rule 14A.33(3)) |
| The Company | Jiangsu Sundian | Buildings lease | Continuing connected transaction (associate of the substantial shareholder of the Company) | Yes (exempt from the announcement requirement under Rule 14A.33(3)) |
| Ninghu Investment | The Company | Buildings lease | No (a 95% subsidiary of the Company) | N/A |

(3) Guarantees with related parties

| Guarantor | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship); | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|------------------------|--|---|
| Communications Holding | Continuing connected transaction (substantial shareholder of the Company) | Yes (exempt from the announcement requirement under Rule 14A.65(4)) |



SIGNIFICANT MATTERS

(4) Borrowings/loans with related parties

During the year:

| Related party | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship); | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|-------------------|--|---|
| Borrowed from: | | |
| Far East Shipping | Continuing connected transaction (associate of the substantial shareholder of the Company) | Yes (exempt from the announcement requirement under Rule 14A.65(4)) |
| Far East Shipping | Continuing connected transaction (associate of the substantial shareholder of the Company) | Yes (exempt from the announcement requirement under Rule 14A.65(4)) |
| Ninghu Investment | No (a 95% subsidiary of the Company) | N/A |
| Lent to: | | |
| Ninghu Properties | No (a wholly-owned subsidiary the Company) | N/A |

(5) Compensation for key management personnel

| Item | Whether or not constituting a connected transaction/continuing connected transaction (connected relationship); | Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules |
|---|--|---|
| Compensation for key management personnel | Continuing connected transaction (Directors and General Manager of the Company) | Yes (exempt from the announcement requirement under Rule 14A.31(6)) |

VII. Material Contracts and Their Fulfillment

1. Trust, Subcontracting and Leasing

During the Reporting Period, the Company had no material trust and subcontracting.

During the Reporting Period, the leasing matters of the Company mainly included the leasing of operation of the petroleum products sales business to Jiangsu Petroleum, and the leasing of offices to Jiangsu Sundian and Network Operation Company. For details, please refer to "Material Related Party/Connected Transactions" of this Chapter.

SIGNIFICANT MATTERS

2. Material Guarantees and Pledge of Assets

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

3. Other Material Contracts

During the Reporting Period, the Company and its subsidiaries did not enter into any material contract with or provide any loan to the Controlling Shareholder of the Company or its subsidiaries or related parties. Save for the contracts disclosed above, the Company did not enter into any service or management contract with any person, enterprise or legal entity.

VIII. Undertakings and Fulfillment of Undertakings

1. As at the date of publication of the annual report, no unfulfilled undertaking in respect of operating results exists.
2. As at the date of publication of the annual report, neither the Company nor shareholders holding more than 5% of the shares of the Company had any unfulfilled undertaking in respect of asset injection or asset integration.

IX. Appointment of Auditors

The reappointment of Deloitte Touche Tohmatsu CPA Ltd. as the domestic auditor of the Company for 2012 was approved at the Company's 2011 Annual General Meeting. The audit fees amounted to RMB2,100,000 for the Year. Deloitte Touche Tohmatsu CPA Ltd., a practicing certified public accountants firm approved by the Ministry of Finance and the CSRC to act as a reporting accountant and/or an auditor for Mainland incorporated companies listed in Hong Kong, was engaged to audit the financial statements of the Company for the fiscal year ended 31 December 2012 prepared under the PRC Accounting Standards and to undertake the duties required to be performed by international auditors in accordance with the Hong Kong Listing Rules.

Deloitte Touche Tohmatsu CPA Ltd. was also appointed as the internal control auditor of the Company for 2012 at the general meeting. The audit fee was RMB680,000.

Deloitte Touche Tohmatsu CPA Ltd. has been providing audit services to the Company for ten consecutive years since 2003. In 2008 and 2010, such auditing firm changed the partner responsible for the audit services provided to the Company.

Deloitte Touche Tohmatsu CPA Ltd. has changed its name to be Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) since 1 January 2013.

X. Regulatory Sanctions and Rectification

During the Reporting Period, there was no major administrative punishment, reprimand or other public condemnation imposed against the Company or any of its Directors, supervisors, senior management members and de facto controller by regulatory authorities.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. Changes in Share Capital

During the Reporting Period, there has been no change to the total number of shares of the Company. The circulating shares with selling restrictions were listed and circulated in batches after the share segregation reform and after the conditions for selling restrictions had been fulfilled and the relevant formalities had been completed. Therefore, the Company's share capital structure has been changed.

Unit: Shares

| | Prior to current movement | | Current Movement (+,-) | After current movement | |
|--|---------------------------|------------|---|------------------------|------------|
| | Number of shares | Proportion | The circulation of shares subject to selling restrictions | Number of shares | Proportion |
| I. Shares subject to selling restrictions | 50,202,745 | 1% | -3,294,000 | 46,908,745 | 0.93% |
| 1. State-owned shares | — | — | — | — | — |
| 2. State-owned legal person shares | — | — | — | — | — |
| 3. Other domestic shares | 50,202,745 | 1% | -3,294,000 | 46,908,745 | 0.93% |
| Including: Domestic legal person shares | 50,202,745 | 1% | -3,294,000 | 46,908,745 | 0.93% |
| Domestic natural person shares | — | — | — | — | — |
| 4. Foreign shares | — | — | — | — | — |
| Including: Foreign legal person shares | — | — | — | — | — |
| Foreign natural person shares | — | — | — | — | — |
| II. Circulating shares not subject to selling restrictions | 4,987,544,755 | 99% | 3,294,000 | 4,990,838,755 | 99.07% |
| 1. RMB-denominated ordinary shares | 3,765,544,755 | 74.74% | 3,294,000 | 3,768,838,755 | 74.81% |
| 2. Domestic listed foreign shares | — | — | — | — | — |
| 3. Foreign listed foreign shares | 1,222,000,000 | 24.26% | — | 1,222,000,000 | 24.26% |
| 4. Others | — | — | — | — | — |
| III. Shares in total | 5,037,747,500 | 100% | — | 5,037,747,500 | 100% |



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

1. Approval of changes in status of shares

During the Reporting Period, a total of 3,294,000 shares of the Company subject to selling restrictions satisfied relevant restriction-lifting conditions. The Company completed the formalities for the release of the restriction on circulation pursuant to the relevant requirements. The restriction was lifted and the right to trade and circulate the shares was granted on 17 August 2012 after an application for circulation was submitted by the Company to the State-owned Assets Supervision and Administration Commission of the Jiangsu Province, the SSE and the China Securities Depository and Clearing Corporation Limited Shanghai Branch for examination and approval.

2. Changes in shares with selling restrictions

Unit: Shares

| Name of shareholder | Number of shares with selling restrictions at the beginning of the year | Number of shares with released selling restrictions of the year | Increased number of shares with selling restrictions of the year | Balance of shares with selling restrictions at the end of the year | Reason for selling restrictions | Date of releasing selling restrictions |
|-----------------------------------|---|---|--|--|---|--|
| Domestic legal person shareholder | 50,202,745 | 3,294,000 | 0 | 46,908,745 | The procedures of listing and circulation have not been completed | 2012-8-17 |
| Total | 50,202,745 | 3,294,000 | 0 | 46,908,745 | — | — |

As at the end of the Reporting Period, the Company has not completed the listing and circulation procedures for 46,908,745 shares which have satisfied the conditions for circulation. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the completion of the share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make the listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirements of the SSE.

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

II. Issues and Listings of Shares and Bonds

1. The Company issued 1,222 million H shares at HK\$3.11 per share which were listed on the Hong Kong Stock Exchange on 27 June 1997.
2. The Company issued 150 million domestic public shares (A shares) to domestic investors at the issue price of RMB4.20 per share. The issue of shares was launched from 22 December to 23 December 2000 by means of online pricing issue and placing to investors from the secondary market. The shares were listed on the SSE on 16 January 2001.
3. The Company's Sponsored Level I ADR was effective on 23 December 2002 and the shares have been traded in the over-the-counter market in the United States.
4. The Company implemented the Share Segregation Reform on 16 May 2006. The non-circulating shareholders transferred consolidation of 48,000,000 shares to the circulating A shareholders at no price. As such, the number of circulating A shares was increased from 150,000,000 shares to 198,000,000 shares. The total number of the shares has not been changed under the Share Segregation Reform.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- Since 16 May 2007, the circulating shares with selling restrictions were listed and circulated in batches after the conditions for selling restrictions had been satisfied and the relevant formalities had been completed. The first batch totaling 103,260,554 shares, the second batch totaling 36,073,799 shares, the third batch totaling 11,819,527 shares, the fourth batch totaling 57,644,500 shares, the fifth batch totaling 14,087,700 shares, the sixth batch totaling 2,851,900 shares, the seventh batch totaling 4,827,000 shares, the eighth batch totaling 4,091,873 shares, the ninth batch totaling 3,331,637,902 shares, the tenth batch totaling 1,250,000 shares, and the eleventh batch totaling 3,294,000 shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011 and 17 August 2012, respectively. As at the end of the Reporting Period, the number of circulating A shares was increased to 3,768,838,755 shares, representing 74.81% of the Company's total share capital. The total number of shares has not been changed as a result of the circulation of shares.
- The Company issued RMB1.1 billion corporate bonds via on-line and off-line from 28 July 2008 to 30 July 2008. The corporate bonds bore a coupon rate of 5.40% p.a. with a term of three years. The corporate bonds were listed on the SSE on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010", and the principal and the interest thereon were paid back on 28 July 2011.

| Category of shares and/ their derivative securities | Issue date | Issue price (or interest rate) | Size of issue | Listing date | Trading quantity with listing approval | Expiration date of trading |
|--|---------------------|--------------------------------------|-------------------------|--------------------|---|----------------------------------|
| H Shares | 27 June 1997 | HK\$3.11 | 1,222 million shares | 27 June 1997 | 1,222 million shares | N/A |
| A Shares | 23 December 2000 | RMB4.20 | 1,500 million shares | 16 January 2001 | 1,500 million shares | N/A |
| Corporate bonds | 28 July 2008 | 5.4% | RMB1.1 billion | 12 August 2008 | RMB1.1 billion | 28 July 2011 |

III. Major Shareholders

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

| | At the end of 2012 | At the end of the 5 trading days before disclosure of the annual report |
|------------------------------|-----------------------|--|
| Total number of shareholders | 44,447 | 42,993 |



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

2. Shareholdings of Major Shareholders of the Company

(1) As at 31 December 2012, shareholdings of the top ten shareholders of the Company were as follows:

| Name of shareholder | Change during the Reporting Period | Number of shares held at the end of the reporting period (shares) | Shareholding percentage (%) | Number of share held subject to selling restrictions | Number of shares pledged or frozen | Type of shareholder |
|---|------------------------------------|--|--------------------------------|--|------------------------------------|--------------------------|
| Jiangsu Communications Holdings Company Limited | 0 | 2,742,578,825 | 54.44 | 0 | 0 | State-owned legal person |
| China Merchants Huajian Highway Investment Co., Ltd. | 0 | 589,059,077 | 11.69 | 0 | 0 | State-owned legal person |
| Mondrian Investment Partners Limited | 12,370,000 | 98,190,000 | 1.95 | 0 | Unknown | Foreign legal person |
| Blackrock, Inc. | -2,801,702 | 71,876,576 | 1.43 | 0 | Unknown | Foreign legal person |
| JPMorgan Chase & Co. | 61,855,104 | 61,855,104 | 1.23 | 0 | Unknown | Foreign legal person |
| Matthews International Capital Management, LLC | 61,134,000 | 61,134,000 | 1.21 | 0 | Unknown | Foreign legal person |
| Jiantou Zhongxin Asset Management Co., Ltd. | | 21,410,000 | 0.42 | 0 | Unknown | Others |
| China Pacific Life Insurance Co., Ltd. | | 20,472,176 | 0.41 | 0 | Unknown | Others |
| Guotai Junan Securities Co., Ltd. | | 18,198,391 | 0.36 | 0 | Unknown | Others |
| Morgan Stanley Investment Management Company Limited - Morgan Stanley China A Shares Fund | | 14,509,834 | 0.29 | 0 | Unknown | Others |

Notes: About shareholdings of the top ten shareholders:

- (a) The Company is not aware of any of the above shareholders who are connected to each other or acting in concert;
- (b) During the Reporting Period, no connected persons, strategic investors or general legal persons became one of the top ten shareholders of the Company as a result of the placement of new shares;
- (c) The numbers of shares held by holders of foreign legal person were based on register required to be maintained under the Securities and Futures Ordinance of Hong Kong.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (2) As at 31 December 2012, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

| Name of shareholder | Number of shares as at the end of the Reporting Period (shares) | Type of shares |
|---|---|---------------------------------|
| Jiangsu Communications Holdings Company Limited | 2,742,578,825 | RMB-denominated ordinary shares |
| China Merchants Huajian Highway Investment Co., Ltd | 589,059,077 | RMB-denominated ordinary shares |
| China Pacific Life Insurance Co., Ltd - Tradition - Ordinary Insurance Product | 20,472,176 | RMB-denominated ordinary shares |
| Guotai Junan Securities Co., Ltd. | 18,198,391 | RMB-denominated ordinary shares |
| Morgan Stanley Investment Management Company Limited - Morgan Stanley China A Shares Fund | 14,509,834 | RMB-denominated ordinary shares |
| Gao Hua - HSBC - GOLDMAN, SACHS & CO. | 13,789,158 | RMB-denominated ordinary shares |
| MERRILL LYNCH INTERNATIONAL | 8,529,725 | RMB-denominated ordinary shares |
| Kunshan Municipal Land Development Centre | 7,500,000 | RMB-denominated ordinary shares |
| BILL & MELINDA GATES FOUNDATION TRUST | 7,328,527 | RMB-denominated ordinary shares |
| Jiangsu Electric Power Company | 6,534,627 | RMB-denominated ordinary shares |

- (3) As at 31 December 2012, the shareholdings of shareholders subject to selling restrictions and their selling restrictions:

| No. | Name of shareholders 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 | Jiantou Zhongxin Asset Management Co., Ltd.. | 21,410,000 | 16 May 2007 | 0 | Note 1 |
| 2 | Other public legal person shares | 25,498,745 | 16 May 2007 | 0 | Note 1 |

Note 1: Prior consent shall be obtained from the non-circulating shareholders who have advanced the consideration on behalf of the relevant shareholders and that the consideration so advanced shall be repaid by the relevant non-circulating shareholder. For repayment, the relevant (advancee) shareholders may opt to transfer the amount of shares being advanced or to pay in cash in an amount calculated in accordance with the average closing price of the five trading days following the implementation date of the Company's Share Segregation Reform for the consideration shares. Application for the listing status of such shares will then be submitted by the Company to the stock exchange.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (4) As at 31 December 2011, as far as the Company is aware, the following individuals held 5% or more of the interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

| Name | Capacity | Direct interests | Number of H shares held | Percentage of H shares (total shares) |
|---|------------------------------------|------------------|-------------------------|---------------------------------------|
| Jiangsu Communications Holdings Company Limited. | Others | Yes | 2,742,578,825(L) | (54.44%) |
| China Merchants Group Limited/ China Merchants Huajian Highway Investment Co., Ltd (1) | Others | Yes | 589,059,077(L) | (11.69%) |
| Mondrian Investment Partners Limited | Investment manager | Yes | 98,190,000(L) | 8.04% (1.95%) |
| Blackrock, Inc. | Interest of controlled corporation | Yes | 71,876,576(L) | 5.88% (1.43%)(L) |
| | | | 2,041,335(S) | 0.16% (0.04%)(S) |
| JPMorgan Chase & Co. | Interest of controlled corporation | Yes | 61,855,104(L) | 5.06% (1.23%) |
| | | | 1,900,000(S) | (L) 0.16% (0.04%)(S) |
| | | | 36,188,171(P) | 2.96% (0.72%)(P) |
| Matthews International Capital Management, LLC | Investment manager | Yes | 61,134,000(L) | 5.00% (1.21%) |

Notes: (L) Long position; (S) Short position; (P) Lending pool

- (1) China Merchants Group Limited was deemed to hold interests by virtue of its controlling interests in China Merchants Huajian Highway Investment Co., Ltd.

Save as disclosed above, to the Company's best knowledge, as at 31 December 2012, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3. Controlling Shareholder of the Company

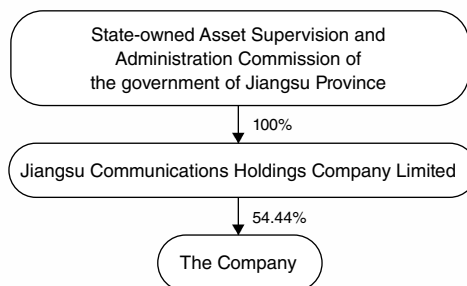
| | |
|---|---|
| Name | Jiangsu Communications Holdings Company Limited |
| Legal representative | Yang Gen Lin |
| Date of establishment | 15 September 2000 |
| Registered capital | 16.8 billion |
| Principal business or managing activities | The company is engaged in the operation and management of State-owned assets; investment, construction, operation and management of transport infrastructure, transportation and other related sectors, collection of tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scopes of authorization of the provincial government. |
| Operating result | In 2012, the Controlling Shareholder achieved operating revenue of RMB38.2 billion, representing an increase of 5.5% as compared with the same period last year |
| Financial position | As at the end of 2012, the total assets and net assets of the Controlling Shareholder amounted to approximately RMB196.1 billion and 66.1 billion. |
| Cash flow and future development strategy | The overall development strategy of the Jiangsu Communications Holdings Company Limited during the "12th Five Year Plan" period include: to complete the investment in the major transportation infrastructure project in Jiangsu Province, press ahead transformation and upgrading of the enterprise, carry out four key strategies, namely "to drive the industry development through synergy, innovation, talents and brand", vigorously promote the principal business of road and bridge, accelerate the development in the financial and new energy industries, further explore in commercial property sector, so as to greatly enhance the risk resistance capacity, profitability and sustainable development capacity, and build the company into an highly efficient investment and financing platform to bolster the modernization of Jiangsu's transportation infrastructures as well as the most competitive enterprise among peers in China. |
| Equity interests in other domestically and overseas listed companies which were controlled or invested by the Controlling Shareholder during the Reporting Period | During the Company, the Controlling Shareholder did not have additional domestically and overseas listed companies which were controlled or invested by it during the Reporting Period. |

Note: The aforesaid financial figures are unaudited.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

4. The De Facto Controller of the Company

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



5. Other Major Shareholders

China Merchants Huajian Highway Investment Co., Ltd., the second largest shareholder of the Company held 589,059,077 shares of the Company, accounting for 11.69% of the Company's total share capital, the information of which was as follows:

| | |
|-----------------------|---|
| Company Name | China Merchants Huajian Highway Investment Co., Ltd. |
| Type of company | One-man company with limited liability (legal person solely owned) |
| Legal representative | Li Jian Hong |
| Registered capital | RMB1,500 million |
| Date of establishment | 18 December 1993 |
| Organization code | 10171700-0 |
| Scope of Business | Investment in and development, construction, operation and management of infrastructures including roads, bridges, docks, ports and passages; management of investment; research and development of new technologies, new products and new materials related to transport infrastructure; the sale of products; the sale of building materials, electrical machinery and equipment, automobile and auto accessories, metals and electronics and groceries; economic information consultation. |

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

IV. Others

1. Purchase, Sale and Redemption of Shares of the Company

During the Reporting Period, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries; nor was there any person who has exercised the conversion rights or subscription rights in respect of convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

2. Pre-emption Rights

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

3. Public Float

According to public information and as far as the Directors are aware, the Board is of the view that the public float of the Company's shares as at 18 March 2013 (being the latest practicable date prior to the printing of this annual report) complies with the requirements of the Hong Kong Listing Rules.

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB5.21)) was approximately RMB19.88 billion and the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$7.99)) was approximately HK\$9.764 billion.

5. Shareholders' Waiver or Agreement on Dividend Arrangement

During the Reporting Period, there was no arrangement for shareholder to waive any dividend.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. General Information

| Name | Position with the Company | Gender | Age | Term of office | Whether holding or trading the shares of the Company |
|----------------------------------|--|--------|-----|--|--|
| Yang Gen Lin | Chairman | M | 60 | From June 2012 to June 2015 | No |
| Zhang Yang | Non-executive Director | F | 49 | From June 2012 to June 2015 | No |
| Chen Xiang Hui | Non-executive Director | M | 50 | From June 2012 to June 2015 | No |
| Du Wen Yi | Non-executive Director | M | 50 | From June 2012 to June 2015 | No |
| Qian Yong Xiang | Executive Director, General Manager | M | 49 | From June 2012 to June 2015 | No |
| Cheng Chang Yung Tsung, Alice | Non-executive Director | F | 81 | From June 2012 to June 2015 | No |
| Fang Hung, Kenneth | Non-executive Director | M | 75 | From June 2012 to June 2015 | No |
| Zhang Er Zhen | Independent Non-executive Director | M | 60 | From June 2012 to June 2015 | No |
| Xu Chang Xin | Independent Non-executive Director | M | 50 | From June 2012 to June 2015 | No |
| Gao Bo | Independent Non-executive Director | M | 51 | From June 2012 to June 2015 | No |
| Chen Donghua | Independent Non-executive Director | M | 38 | From June 2012 to June 2015 | No |
| Chang Qing | Chairman of the Supervisory Committee | M | 50 | From June 2012 to June 2015 | No |
| Sun Hong Ning | Supervisor | M | 52 | From June 2012 to June 2015 | No |
| Hu Yu | Supervisor | F | 38 | From June 2012 to June 2015 | No |
| Yan Shi Min | Supervisor | M | 59 | From June 2012 to June 2015 | No |
| Shao Li | Supervisor | F | 35 | From June 2012 to June 2015 | No |
| Zhao Jia Jun | Deputy General Manager | M | 46 | From January 2013 to December 2015 | No |
| Shang Hong | Deputy General Manager | F | 50 | From December 2010 to November 2013 | No |
| Tian Yafei | Deputy General Manager | M | 47 | From August 2012 to August 2015 | No |
| Yao Yongjia | Deputy General Manager cum Secretary to the Board | M | 49 | From August 2012 to August 2015 | No |
| Wu Wei Ping | Deputy Secretary of Party Committee | M | 59 | From August 2012 to August 2015 | No |
| Li Jie | Assistant to General Manager | M | 44 | From August 2012 to August 2015 | No |
| Lee Wai Fun, Betty | Company Secretary (Hong Kong) | F | 52 | From June 2012 to May 2013 | No |

Notes:

1. During the reporting period, the Directors, supervisors and senior management of the Company (including their spouse or children and the company or trust holding 30% or more of shares) did not hold any shares, shares options and restricted shares of the Company.
2. The Directors and senior management are not connected to each other.
3. Mr. Fan Conglai, an Independent Non-executive Director, resigned from the position of Independent Non-executive Director on the 2011 annual general meeting as his six years of term of office had expired. Mr. Zhang Er Zhen took over this position. Other persons have assumed respective positions throughout 2012.
4. Ms. Lee Wai Fun, Betty, who is not an employee of the Company, provides professional company secretarial services in Hong Kong for the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. Changes in Directors, Supervisors and Senior Management

The Company held an election of members for the new sessions of the Board and the Supervisory Committee at the 2011 Annual General Meeting held on 19 June 2012. Mr. Yang Gen Lin, Ms. Zhang Yang, Mr. Chen Xiang Hui, Mr. Du Wen Yi, Mr. Qian Yong Xiang, Ms. Cheng Chang Yung Tsung, Alice, Mr. Fang Hung, Kenneth, Mr. Xu Chang Xin, Mr. Gao Bo, Mr. Chen Dong Hua and Mr. Zhang Er Zhen were elected as members of the seventh session of the Board at the meeting. Among them, Mr. Yang Gen Lin, Ms. Zhang Yang, Mr. Chen Xiang Hui, Mr. Du Wen Yi, Ms. Cheng Chang Yung Tsung, Alice, and Mr. Fang Hung, Kenneth were elected as Non-executive Directors, Mr. Qian Yong Xiong was elected as Executive Director, and Mr. Xu Chang Xin, Mr. Gao Bo, Mr. Chen Dong Hua and Mr. Zhang Er Zhen were elected as Independent Non-executive Directors. Mr. Chang Qing, Mr. Sun Hong Ning and Ms. Hu Yu were elected as members of the seventh session of the Supervisory Committee at the meeting; and Mr. Yan Shi Min and Ms. Shao Li were elected as Supervisors representing staff at the meeting.

Mr. Yang Gen Lin was selected as the Chairman at the First Meeting of the Seventh Session of the Board of the Company. Mr. Yang Gen Lin, Mr. Chen Xiang Hui, Mr. Qian Yong Xiang, Ms. Cheng Chang Yung Tsung, Alice and Mr. Zhang Er Zhen were elected as the members of the Strategy Committee of the new session of the Board and Mr. Yang Gen Lin was appointed as the convener. Mr. Chen Dong Hua, Mr. Zhang Er Zhen and Mr. Du Wen Yi were elected as the members of the Audit Committee of the new session of the Board and Mr. Chen Dong Hua was appointed as the convener. Mr. Xu Chang Xin, Mr. Gao Bo, Mr. Chen Dong Hua, Ms. Zhang Yang and Mr. Fang Hung, Kenneth were elected as the members of the Nomination Committee of the new session of the Board and Mr. Xu Chang Xin was appointed as the convener. Mr. Xu Chang Xin, Mr. Gao Bo, Mr. Chen Dong Hua, Ms. Zhang Yang and Mr. Fang Hung, Kenneth were elected as the members of the Remuneration and Appraisal Committee of the new session of the Board and Mr. Xu Chang Xin was appointed as the convener.

Mr. Chang Qing was elected as the Chairman of the Supervisory Committee at the First Meeting of the Seventh Session of the Supervisory Committee of the Company.

At the Third Meeting of the Seventh Session of the Board of the Company, Mr. Tian Yafei and Mr. Yao Yongjia were appointed as Deputy General Manager for a term of three years; and Mr. Li Jie was appointed as Assistant to General Manager for a term of three years.

III. Biographies of Directors, Supervisors and Senior Management

Directors

Mr. Yang Gen Lin: Chairman, Chairman of the Strategy Committee

Born in 1953, with university education. He served as Director of the Communications Bureau of Taicang County, Suzhou City, Jiangsu Province as well as Secretary of the Bureau's Communist Party Committee; Member of the Standing Committee of Taicang County Communist Party Committee; Deputy Mayor of Taicang City cum Secretary of the Party Work Committee of Taicang Economic Development Zone. He was Acting Mayor and Secretary of the Communist Party Committee of Danyang City, Zhenjiang, Jiangsu Province; a Member of the Standing Committee of Zhenjiang Municipal Communist Party Committee; and Deputy Department Head and Deputy Party Secretary of the Jiangsu Department of Transport. Currently, he is the Secretary of the Bureau's Communist Party Committee, Chairman and General Manager of Jiangsu Communications Holdings Company Limited. Mr. Yang has been responsible for management work for many years and has extensive experience in economic and communications management. Mr. Yang served as a supervisor of the Company from 11 March 2009 to 16 July 2010. He has been a director of the Company since 16 July 2010.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Zhang Yang: Non-executive Director, Member of the Nomination Committee and the Remuneration and Appraisal Committee

Born in 1964, with a post-graduate diploma. She commenced work in 1987. From 1988 to 1994, Ms. Zhang was a principal staff member of the political division of the Ministry of Aerospace. From 1994 to 2007, she was the Manager of the securities management division and the Assistant to General Manager of Huajian Transportation Economic Development Center, and she is now Deputy General Manager of Huajian Transportation Economic Development Center. She is also a director of Zhongyuan Expressway Company Limited, and Vice Chairman of Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited, Sichuan Expressway Company Limited and Jilin Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries and is rich in management experience. She has been a director of the Company since 28 November 2007.

Mr. Chen Xiang Hui: Non-executive Director, Member of the Strategy Committee

Born in 1963, with a Bachelor degree of Engineering and an MBA, post-graduate grade Senior Engineer. Mr. Chen has been involved in communication construction management and expressway operations management for a long time. Mr. Chen was Deputy Director of the Project Quality Supervisory Section of Jiangsu Transport Department, Director of Jiangsu Ninglian Ningtong Road Management Office and General Manager of the Company. Mr. Chen is currently Director and Deputy General Manager of Jiangsu Communications Holdings Company Limited. He is Vice Chairman of the Jiangsu Youth Chamber of Commerce, Deputy General Secretary of the Chapter of Expressway Operations Management Association of China Highway and Transportation Society and a Standing Committee Member of the Expressway Operations Committee of Jiangsu Highway and Transportation Society. He has been a director of the Company since 9 April 2001.

Mr. Du Wen Yi: Non-executive Director, Member of the Audit Committee

Born in 1963, with an undergraduate diploma, Senior Economist. Mr. Du started working in the finance and accounting research office of Nanjing Communications School since 1983, and had been successively appointed as Deputy Director and Director of the Planning and Finance Office of Jiangsu Communications Planning and Design Institute since 1987. He had been Deputy Head of the Finance and Auditing Section of Jiangsu Communications Holdings Company Limited since 2000, and had been Director and successively Deputy Head and Head of the Finance and Auditing Section of Jiangsu Communications Industry Group Co., Ltd. from 2001 to 2004. He had been Deputy General Manager of Jiangsu Expressway Company Limited since 2004, and became Head of the Finance Department of Communications Holdings in November 2007. Mr. Du has been engaged in transportation management and financial management for a long time and is a senior expert with extensive transportation management and financial management experience. He has been a director of the Company since 6 June 2008.

Mr. Qian Yong Xiang: Executive Director, General Manager, Member of the Strategy Committee

Born in 1964, with a Master of Engineering degree and an MBA. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been Head of the Planning Section, Deputy Manager and Manager of the Investment and Securities Department and Deputy General Manager of the Company. Mr. Qian has long been involved in strategies studies of the transport industry, investment and financing management, project construction and operations management. He has extensive experience in corporate management and operation of listed companies. Mr. Qian has been a director of the Company since 11 March 2009. He was elected as a supervisor from staff representative on 19 March 2003 and then appointed as Deputy General Manager in January 2004 upon resignation as a supervisor.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Cheng Chang Yung Tsung, Alice: Non-executive Director, Member of the Strategy Committee

Born in 1932. She was a Member of the Preparatory Committee for the Hong Kong Special Administrative Region, Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference, an advisor to the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch) and Chairperson of the Business Enterprise Management Center of the Hong Kong Management Association. She is also Managing Director of Daqing Oilfield Co. Ltd., President of Yung Shing Enterprise Co., China Senior Advisor to Telefonaktiebolaget LM Ericsson, Director of Nanjing Ericsson Panda Communications Co., Ltd., Director of Beijing SE Putian Mobile Communications Co., Ltd., Chairman of Shanghai Overseas Chinese Commercial Center Co., Ltd., and Chairman of Jiangsu Hong Kong Aero Enterprise Ltd. Ms. Chang has decades of experience in business development and investment. Ms. Chang has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region. She has been an independent non-executive director of the Company since 1997 and a director of the Company since 20 October 2009.

Mr. Fang Hung, Kenneth: Non-executive Director, Member of the Nomination Committee and the Remuneration and Appraisal Committee

Born in 1938, graduated from the Massachusetts Institute of Technology in the USA with a master degree in 1960s. He is Chairman of Fang Brothers Knitting Ltd., Chairman of Yeebo (International Holdings) Limited which is listed on the Main Board of the Hong Kong Stock Exchange, Independent Non-executive Director of USI Holdings Limited which is listed on the Main Board of the Hong Kong Stock Exchange, Independent Non-executive Director of Xiezhong International Holdings Limited which is listed on the Main Board of the Hong Kong Stock Exchange and Vice Chairman of Nantong Jianghai Capacitor Co., Ltd. which is listed on the Shenzhen Stock Exchange. He also undertakes many other key positions in major industrial or commercial associations, including Honorary Chairman of the Textile Council of Hong Kong Limited and the Hong Kong Wollen & Synthetic Knitting Manufacturers' Association. Mr. Fang was an independent non-executive director of the Company from 25 May 2000 to 19 October 2009 and has been a director of the Company since 20 October 2009.

Mr. Zhang Er Zhen: Independent Non-executive Director, Member of the Strategy Committee and the Audit Committee

Born in 1953, a professor and an advisor for doctoral candidates. He was a lecturer at the Economics Department of Nanjing University from 1985 to 1987, an associate professor at the International Economics and Trade Department of Nanjing University from 1987 to 1993, a professor and deputy department head at the International Economics and Trade Department of Nanjing University from 1993 to 1995, the department head at the International Economics and Trade Department of Nanjing University from 1995 to 2007, and the Secretary of The Party Committee at Business School of Nanjing University from 2007 to 2011. He is currently the head of the International Economics Institute of Nanjing University. Professor Zhang is also a part-time professor at Northwest University and Xiamen University, and has been granted special government subsidies from the State Council since 1992. Professor Zhang has long been engaged in research in international economics and trade, and has devoted himself into research in urbanization and innovation of cities and enterprises. He is a senior professional with extensive experience in the area of economics. Mr. Zhang has been a director of the Company since 19 June 2012.

Mr. Xu Chang Xin: Independent Non-executive Director, Chairman of the Nomination Committee and the Remuneration and Appraisal Committee

Born in 1963, Ph.D. in engineering, a professor in economics and advisor for doctoral candidates. He is currently Deputy Dean of the School of Business, Director of the Research Center for Investment and Financing of Infrastructure and an advisor for doctoral candidates in Management Science and Engineering at Hohai University. He is also a standing committee member of the 9th and 10th Chinese People's Political Consultative Conference of Jiangsu Province; a member and Deputy Director of China National Democratic Construction Association, Jiangsu Province and a member of the Central Economic Committee of China National Democratic Construction Association. Meanwhile, he also serves as a member of the China Oceanic and Economic Society, Vice-President of the Quantitative Economics and Management Science Society, Jiangsu Province; Vice-President of the Statistics Society, Jiangsu Province; a standing member of the Finance Society, Jiangsu Province; a part-time advisor for doctoral candidates at Macau University of Science and Technology; and an expert panelist for a number of projects. He has led over 50 provincial-level scientific research projects and issued over 100 papers, together with six published works. He has been an eighth-time winner of the ministry-level Awards (Third Class or above) for Advancement in Science and Technology. He was conferred the title of Young Outstanding Teacher of Jiangsu Province. Mr. Xu has been a director of the Company since 20 October 2009.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Gao Bo: Independent Non-executive Director, Member of the Nomination Committee and the Remuneration and Appraisal Committee

Born in 1962, holds a doctor's degree, and is a professor at Economics School of Nanjing University, and an advisor for doctoral candidates. He is currently a research fellow at the Research Center for the Social and Economic Development of the Yangtse River Delta of Nanjing University, a key national research base in humanities and social sciences approved by the Ministry of Education; a standing member of the Global Chinese Real Estate Association; and the Vice-President of Jiangsu Economics Association. He has published more than 10 books and has issued over 130 pieces of papers in professional academic periodicals. He has completed over 10 research projects including the National Natural Science Foundation, the National Social Sciences Foundation (key projects), major brainstorm projects for philosophy and social science research of Ministry of Education, and the Humanities and Social Sciences Research Planning Foundation of the Ministry of Education. He was the winner of various prizes for scientific research including the Second-Class Award for Excellent Achievement in Philosophy and Social Sciences of the People's Government of Jiangsu Province. Mr. Gao has been a director of the Company since 20 October 2009.

Mr. Chen Dong Hua: Independent Non-executive Director, Chairman of the Audit Committee

Born in 1975, is a professor and advisor for doctoral candidates. He is currently a professor and advisor for doctoral candidates at the Department of Accounting of School of Business of Nanjing University. He is concurrently serving as a member of the Academic Board of School of Business of Nanjing University, deputy head of Institute of Accounting and Finance of Nanjing University, director of the Professor Committee of Department of Accounting, deputy president of Young Scholars Association of Nanjing University, and deputy secretary general of Jiangsu Province Youth Federation. Mr. Chen obtained the doctor's degree from Shanghai University of Finance and Economics in 2013 and has been conducted postdoctoral research at Center for Corporate Governance of Hong Kong University of Science and Technology thereafter. From 2000 to 2005, Mr. Chen was Assistant Professor and Associate Professor at the Faculty of Accounting of Shanghai University of Finance and Economics. He has been a professor, advisor for doctoral candidates and assistant to the director at the Accounting Department of the School of Business of Nanjing University since 2005. Mr. Chen has long been engaged in research in the accounting discipline and has been practicing accounting work. He is a senior accounting and finance expert in financial theories and has extensive management experience. Mr. Chen has been a director of the Company since 17 June 2009.

Supervisors

Mr. Chang Qing: Chairman of the Supervisory Committee

Born in 1963, with university education and a Bachelor's degree. He has served as Deputy Director of the Communications Bureau of Changzhou City, Jiangsu Province, Deputy Secretary of the Communist Party Committee cum Deputy Director of the Port Administration Bureau of Changzhou City, Deputy Director of the Construction Bureau of Changzhou City, Director of the Communications Bureau of Changzhou City and Deputy Secretary of the Communist Party Committee cum Director of the Port Administration Bureau of Changzhou City. He was Secretary-general of the Communist Party Committee of Changzhou City, Jiangsu Province. He is now serving as Deputy General Manager of Jiangsu Communications Holdings Company Limited and Deputy Secretary of the Company's Communist Party Committee. Mr. Chang has long been engaged in management work and has extensive experience in economic and communications management. He has been a supervisor of the Company since 18 March 2011.

Mr. Sun Hong Ning: Supervisor

Born in 1961, with an EMBA from China Europe International Business School in Shanghai. Mr. Sun had been Deputy Division Head at Jiangsu State Secrecy Bureau since 1994. He was Secretary of General Office at the Jiangsu Provincial Party Committee in 1995, Secretary of General Office of the government of the Jiangsu Province in 2001; and Director and Deputy General Manager of Communications Holdings in 2003. Mr. Sun is also Vice Chairman of Suzhou Sujiahang Expressway Co., Ltd., Director of Huatai Securities Co. Ltd. and Director of Jinling Hotel Corporation. He has substantial experience in business and management. He has been a supervisor of the Company since 20 October 2009.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Hu Yu: Supervisor

Born in 1975, university graduate. She was Accountant of Beijing City Development Group Company Limited, and Finance Manager of Beijing Office of Shanghai Mitsubishi Elevator Co., Ltd. She served as Accountant of the Planning and Finance Department of Huajian Transportation Economic Development Center, Manager of the Finance Department of China Merchants Group Limited, Supervisor of Huabei Expressway Co., Ltd. and Supervisor of Guangxi Wuzhou Communications Co., Ltd. She is currently Deputy Manager of the Planning and Finance Department of Huajian Transportation Economic Development Center. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transport management. She has been a supervisor of the Company since 17 June 2009.

Mr. Yan Shi Min: Supervisor from Staff Representative

Born in 1954, university graduate, Senior Political Worker. Mr. Yan worked for Jiangsu Canal Shipping Company (江蘇省運河航運公司) from 1976 to 1978, and was successively an officer, Deputy Head and Head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively Deputy Director and Director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively Deputy Head of G312 Management Office of the Company, Deputy Director of Chinese Communist Party Committee Office and Deputy Director of Disciplinary Inspection Office, Deputy Director of the General Office of the Company, Head of the Changzhou Management Office and currently Chairman of the Company's union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience. He has been a supervisor of the Company since 24 March 2008.

Ms. Shao Li: Supervisor from Staff Representative

Born in 1978, with post-graduate diploma, Economist. Ms. Shao started working in the Nanjing Branch of Ping An Life Insurance Company of China, Ltd. in 2003. Since 2004, Ms. Shao has been successively a Section Head and Assistant to Manager of the Human Resources Department of the Company, and is currently Manager of the Human Resources Department of the Company. Ms. Shao has been engaged in the field of human resource management and possesses extensive experience in human resource management. She has been a supervisor of the Company since 24 March 2008.

Senior Management

Mr. Zhao Jia Jun: Deputy General Manager

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

Ms. Shang Hong: Deputy General Manager

Born in 1963, university graduate and Senior Engineer. Ms. Shang taught in the Civil Engineering Department of Nanjing Jinling Vocational University from July 1985 to May 1993. She joined the Company in June 1993 and has held various positions including Deputy Head and Head of the Planning Division of the Managing Department of the Company; Deputy Manager and Manager of the Investment Development Department of the Company and Assistant to General Manager. She is currently Deputy General Manager of the Company. Ms. Shang has been engaged in engineering management, investment analysis and project management for a long time. She was elected as a supervisor from staff representative on 30 July 2004 and appointed as a management member on 6 June 2008 (i.e. date of the 2007 annual general meeting) upon resignation as a supervisor.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Tian Yafei: Deputy General Manager cum Manager of the Operation and Development Department

Born in 1966, university education. Mr. Tian joined the Company in September 1996 and has held various positions including Manager of Yang Cheng Hu Service Area of Shanghai-Nanjing Expressway, Assistant Manager and Manager of Operation and Development Manger. He became Assistant to General Manager since February 2010. Mr. Tian has been engaged in the construction projects of G312 and Shanghai-Nanjing Expressway since he started working and has long been engaged in the operation and management of expressways. He has extensive experience in operations management.

Mr. Yao Yong Jia: Deputy General Manager cum Secretary to the Board

Born in 1964, with a master degree, senior engineer. Mr. Yao joined the Company in August 1992. He has been Section Chief of the Jiangsu Provincial Communications Planning and Design Institute, the Jiangsu Expressways Command Office and the Securities Department, as well as Director of the Secretariat to the Board of the Company. Mr. Yao has professional experience and has been engaging in project management, investment analysis, financing and securities.

Mr. Wu Wei Ping: Deputy Secretary of Party Committee

Born in 1954, with a master degree, senior economist. Mr. Wu joined the Company in August 1996. From September 1996, he served as Deputy Office Director, and Manager of the Management Department of the Company, and is currently the Deputy Secretary of Party Committee of the Company. Mr. Wu has long engaged in enterprise management and has rich experience in this regard.

Mr. Li Jie: Assistant to General Manager

Born in 1970, with a bachelor degree, senior engineer. Mr. Li joined the Company in August 1992. He has been Deputy Manager and Manager of the Jiangsu Expressways Command Office, the Extension Project Command Office of Shanghai-Nanjing Expressway, and the Engineering and Technology Department of the Company. Ever since his career, Mr. Li has all the time engaged in engineering management and operation management, possessing extensive professional experience.

Ms. Lee Wai Fun, Betty: Company Secretary of Hong Kong

Born in 1961. She obtained a professional diploma in Company Secretaryship and administration from the Hong Kong Polytechnic (presently the Hong Kong Polytechnic University) in 1983. She is a chartered secretary in Hong Kong. She is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. Information of Directors and Supervisors Employed in Shareholders' Companies

| Name | Employer | Current Title | Term of Office | Emoluments Received (Yes or No) |
|----------------|--|---------------------------------------|------------------------------|---------------------------------|
| Yang Gen Lin | Jiangsu Communications Holdings Company Limited | Chairman | From August 2008 up to now | Yes |
| Chang Qing | Jiangsu Communications Holdings Company Limited | Deputy General Manager | From December 2010 up to now | Yes |
| Sun Hong Ning | Jiangsu Communications Holdings Company Limited | Deputy General Manager | From May 2003 up to now | Yes |
| Chen Xiang Hui | Jiangsu Communications Holdings Company Limited | Deputy General Manager | From May 2003 up to now | Yes |
| Du Wen Yi | Jiangsu Communications Holdings Company Limited | Director of Finance and Auditing | From November 2007 up to now | Yes |
| Zhang Yang | China Merchants Huajian Highway Investment Co., Ltd. | Deputy General Manager | From April 2007 up to now | Yes |
| Hu Yu | China Merchants Huajian Highway Investment Co., Ltd. | General Manager of Finance Department | From May 2010 up to now | Yes |

V. Information of Directors and Supervisors Employed in Other Listed Companies

| Name | Employer | Current Title | Emoluments Received (Yes or No) |
|--------------------|--|------------------------|---------------------------------|
| Zhang Yang | Sichuan Expressway Co., Ltd. | Vice Chairman | Yes |
| | Shenzhen Expressway Co., Ltd. | Vice Chairman | Yes |
| | Henan Zhongyuan Expressway Co., Ltd. | Director | No |
| | Jilin Expressway Co., Ltd. | Vice Chairman | Yes |
| Sun Hong Ning | Jinling Hotel Corporation | Director | No |
| | Huatai Securities Co., Ltd. | Director | No |
| Cheng Chang | Daqing Oilfield Co., Ltd. | Managing Director | Yes |
| Yung Tsung, Alice | Nanjing Ericsson Panda Communications Co., Ltd., | Director | Yes |
| Fang Hung, Kenneth | Yeebo (International Holdings) Limited | Chairman | Yes |
| | USI Holdings Limited | Independent Director | Yes |
| | Xiezhong International Holdings Limited | Non-executive Director | Yes |
| | Nantong Jianghai Capacitor Col.,Ltd. | Vice Chairman | Yes |
| Zhang Er Zhen | Jiangsu Yue Da Investment Company Limited | Independent Director | Yes |
| Gao Bo | Shanxiang Co., Ltd. | Independent Director | Yes |
| Chen Dong Hua | Nanjing Port Co., Ltd. | Independent Director | Yes |
| | Jiangsu Yue Da Investment Company Limited | Independent Director | Yes |
| Hu Yu | Sichuan Expressway Co., Ltd. | Director | Yes |
| | Guangxi Wuzhou Communications Co., Ltd. | Supervisor | Yes |

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. Emoluments for the Year

The Remuneration and Appraisal Committee has drafted a remuneration package on behalf of the Board for non-executive Directors and independent Directors, setting benchmarks pursuant to the relevant rules of the domestic and overseas securities regulators taking into account the average salary levels in different markets and the actual circumstances of the Company. The committee proposed the remuneration package to the Board and the package was eventually considered and approved at the general meeting of the Company. The Company enters into a remuneration agreement with a Director who receives remuneration from the Company, under which the remuneration is paid annually.

The remuneration policies for the Directors, supervisors and senior management members of the Company are as below:

1. Two non-executive Directors and four independent Directors engaged by the Company received Directors' emoluments from the Company. Their salary levels were set with reference to the average salary levels in Hong Kong and in the mainland. The annual emolument paid to each of the two non-executive Directors in Hong Kong by the Company in 2012 amounted to HK\$300,000 (equivalent to approximately RMB243,443 at an exchange rate as at the end of the reporting period). The annual emolument for each of the four independent Directors in the Mainland was RMB60,000.
2. Four non-executive Directors and three supervisors assigned by the shareholders' companies received remuneration from the shareholders' companies. The Company no longer determined or paid emoluments to such Directors or supervisors separately.
3. One executive Director and two supervisors from staff representatives who took up management duties in the Company received management remunerations in line with the respective management positions that they took up in the Company. The Company no longer determined or paid emoluments to such Directors or supervisors separately.
4. The senior management of the Company includes various deputy general managers, secretary to the Board and assistants to general managers. They received their management remunerations in line with their respective positions. Their total remuneration comprised of three parts which were salary for the position, performance bonus, Company's contribution to their pension scheme and other benefits.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Details of remunerations of the Directors, supervisors and senior management during 2012

RMB: Yuan

| Personnel | Remuneration of Directors or supervisors | Management remuneration | Total |
|----------------------------------|--|-------------------------|------------------|
| Directors | | | |
| Yang Gen Lin | — | — | — |
| Zhang Yang | — | — | — |
| Chen Xiang Hui | — | — | — |
| Du Wen Yi | — | — | — |
| Qian Yong Xiang | — | 491,033 | 491,033 |
| Cheng Chang Yung Tsung, Alice | 243,443 | — | 243,443 |
| Fang Hung, Kenneth | 243,443 | — | 243,443 |
| Independent Directors | | | |
| Zhang Er Zhen* | 30,000 | 30,000 | — |
| Xu Chang Xin | 60,000 | — | 60,000 |
| Gao Bo | 60,000 | — | 60,000 |
| Chen Dong Hua | 60,000 | — | 60,000 |
| Fan Cong Lai* | 30,000 | — | 30,000 |
| Supervisors | | | |
| Chang Qing | — | — | — |
| Sun Hong Ning | — | — | — |
| Hu Yu | — | — | — |
| Yan Shi Min | — | 290,000 | 290,000 |
| Shao Li | — | 290,000 | 290,000 |
| Senior Management | | | |
| Zhao Jia Jun | — | 386,667 | 386,667 |
| Shang Hong | — | 362,500 | 362,500 |
| Tian Yafei | — | 338,333 | 338,333 |
| Yao Yong Jia | — | 338,333 | 338,333 |
| Wu Wei Ping | — | 319,041 | 319,041 |
| Li Jie | — | 319,041 | 319,041 |
| Lee Wai Fun, Betty | — | — | — |
| Total | 726,886 | 3,134,948 | 3,861,834 |

Note (1): Mr. Fan Cong Lai resigned as an independent Director of the Company this year due to expiry of his term of office, and his office was assumed by Mr. Zhang Er Zhen. The term of office of both of them during the Year is six months, and the remuneration shall be shared equally between them.

Apart from the remuneration listed above, the Company has not paid any other amounts to its Directors and supervisors. During the reporting period, no Director has waived or agreed to waive any remuneration arrangement.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VII. Other Information of Directors, Supervisors and Senior Management

1. Directors' and supervisors' contracts

Apart from the service contract between the Company and the executive Director, each of the Directors and supervisors has entered into an appointment letter with the Company. The content of these contracts was primarily the same in all material respects. The term of these contracts commenced from the date of the 2012 annual general meeting (or the appointment date) until the date of the 2014 annual general meeting. The Company, the Directors or the supervisors can terminate the contracts by giving not less than three months prior notice in writing to the other party. Save as the above-mentioned, none of the Directors or supervisors has entered into or has proposed to enter into any service contracts with the Company expiring or determinable by the employer within one year with payment of compensation (other than statutory compensation). The Company was not required to pay compensation to any Director for the reason that the Directors intended to be re-elected in the next annual general meeting but their service contracts have not expired.

2. Interests of Directors and supervisors in contracts

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

3. Representation and undertaking of Directors, supervisors and senior management

During the Reporting Period, the Directors, supervisors and senior management of the Company have signed the letter of representation and undertaking in accordance with the requirements of listing rules of the SSE.

4. Loan or loan guarantee granted to Directors, supervisors and senior management

During the Reporting Period, the Company did not directly or indirectly grant any loan or loan guarantee to the Directors, supervisors, senior management or their connected parties.

5. Model code for securities transactions by Directors

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

6. Dealings in securities by Directors, supervisors and senior management

During the Reporting Period, there was no record showing that any Directors, supervisors or senior management or any of their connected parties held any interests in the registered capital of the Company and its subsidiaries or associates being discloseable under the Securities and Futures Ordinance or the Model Code.

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

7. Training of Directors, supervisors and senior management

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

VIII. Human Resources Management

1. Human Resources Management System

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

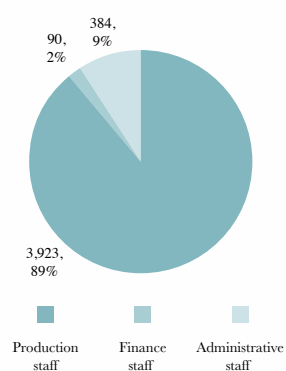
2. Staffing Situations

| | |
|--|-------|
| Number of on-the-job staffs in the Company | 3,695 |
| Number of on-the-job staffs in major subsidiaries | 702 |
| Total number of on-the-job staffs | 4,397 |
| Number of retired staffs for whom the Company and the major subsidiaries need to bear certain expenses | Nil |

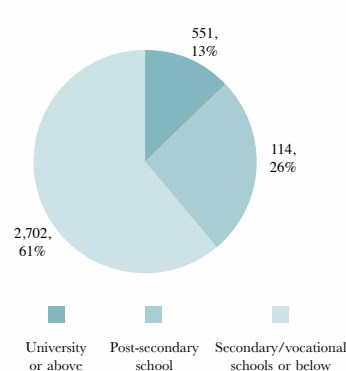
| Type of profession | Number | Percentage |
|----------------------|--------|------------|
| Production staff | 3,923 | 89.22% |
| Finance staff | 90 | 2.05% |
| Administrative staff | 384 | 8.73% |

| Education level | Number | Percentage |
|---------------------------------------|--------|------------|
| University or above | 551 | 12.53% |
| Post-secondary school | 1,144 | 26.02% |
| Secondary/vocational schools or below | 2,702 | 61.45% |

Staff composition by type of profession



Staff composition by education level



The Company had a total of 474 employees, including core managerial personnel like administrative staff and finance staff and those in key positions, which were assigned to major management posts at all business levels. Given the characteristics of the industry, and the scientific and reasonable post setting and remuneration system of the Company, the core managerial team and personnel in key management positions were high stable, so that the stability of business operation and continuity of management models of the Company could be guaranteed.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

3. Staff Salary and Performance Appraisal

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

The Company enforced a stringent performance appraisal system. Based on the Company's management methods and implementation rules for the Company's performance appraisal, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisals according to the objectives for performance management while it imposed corresponding punishments and gave warning to those who failed to achieve the appraisal standards, thereby raising staff's sense of responsibility toward their respective duties and ensuring the realization of respective operations management objectives. Every year, the Company selects a group of outstanding staff, exemplary toll collection staff and exemplary service staff. Spiritual and material rewards are granted to commend such staff for their excellence and to motivate the work passion of other staff. During the Year, the Company formulated the Administrative Measures for the Evaluation and Assessment of Best Toll Collectors (《星級收費員評定考核管理辦法》), in a bid to further improve the remuneration distribution system and to fully mobilize the enthusiasm of first-line toll collectors.

The Company cares for its employees with affection and protects the statutory interests of the employees. In accordance with the relevant State regulations, the Company provides its current employees with a number of social insurance schemes such as basic pension insurance, medical insurance, labor injury insurance, maternity insurance and unemployment insurance through the social insurance authority. Meanwhile, in order to provide better protection for its employees, the Company has also obtained supplementary medical insurance and accident insurance from commercial insurance companies for its employees. The Company also established the corporate annuity scheme, aiming at improving the living standards of its employees after retirement and built long-term trust relationships between the Company and its employees. The relevant premiums and corporate annuities have been paid up on time. The Company received the title of "Model Enterprise for Labor Protection and Integrity" in Jiangsu Province in 2012 as a result of the implementation of its proactive measures for the protection of its employees.

4. Staff Education, Training and Career Development

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources. Each year, the Company devises training programs based on the annual work plans and the Company's human resources development needs so that training schemes are in line with the Company's operating status and management needs, while conclusions and reviews will be made at the end of the year.

In 2012, the Company provided different levels of training encompassing different professional skills, such as the first training session for internal trainers, seminars on taxation policies interpretation and risk prevention, training for examiners of the quality management team and training on special operation certificates, which was greatly conducive to the enhancement of employees' overall quality. Total spending on these training programs for the whole year amounted to approximately RMB3,196,000 (2011: RMB2,836,000), covering 11,068 persons (2011: 11,297 persons) and involving all staff of various levels, from junior first-line staff to senior management members. As for career planning for its employees, the Company held public competition for 10 mid-level assistant posts during the Year, and selected a number of backup talents for the sustainable development of the Company.

CORPORATE GOVERNANCE REPORT

I. Corporate Governance

1. Progress of governance during the Year

Sound corporate governance is a basic assurance for the healthy and stable development of a company in the long run, while continuously improving governance standards is a requisite means to maintain the healthy development of a company. To this end, the Company always abides strictly by the regulatory requirements of different markets, and makes ongoing improvements to its governance system and operation process in a timely manner according to the work plans of the regulatory authorities as well as the latest rules and regulations. It reviews its operation and management practices from time to time, adheres to the corporate values of integrity and diligence, and endeavours to improve its governance structure on a continuous basis, establish sound operational rules, and enhance corporate governance levels, so much so that it has put itself on a track of continuous self-improvement.

During the Reporting Period, the Company reorganized its special committees according to the requirements of the newly amended Corporate Governance Code of the Stock Exchange, splitting the former Nomination, Remuneration and Appraisal Committee into the Nomination Committee and the Remuneration and Appraisal Committee, and accordingly formulating the Rules of Procedure of the Nomination Committee and the Rule of Procedures of the Remuneration and Appraisal Committee. Meanwhile, the Company newly established the Rules for Shareholders Nominating Directors and made a comprehensive amendment to the original Rules of Procedure of the Audit Committee. According to the requirements of the Stock Exchange, the Company compiled and organized the existing governance systems which were translated into English language and posted on the website of the Stock Exchange for inspection and supervision by the investors.

During the Reporting Period, according to the requirement of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies issued by CSRC, the Company revised the related clauses under Chapter XVIII "Profit Distribution" of the Articles of Association, setting out particulars of the cash dividend policy, so as to further improve the decision-making procedure and mechanism for cash dividend distribution. In respect of its implementation, the Company formulated a reasonable dividend distribution mechanism by performing its social responsibility and repaying the society, guided investors to develop the concepts of long-term investment and rational investment, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win investment and financing environments and value-investing atmosphere, and make due efforts and contributions to promoting the sustained and healthy development of capital markets.

With respect to the management of insider information, the Company placed emphasis on enhancing the awareness of the Directors, supervisors and senior management staff of the Company of legal compliance, and resolutely put an end to the trading in the shares of the Company with the use of insider information. The Company has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees" to regulate the behaviors of relevant insiders in dealing in the shares of the Company. To further regulate the management of insider information, the "Management System Governing Personnel Having Access to Insider Information" was established in 2011, under which relevant personnel are required to be registered for record and sign as confirmation the first time they have access to insider information to prevent them from abusing the right to information, leaking insider information or conducting insider trading to safeguard the interests of the Company and the principle of fairness for information disclosure. The Company has never found itself in situations of abnormal share price fluctuations or insider trading as a result of information leakage.

2012 is the year for re-election of Directors and supervisors of the Company. We prepared legal documents in connection with the re-election and formed the new Board and supervisory committee after the re-election at the general meeting. New special committees were also set up. At the same time, pursuant to the requirements of the Listing Rules of the Hong Kong Stock Exchange, the Company arranged liabilities insurance for Directors, supervisors and senior management members to offer protection in respect of their performance of duties.

During the Reporting Period, the actual situation of the Company's corporate governance did not deviate significantly from the requirements of the "Code of Corporate Governance for Listed Companies", and the Company has fully adopted all the provisions of the "Corporate Governance Code", and met the requirements of the recommended best practices in certain aspects.

CORPORATE GOVERNANCE REPORT

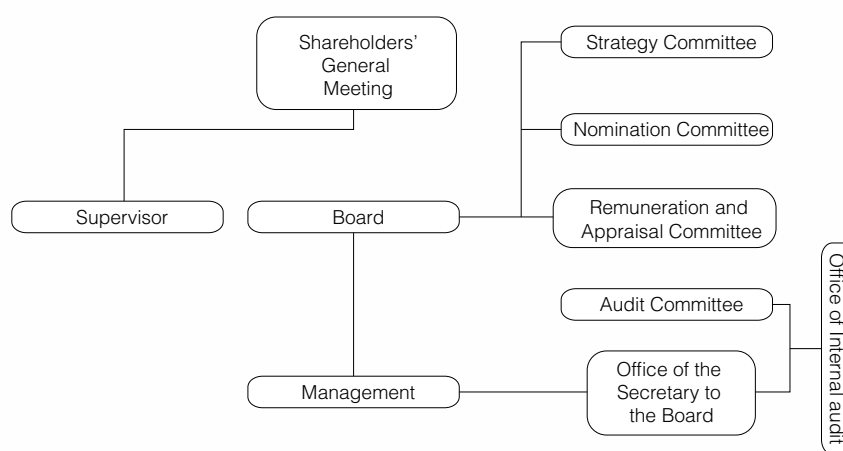
2. Achievements in Corporate Governance

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

The Company aims to pursue excellence and be an exemplary company, striving to become an enterprise with long-term investment value and a leader in the capital market. During the Year, the Company was selected into the SSE corporate governance sector, and once again granted the Commendation Award of the "H-share and Other PRC Mainland Enterprises Category" of the "Best Corporate Governance Disclosure Awards" organized by the Hong Kong Institute of Certified Public Accountants. The standardized corporate governance, transparent information disclosure, high return to shareholders and effective brand communication led to the establishment of the Company's good brand image on capital markets. During the Year, the Company was listed as the "2012 Top 100 Capital Brands of Chinese Listed Companies" jointly selected by the China Center for Market Value Management, the China Center for Financial Research of Tsinghua University and Sina.com, reflecting the overall capital brand value of the Company and its comprehensive influence in the capital market.

II. Corporate Governance Structure and Operation Overview

1. Corporate Governance Structure and Rules



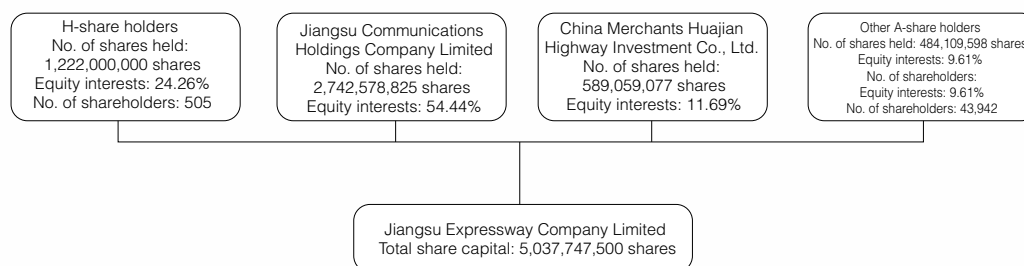
The Company is listed both on the SSE and the Stock Exchange. In addition to the compliance with applicable laws and regulations, the Company is also required to comply with the requirements of the "Code of Corporate Governance for Listed Companies" of the CSRC, the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules of the Stock Exchange and the requirements under the Listing Rules of the SSE and the Stock Exchange in corporate governance practices. Meanwhile, the Company has formulated various governance systems, including "Rules of Procedure for General Meetings", "Rules of Procedure for the Board of Directors", "Rules of Procedure for the Supervisory Committee", "Work Rules of Specialized Committees", "Work Rules for Independent Directors", "Work Rules for General Manager", the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees", "Administrative Measures for the Disclosure of Information", "Work System on Investor Relations Management", and so forth. Each of the systems was strictly followed in order to enhance the level of the Company's corporate governance.

CORPORATE GOVERNANCE REPORT

2. Shareholders and General meetings

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

(1) Substantial Shareholders



Jiangsu Communications Holdings Company Limited and China Merchants Huajian Highway Investment Co., Ltd. are substantial shareholders of the Company, holding approximately 54.44% and 11.69% of the Company's shares, respectively. These two shareholders have not bypassed the general meetings to intervene directly or indirectly the decision making process and the operations of the Company.

(2) Independence from the Controlling Shareholder

Based on the principle of "distinctive ownership, unequivocal delegation of authority and separation of government and enterprise functions", the Company and its controlling shareholder Jiangsu Communications Holdings Company Limited are independent from each other in operations, assets, personnel, organization and finance. The relationship between the Company and its controlling shareholder is defined as purely in relation to ownership. The Company and its controlling shareholder have separate scopes of operation and do not relate to each other as upstream or downstream companies. As the Company and its controlling shareholder tend to converge in businesses in some extent, there objectively exists horizontal competition between them, which, however, does not have any noticeable impact on the usual business operations of the Company. The Company's assets are strictly separated from those of its controlling shareholder. The Company possesses full ownership over its operating assets and operates with total independence. No employees are holding concurrent positions in both companies. The Company possesses the autonomy of appointment, removal and decision-making regarding labour, personnel and remuneration management, while the controlling shareholder's nominations of director and supervisor candidates to the Company are conducted under lawful procedures. There is no question of one team operating in two companies. Offices and business places of the Company and its controlling shareholder are physically separated. The Company has its own independent financial department with separate accounts and makes its financial decisions independently. The Company's fund application is free from any interference from its controlling shareholder.

The controlling shareholder exercises its power as a contributor in strict accordance with laws, attends general meetings according to legal procedures and exercises its voting right thereat based on its shareholding. At the Board, the controlling shareholder exercises its voting right based on the actual number of Directors and has never overridden procedures to command the Board.

CORPORATE GOVERNANCE REPORT

(3) Shareholders' General Meetings

The shareholders' general meetings are the highest authority which makes important decisions and lawfully exercises duties and power. The Company has the "Rules of Procedure for General Meetings" in place, which was effectively implemented. The general meeting has well defined powers and responsibilities and operates in compliance with procedures. The convening and holding procedures of every general meeting was in compliance with relevant rules and the consideration of resolutions thereat is in compliance with the statutory procedures. The annual general meeting and extraordinary general meeting provide a direct communication channel for the Board and the shareholders of the Company. Therefore, the Company attaches great importance to the shareholders' general meeting, and require the attendance by the Directors and management personnel as much as they can. Meanwhile, it also arranges representatives of independent Directors, chairmen of or representatives appointed by the audit committee and nomination, remuneration and appraisal committee to attend the annual general meeting and respond to questions from the shareholders. At the shareholders' general meeting, all shareholders have the right to raise suggestions and queries to the attending Directors/supervisors and senior management personnel as to the business activities and development strategies of the Group. Except for trade secrets which shall not be made public, the Directors, supervisors and senior management personnel will make their explanation on the shareholders' suggestions and queries.

The Company encourages all shareholders to attend the shareholders' general meeting. Notice of the meeting is issued at least 45 days before the meeting takes place. The relevant information about the resolutions to be considered will be posted on websites or mailed to shareholders in the form of circulars in accordance with the regulatory requirements of different stock exchanges, aiming to facilitate the decision-making of shareholders. Information such as the procedures for shareholder to attend the meeting in person or by appointing a proxy as well as the methods for shareholder enquiries and communication is disclosed by the Company in detail in the notice of shareholders' general meeting. Shareholder who is unable to attend the shareholders' general meeting in person may rely on such information for his/her decision-making and appoint a proxy to attend the shareholders' general meeting and vote.

The shareholders' general meeting is witnessed by the lawyer of the legal counsel to the Company, who will issue a legal opinion. The representative appointed by the accounting firm and shareholders' representatives also act as scrutineers who monitor the statistics of votes and to ensure the legality, fairness and transparency of the meeting procedures.

Information on the general meetings convened by the Company during the Year is set out below, and details of the resolutions of such general meetings are set out in the announcements of resolutions of such general meetings published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).



CORPORATE GOVERNANCE REPORT

| Session | Convening date | Resolutions | Disclosure date |
|---|-------------------|--|-------------------|
| 2011 Annual General Meeting | 19 June 2012 | <ul style="list-style-type: none"> — Consideration and approval of the report of the Directors, the report of the supervisory committee, the annual budget report and the auditors' report of the Company for the year 2011 — Consideration and approval of the profit distribution scheme of the Company in respect of the final dividend for the year 2011 — Appointment of the Company's auditors and the auditors of internal control for the Year; — Consideration and approval of the re-election of members of the Board and the supervisory committee — Consideration and approval of the issue of the short-term commercial papers of not more than RMB2,000,000,000 — Consideration and approval of the amendments to relevant articles under the Articles of Association of the Company | 19 June 2012 |
| 2012 First Extraordinary General Meeting | 10 September 2012 | <ul style="list-style-type: none"> — Consideration and approval of the amendments to the articles relating to distribution of profit under the Articles of Association of the Company | 10 September 2012 |
| 2012 Second Extraordinary General Meeting | 26 October 2012 | <ul style="list-style-type: none"> — Consideration and approval of the issue of not more than RMB1,500,000,000 medium-term notes — Consideration and approval of the amendments to relevant articles under the Articles of Association of the Company | 26 October 2012 |

3. Directors and the Board

(1) *Members and Operation of the Board*

On 19 June 2012, the election of the new session of the Board was held at the annual general meeting of the Company, forming the seventh session of the Board, comprising 11 members, of whom one is an executive Director and 10 are non-executive Directors with a term ending on the date of the 2014 annual general meeting of the Company. The nomination and appointment of Directors were in strict compliance with procedures and the cumulative voting system was adopted for the voting procedures of Directors.

Among the members of the Board, there is one executive Director who is the General Manager of the Company. Four of the non-executive Directors were nominated by shareholders, and six of them were externally engaged by the Company, including four independent non-executive Directors and two prominent figures in Hong Kong. This has ensured adequate independence of the Board. The members of the seventh session of the Board respectively have various background and professional experience in highway industry, infrastructure, investment, financial accounting, finance and securities, economic management, business management, real estate and other areas, and two of them possess professional accounting qualifications and financial management expertise as required by the regulatory authorities. The diversity of the Board members in experience, skills, judgment and other aspects will help the Board to make more prudent and considerate decisions. The composition, members and operational procedures of the Board are set out in section headed "Compliance with the Corporate Governance Code and Other Information" in this Chapter.

CORPORATE GOVERNANCE REPORT

In 2012, the Board held six meetings, among which five were physical meetings and one was voting by way of correspondence. By way of holding regular meetings, extraordinary meetings, signing Board resolutions or authorizations, the Board discussed and made decisions as to the operating and financial performance, financing plans, investment projects, connected transactions and governance structure of the Group. This has ensured the realization of the Company's best interests in its operation, management and development.

| Meeting Session | Holding Date | Resolutions |
|---|---------------|---|
| 23rd meeting of the sixth session of the Board | 23 March 2012 | <ul style="list-style-type: none"> — considered the 2011 annual report of the Company and relevant matters — proposed the plan for the distribution of 2011 final dividend — proposed engagement of the Company's auditors and internal control auditors for the Year — proposed the list of candidates for the new session of the Board — proposed the issue of short-term commercial papers with a total amount of not more than RMB2 billion — proposed the amendments to relevant articles under the Articles of Association of the Company — considered and approved the participation of Guangjing Xicheng in the capital increase of Yanjiang Company — considered and approved the control over the cap of the gearing ratio of the Company — considered and approved the connected transaction of the roads and bridges maintenance of the Company — considered the short-term investment plan for idle funds — restructured the Nomination Committee and the remuneration and appraisal committee and proposed rules of procedures — considered and approved the total staff remuneration of the Company for 2012 — considered and approved the retirement of assets — considered and approved the Company's total charitable giving for the Year |
| 24th meeting of the sixth session of the Board | 2012-04-27 | <ul style="list-style-type: none"> — considered the 2012 first quarterly report — approved the Company' report on the "12th Five - Year Plan" |
| 1st meeting of the seventh session of the Board | 2012-06-19 | <ul style="list-style-type: none"> — elected Mr. Yang Gen Lin as the chairman of the Board — elected the members of each of the committees under the Board — approved the pledged loan of Guangjing Xicheng |
| 2nd meeting of the seventh session of the Board | 2012-07-16 | <ul style="list-style-type: none"> — proposed amendments to the articles relating to profit distribution under the Articles of Association of the Company by way of correspondence |
| 3rd meeting of the seventh session of the Board | 2012-08-17 | <ul style="list-style-type: none"> — considered the 2011 interim report and the relevant matters — considered and approved the capital contribution to Ninghu Properties — proposed the issue of medium-term notes in the amount of not more than RMB1,500 million. — considered and approved the transfer of the Zhenjiang Branch of the Shanghai-Nanjing Expressway, — appointment of senior management officers — proposed amendments to certain articles under the Articles of Association of the Company |
| 4th meeting of the seventh session of the Board | 2012-10-26 | <ul style="list-style-type: none"> — considered and approved the 2012 third quarterly report — Considered and approved the investment in the new project on the construction of Zhenjiang New Zone-Danyang section of the Taizhou-Zhenjiang Expressway |

CORPORATE GOVERNANCE REPORT

(2) *Independent Non-Executive Directors*

Xu Chang Xin, Gao Bo, Chen Dong Hua and Zhang Er Zhen were appointed as independent non-executive Directors at the seventh session of the Board of the Company, accounting for more than one-third of the members of the Board. The four independent non-executive Directors, currently serving at renowned universities in the country, are senior experts in the fields of infrastructure investment and financing management, real estate studies, financial accounting and economic trade management and are well-versed with academic theories and management experience, in which two independent non-executive Directors have the accounting qualification and finance expertise as required by the regulatory authorities. Independent non-executive Directors play major roles in various specialized committees of the Board. The independent non-executive Directors account for a majority in the Audit Committee and the Nomination, Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship at each of these committees. The independent non-executive Directors have further enhanced their independence and check-and-balance roles in the Board, played a good monitoring and balancing role in safeguarding the interests of the Company and the shareholders as a whole, aggressively pushed forward the Company with improving corporate governance and risk management standards on an ongoing basis, and also fully leveraged their expertise by providing professional guidance on the development and management of the Company.

The independent non-executive Directors have submitted a statement in respect of their independence when being nominated. In addition, before Board meeting to consider on the annual results, the Company had received confirmation letters in writing from each of the independent non-executive Directors in respect of their independence, so that the Company could state the view that the relevant independent non-executive Directors have complied with the relevant guidelines under Rule 3.13 of the Listing Rules of the Stock Exchange and are independent.

The independent non-executive Directors of the Company have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner in compliance with the relevant laws, regulations and the "Work Rules for Independent Directors", giving their professional opinions and independent judgment on the decision-making for significant matters discussed by making use of their professional experience and expertise. During 2012, through their participation in the Board and the specialized committees, the independent Directors have examined substantial matters such as the Company's investment and financing decisions, the conduct and annual review of connected transactions, financial auditing and internal control, and have held meetings with external auditors to discuss the work in respect of the annual audit and the review of the interim financial report in accordance with "System for the Annual Report Work of Independent Directors", thereby carrying out a good monitoring and balancing role in terms of protecting the interests of the Company and the shareholders as a whole. Meanwhile, the independent non-executive Directors have also summarized their yearly work in a report for submission to the shareholders' general meeting for consideration

During the Reporting Period, the independent non-executive Directors of the Company expressed no disagreement on all matters regarding the Company, and there were no cases where the independent non-executive Directors proposed to hold a Board meeting or shareholders' general meeting or publicly collected voting rights from the shareholders.

CORPORATE GOVERNANCE REPORT

(3) *Specialized Committees of the Board*

Four specialized committees were established under the Board of the Company, including the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Each committee formulated its specific rules of procedure in order to define the scope of its Work Rules of Procedure authority and procedures of performing duties. These committees assist the Board in enhancing standard management on such aspects as strategic development, project investment, financial reporting and human resources and assessment, effectively improving the governance and operation of the Company. Independent non-executive Directors play major roles in these committees of the Board. The independent non-executive Directors account for a majority in the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship at each of these committees.

Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Yang Gen Lin (the Chairman)[#], Chen Xiang Hui[#], Qian Yong Xiang, Cheng Chang Yung Tsung, Alice[#] and Zhang Er Zhen^{*}

* Independent non-executive Director

Non-executive Director

Duties

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

Major work during the Year

The Strategy Committee held three meetings in 2011 and all members attended the meetings.

At the first meeting, the committee approved the long-term equity investment plan of Guangjing Xicheng (a subsidiary of the Company) to inject capital into Yanjiang Company and submitted the same to the Board for consideration, and discussed the overall debts and financing plan of the Company for 2012. According to the current debt structure and capital expenditure plan, it suggested that the overall debt-to-equity ratio be controlled within 40% so as to control debt risks and ensure assets security of the Company. In respect of capital raising by way of debts, the committee has agreed to the financing plan on the issue of short-term commercial papers of not more than RMB2 billion and the purchase of structured bank deposit products by the Company with guaranteed principal and gains, and such plan would be submitted to the Board for consideration.

At the second meeting, the committee considered the Company's additional capital contribution of RMB300 million to its wholly-owned subsidiary Ninghu Properties and the transfer of the Zhenjiang Branch of the Shanghai-Nanjing Expressway at a consideration of not less than RMB210 million to the traffic bureau of Zhenjiang. As the transfer of the Zhenjiang Branch of the Shanghai-Nanjing Expressway required governmental approval, at the meeting the Committee authorized Directors Mr. Yang Gen Lin and Mr. Qian Yong Xiang to form a Board team to deal with subsequent matters (including but not limited to submission of application to the government and signing of the transfer contract) in accordance with relevant laws and regulations. The two proposals were submitted to the Board for consideration.

At the third meeting, the committee considered and approved the Company's investment in the new project on the construction of Zhenjiang New Zone-Danyang section of the Taizhou-Zhenjiang Expressway and submitted the same to the Board for consideration.

Audit Committee

The Audit Committee was established in 2001. Its current members comprise Chen Dong Hua^{*} (the Chairman), Zhang Er Zhen^{*} and Du Wen Yi[#].

* Independent non-executive Director

Non-executive Director

One independent non-executive Director possesses the appropriate professional qualifications or appropriate accounting or relevant financial management expertise as required by Rule 3.10(2) of Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

Duties

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

Major work during the Year

Report on Discharge of Duties in 2012 by the Audit Committee

In 2012, the Audit Committee held five meetings, including four meetings to review periodic reports and two meetings to discuss with the external auditors in respect of the preparation of annual results audit. All members attended the meetings. Major work during the Year included:

I. Review of Periodic Financial Statements

The Audit Committee was responsible for the review and supervision of the quality and procedures of the Company's financial reporting. According to relevant procedure, the management is primarily responsible for the preparation of the Group's financial statements including the selection of suitable accounting policies; certified public accountants for annual audit ("auditors") are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's internal control system relating to the preparation of financial statements; while the Audit Committee oversees the respective work of management and the auditors to endorse the processes and safeguards employed by them. The specific work of the Audit Committee includes the following:

- ◆ It reviewed the 2011 financial statements and the unaudited financial statements for the first quarter, first half year and third quarter of 2012 and made recommendations to the Board for approval.
- ◆ Before the commencement of the annual audit for 2012, the members of the Audit Committee and the other independent non-executive Directors have obtained the Work Plan on Preparation of Annual Financial Report and Annual Audit from the Company and the annual audit plan from the auditors, and met with the auditor to discuss the composition of the audit team, risk analysis, scope of audit, audit methodology, focus of audit for the Year and the schedule for the annual audit.
- ◆ Before the commencement of the annual audit for 2012, the Audit Committee preliminarily reviewed the Group's 2012 financial statements and issued its opinions in writing. The committee paid special attention to the treatment of significant financial and accounting matters for the year 2012 and gave preliminary approval to the management's opinions on treatment of such matters. It held the opinion that significant accounting estimates adopted by the Group were basically reasonable.
- ◆ After the auditors issued the preliminary audit opinion, the Audit Committee, the other independent non-executive Directors and the auditors held a meeting. The Audit Committee reviewed again the 2012 financial statements of the Group and had in-depth discussion and communication with the management and the auditors over the appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates. The Audit Committee held the opinion that the accounting policies and accounting estimates adopted by the Group for 2012 met the requirements of relevant accounting standards, the significant accounting policies adopted were appropriate and the significant accounting estimates were basically reasonable.
- ◆ It reviewed the internal review report on 2012 annual report and the relevant review checklist submitted by the finance and accounting department of the Company, and examined the 2012 annual report in terms of the compliance with statutory disclosure rules and completeness and accuracy of the information disclosed. It also examined the compliance with corporate governance rules and the compliance of the corporate governance report disclosure of the Company in 2012.
- ◆ Through adequate communication in advance and timely supervision during the process, the auditors completed the annual audit as scheduled and submitted the 2012 audit report on 22 March 2013. Based on the aforementioned work and the audit report of the auditors, the Audit Committee had the opinion that the Group's 2012 financial statements truthfully and reasonably reflect the Group's operating results in 2012 and the financial position as at 31 December 2012, and thus suggested the Board to approve the same.

II. Supervision and Evaluation of Internal Control

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control system, and the review covers the control of all key areas, including financial control, operation control, compliance control and risk management. The Audit Committee reviewed the 2012 Evaluation Report on Internal Control of the Company and assisted the Board in making independent assessment on the effectiveness of the Group's internal control to ensure the establishment and implementation by the Group of appropriate internal control systems and procedures.

As required by the internal control evaluation process, the committee considered and approved the Work Plan for 2012 Self-evaluation on Internal Control of the Company and Work Plan for 2013 Internal Audit of the Company. The committee kept itself informed of the progress of the construction and evaluation tasks of the Company's internal control and the key deficiencies found during internal control testing and the correction thereof through regular work overview and reporting of the Office of the Secretary to the Board. In particular, the Audit Committee thoroughly reviewed the draft of internal control process test for the preparation of financial statements.

III. Control and Routine Management of Related Party/Connected Transaction

According to the requirements of Implementation Guidelines for Connected Transactions of Listed Companies (《上市公司關聯交易實施指引》) formulated by SSE and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Audit Committee also undertook the duties relating to the control and routine management of connected transaction of the Company, and accordingly revised the Work Rules of the Audit Committee. With knowledge on the procedures for identifying and approving connected transactions, the committee reviewed the List of Connected Persons (《關聯人清單》) of the Company during the Year.

IV. Risk Management and Anti-fraud Efforts

During the Year, the Audit Committee continued to furnish the management with professional advice on the Group's significant matters and the enhancement of management standards, and reminded the management of any risks associated with such matters on an ongoing basis.

The Audit Committee has had a separate complaint mailbox for collecting any fraud-related information in a timely manner, and reached a cooperation memorandum with disciplinary inspection department of the Company on this basis. In 2012, the Audit Committee provided guidance for and supervision on the anti-fraud activities of the Company in accordance with the Anti-fraud Management Measures of the Company. It exchanged opinions with the auditors on risks of fraud and their management and control measures, understood the suggestions on internal control made by both the auditors and the audit department of the Company and the feedback and the progress of rectification reported by the management, and reviewed the significant accounting policies and accounting estimates adopted by the management. Based on the work as mentioned above, the Audit Committee considered that the Company's fraud risk management and control were effective.

V. Work Evaluation and Re-appointment of Auditors

In 2012, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP to audit the annual financial statements and internal control, and to undertake the duties as the Company's international auditor as required under the Listing Rules of the Stock Exchange. As required by the Company, the Audit Committee summarized the audit work of Deloitte in 2012. The Audit Committee had the opinion that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of financial information disclosure auditing and the communication with the management, the Audit Committee and the Board and accordingly proposes the Company to re-appoint Deloitte as the Company's auditor and internal control auditor for the year 2013 to conduct a consolidated audit on the annual financial statements and the internal control, and to undertake the duties as the Company's international auditor as required under the Listing Rules of the Stock Exchange. The auditor's service fee for auditing the financial statements and service fee for internal control audit for 2012 were RMB2.10 million and RMB0.68 million respectively. There is no other non-auditing service provided. Upon negotiation with the management of the Company and the auditor, the committee agreed that the service fee for the auditor would remain unchanged in 2013 as compared with 2012, which will be proposed at the Board meeting and the general meeting for consideration.

Audit Committee

Chen Dong Hua, Zhang Er Zhen, Du Wen Yi

22 March 2013

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination, Remuneration and Appraisal Committee established by the Company in 2001 was split into the Nomination Committee and the Remuneration and Appraisal Committee in 2012 as required by the Stock Exchange. Its current members comprise Xu Chang Xin* (Chairman), Fang Hung, Kenneth#, Chen Dong Hua*, Gao Bo* and Zhang Yang#.

* Independent non-executive Director

Non-executive Director

Duties

The Nomination Committee is primarily responsible for devising the Company's human resources development strategies and plans; and conducting studies and making proposals in respect of nominees, nomination criteria and nomination procedures for the Company's Directors and senior management. It is held accountable to the Board.

Major work during the Year

The Nomination Committee held one meeting in 2012 where all members attended. Major work included:

The committee has carried out the relevant nomination procedures in respect of the election of Directors for the new session of the Board and examined the qualifications of the new Directors.

As required by the Stock Exchange, the former Nomination, Remuneration and Appraisal Committee was split into the Nomination Committee and the Remuneration and Appraisal Committee. The Work Rules for the Nomination Committee of Jiangsu Expressway Company Limited was passed by the former Nomination, Remuneration and Appraisal Committee.

Remuneration and Appraisal Committee

Xu Chang Xin , Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yang

22 March 2013

Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee established by the Company in 2001 was split into the Nomination Committee and the Remuneration and Appraisal Committee in 2012 as required by the Stock Exchange. Its current members comprise Xu Chang Xin* (Chairman), Fang Hung, Kenneth#, Chen Dong Hua*, Gao Bo* and Zhang Yang#

* Independent non-executive Director

Non-executive Director

Duties

The Remuneration and Appraisal Committee is principally responsible for examining the independence of the independent non-executive Directors, making recommendations on determining remunerations for Directors and supervisors and on the Company's remuneration policy, devising the appraisal standards for the Company's Directors and senior management and conducting appraisals thereof. It is held accountable to the Board.

CORPORATE GOVERNANCE REPORT

Major work during the Year

Report on Discharge of Duties in 2012 by the Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee held one meeting in 2012 where all members attended. Major works included:

The committee has confirmed the independence of the independent non-executive Directors.

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

The committee has appraised and assessed the discharge of duties by the Directors and the management during 2012. The committee is of the view that all Directors have loyally fulfilled their obligations with integrity and diligence and have dutifully fulfilled and discharged their duties under their respective service contracts, and that they have devoted the necessary attention and adequate time to the Company's businesses and have brought their professional experience and expertise into full play, thus helping the Board to make decisions in a scientific and efficient manner and assuring the realisation of the Company's best interests. The management of the Company has discharged its duty professionally and conscientiously and has satisfactorily achieved the Company's various operation and management objectives for the Year which had been pre-set by the Board in early 2012.

As required by the Stock Exchange, the former Nomination, Remuneration and Appraisal Committee was split into the Nomination Committee and the Remuneration and Appraisal Committee. The Work Rules for the Remuneration and Appraisal Committee of Jiangsu Expressway Company Limited was passed by the former Nomination, Remuneration and Appraisal Committee.

Remuneration and Appraisal Committee

Xu Chang Xin , Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yang

22 March 2013

4. Supervisors and Supervisory Committee

The seventh session of the Supervisory Committee was elected at the annual general meeting of the Company held on 19 June 2012 and has a term ending on the date of the 2014 annual general meeting of the Company. The Company's Supervisory Committee comprises five supervisors, of whom three are representatives of the shareholders and the other two are staff representatives of the Company. The number of members and composition of the Company's Supervisory Committee is in compliance with the requirements of the relevant laws and regulations.

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, so as to prevent the infringement of the lawful interests of the shareholders, the Company and its staff. Its main duties include examining the financial situation of the Company, supervising the Company's decision-making and operational procedures on material business activities and connected transactions, and supervising the acts of the Directors and senior management discharging their duties to ensure lawfulness and compliance. The Articles of Association and the "Rules of Procedure for the Supervisory Committee" have set out the powers and authorities of the Supervisory Committee in detail.

CORPORATE GOVERNANCE REPORT

In 2012, the Supervisory Committee held five meetings, and all supervisors sat in on each Board meeting. In accordance with the Company Law, the Listing Rules and other relevant regulations as well as the Articles of Association and the Rules of Procedure for the Supervisory Committee and by observance of the principle of integrity, all members of the Supervisory Committee have faithfully discharged their duties. It examined the signing of written resolutions of the Board, exercised effective supervision on the legality of the decision-making process of the Company, the implementation of the resolutions passed at the shareholders' general meetings by the Board, and the performance of duties by the Directors and management of Company, and alerted the Board and the management of the Company of any potential risks. Based on the above supervision, the Supervisory Committee is of the opinion that the Company has operated in strict accordance with relevant laws and regulations and that the Directors and senior management of the Company have discharged their duties in an earnest manner and from the perspective of safeguarding the interests of the shareholders and the Company. There was no violation of laws and regulations, nor was there any abuse of power or any act detrimental to the interests of the Company, its shareholders and employees. The Company's internal control system and its implementation were basically sound and effective and no risk or major weaknesses were found existing in the operation and management of the Company.

| Meeting Session | Holding Date | Agenda of the Supervisory Committee Meeting |
|---|-----------------|---|
| 15th meeting of the sixth session of the Supervisory Committee | 23 March 2012 | <ul style="list-style-type: none"> — The 2011 annual report of the Company and its summary were considered — The 2011 work report of Supervisory Committee was considered — The 2011 Self-evaluation Report on Internal Control of the Company and relevant internal control systems were considered and approved — The name list of the candidates for the new session of the Supervisory Committee was proposed |
| 16th meeting of the sixth session of the Supervisory Committee | 27 April 2012 | <ul style="list-style-type: none"> — The 2012 first quarterly report of the Company was Considered |
| 1st meeting of the seventh session of the Supervisory Committee | 19 June 2012 | <ul style="list-style-type: none"> — Mr. Chang Qing was elected as the chairman of the seventh session of the Supervisory Committee |
| 2nd meeting of the seventh session of the Supervisory Committee | 19 August 2012 | <ul style="list-style-type: none"> — The 2012 interim report of the Company and its summary were considered |
| 3rd meeting of the seventh session of the Supervisory Committee | 26 October 2012 | <ul style="list-style-type: none"> — The 2012 third quarterly report of the Company was considered |

5. The Management

The management of the Company, comprising one General Manager and six deputy general managers and other senior management officers, is in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board and decision making and control over day-to-day business management, financial management and human resources management.

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

CORPORATE GOVERNANCE REPORT

III. Corporate Governance Report

In December 2011, the Stock Exchange amended relevant provisions of the Corporate Governance Code. Such new provisions took effect on 1 January 2012 and 1 April 2012. As at the publishing date of this report, the Board, having reviewed the day-to-day governance practices of the Company according to the Corporate Governance Code, was of the opinion that the Company fully adopted all the code provisions set out in the new Corporate Governance Code and strove to comply with the recommended best practices and that no material deviation or breach was found. The detailed review and description of the compliance are set out below.

A. Directors

A1. The Board

Code Principle

- The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decision objectively in the best interests of the issuer. The Board should regularly review the contributions required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

The best corporate governance status

- The Board of the Company is accountable to shareholders' general meetings and fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Procedure for the Board of Directors" and within its terms of reference as stipulated by the Articles of Association. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the best stable long-term returns.
- The Directors take the initiative to understand the Company's operation and operating development, attend Board meetings and specialized committee meetings in a prudent, responsible, proactive and serious manner, adequately capitalize on their respective professional experience and expertise and produce proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

| Code provision | Compliance | Corporate governance procedures |
|----------------|------------|---------------------------------|
|----------------|------------|---------------------------------|

| | | |
|---|-----|--|
| A1.1 Regular Board meetings should be held at least four times a year, approximately once every quarter. Directors should attend in person or actively getting involved though electronic means of communications. A regular Board meeting does not include obtaining Board consent through circulating written resolutions | Yes | <ul style="list-style-type: none"> In 2012, the Company held six Board meetings, including five physical meetings where Directors attended in person and one extraordinary meeting where votes were casted by way of correspondence. Each of the regular Board meetings was actively participated by the majority of Directors who were entitled to attend, either voting in person or by proxy. The attendance complied with the provisions of the Articles of Association. The extraordinary meeting was approved by the Board by way of circulation of written resolutions. All Board meetings had 100% attendance. Details of attendance of 2012 Board meetings are listed in the table below. |
|---|-----|--|

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| A1.2 All directors are given an opportunity to include matters in the agenda for regular Board meetings | Yes | <ul style="list-style-type: none"> All Directors were given an opportunity to include matters in the agenda for regular Board meetings but such a right was not exercised in the Year. |
| A1.3 Notice of at least 14 days should be given of a regular Board meeting | Yes | <ul style="list-style-type: none"> Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all Directors were given an opportunity to attend. |
| A1.4 Minutes of meetings should be kept by the secretary to the Board and available for inspection by any director at any reasonable time | Yes | <ul style="list-style-type: none"> Secretary to the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were available for inspection by any Director at any reasonable time. |
| A1.5 Minutes of meetings should record in sufficient details the matters considered by directors and decisions reached at meetings; and the drafted and finalized minutes of the meetings shall be delivered to all Directors in a reasonable period. | Yes | <ul style="list-style-type: none"> The minutes of meetings reflected objectively the consideration, voting and opinions given by the Directors in detail and were duly signed by Directors attending the meetings. |
| A1.6 Directors could seek independent advice under an agreed procedure at the Company's expense | Yes | <ul style="list-style-type: none"> In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of the Directors at the Company's expense. For the project concerning the participation of Guangjing Xicheng in the capital increase of Yanjiang Company in the Year, the Company appointed independent advisory agencies to issue independent opinions in accordance with the requirements, providing professional advice to the Directors. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| A1.7 If a substantial shareholder or a Director has a conflict of interest in a material matter, the company shall convene a Board meeting (shall not be handled through written resolution) in due course and the relevant connected directors shall abstain from voting | Yes | <ul style="list-style-type: none"> The Company has made it clear that, if a substantial shareholder or a Director has a conflict of interest in any material matter, the connected Director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the Reporting Period, all connected Directors have abstained from voting in respect of the relevant resolutions on the connected/related-party transactions such as the participation in the capital increase of Yanjiang Company and the entering into road maintenance contracts. The number of other non-connected Directors and independent non-executive Directors who had voted complied with the statutory quorum requirements. |
| A1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors | Yes | <ul style="list-style-type: none"> During the Reporting Period, the Company have arranged liabilities insurance for its Directors, supervisors and senior management members to offer protection in respect of their performance of duties pursuant to the requirements of the Listing Rules of the Stock Exchange. |

Meeting attendance of the Directors in 2012

| Name of Director | Required attendance at the Board for the Year | Attendance in person | Attendance by proxy | Voting by way of correspondence | Absences | Failure to attend Board meetings in person for two consecutive time | Attendance of general meetings |
|----------------------------------|---|----------------------|---------------------|---------------------------------|----------|---|--------------------------------|
| Yang Gen Lin | 6 | 4 | 1 | 1 | 0 | No | 3 |
| Cheng Xianghui | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Du Wen Yi | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Zhang Yang | 6 | 3 | 2 | 1 | 0 | No | 3 |
| Qian Yong Xiang | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Cheng Chang Yung Tsung, Alice | 6 | 3 | 1 | 1 | 1 | No | 2 |
| Fang Hung, Kenneth | 6 | 3 | 2 | 1 | 0 | No | 3 |
| Xu Chang Xin | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Gao Bo | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Zhang Er Zhen | 4 | 3 | 0 | 1 | 0 | No | 3 |
| Chen Dong Hua | 6 | 5 | 0 | 1 | 0 | No | 3 |
| Fan Cong Lai | 2 | 2 | 0 | 0 | 0 | No | 0 |

CORPORATE GOVERNANCE REPORT

A2. Chairman and Chief Executive Officer

- Code Principle**
- The management of the Board and the day-to-day management of business should be clearly separated, thereby ensuring a balance of power and authority so that power is not concentrated in any one individual.

- The best corporate governance status**
- The Company has clearly defined the responsibilities of the Chairman and the General Manager. The roles and responsibilities of the Board and the management are separated and set out in detail in the Articles of Association, the Rules of Procedure for the Board of Directors and the Work Rules for General Manager, ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities. The management is able to effectively control the day-to-day operation and management activities of the Company and maintain its independence in personnel arrangement and management activities. The Company has a sound accountability system in place and there hasn't been any ultra vires act or "insider control".

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| A2.1 The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities should be clearly established and set out in writing | Yes | <ul style="list-style-type: none"> Mr. Yang Gen Lin assumed the position as the Chairman of the seventh session of the Board and Mr. Qian Yong Xiang held the position as the Managing Director of the Company. The Chairman concentrated his work on the Group's development strategies and matters of the Board, while the Managing Director undertook the duties of chief executive officer and was in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board and day-to-day decision-making under the support and assistance of the Board and other senior management staff of the Company. The separation of the roles is explained in detail in the Articles of Association, the "Rules of Procedure for the Board of Directors" and the "Work Rules for General Manager". There was no relationship existing between the Chairman and the General Manager, including financial, operational, family or other relevant relations. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| A2.2 The chairman should ensure that all directors are properly briefed on issues arising at Board meetings | Yes | <ul style="list-style-type: none"> The Board has established a reporting system in which at each regular meeting, the General Manager reports to each Director the most updated status of the Company, at least four times per year. The Chairman also tables, for decision making, any material matters of the Group to the Board for collective discussion by the Directors at the meeting. |
| A2.3 The chairman should ensure that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable | Yes | <ul style="list-style-type: none"> The Chairman has appointed the Secretary to the Board to provide timely information regarding the performance of the Board's obligations is committed to continuously improving the quality and timeliness of the information and has the obligations to ensure the accuracy and completeness of the information provided. |
| A2.4 The chairman should ensure that the Board works effectively, and be primarily responsible for drawing up the agenda for and any matters to be considered at each Board meeting | Yes | <ul style="list-style-type: none"> The agendas of Board meetings were discussed by the Chairman, the executive Director and the Secretary to the Board and were determined after all matters motioned by non-executive Directors were taken into account. |
| A2.5 The chairman should ensure that good corporate governance practices and procedures are established | Yes | <ul style="list-style-type: none"> The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary to the Board to establish a good corporate governance system and procedures, and supervised the management to faithfully implement various systems to ensure that the Company operated in a regulated manner. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| A2.6 The chairman should encourage all directors to make a full and active contribution to the Board's affairs and to conduct adequate discussions of the matters under consideration and should encourage directors to express different opinions | Yes | <ul style="list-style-type: none"> The Chairman encouraged all Directors to make a full and active contribution to the Board's affairs and to make valuable contributions to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company. At Board meetings, all Directors had ample opportunities to voice their respective views and to discuss the matters under consideration. The results of voting at Board meetings also fairly reflected the consensus of the Directors. |
| A2.7 The chairman should hold a meeting once every year with non-executive directors, in the absence of the executive director | No | <ul style="list-style-type: none"> The Board has 11 members, of whom one is an executive Director and ten are non-executive Directors. Six Directors are engaged externally. This has ensured adequate independence of the Board and safeguarded the Board's decisions from being prejudiced by the opinions of executive Director. |
| A2.8 The chairman should ensure effective communication with shareholders and that the views of shareholders are communicated to the Board | Yes | <ul style="list-style-type: none"> The Chairman placed emphasis on the effective communications between the Company and its shareholders and enhanced investor relations continuously so as to realize the best returns for shareholders. All shareholders are entitled to attend shareholders' meetings and express their opinions. The Secretary to the Board will also report to the Board the important views of shareholders collected on a day-to-day basis. |
| A2.9 The chairman should promote a culture of openness and debate and ensure constructive relations among the directors | Yes | <ul style="list-style-type: none"> The Board encouraged and embraced democratic discussions and respected the views of each Director. The Board had a good atmosphere for discussions; the Directors were invited to give their respective opinions before an official voting took place and were free to discuss the matters being considered. The Chairman also valued the contributions made by the Directors to the Board and strove to ensure that there were constructive relations between the executive Director and the non-executive Directors. |

CORPORATE GOVERNANCE REPORT

A3. Board Composition

Code principle

- The Board should have a balance of skills and experience appropriate for the requirements of the issuer's business. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgment can be exercised effectively. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

The best corporate governance status

- The election of the new session of Board was approved at the annual general meeting held on 19 June 2012, forming the seventh session of the Board which comprised 11 Directors, of whom one was an executive Director and 10 were non-executive Directors with their terms ending on the date of the 2014 annual general meeting of the Company. Four of the non-executive Directors were nominated by shareholders and among the non-executive Directors, six of them were engaged externally by the Company, including four independent non-executive Directors, to ensure adequate independence of the Board and to help the Board to analyze and discuss issues from different perspectives.
- The Directors were elected or replaced by shareholders' general meetings. The Company adopts cumulative voting in the election process for Directors. The term of appointment of a Director is usually three years. The appointment of all Directors was determined by shareholders' general meeting. Directors can be re-elected when their terms of appointment expire. A re-elected independent Director shall not serve for more than 6 years consecutively. In the re-election process of the Board, former independent Director Mr. Fan Cong Lai, who had served as an independent Director for six consecutive years, resigned the position of independent Director, and Mr. Zhang Er Zhen was elected by the Board to fill the vacancy.
- The members of the Board have different industry background. They are diversified in experience, competence and judgmental skills, which makes the Board able to make more prudent and considerate decisions. The members of the current session of the Board have background and professional experience in the fields of highway, engineering, investment, financial accounting, finance and securities, economic management, corporate management and real estate, of whom two Directors have accounting qualifications and financial management expertise as required by the regulatory authorities.
- There isn't any relationship among the Board members, including financial, business, family or other relevant material relations.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| A3.1 The independent non-executive directors should be identified in all corporate communications | Yes | <ul style="list-style-type: none"> The independent non-executive Directors are disclosed in all corporate communications including the Company's annual and interim reports, and websites of the Company and stock exchanges. |
| A3.2 The issuer should maintain on its website and the Stock Exchange's website an updated list of current Board members. | Yes | <ul style="list-style-type: none"> The Company has uploaded to the relevant websites the list and profiles of the current Board members, which set out their roles, functions and independence. Once a member is replaced, the Company will promptly update relevant information. |

A4. *Appointment, Re-election and Removal*

| | |
|---|--|
| Code principle | <ul style="list-style-type: none"> There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director. |
| The best corporate governance status | <ul style="list-style-type: none"> The Board of the Company has established the Nomination Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a shareholders' general meeting. During the process of selection, the criteria considered by the committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth. For changes in Directors for the Year, please refer to section headed "Changes in Directors, Supervisors and Senior Management" in this Report. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| A4.1 Non-executive directors should be appointed for a specific term, subject to re-election | Yes | <ul style="list-style-type: none"> Directors are generally appointed for a term of three years. All Directors are appointed at a shareholders' general meeting and can be re-appointed upon expiry of the term. |
| A4.2 Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years | Yes | <ul style="list-style-type: none"> All Directors were elected or replaced by shareholders' general meetings. The Company has introduced the cumulative voting system for the election of Directors. The Company Law and the Articles of Association of the Company stipulate that each session of the Board is for a term of 3 years, each Director is appointed for a term of three years and should retire upon the expiry of the three year term. Any re-appointment is subject to re-election at a shareholders' general meeting. |
| A4.3 Serving more than 9 years could be relevant to the determination of an independent director's independence. | Yes | <ul style="list-style-type: none"> The Company enforces the rules of the SSE regarding the term of independent Directors. The consecutive term of an independent Director should not be more than six years in order to ensure adequate independence. |

A5. *Nomination Committee*

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| A5.1 The company should establish a nomination committee, which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors | Yes | <ul style="list-style-type: none"> A Nomination Committee has been established under the Board of the Company, comprising Xu Chang Xin, Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yan, of whom three are independent non-executive Directors. The chairman of the committee is Xu Chang Xin. |
| A5.2 The nomination committee should be established with specific written terms of reference | Yes | <ul style="list-style-type: none"> The Company has formulated the "Rules of Procedure for the Nomination Committee" specifying the terms of reference and responsibilities of the committee. The main responsibilities of the committee are set out in the section headed "Specialized Committees of the Board" in this Chapter. |

CORPORATE GOVERNANCE REPORT

| | | |
|--|-----|---|
| A5.3 The nomination committee should make available its terms of reference on the websites of the issuer and the Stock Exchange | Yes | <ul style="list-style-type: none"> The Company has made available the terms of reference of the Nomination Committee on its website, and published the same on the websites of the stock exchanges before 1 April 2012 for the enquiry of investors at any time. |
| A5.4 The issuer should provide sufficient resources for the committee to perform its duties. When necessary, it should seek independent professional advice, at expense of the Company | Yes | <ul style="list-style-type: none"> The Company provided sufficient resources for the committee to perform its duties. In respect of matters that require advice to be sought from professional institutions, the Company engaged professional institutions including accountants, lawyers, valuation firms and so forth to issue written reports for perusal by Directors at the Company's expense. During the Year, the committee had not requested the Company to seek professional independent advice on any relevant matter. |
| A5.5 In the election of an independent non-executive director, the Board shall include the reasons for the election, independence and reason for the director as an independent person in the circular to the shareholders | Yes | <ul style="list-style-type: none"> As far as the election of an independent non-executive Director is concerned, the Company included the reasons for appointing such person and the independence statement in the notice of the general meeting and the circular to the shareholders. |

A6. Responsibilities of Directors

Code principle

- Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

The best corporate governance status

- The Company has formulated the "Rules of Procedure for the Board of Directors", the work rules of each committee and the "Work Rules for Independent Directors", specifying the responsibilities of each Director so as to ensure that all Directors understand their roles and duties thoroughly.
- The Secretary to the Board is responsible for ensuring that all Directors obtain the Company's latest business development and updated statutory information on the Company's latest business development.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| <p>A6.1 Every newly appointed director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the issuer's operations and business and his/her responsibilities under legal requirements and the regulatory policy</p> | <p>Yes</p> | <ul style="list-style-type: none"> • A comprehensive information package and relevant training which comprises an introduction to the Group's operations, a brief introduction to Directors' responsibilities and duties and other statutory requirements will be provided to new Directors upon their appointment. • All non-executive Directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management. • The Secretary to the Board is responsible for ensuring that all Directors obtain the latest information on the Listing Rules and other statutory requirements. |
| <p>A6.2 Functions of non-executive directors</p> | <p>Yes</p> | <ul style="list-style-type: none"> • Non-executive Directors have actively participated in Board meetings and served as committee members, reviewed the progress of the Company's business objectives and provided independent opinions on the Board's decision making. • Functions of non-executive Directors include: <ul style="list-style-type: none"> — Participating in Board meetings to give independent opinions on the issues involving strategy, policy, performance, accountability, resources, key appointments and code of conduct; — taking the lead where potential conflicts of interests arise; — serving on the audit, remuneration, nomination committees and other governance committees, if invited, and — scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting of the Company. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| A6.3 Directors should ensure that they can give sufficient time to the issuer's affairs | Yes | <ul style="list-style-type: none"> All Directors have worked hard and faithfully performed their duties, and each of them was able to devote sufficient time and efforts in dealing with the matters of the Company. There was satisfactory attendance at Board meetings and committee meetings each year and no single Director failed to attend Board meetings for more than two times within a year. For records of attendance of the meetings, please refer to the relevant section of this Chapter. |
| A6.4 The Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities | Yes | <ul style="list-style-type: none"> The Directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Hong Kong Listing Rules in 2012. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees. The model code's standards on securities transactions by Directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers". During the Reporting Period, there were no transactions involving the Company's shares by the Directors. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| <p>A6.5 All directors should participate in continuous professional development. The issuer should be responsible for arranging and funding suitable training in development plans</p> | <p>Yes</p> | <ul style="list-style-type: none"> All Directors will have opportunities to receive professional training arranged by the Company for them during their terms of office. The Secretary to the Board kept paying attention to the development of governance requirements of securities regulatory authorities and delivered latest requirements to the Directors, supervisors and senior management by means of communication to help them update their knowledge and improve their functions and responsibilities. Meanwhile, the Secretary to the Board also arranged the Directors, supervisors and senior management to participate in special training programmes held by the stock exchanges or local securities regulatory authorities, and organized special seminars and exchanges on laws, finance, management and capital market for the Directors to facilitate their continuous professional development. |
| <p>A6.6 Each director should, disclose to the issuer at the time of his appointment, (and shall make such disclosure regularly thereafter) the number and nature of offices held in public companies or organizations, and other significant commitments</p> | <p>Yes</p> | <ul style="list-style-type: none"> Each Director regularly provided information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as Directors or supervisors in listed companies in the previous three years). Details of the positions currently held and concurrently held by such Directors in other listed companies are disclosed in the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report. |
| <p>A6.7 Independent non-executive directors should regularly attend Board meetings, meetings of committees and shareholders' general meetings, and develop a balanced understanding of the views of the shareholders of the Company</p> | <p>Yes</p> | <ul style="list-style-type: none"> All independent non-executive Directors have attended Board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. All independent non-executive Directors have attended the annual general meetings and extraordinary general meetings of the Company held in the Year. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| A6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments | Yes | <ul style="list-style-type: none"> All Directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner, offering their respective professional experience and expertise, and giving their independent judgment, knowledge and experience in the matters discussed so that the Board could conduct productive discussions and made decisions in a speedy and prudent manner. |

A7. Supply of and Access to Information

| | |
|---|--|
| Code principle | <ul style="list-style-type: none"> Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to perform their duties and responsibilities. |
| The best corporate governance status | <ul style="list-style-type: none"> The Secretary to the Board is responsible for providing all information to Directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continued basis. |

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| A7.1 Meeting documents should be sent to directors at least three days before the date of a Board or committee meeting | Yes | <ul style="list-style-type: none"> The Company's meeting materials were sent to the Directors at least five business days before the date of each regular Board or committee meeting and at least three days by courier, mail or electronic mail before the date of each extraordinary Board meeting |
| A7.2 Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. Each director could have separate and independent access to the company's senior management for making further enquiries | Yes | <ul style="list-style-type: none"> The management provided adequate information to the Board and its committees in a timely manner. Directors could have separate and independent access to the Company's senior management for obtaining the necessary information. The Board and the committees would make arrangements for the relevant members of the senior management to attend their meetings and report the latest situation about the operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements. |

CORPORATE GOVERNANCE REPORT

| | | |
|--|------------|--|
| <p>A7.3 All directors are entitled to have access to Board papers and related materials. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible</p> | <p>Yes</p> | <ul style="list-style-type: none"> All Board documents and related materials have been kept by the Secretary to the Board for inspection by Directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations and respond to queries. |
|--|------------|--|

B. Remuneration of Directors and Senior Management

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

- Code principle**
- An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedures for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. No director should be involved in deciding his/her own remuneration.

- The best corporate governance status**
- The Company has established the Remuneration and Appraisal Committee, the terms of reference of which include formulating and reviewing the remuneration policy and plan for the Company's Directors and senior management staff. Except for the two external non-executive Directors and four independent non-executive Directors who received Directors' remuneration, the remaining Directors have not received any Directors' remuneration from the Company. The remuneration for independent non-executive Directors is determined with reference to the average market level and the Company's current status. The executive Director has received management remuneration from the Company. During the Year, no Director participated in determining his/her own remuneration.
 - During the Year, the remuneration paid by the Company to two external independent Directors amounted to HK\$300,000 per person. The remuneration paid to four independent Directors amounted to RMB60,000 per person. Other than remuneration, the independent Directors have not received other compensation from the Company.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| B1.1 The remuneration committee should consult the chairman or the chief executive officer about their remuneration proposals for other executive directors, should have access to professional advice if necessary | No | <ul style="list-style-type: none"> During the Year, other than the General Manager who serves as the executive Director, the Company does not have other executive Directors. The General Manager receives management remuneration but not Directors' remuneration. |
| B1.2 The remuneration committee's terms of reference | Yes | <ul style="list-style-type: none"> The Company has established the "Rules of Procedure for the Remuneration and Appraisal Committee" which specifies the powers and duties of the committee, with its terms of reference being not limited to the Code provisions. The Remuneration Committee acted as an advisor to the Board, while the Board retained the ultimate power of approving the remuneration for executive Director and senior management staff. |
| B1.3 The remuneration committee should make available its terms of reference on the websites of the company and the Stock Exchange | Yes | <ul style="list-style-type: none"> The Company has made available the terms of reference of the committee on its website, published the same on the website of the Stock Exchange before 1 April 2012 for enquiry of investors |
| B1.4 Should be provided with sufficient resources to perform its duties | Yes | <ul style="list-style-type: none"> The Company will provide sufficient resources for the committee to perform its duties. |
| B1.5 The issuer should disclose details of any remuneration payable to members of senior management by band in its annual reports | Yes | <ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the annual report and accounts. For details, please refer to the chapter headed "Directors, Supervisors, Senior Management and Staff" in this Annual Report. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| B1.6 Details about any objection of the remuneration committee to the Board's resolution on remuneration shall be disclosed in the Corporate Governance Report | Yes | <ul style="list-style-type: none"> The Board and the Remuneration Committee did not see such matter as referred to in the provision occur to the remuneration arrangements for the Directors and senior management during the Year. |
| B1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance. | Yes | <ul style="list-style-type: none"> The total remuneration of each of the executive Director and senior management staff comprises three parts, which is salary for the position, performance bonus and the Company's contribution to their pension scheme and other benefits. The remuneration has been generally linked with the Company's and individual performance. |
| B1.8 Issuer should disclose details of any remuneration payable to the members of senior management, on a named basis in the annual report | Yes | <ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the annual report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" in Section VII of this Annual Report. |
| B1.9 The Board should conduct a regular evaluation of its performance | Yes | <ul style="list-style-type: none"> The Board and the Remuneration Committee are responsible for the appraisal of the Company's management members, and the performance objectives set for them including operating revenue, costs of operations, profit indicators and objectives for the respective operations. After the consideration and approval by the Board at the beginning of the Year, the Company specified and assigned various indices and tasks to various functional departments of operations. The persons-in-charge of the respective departments then entered into annual responsibility letters with the General Manager. At the end of the Year, the Board assessed the management's performance based on the completion of various objectives. |

CORPORATE GOVERNANCE REPORT

C. Accountability and Audit

C1. Financial Reporting

Code principle

- The Board should present a clear, comprehensible assessment of the Company's performance, position and prospects.

The best corporate governance status

- The Board has strived to provide comprehensive information in all regular financial reports issued to shareholders so as to comply with the regulatory requirements of the stock exchanges in both Hong Kong and Shanghai and kept improving the management discussion and analysis to give a comprehensive disclosure on the Company's production and operation, finance and project development. Meanwhile, it has also taken the initiative to increase the amount of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Group's operating management status and prospects.

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| C1.1 Management will provide sufficient explanation and information to enable the Board to make an informed assessment of the relevant matters | Yes | <ul style="list-style-type: none"> • The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all Directors to make well-grounded assessment on the financial and other information submitted to them for approval. |
| C1.2 Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's operating or financial performance | Yes | <ul style="list-style-type: none"> • According to the requirements of the new code provisions, the Company has been submitting to each Director "Operations Bulletin" or other information that needs to be reviewed by Directors on a monthly basis from year 2012, sufficient enough to allow the Directors to acquire details about the Company's interim operation and management. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| C1.3 directors should acknowledge their responsibility for preparing the accounts; there shall be a statement by the auditors about their reporting responsibilities in the report. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report | Yes | <ul style="list-style-type: none"> • Directors are responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. The auditors' report also stated the reporting responsibilities of Directors. • The Company was not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. |
| C1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives | Yes | <ul style="list-style-type: none"> • The Company included in its annual report a separate section containing a comprehensive and detailed discussion on the Company's business development environment, performance of each business, future risks and development strategies. For details, please refer to the section V headed "Report of the Directors" of this Annual Report. |
| C1.5 The Board should present a balanced, clear and understandable assessment of the Company's performance in periodic reports, price-sensitive announcements and other financial disclosures | Yes | <ul style="list-style-type: none"> • The Board gave an objective, fair and clear presentation of the Group's position and prospects in all announcements issued to shareholders. |
| Recommended best practices: | | |
| <ul style="list-style-type: none"> • Apart from issuing reports on annual results and interim results, the Company has prepared and issued the results reports for the first and third quarters pursuant to the requirements of the SSE. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for shareholders to assess the performance, financial position and prospects of the Company. | | |

CORPORATE GOVERNANCE REPORT

C2. Internal Control

Code principle

- The Board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.

The best corporate governance status

- The Board has authorized the management of the Company to establish and implement the internal control system and conduct review on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. During the Reporting Period, the Board conducted a self-evaluation on the Company's internal control and did not find any significant weakness in the design or implementation of the internal control system. For details, please refer to the section "2012 Self-evaluation Report on Internal Control" in this Annual Report.
- The Company has established the internal audit department within the organization framework to conduct regular review, supervision and assessment on the financial position, operating and internal control activities according to different businesses and flow. It also engaged external audit institutions to regularly audit the financial reports and effectiveness of internal control of the Company and to offer independent and objective assessments and suggestions in the form of audit reports.

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| C2.1 Directors should at least annually conduct a review of the effectiveness of the internal control systems (including financial control, operating control, compliance control and risk management functions) | Yes | <ul style="list-style-type: none"> • Currently, the Company has established the internal control system. During the Year, the Company's internal audit department and external independent auditing firm have conducted preliminary review, rectification, audit and evaluation of the effectiveness of the establishment and implementation of the internal control system respectively, and ensured that a comprehensive audit covering all businesses and management activities within the scope of internal control was carried out each year. For details, please refer to the section headed "Self-evaluation Report on Internal Control of the Company by the Board" in this Annual Report. |
| C2.2 The Board's review should, in particular, consider the adequacy of resources, staff qualifications and experience of the issuer's financial reporting function | Yes | <ul style="list-style-type: none"> • The Company has sufficient resources to support the launch of the financial reporting functions. The relevant employees also possess the qualifications and experiences required for the positions, and have the opportunity to receive professional training in this area each year. |

CORPORATE GOVERNANCE REPORT

Recommended best practices:

- During the Year, the Company conducted an inspection and a self-evaluation of the rationality of the internal control policy as well as the comprehensiveness, effectiveness, operation and implementation of the internal control system in five aspects covering control environment, risk identification and assessment, control measures, information and communication as well as supervision and inspection. The review covered but was not limited to those items in Code provision C.2.3 and C.2.4. For the findings of the review, please refer to the section headed "Self-evaluation Report on Internal Control of the Company by the Board" in this Annual Report.
- The Company has ensured that the information disclosed in all announcements issued to shareholders are meaningful information and that the information do not contain misrepresentations, misleading statements or major omissions and all Directors warranted that the announcements do not contain misrepresentations, misleading statements or major omissions and are jointly and severally responsible for the truthfulness, accuracy and completeness of the statements contained therein.

C3. Audit Committee

Code principle

- The audit committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and maintain an appropriate relationship with the company's auditors.

The best corporate governance status

- The Company has established the Audit Committee of the Board and Chen Dong Hua, Zhang Er Zhen and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive Directors, of whom Chen Dong Hua and Zhang Er Zhen are independent Directors. Mr. Chen Dong Hua is an independent Director possessing professional qualifications and professional experience in financial management. He took up the position as chairman of the committee.
- The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The terms of reference is specified clearly in the "Work Rules for the Audit Committee".
- The Audit Committee held six meetings in 2012, including four meetings to review periodic reports and two meetings to discuss with the external auditors in respect of the annual results audit. At such meetings, all members attended, and the management and the financial controller reported on the financial position of the Company and major matters related to internal controls.
- During the Year, the Audit Committee made two direct contacts with external auditors of the Company, before the preparation of the annual audit report and the interim review report, to understand the procedures and principles for the preparation of the auditors' report and to discuss the relevant issues with the auditors, so as to serve as a basis for evaluation.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|--|
| C3.1 Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary (company secretary in general) and the drafted and finalized minutes of the meetings shall be delivered to all members of the committee in a reasonable period. The drafted minutes are provided to the members for expressing opinions and the finalized minutes are used for record. | Yes | <ul style="list-style-type: none"> The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed manner and were signed by all Directors attending the meetings for confirmation. |
| C3.2 A former partner of the existing auditors should be prohibited from acting as a member of the audit committee | Yes | <ul style="list-style-type: none"> None of the Audit Committee members is a former partner of the external auditors. |
| C3.3 Terms of reference of the audit committee | Yes | <ul style="list-style-type: none"> The Company has formulated the "Rules of Procedure of the Audit Committee" which specifies the terms of reference and work procedures of the committee and the authority granted by the Board, meeting the requirements of the Code provision. |
| C3.4 The audit committee should make available its terms of reference on the websites of the company and the Stock Exchange | Yes | <ul style="list-style-type: none"> The Company has made available the terms of reference of the committee on its website, and published the same on the website of the Stock Exchange before 1 April 2012 for enquiry of investors. |
| C3.5 The Board should obtain opinions from the audit committee on the selection, appointment or removal of external auditors | Yes | <ul style="list-style-type: none"> The Audit Committee makes recommendations on the selection, appointment or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| C3.6 The audit committee should be provided with sufficient resources to perform its duties | Yes | <ul style="list-style-type: none"> The Audit Committee may have timely access to relevant information and seek necessary independent professional advices pursuant to the established procedures at the expense of the Company. During the Year, the Company engaged an independent financial adviser, a valuer and an auditor to provide professional advice in respect of the participation in the capital increase of Yanjiang Company. |
| C3.7 The audit committee should act as a key representative body for overseeing the issuer's relations with the external auditors | Yes | <ul style="list-style-type: none"> The Audit Committee played a functional role in coordinating the Company with the external auditors by having adequate communications with the auditors over audit-related matters, and was responsible for overseeing the relationship between the Company and the auditors to ensure the independence of the auditors. |
| Recommended best practices: | | |
| <ul style="list-style-type: none"> The Company has clearly defined the relevant responsibilities and terms of reference of the Audit Committee and the internal disciplinary inspection and supervision department, established a reporting mechanism, set up and made known a dedicated reporting telephone line and e-mail to provide employees and other stakeholders of the Company with confidential channels to report inappropriate matters to the Audit Committee and the internal disciplinary inspection and supervision department. | | |

D. Delegation by the Board

D1. Management Functions

Code principle

- The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.

The best corporate governance status

- The main functions and duties of the Board include convening the shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders' general meetings.
- The Articles of Association and the Rules of Procedure for the Board of Directors explicitly state the matters that required to be considered and approved by the Board. For the implementation of certain major project, the Board may, after its consideration and approval, set up a committee or panel consisting of two or more Directors as needed, and empower such committee or panel with some powers, authorities, and discretions vested in it to ensure the smooth implementation and efficient execution of relevant resolution. The committee or panel hereof must act within the scope of authorization and shall report to the Board of any act beyond the scope of authorization.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| D1.1 When the Board delegates aspects of its management and administration functions to the management, it must, at the same time, give clear directions as to the management's powers | Yes | <ul style="list-style-type: none"> The management is accountable to the Board. Its main functions and duties include being in charge of the Company's production and operation management, organization and implementation of the annual business plans and investment proposals approved by the Board, and implementation of the resolutions passed by the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings. The Board has issued clear guidelines on the rights and responsibilities of the management. |
| D1.2 An issuer should separately identify functions reserved to the Board and those delegated to the management and reviews these arrangements on a regular basis | Yes | <ul style="list-style-type: none"> The Company has specified the terms of reference of the management and the matters that required to be resolved by the Board in the "Work Rules for General Manager" and reviewed the same regularly. |
| D1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the Board and management | Yes | <ul style="list-style-type: none"> The Company has specified the separate functions and duties between the Board and the management in the "Articles of Association", the "Rules of Procedure for the Board of Director" and the "Work Rules for General Manager" which have been made available on the Company's website. The Company also reviews the performance of the Board and the management in its annual report every year. |
| D1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors | Yes | <ul style="list-style-type: none"> Each newly appointed Director has received a formal letter of appointment setting out the key terms and conditions of the appointment. Meanwhile, the Board has followed the relevant authorization procedures when delegating the relevant powers. |

CORPORATE GOVERNANCE REPORT

D2. Board Committees

Code principle

- Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

The best corporate governance status

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

Records of Attendance of Meetings of Specialized Committees in 2012 (Attendance/ Number of Meetings)

| Name | Position | Remuneration and Appraisal | | | |
|-------------------------------|------------------------|----------------------------|-----------------|----------------------|---------------------|
| | | Strategy Committee | Audit Committee | Nomination Committee | Appraisal Committee |
| Yang Gen Lin | Chairman | 3/3 | — | — | — |
| Qian Yong Xiang | Executive Director | 3/3 | — | — | — |
| Chen Xiang Hui | Non-executive Director | 3/3 | — | — | — |
| Zhang Yang | Non-executive Director | — | — | 1/1 | 1/1 |
| Du Wen Yi | Non-executive Director | — | 6/6 | — | — |
| Cheng Chang Yung Tsung, Alice | Non-executive Director | 2/3 | — | — | — |
| Fang Hung, Kenneth | Non-executive Director | — | — | 1/1 | 1/1 |
| Xu Chang Xin | Independent Director | — | — | 1/1 | 1/1 |
| Gao Bo | Independent Director | — | — | 1/1 | 1/1 |
| Chen Dong Hua | Independent Director | — | 6/6 | 1/1 | 1/1 |
| Zhang Er Zhen | Independent Director | 2/2 | 4/4 | — | — |
| Fan Cong Lai | Independent Director | 1/1 | 2/2 | — | — |

For the 2012 work report of the respective committee, please refer to this Chapter.

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|---|
| D2.1 The Board should give the committees sufficiently clear terms of reference to enable them to perform their functions properly. | Yes | <ul style="list-style-type: none"> The four committees under the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee". |
| D2.2 The terms of reference of the committees should require them to report back to the Board on their decisions or recommendations, | Yes | <ul style="list-style-type: none"> The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board. |

D3. Corporate Governance Function

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| D3.1 The terms of reference of the Board should include corporate governance duties | Yes | <ul style="list-style-type: none"> The Board assumes the responsibilities for corporate governance, supervises the management to establish a compliant organizational structure and system, follows the "Corporate Governance Code", other legal and regulatory requirements in the day-to-day operation and management, and makes a conclusion and a review in the annual report. |
| D3.2 The Board should be responsible for performing the corporate governance duties or it may delegate the responsibility to a committee or committees. | Yes | <ul style="list-style-type: none"> The Company's corporate governance duties are undertaken by the Board directly, and the Company has neither set up a specialized committee to undertake such responsibilities nor assigned such duties to other committees. |

CORPORATE GOVERNANCE REPORT

E. Communication with Shareholders

E1. Effective Communication

Code principle

- The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

The best corporate governance status

- The Board endeavours to maintain on-going communication with the shareholders and regarded annual general meetings and other extraordinary general meetings as major opportunities to contact individual shareholders. The Company dispatches shareholders' circular at least 21 days before a general meeting. The Company dispatches the notice for an annual general, which set out the matters to considered at the meeting and the voting procedures in detail, at least 45 days before the meeting. All shareholders holding shares of the Company are entitled to attend annual general meetings.

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| E1.1 In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting | Yes | <ul style="list-style-type: none"> Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of Directors. No resolutions were proposed in "a bundle". |
| E1.2 The chairman of the Board should attend the annual general meeting and arrange for the chairmen or members of the committees to be available to answer questions raised by shareholders at the meeting. The management should ensure that the external auditors attend the annual general meeting | Yes | <ul style="list-style-type: none"> The Chairman of the Board has attended and presided over the annual general meeting and has arranged for the representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting. Each year, independent Directors give their independent opinions and report to shareholders on matters that are subject to independent shareholders' approval during the year, and answer questions raised by shareholders at general meeting. The Company also arranged for the representatives of the external auditors to attend the annual general meeting to answer relevant questions if necessary or to act as a scrutineer at the meeting. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| E1.3 The issuer should give notice of at least 20 business days prior to an annual general meeting and at least 10 business days prior to an extraordinary general meeting | Yes | <ul style="list-style-type: none"> Pursuant to other relevant requirements, the Company gave notice of at least 45 days prior to any general meeting, which was in full compliance with the requirements of the code provisions. |
| E1.4 The Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. | Yes | <ul style="list-style-type: none"> The office of the Secretary to the Board is specifically responsible for the day-to-day communications with shareholders. The Company has published the relevant communication methods on the website and in the relevant announcements. Shareholders have had smooth channels to make inquiries to the Company, and the Company has also arranged for specially-assigned personnel to promptly respond to such inquiries. |

E2. Voting by Poll

| Code principle | Compliance | Corporate governance procedures |
|--|---|---|
| <p>The best corporate governance status</p> | <ul style="list-style-type: none"> The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll. | <ul style="list-style-type: none"> The Company has formulated the "Rules of Procedure for General Meetings" specifying the voting method and the voting procedures of shareholders' general meetings and ensured that the procedures comply with the requirements contained in the Listing Rules and the "Articles of Association". The Company also stated detailed procedures for the voting by poll in the notice of a general meeting. The Company confirmed the validity of all the voting shares present at the meetings and appointed external auditors and shareholders' representatives as scrutineers and appointed lawyers to issue letters of legal opinions on the final voting results. The voting results have been published in designated newspapers and websites. |

| Code provision | Compliance | Corporate governance procedures |
|--|------------|--|
| E2.1 The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting | Yes | <ul style="list-style-type: none"> The notice of a general meeting and the attached circular contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting. The chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions. |

CORPORATE GOVERNANCE REPORT

F. Company Secretary

- Code principle**
- The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

The best corporate governance status

- The Company assigned a member of the senior management as the Secretary to the Board to assume the role of Company Secretary at Board meetings, and set up a specialized office of the Secretary to the Board in order to ensure the availability of resources for its smooth operation. The Company established the Work Rules for the Secretary to the Board, setting out its terms of reference and job responsibilities. The Secretary to the Board takes a major role in the operation of the Board and various specialized committees as well as in corporate governance. In addition, the Company engaged an external professional company secretary to assist it dealing with the compliance matters relating to the Hong Kong listing rules and the Hong Kong Company Ordinance.
- The Secretary to the Board received more than 15 hours' professional training in 2012.

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| F1.1 The company secretary should be an employee of the issuer | No | <ul style="list-style-type: none"> The Secretary to the Board is concurrently served by Mr. Yao Yong Jia, Deputy General Manager of the Company. The Company engaged Ms. Lee Wai Fun, Betty, member of The Hong Kong Institute of Company Secretaries, as its Company Secretary. |
| F1.2 The Board should approve the selection, appointment or dismissal of the company secretary. | Yes | <ul style="list-style-type: none"> The selection and appointment of the Secretary to the Board and the Company Secretary were in compliance with the relevant requirements of the code provision. |
| F1.3 The company secretary should report to the Board chairman or the chief executive. | Yes | <ul style="list-style-type: none"> The Secretary to the Board and the Company Secretary are responsible for regularly providing all information to the Directors and supervisors, including the documents on each meeting of the Board, specialized committees and supervisory committee, providing Company's business progress report, financial objectives, development plans and strategic programs as well as the latest information on the Listing Rules and other statutory requirements, and continuously improving the quality and timeliness of the information to ensure that Directors, supervisors and senior management staff are able to make decisions and fulfill the duties and responsibilities with the availability of such information. |

CORPORATE GOVERNANCE REPORT

| Code provision | Compliance | Corporate governance procedures |
|---|------------|---|
| F1.4 All directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. | Yes | <ul style="list-style-type: none"> The Secretary to the Board maintained close communication with all Directors and provided timely material information about the Company and the relevant updated rules, as well as contributed advice to the Directors on matters regarding corporate governance and rules compliance to ensure the Board's operation was in compliance with the procedures. In respect of the matters relating to the Hong Kong Listing Rules and Hong Kong Company Ordinance, the Secretary to the Board kept close contact with the Company Secretary. |

IV. Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders are informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure. Since listing, the Company has been striving to comply with the relevant laws and listing rules on the principles of fairness, equality and openness to dutifully perform its statutory disclosure obligations. On top of this, the Company has actively gained understanding of the key concerns of investors and enhanced the extent of voluntary disclosure to upgrade the quality of information disclosure and increase transparency of the Company.

During the Reporting Period, the "Administrative Measures for the Disclosure of Information" of the Company has been duly complied with. In accordance with the statutory disclosure requirements, the Company published 49 announcements for major matters in the PRC and overseas simultaneously, including four periodic reports, 28 ad hoc announcements and relevant information to disclose in details important corporate information on operating results, financial information, dividend payment, daily operations, project investments, financing activities, connected transactions, change in Directors and supervisors for the new session, shareholders' general meetings, the Board and the Supervisory Committee as well as the development of significant events. Announcements of the Company were published in the China Securities Journal and Shanghai Securities News and on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.jssexpressway.com).

V. Investor Relations and Communications

Investor relations are a pro-active way for a listed company to maximize its value. The management of the Company has always attached great importance to investor relations, and formulated the "Work System of Investor Relations Management" to reinforce investor relations management through management structure and internal system.

During the Reporting Period, the Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors. The Company disclosed important information and matters which may affect investors' interests by issuing periodic and ad hoc announcements, aiming at raising the quality of information disclosed. The Company's website is another important platform to develop investor relations. Through the website, the Company regularly publishes its operation updates and information which may interest investors, thereby allowing investors to timely and clearly understand the Company's most updated development and increasing the Company's transparency. We also answered questions raised by investors through the web exchange platform and carried out some basic communication. The Company will further strengthen the management and development of its website as a fair, environmental friendly and low-cost communication means to provide investors with more extensive and timely information.

CORPORATE GOVERNANCE REPORT

The core of investor relations is effective communication. Through proactive investor relations activities, the Company strives to create market investment atmosphere, deliver positive signals and firm market investment confidence. During the Year, the Company also kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas roadshows, regular meetings with visiting investors and analysts, and teleconferences. Major activities carried out were as follows:

- ◇ Prompt responses were made to investors' inquiries through the investor hotline, company website and e-mail; more than 120 telephone calls and e-mail communications with investors were handled during the Year.
- ◇ Field trips to the Company by investors and analysts or specific teleconferences: 46 batches of visits to the Company by domestic and foreign investors (57 persons in total) were received during the Year.
- ◇ Various promotion activities including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face exchanges with investors were conducted. 8 major presentations were attended or organized in 2012 with details as follows:

| | | |
|----------|---|--|
| January | — | Participated in the "Greater China Conference" organized by UBS AG in Shanghai |
| March | — | Held 2011 annual results presentation and roadshows in Hong Kong |
| May | — | Participated in the Seminar on Asian Transport Industry organized by UBS |
| August | — | Held 2012 interim results presentation and roadshows in Hong Kong |
| November | — | Attended the Merrill Lynch China Investment Summit held in Beijing |
| | — | Attended the Greater China Investor Conference held by Citibank |
| | — | The management conducted investor roadshows in Europe the United States |

The Company also collected market feedback broadly through investor relations activities with a view to enhancing the Company's corporate governance and operating management. During the Reporting Period, the Company conducted perception audits with industry analysts who have followed closely with the Company for years after the annual results and interim results in order to gather views and suggestions on the operating positions and development strategies of the Company. Questionnaires on investor relations management were sent by e-mail to understand the market's assessments and suggestions on the Company's investor relations management, communication modes and disclosure quality as well as the market's concerns about the Company. These initiatives have laid a foundation for the formulation of the next-stage work plan on effective investor relations management and for organizing purposive investor relations activities.

CORPORATE GOVERNANCE REPORT

VI. Investor Return Mechanism

While achieving rapid development through the capital market, the Company also understands clearly that investors are the driving source for the development of the Company. The Company views bringing positive returns to shareholders as its important mission and business principle and strives to enable investors to better share the results from the development of the Company and guide investors to establish long-term investment and rational investment ideas for achieving a virtuous cycle of capital. The Company has set up a positive and stable dividend policy as set out in its Articles of Association, aiming to create higher returns for the shareholders. During the Reporting Period, pursuant to the "Notice on Further Implementing Issues concerning Cash Dividends of Listed Companies" (《關於進一步落實上市公司現金分紅有關事項的通知》) issued by the CSRC, the Company further improved its decision-making procedures and mechanism for cash dividend distribution and specified in detail the cash dividend policy by amending relevant terms in Chapter 18 Profit Distribution of the Articles of Association.

Since its listing, the Company has been maintaining a positive stable mechanism for shareholder returns and paying cash dividends for 16 consecutive years. At the end of 2012, the Company had distributed an aggregate of RMB15.498 billion cash dividends, with average payout ratio reaching 75% and accumulated dividend per share amounting to RMB3.0817, thus enabling shareholders to enjoy good returns from the development of the Company. According to a research report released by the China Center for Market Value Management, the Company ranked first among all the A-share listed companies in terms of shareholder returns due to its high payout ratio over the years.

In 2012, the Company distributed a cash dividend of RMB0.36 per share, equivalent to approximately 87.4% of its distributable profit (based on the amount of net profit after transferring 10% to statutory reserve) for the Year, and the payout ratio reached 77.72%.

| | 2005* | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|--------|-------|-------|-------|-------|-------|-------|-------|
| Earnings per share (RMB)* | 0.133 | 0.233 | 0.318 | 0.308 | 0.399 | 0.493 | 0.482 | 0.463 |
| Dividend per share (tax inclusive) (RMB) | 0.145 | 0.19 | 0.27 | 0.27 | 0.31 | 0.36 | 0.36 | 0.36 |
| Payout ratio (%) | 109.02 | 81.55 | 84.90 | 87.66 | 77.66 | 73.0 | 74.64 | 77.72 |

* Earnings per share refer to the basis of profit for distribution of dividends.

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

Ensuring a long-term and stable return for shareholders remains the top priority of the Company. Taking into account both the long-term benefits and current income of its investors, the Company will maintain a stable dividend policy in the coming years.

CORPORATE GOVERNANCE REPORT

VII. Rights of Shareholders

- **Procedures of convening of extraordinary general meetings by shareholders**

The following procedures shall be complied with by shareholders requesting for convening of extraordinary general meetings:

- (1) two or more shareholders holding in aggregate more than 10% of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or more written requisitions with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written requisition. The aforesaid proportion of shareholding shall be calculated on the date on which the relevant shareholders submit the written requisition.
- (2) if the Board fails to dispatch a notice of convening such meeting within thirty days upon receipt of the aforesaid written requisition, the shareholders submitting such request may convene such meeting by themselves within four months of the receipt of such requisition by the Board. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as similar as practicable. All reasonable expenses incurred by shareholders arising from convening and holding the aforesaid meeting by shareholders due to the Board's failure to hold such meeting in response to the aforesaid requisition shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the director(s) who have neglected their duties.
- (3) The Board shall, in accordance with laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting, within ten days upon receipt of such proposal. If the Board agrees to convene an extraordinary general meeting, a notice of such meeting shall be dispatched within five days after the resolution has been adopted by the Board. Changes made to the original proposal in the notice shall be approved by the relevant shareholders.
- (4) If the Board refuses to convene an extraordinary general meeting, or gives no response within ten days upon receipt of such proposal, shareholders holding in aggregate more than 10% of the Company's shares shall be entitled to propose to the Supervisory Committee for convening such meeting, provided that such proposal shall be made in writing. If the Supervisory Committee agrees to hold an extraordinary general meeting, a notice of such meeting shall be dispatched within five days upon receipt of such request. Changes made to the original proposal in the notice shall be approved by the relevant shareholders. If the Supervisory Committee fails to give the notice of such meeting within the specified time limit, it shall be deemed to have failed to convene and preside over such meeting, in which case, shareholders holding in aggregate more than 10% of the Company's shares for not less than 90 consecutive days shall have the right to convene and preside over such meeting by themselves. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as similar as practicable.

CORPORATE GOVERNANCE REPORT

- **Procedures of raising inquiries to the Board by shareholders**

Shareholders of the Company shall be entitled to the right to supervise and manage the Company's business operations, and to present proposals or raise inquiries.

Shareholders demanding inspection of the relevant information or copies of the materials allowed under Article 7.3 of the Articles of Association of the Company shall provide to the Company written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide such information as the shareholder requested.

- **Procedures of presenting proposals at general meetings**

When the Company convenes an annual general meeting, shareholders holding five per cent or more of the total voting shares shall have the right to propose new motions in writing, and the Company shall place the proposed motions on the meeting agenda if the matters proposed fall within the scope of functions and powers of the general meeting. Any such written proposal shall be delivered to the Company within thirty days from the dispatch date of the notice of such meeting. Save as mentioned above, the convener of a general meeting shall not amend the proposals as set out in the notice of the meeting or add any new proposals subsequent to the issue of the notice of the general meeting.

- **Contact information**

Communication with shareholders is in the charge of specific departments of the Company, whose contact information is as follows:

Secretary to the Board: Yao Yong Jia

Telephone: 8625-8446 9332

Address: Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Nanjing, Jiangsu, the PRC

Securities Officers: Jiang Tao, Lou Qing

Telephone: 8625-84362700-301835, 301836

Fax: 8625-8446 6643

Address: Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Qixia District, Nanjing, the PRC

Email Address: nhgs@jsexpressway.com

INTERNAL CONTROL

I. Development and Implementation of Internal Control

The Board authorizes the management of the Company to establish and implement the internal control system and relevant policies, and to review the financial, operational and supervisory control procedures from time to time for safeguarding the assets of the Group and the interests of shareholders. The Audit Committee under the Board has been established to inspect, monitor and evaluate the Company's financial position, business and internal control activities on a regular basis and rectifications will be made promptly once defects are identified. As such, a sound and effective internal control system has been gradually built up.

In 2011, with the professional support of the intermediaries and based on the existing management documentation system, the Company smoothed and diagnosed anew various aspects companywide (including major subsidiaries) such as organizational structure, management system, business processes and control system pursuant to the "Basic Standards for Enterprise Internal Control" and other relevant national laws and regulations, and with reference to the "Application Guidelines on Corporate Internal Control". With focus on the five core elements (internal environment, risk assessment, control activities, information and communication, and internal supervision and inspection) and taking into account the its industry characteristics and actual operating conditions, the Company promptly carried out rectification and improvement specifically to the defects in the design aspect of the internal control system. At the end of 2011, the Company had established a more mature "integrated four-standard" internal control management system comprising the general system, business system, well-being system, maintenance system and operational system, as well as a quality management manual, thus gradually improving the establishment of the Company's internal control system.

Pursuant to the requirements of the relevant laws and regulations including the Company Law, Accounting Law, PRC Accounting Standards, Basic Standards for Enterprise Internal Control and Application Guidelines on Corporate Internal Control, the Company has established a relatively complete accounting system, and has developed a series of control policies regarding the relevant procedures on financial report including the Financial Management Policy, the Measures Governing Budget, the Measures Governing Costs and Expenses and the Contract Management Policy, to govern the financial management process, thus having effectively ensured the authenticity and reliability of financial information. Meanwhile, the Company has established the Measures Governing Information Disclosure to ensure financial information published on a regular basis is truthful, accurate, complete and in strict compliance with the relevant disclosure requirements of the stock exchanges in Shanghai and Hong Kong.

The Company formulated and improved in 2012 the Measures Governing Internal Audit, the Measures Governing Appraisal of Internal Control, the Standards for Determination of Defects in Internal Control and 2012 Appraisal Plan for Internal Control and revised some management systems to enhance risk prevention ability. In order to advance the establishment and perfection of the internal control system and ensure its high quality operation, the Company engaged Protiviti to provide technical support. Protiviti assisted the Company in the preparation of the internal control appraisal handbook and the risk control matrix, providing basis for the Company's internal control audit and appraisal. Furthermore, the Company formed a part-time team to audit its internal control system, which comprised 45 elected experienced management members, to carry out comprehensive and effective supervision and appraisal of internal control implementation.

INTERNAL CONTROL

The Company has set up a special body responsible for the establishment of a sound internal control system and the supervision of the implementation of such system. The audit committee, as the leading supervising authority of internal control, is responsible for conducting an annual assessment of the establishment and implementation of internal control, prepares an annual assessment report in respect here and report the same to the Board. Meanwhile, the internal audit department, as the executing authority of internal control, is responsible for conducting ongoing supervision and regular review of the internal control system. At the end of 2012, the Company has set up a self-evaluation team of internal control in the Company and appointed professional intermediaries as advisors, to conduct review and evaluation on the effectiveness of the design and operation of important control pursuant to the requirements of the "Application Guidelines on Corporate Internal Control" and the "Guidelines on Evaluation of Corporate Internal Control" and in light of the actual operating situation of the Company. Such review and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection.

With basic evaluations on various core components in the internal control system as well as inspection, supervision and evaluation implemented during the Year, the Board was of the view that the Company's internal control system and its implementation were basically sound and effective during the period from 1 January this year to the end of this Reporting Period, and has fulfilled the requirements of various aspects including corporate governance, operation, management, finance, investment and administration and human resources management, effectively controlling various operations management risks of the Company. No major defects were identified in the design and implementation of the internal control system. The Company will update and improve the internal control system on an ongoing basis based on potential risks and further effectively leverage the supervisory, check-and-balance and enhancement functions of the internal control system to ensure its strategies and major business objectives are set reasonably and executed effectively.

II. Implementation of the Accountability System for Significant Errors in Information Disclosure of Annual Report

In order to ensure the truthfulness, accuracy, completeness and timeliness of information disclosure and to enhance the quality and transparency of information disclosure in annual reports, the Company formulated the Accountability System for Significant Errors in Information Disclosure of Annual Report in 2010.

During the preparation and disclosure of the annual report, the Company further improved pursuant to relevant laws and regulations relevant work rules of the Board, including the work rules for independent Directors and the Audit Committee in respect of the annual report to enable them to play a supervisory role in the preparation and disclosure of the annual report. Meanwhile, the Company made a detailed work schedule for the annual report and communicated and coordinated effectively with the accountants and the Audit Committee to ensure that the work relating to annual audit process was fully implemented.

All information set out in the annual report of the Company has been disclosed after full communication and rigorous examination and does not contain any false representation, misleading statements or material omission. During the preparation of the annual report, there was no improper performance of duties or obligations by relevant officers which may lead to leakage of information or delay in disclosure of the annual report and sequentially cause significant economic loss to the Company or adverse impact on the society.

FINANCIAL REPORT

The financial report of the Group for 2012 were prepared under Accounting standard for Business Enterprises of China and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who issued standard unqualified auditor's report.

Major contents of the financial report include:

Consolidated Balance Sheet and Balance Sheet of the Company

Consolidated Income Statement and Income Statement of the Company

Consolidated Cash Flow Statement and Cash Flow Statement of the Company

Consolidated Statement of Changes in Owners' Equity and Statement of Changes in Owners' Equity of the Company

Notes to the Financial Statements

Other Supplementary Information

For details, please refer to the full text of the financial report.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents were included:

- (1) Copies of the annual report signed by the Chairman;
- (2) Financial statements signed and sealed by the legal representative, the chief accounting officer and the person-in-charge of an accounting institution;
- (3) Original of the auditors' report sealed by the auditor, and sealed and signed by a certified accountant;
- (4) Originals of all company documents and announcements as required by CSRC to be disclosed in the designated press during the reporting period;
- (5) Articles of Association of the Company;
- (6) Copies of annual reports released on other stock exchanges.

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

Yang Gen Lin
Chairman of the Board
Jiangsu Expressway Company Limited

Nanjing, the PRC, 22 March 2013

CONFIRMATION OPINION TO 2012 ANNUAL REPORT BY DIRECTORS AND SENIOR MANAGEMENT

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

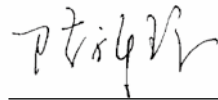
Directors



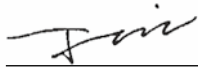
Yang Gen Lin



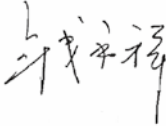
Zhang Yang



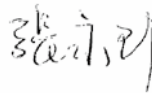
Chen Xiang Hui




Du Wen Yi



Qian Yong Xiang



Cheng Chang Yung Tsung, Alice



Fang Hung, Kenneth



Zhang Er Zhen



Xu Chang Xin



Gao Bo

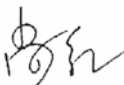


Chen Dong Hua

Senior Management Members



Zhao Jia Jun



Shang Hong



Tian Yafei



Yao Yong Jia



Wu Wei Ping



Li Jie

Jiangsu Expressway Company Limited
22 March 2013

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (13) No. P0287

To all Shareholders of Jiangsu Expressway Company Limited:

In accordance with the relevant requirements of the Audit Guidelines on Corporate Internal Control and the code of practice of Chinese certified public accountants, we have audited the effectiveness of the internal control over the Financial Report of Jiangsu Expressway Company Limited (the "Company") for the year ended 31 December 2012.

1. Responsibilities of an enterprise towards internal control

It is the responsibility of the Board of Directors of an enterprise to establish a sound internal control system, to implement them effectively and evaluate their effectiveness in accordance with the requirements of the Basic Standards for Enterprise Internal Control, Application Guidelines on Corporate Internal Control and Evaluation Guidelines on Corporate Internal Control.

2. Responsibilities of certified public accountants

Our responsibilities are to express an audit opinion on the effectiveness of internal control over the Financial Report after we conduct an audit, and to disclose the material defects that have come to our attention in the internal control over non-financial reports.

3. Inherent limitations on internal control

Internal control has its inherent limitations, and is exposed to the possibility of being incapable of preventing or detecting misreporting. Moreover, as changes in circumstances may render internal control inappropriate or reduce the degree of compliance with control policy or procedures, it is risky, to a certain extent, to predict the effectiveness of internal control in the future based on the results of an internal control evaluation.

4. Audit opinion on the internal control over the Financial Report

It is our view that the Company has maintained effective internal control over the Financial Report in all material respects in accordance with the Basic Standards for Enterprise Internal Control and relevant requirements.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, the PRC

22 March 2013

PRC Certified Public Accountant:
Zhu Shao Fang

PRC Certified Public Accountant:
Yang Bei

CONSOLIDATED BALANCE SHEET

31 December 2012

| Item | Notes | Closing balance | Opening balance | Item | Notes | Closing balance | Opening balance |
|-----------------------------------|----------|-----------------------|-----------------------|---|--------|-----------------------|-----------------------|
| Unit:RMB | | | | | | | |
| Current assets | | | | Current liabilities | | | |
| Cash and bank balances | (VI)1 | 686,484,787 | 806,129,927 | Short-term borrowings | (VI)18 | 2,550,000,000 | 2,865,000,000 |
| Held-for-trading financial assets | (VI)2 | 18,065,458 | 19,077,428 | Accounts payable | (VI)19 | 348,951,084 | 307,411,924 |
| Accountants receivable | (VI)4 | 83,407,096 | 47,367,781 | Receipts in advance | (VI)20 | 107,873,796 | 346,683,735 |
| Prepayments | (VI)6 | 17,516,960 | 11,614,720 | Employee benefits payable | (VI)21 | 2,331,953 | 6,523,653 |
| Dividends receivable | (VI)3 | 4,989,960 | 2,494,980 | Taxes payable | (VI)22 | 230,006,346 | 321,399,122 |
| Interest receivable | | 192,500 | 0 | Interest payable | (VI)23 | 56,575,256 | 47,683,000 |
| Other receivables | (VI)5 | 1,156,828,707 | 37,116,199 | Dividends payable | (VI)24 | 122,614,536 | 104,896,262 |
| Inventories | (VI)7 | 1,945,199,470 | 1,919,255,292 | Other payables | (VI)25 | 124,029,852 | 101,492,233 |
| Other current assets | (VI)8 | 327,026,166 | 560,390,281 | Non-current liabilities due within one year | (VI)26 | 1,201,557,302 | 201,561,117 |
| | | | | Other current liabilities | (VI)27 | 1,000,000,000 | 0 |
| Total Current Assets | | 4,239,711,104 | 3,403,446,608 | Total Current liabilities | | 5,743,940,125 | 4,302,651,046 |
| Non-current Assets: | | | | Non-current Liabilities | | | |
| Long-term equity investment | (VI)9.10 | 3,777,367,323 | 2,190,631,308 | Long-term borrowings | (VI)28 | 453,359,529 | 2,464,977,879 |
| Investment properties | (VI)11 | 22,726,914 | 17,807,135 | Deferred tax liabilities | (VI)16 | 0 | 0 |
| Fixed assets | (VI)12 | 1,128,317,600 | 1,154,827,314 | Bonds payable | (VI)29 | 496,482,241 | 0 |
| Construction in progress | (VI)13 | 30,794,305 | 26,032,412 | | | | |
| Intangible assets | (VI)14 | 16,637,621,860 | 18,573,651,716 | Total Non-current liabilities | | 949,841,770 | 2,464,977,879 |
| Long-term prepaid expenses | (VI)15 | 519,565 | 652,950 | | | | |
| Deferred tax assets | (VI)16 | 12,198,968 | 8,389,453 | TOTAL LIABILITIES | | 6,693,781,895 | 6,767,628,925 |
| Total Non-current Assets | | 21,609,546,535 | 21,971,992,288 | Shareholders' Equity | | | |
| | | | | Share capital | (VI)30 | 5,037,747,500 | 5,037,747,500 |
| | | | | Capital reserve | (VI)31 | 7,565,944,367 | 7,541,527,674 |
| | | | | Surplus reserve | (VI)32 | 2,550,126,797 | 2,291,733,894 |
| | | | | Retained profits | (VI)33 | 3,535,043,036 | 3,273,680,481 |
| | | | | Total shareholders' equity attributable to equity holders of the Company | | 18,688,861,700 | 18,144,689,549 |
| | | | | Minority interests | | 466,614,044 | 463,120,422 |
| | | | | TOTAL SHAREHOLDERS' EQUITY | | 19,155,475,744 | 18,607,809,971 |
| TOTAL ASSETS | | 25,849,257,639 | 25,375,438,896 | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 25,849,257,639 | 25,375,438,896 |

The accompanying notes form part of the financial statements.

The financial statements on pages 132 to 248 were signed by the following:

Legal Representative
Yang Gen Lin

Person in Charge of
the Accounting Body
Qian Yong Xiang

Chief Accountant:
Yu Lan Ying

BALANCE SHEET OF THE COMPANY

31 December 2012

| Item | Notes | Unit:RMB | | Item | Notes | Unit:RMB | |
|---------------------------------|----------|-----------------------|-----------------------|---|---------|-----------------------|-----------------------|
| | | Closing balance | Opening balance | | | Closing balance | Opening balance |
| Current assets | | | | Current liabilities: | | | |
| Cash and bank balances | (XII)1 | 400,877,755 | 452,126,965 | Short-term borrowings | (XII)13 | 2,250,000,000 | 3,455,000,000 |
| Accounts receivable | (XII)2 | 69,967,201 | 37,927,174 | Accounts payable | (XII)14 | 109,261,208 | 105,026,669 |
| Prepayments | (XII)4 | 11,846,942 | 6,069,781 | Receipts in advance | | 45,821,172 | 5,736,715 |
| Dividends receivable | | 88,916,380 | 2,494,980 | Employee benefits payable | (XII)15 | 2,187,532 | 5,496,846 |
| Other receivables | (XII)3 | 2,326,286,343 | 1,259,171,286 | Taxes payable | (XII)16 | 171,896,597 | 254,010,835 |
| Inventories | (XII)5 | 19,863,144 | 14,250,110 | Interest payable | | 55,224,700 | 48,398,600 |
| Other current assets | | 200,203,560 | 501,253,333 | Dividends payable | | 98,980,462 | 80,871,474 |
| | | | | Other payables | (XII)17 | 96,743,542 | 72,885,125 |
| | | | | Non-current liabilities due within one year | | 1,201,557,302 | 201,561,117 |
| | | | | Other current liabilities | | 1,000,000,000 | 0 |
| Total Current Assets | | 3,117,961,325 | 2,273,293,629 | Total Current Liabilities | | 5,031,672,515 | 4,228,987,381 |
| Non-current Assets: | | | | Non-current Liabilities | | | |
| Long-term equity investment | (XII)6.7 | 4,559,349,777 | 4,160,072,389 | Long-term borrowings | | 73,359,529 | 2,464,977,879 |
| Fixed assets | (XII)8 | 917,827,778 | 973,841,001 | Bonds payable | | 496,482,241 | 0 |
| Construction in progress | (XII)9 | 24,138,828 | 19,443,164 | Total Non-current liabilities | | 569,841,770 | 2,464,977,879 |
| Intangible assets | (XII)10 | 15,027,998,027 | 16,831,384,332 | | | | |
| Deferred tax assets | (XII)11 | 4,173,559 | 4,298,559 | | | | |
| Total Non-current Assets | | 20,533,487,969 | 21,989,039,445 | TOTAL LIABILITIES | | 5,601,514,285 | 6,693,965,260 |
| | | | | Shareholders' Equity | | | |
| | | | | Share capital | | 5,037,747,500 | 5,037,747,500 |
| | | | | Capital reserve | | 7,547,519,135 | 7,523,102,442 |
| | | | | Surplus reserve | (XII)18 | 2,229,960,693 | 2,002,886,733 |
| | | | | Retained profits | (XII)19 | 3,234,707,681 | 3,004,631,139 |
| | | | | Total Shareholders' Equity | | 18,049,935,009 | 17,568,367,814 |
| TOTAL ASSETS | | 23,651,449,294 | 24,262,333,074 | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 23,651,449,294 | 24,262,333,074 |

The accompanying notes form part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

| Item | Notes | Unit: RMB | |
|---|--------|-----------------------------|---------------------------|
| | | Amount for the current year | Amount for the prior year |
| I. Total operating income | (VI)34 | 7,795,942,681 | 7,401,310,221 |
| Including: Operating income | | 7,795,942,681 | 7,401,310,221 |
| II. Total operating costs | | 4,782,951,793 | 4,331,124,736 |
| Including: Operating costs | (VI)34 | 4,054,626,690 | 3,635,778,535 |
| Business taxes and levies | (VI)35 | 209,354,642 | 186,635,646 |
| Selling expenses | (VI)36 | 8,525,073 | 8,569,902 |
| Administrative expenses | (VI)37 | 177,535,368 | 183,773,114 |
| Financial expenses | (VI)38 | 333,410,020 | 316,953,136 |
| Impairment losses of assets | (VI)39 | -500,000 | -585,597 |
| Add: Gains from changes in fair values | (VI)40 | -1,011,970 | -922,572 |
| Investment income | | | |
| (Loss is indicated by "—") | (VI)41 | 161,448,206 | 201,464,314 |
| Including: Income from investments in associates and joint ventures | | 133,212,868 | 190,114,061 |
| III. Operating profit | | 3,173,427,124 | 3,270,727,227 |
| Add: Non-operating income | (VI)42 | 10,127,498 | 33,448,015 |
| Less: Non-operating expenses | (VI)43 | 37,864,698 | 40,947,911 |
| Including: Losses from disposal of non-current assets | | 16,732,459 | 24,085,345 |
| IV. Total profit | | 3,145,689,924 | 3,263,227,331 |
| Less: Income tax expenses | (VI)44 | 764,453,843 | 783,532,809 |
| V. Net profit | | 2,381,236,081 | 2,479,694,522 |
| Net profit attributable to owners of the Company | | 2,333,344,558 | 2,429,750,207 |
| Profit or loss attributable to minority interests | | 47,891,523 | 49,944,315 |
| VI. Earnings per share: | (VI)45 | | |
| (I) Basic earnings per share | | 0.4632 | 0.4823 |
| (II) Diluted earnings per share | | N/A | N/A |
| VII. Other comprehensive income (loss) | (VI)46 | 24,416,693 | -35,194,761 |
| VIII. Total comprehensive income | | 2,405,652,774 | 2,444,499,761 |
| Total comprehensive income attributable to owners of the Company | | 2,357,761,251 | 2,394,555,446 |
| Total comprehensive income attributable to minority interests | | 47,891,523 | 49,944,315 |

The accompanying notes form part of the financial statements.

INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2012

| Item | Notes | Unit: RMB | |
|---|---------|-----------------------------|---------------------------|
| | | Amount for the current year | Amount for the prior year |
| I. Total operating income | (XII)20 | 6,739,408,755 | 6,623,621,411 |
| Less: Operating costs | (XII)20 | 3,537,822,462 | 3,345,087,841 |
| Business taxes and levies | (XII)21 | 159,277,990 | 162,164,765 |
| Administrative expenses | (XII)22 | 145,628,184 | 139,805,409 |
| Financial expenses | | 318,747,934 | 346,719,981 |
| Impairment loss of assets | (XII)24 | -500,000 | -585,597 |
| Add: Investment income | (XII)23 | 373,098,101 | 460,705,763 |
| Including: Income from investments in associates and joint ventures | | 111,954,241 | 190,057,183 |
| II. Operating profit | | 2,951,530,286 | 3,091,134,775 |
| Add: Non-operating income | (XII)25 | 8,747,898 | 31,327,562 |
| Less: Non-operating expenses | (XII)26 | 34,413,515 | 34,778,085 |
| Including: Losses from disposal of non-current assets | | 16,400,513 | 20,858,295 |
| III. Total profit | | 2,925,864,669 | 3,087,684,252 |
| Less: Income tax expenses | (XII)27 | 655,125,067 | 675,765,518 |
| IV. Net profit | | 2,270,739,602 | 2,411,918,734 |
| V. Earnings per share: | | | |
| (I) Basic earnings per share | | 0.4507 | 0.4788 |
| (II) Diluted earnings per share | | N/A | N/A |
| VI. Other comprehensive income | (XII)28 | 24,416,693 | -35,194,761 |
| VII. Total comprehensive income | | 2,295,156,295 | 2,376,723,973 |

The accompanying notes form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

| Item | Notes | Amount for the current year | Unit: RMB Amount for the prior year |
|--|-----------|-----------------------------|--|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 7,855,616,361 | 8,093,644,846 |
| Other cash receipts relating to operating activities | (VI)47(1) | 21,986,706 | 29,904,464 |
| Sub-total of cash inflows from operating activities | | 7,877,603,067 | 8,123,549,310 |
| Cash payments for goods purchased and services received | | 3,054,929,738 | 2,818,544,631 |
| Cash payments to and on behalf of employees | | 488,150,591 | 435,530,028 |
| Payments of various types of taxes | | 1,084,234,106 | 962,304,564 |
| Other cash payments relating to operating activities | (VI)47(2) | 60,878,706 | 71,755,866 |
| Sub-total of cash outflows from operating activities | | 4,688,193,141 | 4,288,135,089 |
| Net Cash Flow from Operating Activities | | 3,189,409,926 | 3,835,414,221 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 3,331,717,941 | 1,730,519,864 |
| Cash receipts from investment income | | 138,883,677 | 132,993,330 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 45,580,626 | 29,845,690 |
| Net cash receipts from disposals of subsidiaries and other business units | | 0 | 0 |
| Other cash receipts relating to investing activities | (VI)47(3) | 0 | 0 |
| Sub-total of cash inflows from investing activities | | 3,516,182,244 | 1,893,358,884 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 165,157,916 | 174,526,166 |
| Cash payments to acquire investments | | 4,661,417,941 | 2,349,278,954 |
| Other cash payments relating to investing activities | (VI)47(4) | 0 | 0 |
| Sub-total of cash outflows from investing activities | | 4,826,575,857 | 2,523,805,120 |
| Net Cash Flow from Investing Activities | | -1,310,393,613 | -630,446,236 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from borrowings | | 2,335,000,000 | 3,010,000,000 |
| Cash receipts from issue of bonds | | 3,500,000,000 | 2,000,000,000 |
| Other cash receipts relating to financing activities | (VI)47(5) | 0 | 0 |
| Sub-total of cash inflows from financing activities | | 5,835,000,000 | 5,010,000,000 |
| Cash repayments of borrowings | | 5,661,573,877 | 5,744,193,222 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 2,164,536,736 | 2,131,538,142 |
| Including: payments for distribution of dividends or profits to minority owners of subsidiaries | | 44,788,615 | 23,120,330 |
| Other cash payments relating to financing activities | (VI)47(6) | 7,550,840 | 8,191,435 |
| Sub-total of cash outflows from financing activities | | 7,833,661,453 | 7,883,922,799 |
| Net Cash Flow from Financing Activities | | -1,998,661,453 | -2,873,922,799 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | | |
| | | 0 | 0 |
| V. Net Increase (decrease) in Cash and Cash Equivalents | | | |
| | | -119,645,140 | 331,045,186 |
| Add: Opening balance of Cash and Cash Equivalents | | 806,129,927 | 475,084,741 |
| VI. Closing Balance of Cash and Cash Equivalents | | | |
| | | 686,484,787 | 806,129,927 |

The accompanying notes form part of the financial statements.

CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2012

| Item | Notes | Amount for the current year | Unit: RMB Amount for the prior year |
|--|------------|--------------------------------|---|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 7,080,379,395 | 6,997,044,742 |
| Other cash receipts relating to operating activities | (XII)29(1) | 8,157,209 | 20,043,402 |
| Sub-total of cash inflows from operating activities | | 7,088,536,604 | 7,017,088,144 |
| Cash payments for goods purchased and services received | | 2,772,804,814 | 2,568,177,084 |
| Cash payments to and on behalf of employees | | 406,803,513 | 365,229,462 |
| Payments of various types of taxes | | 927,818,079 | 794,643,839 |
| Other cash payments relating to operating activities | (XII)29(2) | 41,523,871 | 39,350,845 |
| Sub-total of cash outflows from operating activities | | 4,148,950,277 | 3,767,401,230 |
| Net Cash Flow from Operating Activities | | 2,939,586,327 | 3,249,686,914 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 2,300,000,000 | 1,202,239,577 |
| Cash receipts from investment income | | 287,865,779 | 398,673,949 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 44,895,374 | 27,555,854 |
| Net cash receipts from disposals of subsidiaries and other business units | (XII)29(3) | 180,000,000 | 120,000,000 |
| Other cash receipts relating to investing activities | | 2,812,761,153 | 1,748,469,380 |
| Sub-total of cash inflows from investing activities | | 102,809,608 | 91,532,857 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 2,375,000,000 | 1,700,000,000 |
| Cash payments to acquire investments | (XII)29(4) | 120,000,000 | 40,000,000 |
| Other cash payments relating to investing activities | | 2,597,809,608 | 1,831,532,857 |
| Sub-total of cash outflows from investing activities | | 214,951,545 | -83,063,477 |
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from borrowings | | 1,535,000,000 | 3,760,000,000 |
| Cash receipts from issue of bonds | | 3,500,000,000 | 2,000,000,000 |
| Sub-total of cash inflows from financing activities | | 5,035,000,000 | 5,760,000,000 |
| Cash repayments of borrowings | | 6,131,573,877 | 6,504,193,222 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 2,101,662,365 | 2,133,369,393 |
| Other cash payments relating to financing activities | (XII)29(5) | 7,550,840 | 8,191,435 |
| Sub-total of cash outflows from financing activities | | 8,240,787,082 | 8,645,754,050 |
| Net Cash Flow from Financing Activities | | -3,205,787,082 | -2,885,754,050 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | | |
| | | 0 | 0 |
| V. Net Increase in Cash and Cash Equivalents | | | |
| Add: Opening balance of Cash and Cash Equivalents | | 452,126,965 | 171,257,578 |
| VI. Closing Balance of Cash and Cash Equivalents | | | |
| | | 400,877,755 | 452,126,965 |

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

31 December 2012

Unit: RMB

| Item | Amount for the current year | | | | | | | | | Amount for the last year | | | | | | | | | | |
|--|---------------------------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|------------------|-------------|-------------------|--------------------------|---------------------------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|------------------|----------------|-------------------|----------------------|
| | Attributable to owners of the Company | | | | | | | | Minority interest | Total owners' equity | Attributable to owners of the Company | | | | | | | | Minority interest | Total Owners' equity |
| | Share capital | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | General reserve | Retained profits | Others | | | Share capital | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | General reserve | Retained profits | Others | | |
| I. Closing balance of the preceding year | 5,037,747,500 | 7,541,527,674 | | 2,291,733,894 | | 3,273,680,481 | | 463,120,422 | 18,607,809,971 | 5,037,747,500 | 7,576,722,435 | | 2,022,082,235 | | 2,927,171,033 | | 460,321,225 | 18,024,044,428 | | |
| II. Changes for the year | | | | | | | | | | | | | | | | | | | | |
| (I) Net profit | | | | | | 2,333,344,558 | | 47,891,523 | 2,381,236,081 | | | | | | 2,429,750,207 | | 49,944,315 | 2,479,694,522 | | |
| (II) Other comprehensive income/(loss) | | 24,416,693 | | | | | | | 24,416,693 | | -35,194,761 | | | | | | | -35,194,761 | | |
| Subtotal of (I) and (II) | | 24,416,693 | | | | 2,333,344,558 | | 47,891,523 | 2,405,652,774 | | -35,194,761 | | | | 2,429,750,207 | | 49,944,315 | 2,444,499,761 | | |
| (III) Owners' contributions and reduction in capital | | | | | | | | | | | | | | | | | | | | |
| 1. Capital contribution from owners | | | | | | | | | | | | | | | | | | | | |
| 2. Share-based payment recognised in owners' equity | | | | | | | | | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | | | | | | | | | |
| (IV) Profit distribution | | | | | | | | | | | | | | | | | | | | |
| 1. Transfer to surplus reserve | | | | | 258,392,903 | | -258,392,903 | | 0 | | | | 269,651,659 | | -269,651,659 | | | 0 | | |
| 2. Transfer to general reserve | | | | | | | | | | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | | -1,813,568,100 | | -44,397,901 | -1,857,966,001 | | | | | -1,813,568,100 | | -47,145,118 | -1,860,713,218 | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | |
| (V) Transfers within owners' equity | | | | | | | | | | | | | | | | | | | | |
| 1. Capitalisation of capital reserve | | | | | | | | | | | | | | | | | | | | |
| 2. Capitalisation of surplus reserve | | | | | | | | | | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | |
| (VI) Special reserve | | | | | | | | | | | | | | | | | | | | |
| 1. Transfer to special reserve in the year | | | | | | | | | | | | | | | | | | | | |
| 2. Amount utilised in the year | | | | | | | | | | | | | | | | | | | | |
| III. Closing balance of the current year | 5,037,747,500 | 7,565,944,367 | | 2,550,126,797 | | 3,535,043,038 | | 466,614,044 | 19,155,476,744 | 5,037,747,500 | 7,541,327,674 | | 2,291,733,894 | | 3,273,680,481 | | 463,120,422 | 18,607,809,971 | | |

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

31 December 2012

Unit: RMB

| Item | Amount for the current year | | | | | | | Amount for the last year | | | | | | | |
|--|-----------------------------|-----------------|-----------------------|-----------------|-----------------|-----------------|------------------|--------------------------|---------------|-----------------|-----------------------|-----------------|-----------------|-----------------|------------------|
| | Share capital | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | General reserve | Retained profits | Total owners' equity | Share capital | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | General reserve | Retained profits |
| I. Closing balance of the preceding year | 5,037,747,500 | 7,523,102,442 | | 2,002,886,733 | | 3,004,631,139 | 17,568,367,814 | 5,037,747,500 | 7,558,297,203 | | | 1,761,694,860 | | 2,647,493,378 | 17,005,232,941 |
| II. Changes for the year | | | | | | | | | | | | | | | |
| (I) Net profit | | | | | | 2,270,739,602 | 2,270,739,602 | | | | | | | 2,411,918,734 | 2,411,918,734 |
| (II) Other comprehensive income(loss) | | 24,416,693 | | | | | 24,416,693 | | -35,194,761 | | | | | | -35,194,761 |
| Subtotal of (I) and (II) | | 24,416,693 | | | | 2,270,739,602 | 2,295,156,295 | | -35,194,761 | | | | | 2,411,918,734 | 2,376,723,973 |
| (III) Owners' contributions and reduction in capital | | | | | | | | | | | | | | | |
| 1. Capital contribution from owners | | | | | | | | | | | | | | | |
| 2. Share-based payment recognised in owners' equity | | | | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | | | | |
| (IV) Profit distribution | | | | | | | | | | | | | | | |
| 1. Transfer to surplus reserve | | | | 227,073,960 | | -227,073,960 | 0 | | | | | 241,191,873 | | -241,191,873 | 0 |
| 2. Transfer to general reserve | | | | | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | -1,813,589,100 | -1,813,589,100 | | | | | | | -1,813,589,100 | -1,813,589,100 |
| 4. Others | | | | | | | | | | | | | | | |
| (V) Transfers within owners' equity | | | | | | | | | | | | | | | |
| 1. Capitalisation of capital reserve | | | | | | | | | | | | | | | |
| 2. Capitalisation of surplus reserve | | | | | | | | | | | | | | | |
| 3. Loss offset by surplus reserve | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | |
| (VI) Special reserve | | | | | | | | | | | | | | | |
| 1. Transfer to special reserve in the year | | | | | | | | | | | | | | | |
| 2. Amount utilised in the year | | | | | | | | | | | | | | | |
| III. Closing balance of the current year | 5,037,747,500 | 7,547,519,135 | | 2,229,960,693 | | 3,234,707,681 | 18,049,935,009 | 5,037,747,500 | 7,523,102,442 | | | 2,002,886,733 | | 3,004,631,139 | 17,568,367,814 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

I. BASIC INFORMATION ABOUT THE COMPANY

Jiangsu Expressway Co., Ltd. (the "Company") is a joint-stock limited company incorporated in Nanjing, Jiangsu province on 1 August 1992. The principal activities of the Company and its subsidiaries (collectively referred it as the "Group") mainly include: construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (the "Shanghai-Nanjing Expressway"), the Jiangsu section of the 312 National Highway (the "312 National Highway"), Nanjing-Lianyungang Class 1 Highway -Nanjing Section ("Nanjing-Lianyungang Highway") and other toll roads in Jiangsu Province PRC, and the provision of passenger transport services and other supporting services along the toll roads.

The Company issued 1,222,000,000 shares on The Stock Exchange of Hong Kong Limited ("H shares") and 150,000,000 shares on the Shanghai Stock Exchange ("A shares") with par value of RMB 1 in June 1997 and December 2000 respectively.

The parent company and ultimate shareholder of the Company is Jiangsu Communications Holding Company Limited.

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

1. Basis of preparation of financial statements

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MOF") on 15 February 2006. The Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15— General Provisions on Financial Reporting (Revised in 2010). In addition, the Group also disclosed relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 31 December 2012, and the Company's and consolidated results of operations and cash flows for the year then ended.

3. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency.

The Group adopts RMB to prepare its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

5. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

6. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

8. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

8.1. Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

8.2. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

8. Financial instruments *(continued)*

8.2. *Effective interest method (continued)*

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

8.3. *Classification, recognition and measurement of financial assets*

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group has no held-to-maturity investments.

8.3.1. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

8.3.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, dividends receivable, other receivables and structural bank deposits recorded as other current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

8. Financial instruments *(continued)*

8.3. Classification, recognition and measurement of financial assets *(continued)*

8.3.3. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

8.4. Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

8. Financial instruments *(continued)*

8.4. Impairment of financial assets *(continued)*

- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
- Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.
- Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

8. Financial instruments *(continued)*

8.4. Impairment of financial assets *(continued)*

— Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

8.5. Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

8. Financial instruments *(continued)*

8.6. Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

8.6.1. Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

8.7. Derecognition of Financial Liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

8.8. Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

8.9. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders equity. The Group does not recognise any changes in the fair value of equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

9. Receivables

9.1. *Receivables that are individually significant and for which bad debt provision is individually assessed*

| | |
|---|--|
| Basis or monetary criteria for determining an individually significant receivable | An accounts receivable that exceeds RMB 2,500,000 or an other receivable and a prepayment that exceeds RMB 750,000 is deemed as an individually significant receivable by the Group. |
| Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed | For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment. |

9.2. *Receivables for which bad debt provision is collectively assessed on a portfolio basis*

| | |
|---|---|
| Basis for determining a portfolio | |
| Portfolio 1 | The Group classifies the receivables that are not individually significant and aged within 2 years, not individually significant and aged over 2 years with no indicator of impairment, and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment. This portfolio includes the accounts receivables which has no record of bad debt and with high credit level. |
| Bad debt provision method for a portfolio | Percentage of total receivables outstanding |

9.2.1. Portfolios that percentage of total receivables outstanding is used for bad debt provision:

| Name of portfolio | Provision as a proportion of accounts receivable (%) | Provision as a proportion of other receivables (%) |
|--|--|--|
| Portfolios that percentage of total receivables outstanding is used for bad debt provision | 2 | 2 |

9.3. *Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:*

| | |
|--|--|
| Reasons for making individual bad debt provision | Those accounts receivables which exceed 2 years or there is significant financial difficulty of the obligor. |
| Bad debt provision methods | Bad debt provision is individually assessed |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

10. Inventories

10.1. *Categories of inventories*

The Group's inventories mainly include spare parts for repairs and maintenance of toll roads infrastructure, petrol for sales and real estate under development etc. Inventories are initially measured at cost. Cost of real estate under development include payments for land acquisition, costs for infrastructure, construction and installation costs, borrowing costs capitalised before project is ready for intended use, and other relevant costs during development. Cost of other inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

10.2. *Valuation method of inventories upon delivery*

The actual cost of real estate under development is calculated using the specific identification method.

Other inventories are calculated using the first-in-first-out method.

10.3. *Basis for determining net realisable value of inventories and provision methods for decline in value of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

10.4. *Inventory count system*

The perpetual inventory system is maintained for stock system.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

11. Long-term equity investments

11.1. Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

11.2. Subsequent measurement and recognition of profit or loss

11.2.1. Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11.2.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

11. Long-term equity investments *(continued)*

11.2. Subsequent measurement and recognition of profit or loss *(continued)*

11.2.2. Long-term equity investment accounted for using the equity method

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

11.2.3. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

11.3. Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

11. Long-term equity investments *(continued)*

11.4. *Methods of impairment assessment and determining the provision for impairment loss*

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

12. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

The Group reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

13. Fixed assets

13.1. *Recognition criteria for fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

13. Fixed assets *(continued)*

13.2. Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

| Category | Depreciation period (years) | Residual value rate (%) | Annual depreciation rate (%) |
|--|--------------------------------|----------------------------|------------------------------------|
| Buildings | 30 | 3 | 3.2 |
| Safety equipment | 10 | 3 | 9.7 |
| Communication and signaling equipment | 10 | 3 | 9.7 |
| Toll stations and ancillary equipment | 8 | 3 | 12.1 |
| Motor vehicles | 10 | 3 | 9.7 |
| Other machinery and equipment | 8–10 | 3 | 9.7–12.1% |

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

13.3. Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

13.4. Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

14. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

15. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

16. Intangible assets

16.1. Intangible assets

Intangible assets include land use rights, toll road operation rights, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

If the Group has right to charge users of the public service in certain period but the amounts is not determined when relevant infrastructure completed, the Group measures the intangible asset initially at fair value of received or receivable consideration. The intangible asset is amortised using traffic volume method by using the ratio of traffic volume between certain period and whole operation period. When there is significant difference between actual and estimated traffic volume, the Group will re-evaluate the total traffic volume and calculate the amortization amount.

16.2. *Methods of impairment assessment and determining the provision for impairment losses of intangible assets*

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

17. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

18. Revenue

18.1. Toll revenue

Toll revenue, the income from operation of toll roads, is recognised on a receipt basis.

18.2. Revenue from rendering of services

Revenue from rendering of services of the Group include: ancillary services and emergency assistance, advertising income etc. The revenue from rendering of services are recognised when services are rendered.

18.3. Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

18.4. Revenue from sales of properties

Revenue from sales of properties are recognised when the relevant procedures of properties are completed and the properties are transferred to buyer of real estate. Amount received of pre-sales of properties are recorded in the accounts of receipts in advance.

18.5. Interest income

Interest income is accrued on a time basis, by reference to the effective interest rate applicable.

19. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

20. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

20.1. Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

20.2. Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(continued)*

20. Deferred tax assets/ deferred tax liabilities *(continued)*

20.2. *Deferred tax assets and deferred tax liabilities (continued)*

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

21. Operating leases and finance leases

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

21.1. *The Group as lessee under operating leases*

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

21.2. *The Group as lessor under operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

22. Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

III. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 2, management had made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements. These judgments, estimation and assumption are made based on the past experience and other relevant factors of management of the Group. The actual consequent result may vary from the estimation.

The Group periodically reviews the above judgment, estimation and assumption. When the changes in accounting estimates affects that period only, the effect is recognised in that period; when the changes in accounting estimates affects that period and future periods, the effect is recognised in that period and prospectively.

— Key sources of estimation uncertainty

Amortisation of toll road operation rights

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

The management exercises their judgment in estimating the total expected traffic volume of the toll roads during the operating period. When there is large difference between actual and expected traffic volume, the management will exercise their judgment in the accuracy of the expected traffic volume and adjust the future amortization per traffic volume.

Estimated impairment of toll road operation rights

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

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

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

IV. TAXES

Major categories of taxes and tax rates

| Category of tax | Basis of tax computation | Tax rate |
|---------------------------------------|---|---|
| VAT | Output VAT less deductible input VAT | 17% |
| Business Tax | Toll income | 3% |
| | Maintenance income | 5% |
| | Advertisement income | 5% |
| | Food and beverage income | 5% |
| City maintenance and construction tax | Actual paid business tax and VAT | 7% |
| Educational surtax and surcharge | Actual paid business tax and VAT | 5% |
| Land appreciation tax | The taxable appreciation amount when land is invested out | progressive rates ranging from 30% to 60% |
| Enterprise income tax | Taxable income | 25% |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Subsidiaries established or acquired through investments

Unit: RMB

| Full name of the subsidiary | Type | Place of incorporation | Nature of business | Registered capital | Business scope | Actual capital contribution at the end of the year | Balance of other items, that in substance, constitutes net investment in the subsidiary | Proportion of ownership interest | Consolidated or not consolidated | Minority interests | Amount of shareholders' equity | |
|--|---------------------------|------------------------|-------------------------|--------------------|---|--|---|----------------------------------|----------------------------------|--------------------|--------------------------------|---------------------------------------|
| | | | | | | | | | | | Minority interests | attributable to minority shareholders |
| Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng") | Limited liability company | Nanjing | Service | 600,000,000 | Construction and operation of expressway | 2,125,000,000 | 0 | 85 | Yes | 432,868,785 | 0 | 0 |
| Wuxi Jingcheng Advertising Co., Ltd. (note 1) | Limited liability company | Wuxi | Service | 1,000,000 | Management and operation of advertising services | 1,000,000 | 0 | 85 | Yes | 0 | 0 | 0 |
| Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment") | Limited liability company | Nanjing | Investment and Service | 100,000,000 | Investment on infrastructure, advertising services, and real estate development | 95,000,000 | 0 | 95 | Yes | 13,745,259 | 0 | 0 |
| Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan") (note 2) | Limited liability company | Kunshan | Real estate development | 42,000,000 | Real estate development | 42,000,000 | 0 | 95 | Yes | 0 | 0 | 0 |
| Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties") | Limited liability company | Nanjing | Real estate development | 500,000,000 | Real estate development, and consulting | 500,000,000 | 0 | 100 | Yes | 0 | 0 | 0 |
| Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties") (note 3) | Limited liability company | Nanjing | Real estate development | 200,000,000 | Real estate development, and consulting | 200,000,000 | 0 | 100 | Yes | 0 | 0 | 0 |

Note 1: Wuxi Jingcheng Advertising Co., Ltd. is the wholly owned subsidiary of Guangjing Xicheng, a subsidiary of the Group.

Note 2: Kunshan Fengyuan is the wholly owned subsidiary of Ninghu Investment, a subsidiary of the Group.

Note 3: Kunshan Properties is the wholly owned subsidiary of Ninghu Properties, a subsidiary of the Group.

Note 4: None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

| Item | Closing balance | | | Opening balance | | |
|-----------------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Foreign currency | Exchange rate | Amount in RMB | Foreign currency | Exchange rate | Amount in RMB |
| Cash: | | | | | | |
| RMB | | | 399,950 | | | 240,125 |
| Bank balances: | | | | | | |
| RMB | | | 653,186,423 | | | 770,168,280 |
| USD | 1,370 | 6.2855 | 8,611 | 1,369 | 6.3009 | 8,627 |
| HKD | 1,300,894 | 0.8108 | 1,054,765 | 1,241,133 | 0.8107 | 1,006,186 |
| Other currency funds: | | | | | | |
| RMB | | | 31,835,038 | | | 34,706,709 |
| Total | | | 686,484,787 | | | 806,129,927 |

2. Held-for-trading financial assets

(1) Details of held-for-trading financial assets are as follows:

Unit: RMB

| Item | Closing fair value | Opening fair value |
|--|--------------------|--------------------|
| Held-for-trading investments in equity instruments | 0 | 0 |
| Fund investments | 18,065,458 | 19,077,428 |
| Total | 18,065,458 | 19,077,428 |

The cost of fund investment is RMB 20,000,000, the closing fair value is RMB 18,065,458. The above information of closing market price was quoted by relevant open sourced information of the fund.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Dividends Receivable

Unit: RMB

| Item | Opening balance | Increase in the current year | Decrease in the current year | Closing balance | Reasons for uncollected amounts | Whether the amount is impaired |
|---|-----------------|------------------------------|------------------------------|-----------------|----------------------------------|--------------------------------|
| Dividends receivable aged within 1 year | 0 | 123,793,546 | 121,298,566 | 2,494,980 | N/A | No |
| Including: Jiangsu Leasing Co., Ltd. | 0 | 11,700,000 | 11,700,000 | 0 | N/A | No |
| Jiangsu Yangtze Bridge Co., Ltd. | 0 | 56,983,566 | 56,983,566 | 0 | N/A | No |
| Jiangsu Kuailu Motor Transport Co., Ltd. | 0 | 2,494,980 | 0 | 2,494,980 | N/A | No |
| Suzhou Sujiahang Expressway Co., Ltd. | 0 | 52,615,000 | 52,615,000 | 0 | N/A | No |
| Dividends receivable aged over 1 year | 2,494,980 | 0 | 0 | 2,494,980 | Declared but not distributed yet | No |
| Including: Jiangsu Kuailu Motor Transport Co., Ltd. | 2,494,980 | 0 | 0 | 2,494,980 | Declared but not distributed yet | No |
| Total | 2,494,980 | 123,793,546 | 121,298,566 | 4,989,960 | | |

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

| Category | Closing balance | | | | Opening balance | | | |
|---|-----------------|------------|--------------------|------------|-----------------|------------|--------------------|------------|
| | Carrying amount | Proportion | Bad debt provision | Proportion | Carrying amount | Proportion | Bad debt provision | Proportion |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| Accounts receivable that are individually significant and for which bad debt provision has been assessed individually | 53,745,907 | 64 | 0 | 0 | 28,411,496 | 59 | 0 | 0 |
| Accounts receivable for which bad debt provision has been assessed by portfolios | 29,661,189 | 36 | 0 | 0 | 18,956,285 | 40 | 0 | 0 |
| Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually | 0 | 0 | 0 | 0 | 550,000 | 1 | 550,000 | 100 |
| Total | 83,407,096 | 100 | 0 | 0 | 47,917,781 | 100 | 550,000 | 100 |

Majority toll road and Ancillary Services income are settled by cash, others are settled by receipt in advance. The accounts receivable mainly represent the receivables due from other toll operation companies by toll network internal income reallocation.

Explanations of categories of accounts receivable:

An accounts receivable that exceeds RMB 2,500,000 is deemed as an individually significant receivable by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

(1) Disclosure of accounts receivable by categories: (continued)

Aging analysis of accounts receivables is as follows:

Unit:RMB

| Aging | Closing balance | | | Opening balance | | | | |
|---|-----------------|----------------|--------------------|-----------------|------------|----------------|--------------------|-----------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 83,407,096 | 100 | 0 | 83,407,096 | 47,367,781 | 99 | 0 | 47,367,781 |
| More than 1 year but not exceed 2 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| More than 2 years but not exceeding 3 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| More than 3 years | 0 | 0 | 0 | 0 | 550,000 | 1 | 550,000 | 0 |
| Total | 83,407,096 | 100 | 0 | 83,407,096 | 47,917,781 | 100 | 550,000 | 47,367,781 |

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

| Name of portfolio | Carrying amount | Bad debt provision |
|--------------------------------|-----------------|--------------------|
| Accounts receivable portfolios | 29,661,189 | 0 |
| Total | 29,661,189 | 0 |

(2) Accounts receivable that are not individually significant at the end of the period but for which bad debt provision has been assessed individually:

Unit:RMB

| Name of entity | Nature of accountants receivable | Write-off amounts | Reasons for write-off | Whether it arises from related party transactions |
|--|----------------------------------|-------------------|--|---|
| Nanjing South East Guoding Advertisement Co., Ltd. | Advertisement service | 300,000 | Aged over 3 years and no collection after several times of negotiations. | No |
| Wuxi Tianwen Advertisement Co., Ltd. | Advertisement service | 200,000 | The management assumed the possibility of collection is very low and therefore | No |
| Wansheng Advertisement Co., Ltd. | Advertisement service | 50,000 | provided bad debt provision | No |
| Total | | 550,000 | | |

(3) There are no prepayments to shareholders holding at least 5% of the Company's shares with voting power in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

4. Accounts receivable (continued)

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Aging | Proportion of the amount to the total accounts receivable (%) |
|---|-------------------------------|-------------------|---------------|---|
| Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company") | Same ultimate shareholder | 23,867,399 | Within 1 year | 29 |
| Suzhou Raocheng Expressway Co., Ltd. | Same ultimate shareholder | 12,693,122 | Within 1 year | 15 |
| Suzhou Sujiahang Expressway Co., Ltd. | Associate | 9,064,124 | Within 1 year | 11 |
| Jiangsu Jinghu Expressway Co., Ltd. | Same ultimate shareholder | 4,312,327 | Within 1 year | 5 |
| Jiangsu Ningchangzhenli Expressway Co., Ltd. | Same ultimate shareholder | 3,808,935 | Within 1 year | 4 |
| Total | | <u>53,745,907</u> | | 64 |

(5) Receivables due from related parties

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Proportion of the amount to the total accountants receivable (%) |
|--|-------------------------------|-------------------|--|
| Suzhou Sujiahang Expressway Co., Ltd. | Associate | 9,064,124 | 11 |
| Jiangsu Kuailu Motor Transport Co., Ltd. | Associate | 2,463,438 | 3 |
| Jiangsu Expressway Petroleum Development Co., Ltd. | Same ultimate shareholder | 2,031,600 | 3 |
| Jiangsu Yanjiang Expressway Co., Ltd. | Associate | 223,780 | 0 |
| Jiangsu Yangtze Bridge Co., Ltd. | Associate | 159,423 | 0 |
| Total | | <u>13,942,365</u> | 17 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Other receivables

(1) Disclosure of accounts receivable by categories:

Unit: RMB

| Category | Closing balance | | | | Opening balance | | | |
|--|---------------------------|-------------------|------------------------------|-------------------|---------------------------|-------------------|------------------------------|-------------------|
| | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) |
| Other receivable that are individually significant and for which bad debt provision has been assessed individually | 1,159,892,978 | 99 | 16,312,140 | 98 | 45,678,368 | 84 | 16,812,140 | 98 |
| Other receivable for which bad debt provision has been assessed by portfolios | 13,630,798 | 1 | 382,929 | 2 | 8,632,900 | 16 | 382,929 | 2 |
| Other receivable that are not individually significant but for which bad debt provision has been assessed individually | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1,173,523,776 | 100 | 16,695,069 | 100 | 54,311,268 | 100 | 17,195,069 | 100 |

Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Unit: RMB

| Aging | Closing balance | | | | Opening balance | | | |
|--|----------------------|-------------------|--------------------|----------------------|-------------------|-------------------|--------------------|-------------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 1,139,454,968 | 97 | 367,413 | 1,139,087,555 | 10,769,914 | 20 | 188,440 | 10,581,474 |
| More than 1 year but not exceed 2 years | 669,231 | 0 | 1,901 | 667,330 | 1,662,730 | 3 | 193,765 | 1,468,965 |
| More than 2 years but not exceed 3 years | 58,097 | 0 | 162 | 57,935 | 25,053,355 | 46 | 724 | 25,052,631 |
| More than 3 years | 33,341,480 | 3 | 16,325,593 | 17,015,887 | 16,825,269 | 31 | 16,812,140 | 13,129 |
| Total | 1,173,523,776 | 100 | 16,695,069 | 1,156,828,707 | 54,311,268 | 100 | 17,195,069 | 37,116,199 |

Other receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

| Name of portfolio | Carrying amount | Bad debt provision |
|------------------------------|-----------------|--------------------|
| Other receivables portfolios | 13,630,798 | 382,929 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Other receivables (continued)

(2) Reversals and collections during the current period:

| Content of other receivables | Reasons for reversals or collections | Basis of determining the original bad debt provision | Accumulated bad debt provision prior to reversals or collections | Amount of reversals or collections |
|-------------------------------|--------------------------------------|--|--|------------------------------------|
| Yixing Road Management Office | Amount collected | Amount due from investment liquidation with long aging | 500,000 | 500,000 |

(3) No other receivables written off in the reporting period.

(4) No other receivables due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period

(5) Nature or content of significant other receivables

On 6 July 2012, the Company received the "Notice from the Office of Jiangsu Provincial Government in respect of the removal or relocation of certain toll stations and related issues" (Suzhengban Fa [2012] No. 126) (the "Notice") issued by the Office of the Jiangsu Provincial Government. According with the Notice, the Company removed Nanjing Toll Station, Luoshe Toll Station (including Yanqiao Toll Station) and Xilin Toll Station that along the 312 National Highway (the "312 Toll Stations"). Jiangsu Provincial Government issued "Approval on compensation for removal of the 312 Toll Stations" (Suzheng Fu [2012] No.115) on 31 December 2012 and committed to compensate for the loss incurred. The compensation was agreed to the net book value of related removed toll road operation rights. As a result, the Company recognized compensation receivables from Jiangsu Provincial Government at RMB1,124,177,798, and the relevant net book value of removed toll road operation rights is RMB1,124,177,798 (see Note VI(14)).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

5. Other receivables (continued)

(6) Top five entities with the largest balances of other receivables

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Age | Proportion of the amount to the total other receivables (%) |
|--|--|----------------------|---------------|---|
| Jiangsu Provincial Government | Governance between government and enterprise | 1,124,177,798 | Within 1 year | 96 |
| Changzhou Expressway Construction Headquarter | Business | 17,000,000 | Over 3 years | 1 |
| Yixing Road Management Office | Investment liquidation receivables | 16,312,140 | Over 3 years | 1 |
| Jiangsu Ninghu Expressway Road Administration Division | Business | 1,364,756 | Within 1 year | 1 |
| Jiangsu Yanxi Expressway Road Administration Division | Business | 1,038,284 | Within 1 year | 0 |
| Total | | <u>1,159,892,978</u> | | 99 |

6. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

| Aging | Closing balance | | Opening balance | |
|---------------|-------------------|----------------|-------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 17,396,960 | 99 | 11,510,280 | 99 |
| 1-2 year | 120,000 | 1 | 104,440 | 1 |
| Total | <u>17,516,960</u> | <u>100</u> | <u>11,614,720</u> | <u>100</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

6. Prepayments (continued)

(2) Top five entities with the largest balances of prepayments

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Age | Reasons for unsettlement |
|---|-------------------------------|------------|---------------|---------------------------|
| Public Security Bureau Traffic Patrol Police Corps | Business | 3,810,000 | Within 1 year | Transaction not completed |
| Jiangsu Zhiyun Technology Co., Ltd. | Business | 2,045,742 | Within 1 year | Transaction not completed |
| Jurong Urban and rural construction science and Technology Service Center | Business | 2,018,696 | Within 1 year | Transaction not completed |
| Sinopec Jiangsu Petroleum Company | Business | 1,476,328 | Within 1 year | Transaction not completed |
| Nanjing Jiyuan Electric Co., Ltd. | Business | 1,186,200 | Within 1 year | Transaction not completed |
| Total | | 10,536,966 | | |

(3) No prepayments to shareholders holding at least 5% of the Company's shares with voting power in the reporting period

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit: RMB

| Category | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Individually significant prepayments | 12,420,633 | 5,163,090 |
| Other insignificant prepayments | 5,096,327 | 6,451,630 |
| Total | 17,516,960 | 11,614,720 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

7. Inventories

Categories of inventories

Unit: RMB

| Item | Closing balance | | | Opening balance | | |
|--|-----------------------|---|----------------------|-----------------------|---|----------------------|
| | Gross carrying amount | Provision for decline in value of inventories | Net carrying amount | Gross carrying amount | Provision for decline in value of inventories | Net carrying amount |
| Properties under development | 1,855,841,275 | 0 | 1,855,841,275 | 1,898,029,663 | 0 | 1,898,029,663 |
| Properties for sale | 68,429,415 | 0 | 68,429,415 | 5,520,301 | 0 | 5,520,301 |
| Spare parts for repair and maintenance | 11,005,677 | 0 | 11,005,677 | 8,817,981 | 0 | 8,817,981 |
| Petrol | 9,923,103 | 0 | 9,923,103 | 6,887,347 | 0 | 6,887,347 |
| Total | 1,945,199,470 | 0 | 1,945,199,470 | 1,919,255,292 | 0 | 1,919,255,292 |

Unit: RMB

Details of properties under development are as follows:

| Project name | commencement date | Estimated completion date | Estimated total investment amount | Opening balance | Closing balance |
|------------------------|-------------------|---------------------------|-----------------------------------|----------------------|----------------------|
| Huaqiao Project | July 2010 | March 2016 | 2,382,000,000 | 588,603,438 | 447,216,015 |
| Qingyuan | December 2010 | April 2013 | 650,000,000 | 550,579,527 | 586,100,034 |
| Baohua Hongyan Project | June 2012 | December 2016 | 2,345,000,000 | 723,682,986 | 787,302,017 |
| Huaqiao B3 Project | 2015 | 2017 | 400,000,000 | 35,163,712 | 35,223,209 |
| Total | | | 5,777,000,000 | 1,898,029,663 | 1,855,841,275 |

Details of properties for sale are as follows:

| Project name | Completion date | Opening balance | Addition | Decrease | Closing balance |
|---------------------------------------|-----------------|------------------|--------------------|--------------------|-------------------|
| Kunshan Huijiejayuan Project | April 2009 | 5,520,301 | 0 | 5,520,301 | 0 |
| Huaqiao C4 Tongcheng Hongqiao Mansion | August 2012 | 0 | 292,000,000 | 223,570,585 | 68,429,415 |
| Total | | 5,520,301 | 292,000,000 | 229,090,886 | 68,429,415 |

Location and useful life analysis of land use right in inventories is as follows:

Unit: RMB

| Located in PRC | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Medium-term land use rights (10-50 years) | 1,382,120,664 | 1,432,220,876 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. Other current assets

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Financial management product | 123,500,000 | 35,000,000 |
| Structured bank deposits | 200,203,560 | 501,253,333 |
| Business taxes and levies related to real estate sales paid in advance | 3,322,606 | 24,136,948 |
| Total | 327,026,166 | 560,390,281 |

Financial management product represents 「點貸成金」 series issued by China Merchants Bank GoForture Co., and Wenyi series issued by Industrial and Commercial Bank of China. These products are non-capital preservation with floating income.

Structured bank deposits represent profit guaranteed structured bank deposits placed in Shanghai Pudong Development Bank, carrying annual interest rate from 3.0%-3.25%, with matured date on 18 January 2013 and 15 January 2013 respectively.

9. Investments in joint ventures and associates

Unit: RMB

| Name of investee | Proportion of ownership interest held by the Group (%) | Investee's total assets at the end of the year | Investee's total liabilities at the end of the year | Total net assets at the end of the year | Total operating income for the year | Net profit for the year |
|---|--|--|---|---|-------------------------------------|-------------------------|
| I. Joint ventures | | | | | | |
| None | | | | | | |
| II. Associates | | | | | | |
| Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.") | 33.20 | 318,910,451 | 78,569,725 | 240,340,726 | 213,886,097 | -2,988,703 |
| Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge") | 26.66 | 9,111,950,510 | 5,676,607,997 | 3,435,342,513 | 976,684,927 | 180,097,065 |
| Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang") | 33.33 | 4,571,841,484 | 2,489,362,772 | 2,082,478,712 | 987,038,755 | 202,936,860 |
| Suzhou Sujiaiyong Expressway Co., Ltd. ("Sujiaiyong") | 30.00 | 304,841,571 | 55,100,000 | 249,741,571 | 0 | -258,429 |
| Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel") | 34.91 | 321,184,689 | 14,622,580 | 306,562,109 | 63,744,796 | 238,063 |
| Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang") | 32.26 | 6,226,676,342 | 2,356,066,713 | 3,870,609,629 | 1,244,177,908 | 48,220,407 |

There are no significant differences between the accounting policies and accounting estimates adopted by joint ventures or associates and those adopted by the Company.

During the year, the Group invested Sujiaiyong and Yanjiang with consideration of RMB75,000,000 and RMB1,466,200,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

10. Long-term equity investments

(1) Details of long-term equity investments are as follows:

Unit: RMB

| Investee | Accounting method | Investment cost | Opening balance | Changes | Closing balance | Proportion of ownership interest in the investee (%) | Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power | Provision for impairment losses | Provision for impairment losses for the year | Cash dividends for the year |
|---|-------------------|----------------------|----------------------|----------------------|----------------------|--|--|---------------------------------|--|-----------------------------|
| | | | | | | | | | | |
| Kuailu Co., Ltd. | Equity method | 49,899,600 | 73,464,295 | -6,065,949 | 67,398,346 | 33.2 | No | 0 | 0 | 2,494,980 |
| Yangtze Bridge | Equity method | 631,159,243 | 953,598,812 | 15,447,004 | 969,045,816 | 26.66 | No | 0 | 0 | 56,983,566 |
| Suijiahang | Equity method | 526,090,677 | 707,173,782 | 14,973,862 | 722,147,644 | 33.33 | No | 0 | 0 | 52,615,000 |
| Suijiayong | Equity method | 75,000,000 | 0 | 74,922,471 | 74,922,471 | 30 | No | 0 | 0 | 0 |
| Nanlin Hotel | Equity method | 160,000,000 | 171,828,463 | 83,107 | 171,911,570 | 34.91 | No | 0 | 0 | 0 |
| Yanjiang | Equity method | 1,466,200,000 | 0 | 1,487,375,520 | 1,487,375,520 | 32.26 | No | 0 | 0 | 0 |
| Shenzhen Ruijin Co., Ltd. ("Shenzhen Ruijin") | Cost method | 2,000,000 | 2,000,000 | 0 | 2,000,000 | 17.24 | No | 0 | 0 | 200,000 |
| Jiangsu Leasing Co., Ltd. ("Jiangsu Leasing") | Cost method | 234,000,000 | 270,898,456 | 0 | 270,898,456 | 10.66 | No | 0 | 0 | 11,700,000 |
| Jiangsu Sundian Engineering Co., Ltd. ("Sundian") | Cost method | 35,000,000 | 7,367,500 | 0 | 7,367,500 | 15 | No | 0 | 0 | 0 |
| Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company") | Cost method | 4,300,000 | 4,300,000 | 0 | 4,300,000 | 8.84 | No | 0 | 0 | 0 |
| Total | | 3,183,649,520 | 2,190,631,308 | 1,586,736,015 | 3,777,367,323 | | | | | 123,993,546 |

Note: The foregoing companies are all unlisted company registered in PRC.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

11. Investment properties

(1) Investment properties measured at cost

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|--|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Total original carrying amount | | | | |
| 1. Buildings | 18,993,608 | 5,579,841 | 0 | 24,573,449 |
| 2. Land use rights | 0 | 0 | 0 | 0 |
| II. Total accumulated depreciation and amortisation | | | | |
| 1. Buildings | 1,186,473 | 660,062 | 0 | 1,846,535 |
| 2. Land use rights | 0 | 0 | 0 | 0 |
| III. Total net book value of investment properties | | | | |
| 1. Buildings | 17,807,135 | 4,919,779 | 0 | 22,726,914 |
| 2. Land use rights | 0 | 0 | 0 | 0 |
| IV. Total accumulated provision for impairment losses of investment properties | | | | |
| 1. Buildings | 0 | 0 | 0 | 0 |
| 2. Land use rights | 0 | 0 | 0 | 0 |
| V. Total carrying amounts of investment properties | | | | |
| 1. Buildings | 17,807,135 | 4,919,779 | 0 | 22,726,914 |
| 2. Land use rights | 0 | 0 | 0 | 0 |

Depreciation and amortisation for the current period is RMB660,602.

Provision for impairment losses of investment properties for the current period is nil.

The investment properties represent the Zhongshan Meilu villa and shops in Kunshan Huijiayayuan held by the Group.

The increase in the original carrying amount for the current period consists of acquisitions of RMB59,540, an increase of RMB5,520,301 on transfer from inventories to investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Fixed assets

(1) Fixed assets

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|--|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Total original carrying amount | 2,348,522,628 | 158,283,912 | 89,453,088 | 2,417,353,452 |
| Including: Buildings | 868,896,724 | 18,372,766 | 17,744,462 | 869,525,028 |
| Safety equipment | 396,364,245 | 4,246,094 | 8,982 | 400,601,357 |
| Communication and surveillance equipment | 247,946,218 | 14,573,924 | 2,733,458 | 259,786,684 |
| Toll stations and ancillary equipment | 245,231,004 | 64,777,523 | 17,262,269 | 292,746,258 |
| Motor vehicles | 178,087,780 | 17,435,721 | 26,471,573 | 169,051,928 |
| Other machinery and equipment | 411,996,657 | 38,877,884 | 25,232,344 | 425,642,197 |
| II. Total accumulated depreciation | 1,193,695,314 | 165,555,107 | 70,214,569 | 1,289,035,852 |
| Including: Buildings | 270,952,527 | 33,031,387 | 6,740,131 | 297,243,783 |
| Safety equipment | 251,712,357 | 31,864,887 | 5,537 | 283,571,707 |
| Communication and surveillance equipment | 148,396,742 | 23,648,395 | 2,605,672 | 169,439,465 |
| Toll stations and ancillary equipment | 162,079,218 | 25,373,893 | 16,733,316 | 170,719,795 |
| Motor vehicles | 116,909,380 | 12,107,983 | 24,232,079 | 104,785,284 |
| Other machinery and equipment | 243,645,090 | 39,528,562 | 19,897,834 | 263,275,818 |
| III. Total net book value of fixed assets | 1,154,827,314 | | | 1,128,317,600 |
| Including: Buildings | 597,944,197 | | | 572,281,245 |
| Safety equipment | 144,651,888 | | | 117,029,650 |
| Communication and surveillance equipment | 99,549,476 | | | 90,347,219 |
| Toll stations and ancillary equipment | 83,151,786 | | | 122,026,463 |
| Motor vehicles | 61,178,400 | | | 64,266,644 |
| Other machinery and equipment | 168,351,567 | | | 162,366,379 |
| IV. Total provision for impairment losses | | | | |
| Including: Buildings | 0 | 0 | 0 | 0 |
| Safety equipment | 0 | 0 | 0 | 0 |
| Communication and surveillance equipment | 0 | 0 | 0 | 0 |
| Toll stations and ancillary equipment | 0 | 0 | 0 | 0 |
| Motor vehicles | 0 | 0 | 0 | 0 |
| Other machinery and equipment | 0 | 0 | 0 | 0 |
| V. Total carrying amount of fixed assets | 1,154,827,314 | | | 1,128,317,600 |
| Including: Buildings | 597,944,197 | | | 572,281,245 |
| Safety equipment | 144,651,888 | | | 117,029,650 |
| Communication and surveillance equipment | 99,549,476 | | | 90,347,219 |
| Toll stations and ancillary equipment | 83,151,786 | | | 122,026,463 |
| Motor vehicles | 61,178,400 | | | 64,266,644 |
| Other machinery and equipment | 168,351,567 | | | 162,366,379 |

The depreciation for the current period is RMB165,555,107.

As at 31 December 2012, no fixed assets were restricted.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

12. Fixed assets (continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

| Item | Closing balance | Opening balance |
|-----------|-----------------|-----------------|
| Buildings | 57,779,845 | 58,111,324 |

(3) Fixed assets of which certificates of title have not been obtained

Unit: RMB

| Item | Amount | Reasons why certificates of title have not been obtained | Expected timing of obtaining certificates of title |
|---|-------------|--|--|
| Ninghu expressway Lujia toll station | 5,873,125 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Xuejia toll station | 2,231,243 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Wuxi airport toll station | 1,016,948 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Heyang toll station | 3,027,553 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Suzhou management offices | 14,407,863 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Changzhou Luoshuwan buildings | 3,945,846 | Completed during 2011, not obtained certification yet. | uncertain |
| Ninghu expressway Changzhou ETC customer service branch buildings | 1,181,721 | Completed during current year, not obtained certification yet. | uncertain |
| Service zone office buildings | 1,383,703 | Completed during 2011, not obtained certification yet. | uncertain |
| Buildings in Guangjing Xicheng expressway service zone | 88,890,279 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Total | 121,958,281 | | |

Description of fixed assets:

- (1) The increase in the original carrying amount for the current period consists of acquisitions of RMB59,236,028, an increase of RMB99,047,884 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current year consists of a decrease of RMB89,453,088 on disposals.
- (3) The increase in accumulated depreciation for the current year consists of charge for the current year of RMB165,555,107.
- (4) The decrease in accumulated depreciation for the current year consists of a decrease of RMB70,214,569 on disposals.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

| Item | Closing balance | | | Opening balance | | |
|--|-------------------|---------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| | Carrying amount | Provision for impairment losses | Net carrying amount | Carrying amount | Provision for impairment losses | Net carrying amount |
| Expansion project of expressway toll station | 8,169,777 | 0 | 8,169,777 | 12,367,953 | 0 | 12,367,953 |
| Buildings of management office | 6,649,347 | 0 | 6,649,347 | 396,680 | 0 | 396,680 |
| The vehicle license plate recognition and charging software updating project of the toll station | 5,161,510 | 0 | 5,161,510 | 0 | 0 | 0 |
| Expansion project of Jiangyin north toll station | 4,140,000 | 0 | 4,140,000 | 891,000 | 0 | 891,000 |
| The experimental lighting project of Ninghu express | 3,095,291 | 0 | 3,095,291 | 0 | 0 | 0 |
| The expansion of Huangtang toll station | 1,580,000 | 0 | 1,580,000 | 0 | 0 | 0 |
| Employees activity center | 400,000 | 0 | 400,000 | 40,000 | 0 | 40,000 |
| The electromechanical expansion project of Lu Jia toll station | 0 | 0 | 0 | 3,662,392 | 0 | 3,662,392 |
| The small information board construction of the Service Area | 0 | 0 | 0 | 2,440,392 | 0 | 2,440,392 |
| Guanglin dormitory | 0 | 0 | 0 | 5,404,666 | 0 | 5,404,666 |
| Others | 1,598,380 | 0 | 1,598,380 | 829,329 | 0 | 829,329 |
| Total | 30,794,305 | 0 | 30,794,305 | 26,032,412 | 0 | 26,032,412 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Construction in progress (continued)

(2) Changes in significant construction in progress

Unit: RMB

| Item | Budget amount (/0,000) | Opening balance | Increase in current year | Transfer to fixed assets | Other decreases | Amount injected as a proportion of budget amount (%) | Construction progress | Amount of accumulated capitalised interest | Including: capitalised interest for the year | Interest capitalisation rate for the year (%) | Source of funds | Closing balance |
|--|---------------------------|--------------------|-----------------------------|-----------------------------|--------------------|--|--------------------------|---|---|---|--------------------|--------------------|
| Buildings of management office | 1,470 | 386,680 | 6,526,530 | 273,863 | 0 | 47 | In progress | 0 | 0 | 0 | Own funds | 6,649,347 |
| The vehicle license plate recognition and charging software updating project of the toll station | 675 | 0 | 5,161,510 | 0 | 0 | 59 | In progress | 0 | 0 | 0 | Own funds | 5,161,510 |
| The experimental lighting project of Ninghu express | 2,967 | 0 | 3,095,291 | 0 | 0 | 10 | In progress | 0 | 0 | 0 | Own funds | 3,095,291 |
| Expansion project of expressway toll station | 3,466 | 12,367,953 | 11,600,303 | 15,798,479 | 0 | 69 | In progress | 0 | 0 | 0 | Own funds | 8,169,777 |
| The electromechanical expansion project of Lu Jia toll station | 739 | 3,662,392 | 3,723,137 | 7,385,529 | 0 | 100 | Completed | 0 | 0 | 0 | Own funds | 0 |
| The small information board construction of the Service Area | 900 | 2,440,392 | 6,295,741 | 8,736,133 | 0 | 97 | Completed | 0 | 0 | 0 | Own funds | 0 |
| Reconstruction project of gas recovery in gas stations | 1,400 | 0 | 13,196,765 | 13,196,765 | 0 | 94 | Completed | 0 | 0 | 0 | Own funds | 0 |
| Guangjin dormitory | 965 | 5,404,666 | 5,238,266 | 10,642,932 | 0 | 110 | Completed | 0 | 0 | 0 | Own funds | 0 |
| Expansion project of Jiangyin north toll station | 2,900 | 691,000 | 23,144,417 | 19,895,417 | 0 | 83 | In progress | 0 | 0 | 0 | Own funds | 4,140,000 |
| Employees activity center | 221 | 40,000 | 1,920,069 | 1,560,069 | 0 | 89 | In progress | 0 | 0 | 0 | Own funds | 400,000 |
| Extension of South Jiangyin ETC | 115 | 0 | 1,082,264 | 1,082,264 | 0 | 94 | Completed | 0 | 0 | 0 | Own funds | 0 |
| The expansion of Huangtang toll station | 910 | 0 | 7,039,403 | 5,459,403 | 0 | 77 | In progress | 0 | 0 | 0 | Own funds | 1,580,000 |
| Others | N/A | 829,329 | 15,786,061 | 15,017,030 | 0 | | In progress | 0 | 0 | 0 | Own funds | 1,598,380 |
| Total | | 26,032,412 | 103,809,777 | 99,047,884 | 0 | | | 0 | 0 | 0 | | 30,794,305 |

(3) The Group did not note any indicators of impairment; therefore there is no provision for impairment losses for construction in progress

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

13. Construction in progress (continued)

(4) Construction progress of significant construction in progress (continued)

Unit: RMB

| Item | Amount | Construction progress | Remarks |
|--|-----------|-----------------------|---------|
| Expansion project of expressway toll station | 8,169,777 | In progress | |
| Buildings of management office | 6,649,347 | In progress | |
| The vehicle license plate recognition and charging software updating project of the toll station | 5,161,510 | In progress | |
| Expansion project of Jiangyin north toll station | 4,140,000 | In progress | |

14. Intangible assets

(1) Intangible assets

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|---|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Total original carrying amount | 25,302,951,411 | 0 | 1,728,397,153 | 23,574,554,258 |
| Toll road operation rights | 23,553,502,611 | 0 | 1,728,397,153 | 21,825,105,458 |
| Land use right of Shanghai-Nanjing Expressway | 1,710,521,846 | 0 | 0 | 1,710,521,846 |
| Other land use rights | 38,926,954 | 0 | 0 | 38,926,954 |
| II. Total accumulated amortisation | 6,729,299,695 | 811,852,058 | 604,219,355 | 6,936,932,398 |
| Toll road operation rights | 5,941,509,778 | 746,777,755 | 604,219,355 | 6,084,068,178 |
| Land use right of Shanghai-Nanjing Expressway | 775,994,005 | 63,362,975 | 0 | 839,356,980 |
| Other land use rights | 11,795,912 | 1,711,328 | 0 | 13,507,240 |
| III. Total net book value of intangible assets | 18,573,651,716 | | | 16,637,621,860 |
| Toll road operation rights | 17,611,992,833 | | | 15,741,037,280 |
| Land use right of Shanghai-Nanjing Expressway | 934,527,841 | | | 871,164,866 |
| Other land use rights | 27,131,042 | | | 25,419,714 |
| IV. Total provision for impairment | 0 | 0 | 0 | 0 |
| Toll road operation rights | 0 | 0 | 0 | 0 |
| Land use right of Shanghai-Nanjing Expressway | 0 | 0 | 0 | 0 |
| Other land use rights | 0 | 0 | 0 | 0 |
| Total carrying amount of intangible assets | 18,573,651,716 | | | 16,637,621,860 |

The amortisation for the current year is RMB811,852,058.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

14. Intangible assets (continued)

(1) Intangible assets (continued)

Description of intangible assets:

- (1) At 31 December 2012, bank loans amounting to RMB380,000,000 were secured by certain of the Group's toll road operation rights of approximately RMB1,598,566,511. The amortisation of such toll road operation rights was RMB131,846,391.
- (2) The decrease in the original carrying amount for the current year consisted of a decrease of RMB1,728,397,153 on disposal. Details please refer to note VI (5).
- (3) The increase in accumulated amortisation for the current year consisted of charge for the current year of RMB811,852,058.
- (4) The decrease in accumulated amortisation for the current year consisted of a decrease of RMB 604,219,355 on disposal. Details please refer to note VI (5).

Location and useful life analysis of land use right is as follows:

| Located in PRC | Closing balance | Opening balance |
|---|--------------------|-----------------|
| Medium-term land use rights (10-50 years) | 896,584,580 | 961,658,883 |

Unit: RMB

15. Long-term prepaid expenses

Unit: RMB

| Item | Opening balance | Increase in the year | Amortisation for the year | Other reductions | Closing balance | Reasons for other reductions |
|---------------------------|-----------------|----------------------|---------------------------|------------------|-----------------|------------------------------|
| Decorations for buildings | 652,950 | 293,590 | 426,975 | 0 | 519,565 | No |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

16. Deferred tax assets/deferred tax liabilities

(1) *Recognised deferred tax assets and deferred tax liabilities*

Unit: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Deferred tax assets: | | |
| Deductible losses | 3,070,782 | 3,722,543 |
| Provision for impairment losses of assets | 4,173,767 | 4,436,267 |
| Valuation of financial instruments held for trading and derivatives | 483,636 | 230,643 |
| Prepayment of Enterprise income tax and land appreciation tax for real estate pre-sale. | 4,470,783 | 0 |
| Subtotal | 12,198,968 | 8,389,453 |
| Deferred tax liabilities: | | |
| Valuation of financial instruments held for trading and derivatives | 0 | 0 |
| Subtotal | 0 | 0 |

(2) *Details of taxable temporary differences and deductible temporary differences*

Unit: RMB

| Item | Amount |
|---|------------|
| Closing balance: | |
| Deductible losses | 12,283,129 |
| Provision for impairment losses of assets | 16,695,069 |
| Valuation of financial instruments held for trading and derivatives | 1,934,542 |
| Prepayment of Enterprise income tax and land appreciation tax for real estate pre-sale. | 17,883,132 |
| Subtotal | 48,795,872 |
| Taxable temporary differences: | |
| Valuation of financial assets held for trading and derivatives | 0 |
| Subtotal | 0 |
| Opening balance: | |
| Deductible temporary differences and deductible losses: | |
| Deductible losses | 14,890,172 |
| Provision for impairment losses of assets | 17,745,069 |
| Valuation of financial instruments held for trading and derivatives | 922,572 |
| Subtotal | 33,557,813 |
| Taxable temporary differences: | |
| Valuation of financial assets held for trading and derivatives | 0 |
| Subtotal | 0 |

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For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

17. Details of provision for impairment losses of assets

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | | Closing carrying amount |
|--------------------|-------------------------|------------------------------|------------------------------|-----------|-------------------------|
| | | | Reversals | Write-off | |
| Bad debt provision | 17,745,069 | 0 | 500,000 | 550,000 | 16,695,069 |

18. Short-term borrowings

(1) Categories of short-term borrowings:

Unit:RMB

| Item | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Unsecured loans | 550,000,000 | 865,000,000 |
| Including: Bank loans | 400,000,000 | 655,000,000 |
| Trust loans | 0 | 0 |
| Entrusted loans | 150,000,000 | 210,000,000 |
| Short-term bonds | 2,000,000,000 | 2,000,000,000 |
| Total | 2,550,000,000 | 2,865,000,000 |

(2) There are no short-term borrowings overdue but not yet repaid.

19. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Construction payable | 65,990,419 | 79,376,103 |
| Construction payable for real estate project | 225,753,070 | 180,412,200 |
| Toll road fee payable | 31,565,977 | 9,167,840 |
| Daily purchase payable for service zones | 24,828,975 | 23,072,861 |
| Others | 812,643 | 15,382,920 |
| Total | 348,951,084 | 307,411,924 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Accounts payable (continued)

- (2) There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of accounts payable to related parties please refer to note VII (6)(2).

Description of significant accounts payable aged more than one year:

As at 31 December 2012, the accounts payable aged over 1 year of the group mainly represents the construction payable amounting to RMB65,990,419 and the construction payable for real estate amounting to RMB62,123,300. The amount keeps unpaid because the construction settlement procedure is long.

Aging analysis of accounts payable is as follows:

| Item | Closing balance | Opening balance |
|---------------|-----------------|-----------------|
| Within 1 year | 220,837,365 | 215,494,589 |
| 1-2 years | 62,123,300 | 13,136,240 |
| 2-3 years | 0 | 0 |
| Over 3 years | 65,990,419 | 78,781,095 |
| Total | 348,951,084 | 307,411,924 |

20. Receipts in advance

- (1) Details of receipts in advance are as follows:

Unit: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Rental deposit received in advance | 4,209,489 | 5,656,715 |
| Advertising service fee received in advance | 14,121,798 | 14,093,245 |
| Income from properties for sales received in advance | 47,445,689 | 326,745,495 |
| Receipts in advance from transfer of zhenjiang branch(note) | 42,016,820 | 0 |
| Others | 80,000 | 188,280 |
| Total | 107,873,796 | 346,683,735 |

Note: During current year, in order to expedite the development and the urbanization process in Zhenjiang, the People's Government of Zhenjiang proposed to renovate the zhenjiang branch of the Shanghai-Nanjing Expressway (Jiangsu Section) ("Zhenjiang Branch") with consideration of RMB210,084,100. At 31 December 2012, the Company has received RMB42,016,820 and accounted as receipts in advance. The transaction is still subject to the approval from Jiangsu Provincial Government and the State-owned Assets Administration Committee of Jiangsu Provincial Government.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

20. Receipts in advance (continued)

- (2) There are no receipts in advance from shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of receipts in advance from related parties please refer to note VII (6)(2).

The aging analysis of receipts in advance is as follows:

Unit: RMB

| Aging | Closing balance | | Opening balance | |
|---------------|-----------------|-----|-----------------|-----|
| | RMB | % | RMB | % |
| Within 1 year | 85,400,336 | 79 | 346,603,735 | 100 |
| 1-2 year | 22,393,460 | 21 | 0 | 0 |
| 2-3 years | 0 | 0 | 80,000 | 0 |
| Over 3 years | 80,000 | 0 | 0 | 0 |
| Total | 107,873,796 | 100 | 346,683,735 | 100 |

Details of receipts in advance for real estate advance sale are as follows:

Unit: RMB

| Project name | Opening balance | Closing balance | Completion date | Proportion of advance sale |
|---------------------------------------|-----------------|-----------------|-----------------|----------------------------|
| Kunshan huijiyayuan project | 0 | 280,000 | April 2009 | 100% |
| Huaqiao C4 Tongcheng Hongqiao Mansion | 326,745,495 | 47,165,689 | August 2012 | 94% |
| Total | 326,745,495 | 47,445,689 | | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

21. Employee benefits payable

Unit:RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|--|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 808,842 | 293,358,066 | 294,166,908 | 0 |
| II. Staff welfare | 0 | 22,591,673 | 22,591,673 | 0 |
| III. Social security contributions | 0 | 100,153,794 | 100,153,794 | 0 |
| Including: Medical insurance | 0 | 30,558,583 | 30,558,583 | 0 |
| Basic pension insurance | 0 | 40,725,012 | 40,725,012 | 0 |
| Supplemental pension insurance | 0 | 21,328,013 | 21,328,013 | 0 |
| Unemployment insurance | 0 | 3,980,831 | 3,980,831 | 0 |
| Compo insurance | 0 | 1,809,336 | 1,809,336 | 0 |
| Bearing insurance | 0 | 1,752,019 | 1,752,019 | 0 |
| IV. Housing funds | 0 | 23,935,769 | 23,935,769 | 0 |
| V. Termination benefits | 0 | 224,034 | 224,034 | 0 |
| VI. Others | 5,714,811 | 43,695,555 | 47,078,413 | 2,331,953 |
| Outlay for Labour union and employees education | 5,704,361 | 6,290,524 | 9,662,932 | 2,331,953 |
| Non-monetary welfare | 0 | 21,595,405 | 21,595,405 | 0 |
| Others | 10,450 | 15,809,626 | 15,820,076 | 0 |
| Total | 6,523,653 | 483,958,891 | 488,150,591 | 2,331,953 |

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB6,290,524, compensations to employees for termination of employment relationship are RMB224,034. Non-monetary benefits are RMB21,595,405, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

22. Taxes payable

Unit:RMB

| Item | Closing balance | Opening balance |
|-----------------------|--------------------|--------------------|
| Enterprise income tax | 207,727,785 | 299,367,384 |
| Business tax | 13,630,500 | 15,005,918 |
| Land appreciation tax | 0 | 0 |
| VAT | 1,820,539 | 843,659 |
| Property tax | 517,190 | 473,326 |
| Individual income tax | 1,974,205 | 1,555,024 |
| Others | 4,336,127 | 4,153,811 |
| Total | 230,006,346 | 321,399,122 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

23. Interest payable

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity | 2,746,410 | 4,592,800 |
| Interest payable of enterprise bond | 24,549,583 | 0 |
| Interest payable of short-term borrowings | 1,064,250 | 1,716,100 |
| Interest payable of short-term bond | 28,215,013 | 41,374,100 |
| Total | 56,575,256 | 47,683,000 |

24. Dividends payable

Unit: RMB

| Name of entity | Closing balance | Opening balance | Reasons dividends payable aged more than one year |
|--|-----------------|-----------------|---|
| Part of domestic shareholders | 98,980,462 | 80,871,474 | Some shareholders did not draw out the dividends |
| China Merchants Huajian Highway Investment Co., Ltd. | 23,634,074 | 24,024,788 | N/A |
| Total | 122,614,536 | 104,896,262 | |

25. Other payables

(1) Details of other payables are as follows:

Unit: RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| 312 toll road operation right acquisition costs payable | 10,000,000 | 10,000,000 |
| Construction quality warrantee fee payable | 69,595,877 | 57,969,174 |
| Others | 44,433,975 | 33,523,059 |
| Total | 124,029,852 | 101,492,233 |

(2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note VII (6)(2).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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25. Other payables (continued)

(3) Description of significant other payables aged more than one year:

As at 31 December 2012, other payables aged more than one year mainly include 312 toll road operation right acquisition costs payable.

26. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Long-term borrowings due within one year | 1,201,557,302 | 201,561,117 |

(2) Long-term borrowings due within one year

(a) Long-term borrowings due within one year

Unit: RMB

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Guaranteed loans | 1,557,302 | 1,561,117 |
| Non-guaranteed loans | 1,200,000,000 | 200,000,000 |
| Total | 1,201,557,302 | 201,561,117 |

(b) Top 5 Long-term borrowings due within one year

Unit: RMB

| Lender | Inception date of borrowing | Maturity date | Currency | Interest rate (%) | Closing balance | | Opening balance | |
|---------------------------------|--------------------------------|---------------|----------|----------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | | | | | Amount in foreign currency | Amount in domestic currency | Amount in foreign currency | Amount in domestic currency |
| Postal Savings Bank of China | 20/06/2008 | 21/07/2013 | RMB | 5.12 | 1,200,000,000 | | 0 | |
| Bank of China | 15/10/1998 | 18/07/2027 | USD | 2 | 247,761 | 1,557,302 | 247,761 | |
| Agricultural Bank of China | 15/03/2005 | 30/01/2012 | RMB | 5.895 | | 0 | 100,000,000 | |
| Bank of China | 18/07/2005 | 30/12/2012 | RMB | 5.895 | | 0 | 100,000,000 | |
| Total | | | | | 1,201,557,302 | | 201,561,117 | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

27. Other current liabilities

Unit:RMB

| Item | Closing balance | Opening balance |
|------------------------|-----------------|-----------------|
| Private Placement Bond | 1,000,000,000 | 0 |

Other current liabilities represent the private placement bonds with 6 months maturity. The bonds were issued on 28 September 2012 and 9 November 2012 with code of 031269002 and 031269003 respectively. The par value were RMB500,000,000 and nominal interest rate of 4.8% and 4.6% respectively.

28. Long-term borrowings

(1) Categories of long-term borrowings

Unit:RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Secured loans (note 1) | 380,000,000 | 0 |
| Guaranteed loans (note 2) | 24,916,831 | 26,538,996 |
| Non-guaranteed loans (note 3) | 1,250,000,000 | 2,640,000,000 |
| Sub-total | 1,654,916,831 | 2,666,538,996 |
| Less: Non-current liabilities due within one year | 1,201,557,302 | 201,561,117 |
| Total long-term borrowings mature after 1 year | 453,359,529 | 2,464,977,879 |

Description of categories of long-term borrowings:

Note 1: A subsidiary of the Company, Guangjing Xicheng obtained bank loans amounting to RMB400,000,000 from Bank of Communications Jiangsu branch for the investment in Yanjiang. The bank loans were secured by toll road operation rights of Guangjing Xicheng. During current year, Guangjing Xicheng has repaid in advance with RMB20,000,000. The interest rate is floating with the benchmark interest rate announced by the Peoples Bank of China. During current year, the annual interest rate is 6.65%.

Note 2: The Company obtained bank credit limit of USD9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Jiangsu Communications Holding Company Limited. The credit limits include buyer's credit loan of USD4,900,000 and Spanish government loan of USD4,900,000. The buyer's credit loan has been paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 with annum interest rate of 2%. The USD denominated Spanish government loans were guaranteed by the Company's parent, Jiangsu Communications Holding, which is a state-owned enterprise incorporated in the PRC.

Note 3: At the balance sheet date, the long-term loans were with floating annum interest rate which is calculated with the benchmark interest rate announced by the People's Bank of China. Among which RMB1,200,000,000 will mature on 21 July 2013 (note VI (26)), with annum interest rate of 5.120% and the rest RMB50,000,000 will mature on 28 November 2014 with annum interest rate of 5.895%.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

28. Long-term borrowings (continued)

(2) Top five long-term borrowings

Unit: RMB

| Lender | Inception date of borrowing | Maturity date | Currency | Interest rate (%) | Closing balance | | Opening balance | |
|--|-----------------------------|---------------|----------|-------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | | | | | Amount in foreign currency | Amount in domestic currency | Amount in foreign currency | Amount in domestic currency |
| Bank of Communications Industrial and Commercial | 28/06/2012 | 28/06/2017 | RMB | 6.65 | | 380,000,000 | | 0 |
| Bank of China | 28/04/2005 | 28/11/2014 | RMB | 5.895 | | 50,000,000 | | 200,000,000 |
| Bank of China Postal Savings | 15/10/1998 | 18/07/2027 | USD | 2 | 3,716,415 | 23,359,529 | 3,964,176 | 24,977,879 |
| Bank of China | 20/06/2008 | 21/07/2013 | RMB | 5.12 | | 0 | | 2,000,000,000 |
| China Construction Bank | 27/10/2004 | 03/12/2012 | RMB | 6.1649 | | 0 | | 240,000,000 |
| Total | | | | | | 453,359,529 | | 2,464,977,879 |

Analysis of maturity for long-term borrowings over 1 year is as follows:

| Item | Current year | Prior year |
|--------------|--------------|---------------|
| 1-2 years | 51,557,302 | 2,001,387,660 |
| 2-5 years | 384,671,906 | 444,162,980 |
| Over 5 years | 17,130,321 | 19,427,239 |
| Total | 453,359,529 | 2,464,977,879 |

29. Bond payable

Unit: RMB

| Name of bond | Par value | Issue date | Term of the bond | Issue amount | Opening interest payable | Accrued interest for the year | Interest paid during the year | Closing interest payable | Closing balance |
|------------------------|-------------|---------------|------------------|--------------|--------------------------|-------------------------------|-------------------------------|--------------------------|-----------------|
| Private Placement Bond | 500,000,000 | 18 June, 2012 | 3 years | 495,765,250 | 0 | 716,991 | 0 | 716,991 | 496,482,241 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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30. Share capital

Unit:RMB

| | Opening balance | New issue of shares | Change for the year | | | Subtotal | Closing balance |
|---|----------------------|------------------------|---------------------|--|----------------|----------------|----------------------|
| | | | Bonus issue | Capitalisation of surplus reserves | Others | | |
| 2011: | | | | | | | |
| I. Restricted tradable shares | | | | | | | |
| 1. State-owned shares | 2,742,578,825 | 0 | 0 | 0 | -2,742,578,825 | -2,742,578,825 | 0 |
| 2. State-owned legal person shares | 589,059,077 | 0 | 0 | 0 | -589,059,077 | -589,059,077 | 0 |
| 3. Other domestic-owned shares | 51,452,745 | 0 | 0 | 0 | -1,250,000 | -1,250,000 | 50,202,745 |
| 4. Other foreign-owned shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total restricted tradable shares | 3,383,090,647 | 0 | 0 | 0 | -3,332,887,902 | -3,332,887,902 | 50,202,745 |
| II. Tradable shares | | | | | | | |
| 1. Ordinary shares denominated in RMB | 432,656,853 | 0 | 0 | 0 | 3,332,887,902 | 3,332,887,902 | 3,765,544,755 |
| 2. Foreign-owned shares listed | | | | | | | |
| domestically | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Foreign-owned shares listed overseas | 1,222,000,000 | 0 | 0 | 0 | 0 | 0 | 1,222,000,000 |
| 4. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total tradable shares | 1,654,656,853 | 0 | 0 | 0 | 3,332,887,902 | 3,332,887,902 | 4,987,544,755 |
| III. Total shares | 5,037,747,500 | 0 | 0 | 0 | 0 | 0 | 5,037,747,500 |
| 2012: | | | | | | | |
| I. Restricted tradable shares | | | | | | | |
| 1. State-owned shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. State-owned legal person shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Other domestic-owned shares | 50,202,745 | 0 | 0 | 0 | -3,294,000 | -3,294,000 | 46,908,745 |
| 4. Other foreign-owned shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total restricted tradable shares | 50,202,745 | 0 | 0 | 0 | -3,294,000 | -3,294,000 | 46,908,745 |
| II. Tradable shares | | | | | | | |
| 1. Ordinary shares denominated in RMB | 3,765,544,755 | 0 | 0 | 0 | 3,294,000 | 3,294,000 | 3,768,838,755 |
| 2. Foreign-owned shares listed | | | | | | | |
| domestically | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Foreign-owned shares listed overseas | 1,222,000,000 | 0 | 0 | 0 | 0 | 0 | 1,222,000,000 |
| 4. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total tradable shares | 4,987,544,755 | 0 | 0 | 0 | 3,294,000 | 3,294,000 | 4,990,838,755 |
| III. Total shares | 5,037,747,500 | 0 | 0 | 0 | 0 | 0 | 5,037,747,500 |

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the then shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as A shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, part of them have been transferred to the category of tradable A share upon the granting of trading status on 16 May 2007, 14 June 2007, 27 July 2007, 28 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011 and 17 August 2012 separately. During the year, totaling 3,294,000 shares satisfied the conditions for circulation and completed the procedure.

The Group did not purchase, sale or repurchase shares of the Company for the current year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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31. Capital reserve

Unit:RMB

| Item | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---|----------------------|----------------------|----------------------|----------------------|
| 2012: | | | | |
| Capital premium | 4,801,561,763 | 0 | 0 | 4,801,561,763 |
| Including: Capital contributed by investors | 4,801,561,763 | 0 | 0 | 4,801,561,763 |
| Other comprehensive income | 56,988,676 | 24,416,693 | 0 | 81,405,369 |
| Other capital reserve | 2,682,977,235 | 0 | 0 | 2,682,977,235 |
| Including: Transfer from capital reserve under the previous accounting system | 2,682,977,235 | 0 | 0 | 2,682,977,235 |
| Total | 7,541,527,674 | 24,416,693 | 0 | 7,565,944,367 |
| 2011: | | | | |
| Capital premium | 4,801,561,763 | 0 | 0 | 4,801,561,763 |
| Including: Capital contributed by investors | 4,801,561,763 | 0 | 0 | 4,801,561,763 |
| Other comprehensive income | 92,183,437 | 0 | 35,194,761 | 56,988,676 |
| Other capital reserve | 2,682,977,235 | 0 | 0 | 2,682,977,235 |
| Including: Transfer from capital reserve under the previous accounting system | 2,682,977,235 | 0 | 0 | 2,682,977,235 |
| Total | 7,576,722,435 | 0 | 35,194,761 | 7,541,527,674 |

Description of capital reserve:

During the year, other comprehensive income increased from the fair value adjustment of the available for sale financial assets of Yangtze Bridge, one of the associates of the Group. The Group adjusted capital reserve at the share proportion.

32. Surplus reserves

Unit:RMB

| Item | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------|-----------------|----------------------|----------------------|-----------------|
| 2012: | | | | |
| Statutory surplus reserve | 2,291,733,894 | 258,392,903 | 0 | 2,550,126,797 |
| 2011: | | | | |
| Statutory surplus reserve | 2,022,082,235 | 269,651,659 | 0 | 2,291,733,894 |

NOTES TO THE FINANCIAL STATEMENTS

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VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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33. Unappropriated profits

Unit:RMB

| Item | Amount | Proportion of appropriation |
|--|---------------|--|
| 2012: | | |
| Unappropriated profits at the end of prior year | 3,273,680,481 | |
| Add: Net profit attributable to owners of the Company for the year | 2,333,344,558 | |
| Less: Appropriation to statutory surplus reserve | 258,392,903 | 10% |
| Declaration of dividends on ordinary shares | 1,813,589,100 | Cash dividends of RMB 0.36 for every share |
| Unappropriated profits at the end of the year | 3,535,043,036 | |
| 2011: | | |
| Unappropriated profits at the end of prior year | 2,927,171,033 | |
| Add: Net profit attributable to owners of the Company for the year | 2,429,750,207 | |
| Less: Appropriation to statutory surplus reserve | 269,651,659 | 10% |
| Declaration of dividends on ordinary shares | 1,813,589,100 | Cash dividends of RMB 0.36 for every share |
| Unappropriated profits at the end of the year | 3,273,680,481 | |

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

Note 2: Cash dividends approved in shareholders' meeting during the year

In 2012, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 0.36 for every share were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the Board of Directors on 22 March 2013, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2013, cash dividends of RMB 0.36 for every share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

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VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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34. Operating income and operating costs

(1) Operating income

Unit:RMB

| Item | Amount recognised in the current year | | Amount recognised in the prior year | |
|---|---------------------------------------|-----------------|-------------------------------------|-----------------|
| | Operating income | Operating costs | Operating income | Operating costs |
| Principal operating income | 7,449,454,069 | 3,815,878,975 | 7,342,231,355 | 3,614,290,814 |
| Including: | | | | |
| Shanghai-Nanjing Expressway | 4,291,575,932 | 1,023,712,916 | 4,319,576,539 | 973,548,775 |
| 312 National Highway | 83,829,554 | 222,006,136 | 117,596,664 | 264,430,458 |
| Guangjing Xicheng Expressway | 683,080,003 | 246,546,155 | 694,203,025 | 239,116,457 |
| Nanjing-Lianyungang Highway | 33,536,822 | 16,567,614 | 38,930,257 | 17,793,783 |
| Ancillary services | 2,357,431,758 | 2,307,046,154 | 2,171,924,870 | 2,119,401,341 |
| Real estate development and advertising | 346,488,612 | 238,747,715 | 59,078,866 | 21,487,721 |
| Total | 7,795,942,681 | 4,054,626,690 | 7,401,310,221 | 3,635,778,535 |

(2) *Principal operating activities (classified by geographical areas): The principal operation activities of the Group are held in Jiangsu Province.*

(3) *Operating income from the Company's top five customers: the operating income principally include the toll road income, ancillary services, advertisement and real estate business. The Group is unable to present top five customers because of the nature of the business.*

35. Business taxes and levies

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year | Basis of calculation |
|---------------------------------------|-------------------------------------|-----------------------------------|--|
| Business tax | 178,861,514 | 164,908,463 | 3% of toll revenue 5% of maintenance revenue 5% of advertisement revenue |
| City Construction and maintenance tax | 13,388,570 | 12,715,037 | 7% of actual paid turnover taxes |
| Education surcharge | 10,998,835 | 9,012,146 | 5% of actual paid turnover taxes |
| Land appreciation tax | 6,105,723 | 0 | progressive rates ranging from 30% to 60% |
| Total | 209,354,642 | 186,635,646 | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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36. Selling expenses

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Salaries | 115,543 | 279,496 |
| Commission fee for agent of real estate sales | 217,205 | 4,237,002 |
| Advertisement fee | 1,919,900 | 2,608,862 |
| Consulting fee | 1,639,473 | 218,925 |
| Others | 4,632,952 | 1,225,617 |
| Total | 8,525,073 | 8,569,902 |

37. Administrative expenses

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Salaries | 48,631,990 | 45,454,493 |
| Depreciation and amortisation | 71,676,682 | 75,072,015 |
| Audit fee | 3,020,000 | 2,650,000 |
| Consulting and intermediary service fee | 12,243,166 | 22,016,806 |
| Properties tax and other taxes | 18,333,991 | 14,975,428 |
| Entertainment fee | 4,910,497 | 5,176,258 |
| Maintenance and repair costs | 3,646,411 | 3,635,935 |
| Office expenses | 2,737,147 | 2,873,766 |
| Travelling expenses | 1,814,232 | 1,490,747 |
| Vehicle related expenses | 2,436,993 | 2,613,889 |
| Others | 8,084,259 | 7,813,777 |
| Total | 177,535,368 | 183,773,114 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

38. Financial expenses

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|--|-------------------------------------|-----------------------------------|
| Interest of bond | 124,539,094 | 78,143,903 |
| Interest of bank loans | 202,056,638 | 240,661,663 |
| Include: Interest on bank loans within 5 years | 201,541,621 | 240,116,064 |
| Total interest expenses | 326,595,732 | 318,805,566 |
| Less: Capitalised interest expenses | 0 | 0 |
| Less: Interest income | 8,144,164 | 8,231,775 |
| Exchange differences | 2,998,486 | -2,349,453 |
| Bond issue fee and other loan charges | 11,550,840 | 8,191,435 |
| Others | 409,126 | 537,363 |
| Total | 333,410,020 | 316,953,136 |

39. Impairment losses on assets

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|-----------------------------|-------------------------------------|-----------------------------------|
| Bad debt provision reversal | -500,000 | -585,597 |

40. Gains from changes in fair values

Unit:RMB

| Source resulting in gains from changes in fair values | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Held-for-trading financial assets | -1,011,970 | -922,572 |
| Total | -1,011,970 | -922,572 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

41. Investment income

(1) Details of investment income

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|--|---------------------------------|-------------------------------|
| Income from long-term equity investments under cost method | 11,900,000 | 0 |
| Include: Shenzhen Ruijin | 200,000 | 0 |
| Jiangsu Leasing | 11,700,000 | 0 |
| Income from long-term equity investments under equity method | 133,212,868 | 190,114,061 |
| Investment income from disposal of long-term equity investment | 0 | 0 |
| Investment income from disposal of held-for-trading financial assets | 656,389 | 7,092,511 |
| Investment income from available-for-sale financial assets | 15,678,949 | 4,257,742 |
| Total | 161,448,206 | 201,464,314 |

(2) Income from long-term equity investments under equity method:

Unit:RMB

| Investee | Amount recognised in the current year | Amount recognised in the prior year | Reasons for increase or decrease in the current compared to the prior year |
|------------------|---------------------------------------|-------------------------------------|--|
| Sujiahang | 67,588,862 | 89,502,620 | The profit from associate |
| Yangtze bridge | 48,013,877 | 96,466,422 | The profit from associate |
| Yanjiang | 21,175,520 | 0 | New associate during current year |
| Nanlin Hotel | 83,107 | 56,878 | The profit from associate |
| Sujiayong | -77,529 | 0 | New associate during current year |
| Kuailu Co., Ltd. | -3,570,969 | 4,088,141 | The profit from associate |
| Total | 133,212,868 | 190,114,061 | |

There are no significant restrictions on remittance of investment income.

The investment income of current year and prior year are generated from non-listed investments.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

42. Non-operating income

(1) Details of non-operating income are as follows:

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|---|------------------------------------|----------------------------------|
| Total gains on disposal of non-current assets | 1,057,746 | 22,361,221 |
| Including: Gains on disposal of fixed assets | 1,057,746 | 22,361,221 |
| Compensation income from damaged road | 8,031,688 | 9,026,149 |
| Government grants | 192,000 | 820,000 |
| Others | 846,064 | 1,240,645 |
| Total | 10,127,498 | 33,448,015 |

(2) Details of government grants

Unit:RMB

| Item | Amount recognised in the current year | Amount recognised in the prior year | Remarks |
|---|---|---|--|
| Government subsidy of development zone | 192,000 | 820,000 | Government grants received in previous year was from Nanjing economic development zone according with relevant policies. Government grants received in current year was from Nanjing Environmental Protection Bureau. |

43. Non-operating expenses

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|--|------------------------------------|----------------------------------|
| Total losses on disposal of non-current assets | 16,732,459 | 24,085,345 |
| Including: Losses on disposal of fixed assets | 16,732,459 | 24,085,345 |
| Repair expenditure of damaged road | 15,800,751 | 13,036,821 |
| Donation | 1,105,810 | 1,282,000 |
| Others | 4,225,678 | 2,543,745 |
| Total | 37,864,698 | 40,947,911 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

44. Income tax expense

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|---|------------------------------------|----------------------------------|
| Current tax expense calculated according to tax laws and relevant requirements - PRC | 769,955,478 | 787,622,770 |
| Adjustments to deferred tax | -3,809,515 | -4,010,354 |
| Over provision of prior years' tax | -1,692,120 | -79,607 |
| Total | 764,453,843 | 783,532,809 |

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

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|--|------------------------------------|----------------------------------|
| Accounting profit/loss | 3,145,689,924 | 3,263,227,331 |
| Income tax expenses calculated at 25% (prior year: 25%) | 786,422,481 | 815,806,833 |
| Effect of expenses that are not deductible for tax purposes | 15,975,381 | 18,762,732 |
| Effect of tax-free income | -36,251,899 | -50,957,149 |
| Over provision of prior years' tax | -1,692,120 | -79,607 |
| Total | 764,453,843 | 783,532,809 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

45. Calculation process of basic earnings per share and diluted earnings per share

For the purpose of calculating basic earnings per share, net profit for the current year attributable to ordinary shareholders is as follows:

| Item | <i>Unit: RMB</i> | |
|---|------------------------------------|----------------------------------|
| | Amount incurred in current year | Amount incurred in prior year |
| Net profit for the current year attributable to ordinary shareholders | 2,333,344,558 | 2,429,750,207 |
| Including: Net profit from continuing operations | 2,333,344,558 | 2,429,750,207 |
| Net profit from discontinued operations | 0 | 0 |

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

| Item | <i>Unit: RMB</i> | |
|--|------------------------------------|----------------------------------|
| | Amount incurred in current year | Amount incurred in prior year |
| Number of ordinary shares outstanding at the beginning of year | 5,037,747,500 | 5,037,747,500 |
| Add: Weighted average number of ordinary shares issued during the year | 0 | 0 |
| Less: Weighted average number of ordinary shares repurchased during the year | 0 | 0 |
| Number of ordinary shares outstanding at the end of year | 5,037,747,500 | 5,037,747,500 |

Earnings per share

| Item | <i>Unit: RMB</i> | |
|--|--------------------------------|------------------------------|
| | Amount for the current year | Amount for the prior year |
| Calculated based on net profit attributable to shareholders of the Company: | | |
| Basic earnings per share | 0.4632 | 0.4823 |
| Diluted earnings per share | N/A | N/A |
| Calculated based on net profit attributable to shareholders of the Company: | | |
| Basic earnings per share | 0.4632 | 0.4823 |
| Diluted earnings per share | N/A | N/A |
| Calculated based on net profit from continuing operations attributable to shareholders of the Company: | | |
| Basic earnings per share | N/A | N/A |
| Diluted earnings per share | N/A | N/A |

Note: At 31 December 2012, there were no dilutive potential ordinary shares issued by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

46. Other comprehensive income

Unit:RMB

| Item | Amount for the current year | Amount for the prior year |
|---|-----------------------------|---------------------------|
| Share of other comprehensive income of the investee accounted for using the equity method | 24,416,693 | -35,194,761 |

47. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|--|---------------------------------|-------------------------------|
| Receipts from compensation of damaged road and non-operating income items, etc | 14,035,042 | 21,672,689 |
| Receipts from interest income of bank deposit | 7,951,664 | 8,231,775 |
| Total | 21,986,706 | 29,904,464 |

(2) Other cash payments relating to operating activities

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|---|---------------------------------|-------------------------------|
| Payment of non-salary and other expenditure | 60,878,706 | 71,755,866 |
| Total | 60,878,706 | 71,755,866 |

(3) Other cash receipts relating to investing activities: N/A

(4) Other cash payments relating to investing activities: N/A

(5) Other cash receipts relating to financing activities: N/A

(6) Other cash payments relating to financing activities:

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|---|---------------------------------|-------------------------------|
| Bond issue fee and other charges of loans | 7,550,840 | 8,191,435 |
| Total | 7,550,840 | 8,191,435 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

48. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

| | <i>Unit: RMB</i> | |
|---|----------------------|-------------------|
| Supplementary information | Current year | Prior year |
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 2,381,236,081 | 2,479,694,522 |
| Add: Reversals of provision for impairment losses of assets | -500,000 | -585,597 |
| Depreciation of fixed assets | 165,555,107 | 164,068,847 |
| Amortisation of intangible assets | 811,852,058 | 832,830,435 |
| Amortisation of long-term prepaid expenses | 426,975 | 486,899 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”) | 15,674,713 | 1,724,124 |
| Losses on changes in fair values (gains are indicated by “-”) | 1,011,970 | 922,572 |
| Financial expenses (income is indicated by “-”) | 341,145,058 | 325,624,591 |
| Losses arising from investments (gains are indicated by “-”) | -161,448,206 | -201,464,314 |
| Decrease in deferred tax assets (increase is indicated by “-”) | -3,809,515 | -3,692,961 |
| Increase in deferred tax liabilities (decrease is indicated by “-”) | 0 | -317,393 |
| Decrease in inventories (increase is indicated by “-”) | -31,464,479 | -1,048,859,421 |
| Decrease in receivables from operating activities (increase is indicated by “-”) | -16,354,423 | 721,122,005 |
| Increase in payables from operating activities (decrease is indicated by “-”) | -314,575,475 | 563,236,052 |
| Others — depreciation of investment properties | 660,062 | 623,860 |
| Net cash flow from operating activities | 3,189,409,926 | 3,835,414,221 |
| 2. Significant investing and financing activities that do not involve cash receipts and payments: | 0 | 0 |
| 3. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 686,484,787 | 806,129,927 |
| Less: Opening balance of cash | 806,129,927 | 475,084,741 |
| Net increase (decrease) in cash and cash equivalents | -119,645,140 | 331,045,186 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit:RMB

| Name of the parent | Related party relationship | Whether a connected party | Type of the entity | Place of incorporation | Legal representative | Nature of business | Registered capital | Proportion of the Company's ownership interest held by the parent (%) | Proportion of the Company's voting power held by the parent (%) | Ultimate controlling party of the Company | Organisation code |
|---|---|---------------------------|--------------------|---------------------------|----------------------|--|--------------------|---|---|---|-------------------|
| Jiangsu Communications Holding Company Limited ("Communications Holding") | Parent company and ultimate shareholder | Yes | State owned | Nanjing, Jiangsu Province | Yang Gen Lin | Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry | 16,800,000,000 | 54.44 | 54.44 | Communications Holding | 13476706-3 |

2. Subsidiaries of the Company

Unit:RMB

| Full name of subsidiary | Type of the subsidiary | Type of the entity | Place of incorporation | Legal representative | Nature of business | Registered capital | Proportion of ownership interests (%) | Organisation code |
|--------------------------------------|-----------------------------|---------------------------|------------------------|----------------------|------------------------|--------------------|---------------------------------------|-------------------|
| Guangjing Xicheng | Non-wholly owned subsidiary | Limited liability company | Nanjing | Chang Qing | Service | 850,000,000 | 85 | 71408945-7 |
| Wuxi Jingcheng Advertising Co., Ltd. | Non-wholly owned subsidiary | Limited liability company | Wuxi | Xu Ze Min | Service Investment and | 1,000,000 | 85 | 72352469-9 |
| Ninghu Investment | Non-wholly owned subsidiary | Limited liability company | Nanjing | Qian Yong Xiang | service | 100,000,000 | 95 | 74236487-4 |
| Kunshan Fengyuan | Non-wholly owned subsidiary | Limited liability company | Kunshan | Qian Yong Xiang | Real estate | 42,000,000 | 95 | 78765432-2 |
| Ninghu Properties | Wholly owned subsidiary | Limited liability company | Nanjing | Qian Yong Xiang | Real estate | 500,000,000 | 100 | 67763731-0 |
| Kunshan Properties | Wholly owned subsidiary | Limited liability company | Kunshan | Chen Hong Tu | Real estate | 200,000,000 | 100 | 69449070-1 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

3. Associates and joint ventures of the entity

Unit:RMB

| Name of investee | Type of the entity | Place of incorporation | Legal representative | Nature of business | Registered capital | Proportion of ownership interest held by the Company (%) | Related party relationship | Whether a connected Party | Organisation code |
|-------------------|--------------------|------------------------|----------------------|--------------------|--------------------|--|----------------------------|---------------------------|-------------------|
| I. Joint ventures | | | | | | | | | |
| N/A | | | | | | | | | |
| II. Associates | | | | | | | | | |
| Kuailu Co., Ltd. | State owned | Nanjing | Sun Hong Ning | Service | 150,300,000 | 33.20 | Associate | No | 13478934-2 |
| Yangtze Bridge | State owned | Nanjing | Chen Xiang Hui | Service | 2,137,248,000 | 26.66 | Associate | Yes | 13476509-2 |
| Sujiahang | State owned | Suzhou | Yao Zhen Kang | Service | 1,578,600,000 | 33.33 | Associate | Yes | 13776920-8 |
| Sujiayong | State owned | Suzhou | Qian Jin Long | Service | 100,000,000 | 30.00 | Associate | No | 59698120-8 |
| Nanlin Hotel | State owned | Suzhou | Sun Hong Ning | Service | 227,715,968 | 34.91 | Associate | Yes | 13773558-5 |
| Yanjiang | State owned | Suzhou | Yang Fei | Service | 3,100,000,000 | 32.26 | Associate | Yes | 73072605-7 |

4. Other related parties of the Company

| Name of other related party | Relationship between other related parties and the Company | Whether a connected party | Organisation code |
|--|--|---------------------------|-------------------|
| Network Operation Company | Same ultimate shareholder | Yes | 77050954-0 |
| Sundian | Same ultimate shareholder | Yes | 74821796-3 |
| Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company") | Same ultimate shareholder | Yes | 73572481-9 |
| Jiangsu Leasing | Same ultimate shareholder | Yes | 13475854-6 |
| Jiangsu Far East Shipping Co., Ltd. ("Far Ease Shipping") | Same ultimate shareholder | Yes | 73225111-2 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Unit: RMB

| Related party | Type of related party transactions | Whether a connected transaction | Details of related party transaction | Pricing and decision-making procedures of related party transactions | Amount for the current year | | Amount for the prior year | |
|---|------------------------------------|---------------------------------|--|---|-----------------------------|--|---------------------------|--|
| | | | | | Amount | Proportion of the amount of related party transactions to that of similar transactions (%) | Amount | Proportion of the amount of related party transactions to that of similar transactions (%) |
| Kuailu Co., Ltd. | Goods sold | No | Petrol fee | For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts. | 22,115,257 | 1 | 25,726,002 | 1 |
| Kuailu Co., Ltd. | Service provided | No | Toll road fee | | 7,800,000 | 0 | 7,800,000 | 0 |
| Yangtze Bridge* Network Operation Company* | Service received | Yes | Toll service expenses | | 0 | 0 | 1,656,582 | 100 |
| | Service received | Yes | Management fee for toll road system management and maintenance | | 23,535,634 | 100 | 19,791,022 | 100 |
| Sundian* | Service received | Yes | Road maintenance fee | | 23,078,296 | 14 | 51,381,250 | 22 |
| Sundian* | Goods sold | Yes | Petrol fee | | 0 | 0 | 470,162 | 0 |
| Nanlin Hotel* | Service received | Yes | Food and beverage | | 32,658 | 0 | 17,927 | 0 |
| Far East Shipping* Communications Holding | Financing | Yes | Interest of entrusted loan | | 12,758,333 | 4 | 13,008,867 | 4 |
| | Assets sold | Yes | Building sold | | 1,597,018 | 100 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Related party transactions *(continued)*

(2) Leases with related parties

Unit:RMB

| Name of lessor | Name of lessee | Whether a connected transaction | Type of leased assets | Lease income recognised in the current year | Leasing begin date | Leasing ending date | Lease income recognised in the current year | Basis of determining the lease income | Effect to the Group |
|-------------------|----------------------------|---------------------------------|-----------------------|---|--------------------|---------------------|---|--|---------------------|
| The Company | Network Operation Company* | Yes | Buildings lease | 17,184,698 | 1 September 2011 | 31 August 2014 | 4,460,000 | Base on cost recovery principle, and tax effect considered as well | Not significant |
| The Company | Sundian* | Yes | Buildings lease | 11,536,812 | 1 September 2011 | 31 August 2014 | 1,690,000 | Base on cost recovery principle, and tax effect considered as well | Not significant |
| Guangjing Xicheng | Jiangsu Petroleum Company* | Yes | Petrol business lease | 2,091,037 | 1 January 2012 | 31 December 2014 | 3,971,100 | The leasing fee is calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee amounted to RMB500,000 per annum. | Not significant |

(3) Guarantees with related parties

Unit:RMB

| Guarantor | Whether a connected transaction | Guaranteed party | Guaranteed amount | Inception date of guarantee | Expiration date of guarantee | Whether execution of guarantee has been completed |
|-------------------------|---------------------------------|------------------|-------------------|-----------------------------|------------------------------|---|
| Communications Holding* | Yes | The Company | 24,916,831 | 15 October 1998 | 18 July 2027 | Not completed |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Related party transactions *(continued)*

(4) Borrowings/loans with related parties

During the year:

Unit:RMB

| Related party | Whether a connected transaction | Amount of borrowing/loan | Inception date | Maturity date | Amount at the end of the current year | Remarks |
|-----------------------|---------------------------------|--------------------------|----------------|---------------|---------------------------------------|---|
| Borrowed from: | | | | | | |
| Far East Shipping* | Yes | 100,000,000 | 10 May 2012 | 10 May 2013 | 50,000,000 | Entrusted loan with annual interest rate of 6.56% |
| Far East Shipping* | Yes | 100,000,000 | 4 July 2012 | 4 July 2013 | 100,000,000 | Entrusted loan with annual interest rate of 6.31% |
| Lend to: | | | | | | |
| N/A | | | | | | |

In the prior year:

Unit:RMB

| Related party | Whether a connected transaction | Amount of borrowing/loan | Inception date | Maturity date | Amount at the end of the current year | Remarks |
|-----------------------|---------------------------------|--------------------------|----------------|---------------|---------------------------------------|---|
| Borrowed from: | | | | | | |
| Far East Shipping* | Yes | 100,000,000 | 7 July 2011 | 7 July 2012 | 100,000,000 | Entrusted loan with annual interest rate of 6.56% |
| Far East Shipping* | Yes | 110,000,000 | 9 May 2011 | 9 May 2012 | 110,000,000 | Entrusted loan with annual interest rate of 6.31% |
| Lend to: | | | | | | |
| N/A | | | | | | |

* represents the continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(5) Compensation for key management personnel

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Compensation for key management personnel | 1,916,866 | 1,717,052 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

6. Amounts due from / to related parties

(1) Amounts due from related parties

Unit:RMB

| Item | Related party | Closing balance | | Opening balance | |
|--------------------------|---------------------------|-----------------|--------------------|-----------------|--------------------|
| | | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision |
| Accountants | | | | | |
| receivable <i>(note)</i> | Sujiahang | 9,064,124 | 0 | 7,396,536 | 0 |
| | Kuailu Co., Ltd. | 2,463,438 | 0 | 6,877,444 | 0 |
| | Jiangsu Petroleum Company | 2,031,600 | 0 | 2,286,300 | 0 |
| | Yanjiang | 223,780 | 0 | 71,085 | 0 |
| | Yangtze Bridge | 159,423 | 0 | 2,033,060 | 0 |
| | Sundian | 0 | 0 | 336,194 | 0 |
| | Subtotal | 13,942,365 | 0 | 19,000,619 | 0 |
| Other receivables | Sundian | 0 | 0 | 34,827 | 0 |
| Dividends receivable | Kuailu Co., Ltd. | 4,989,960 | 0 | 2,494,980 | 0 |

Note: At 31 December 2012, besides the accountants receivable from related party stated above, there are split toll road fee receivables from other expressway companies within Jiangsu toll road network and Network operation company (the "Toll Road Network Companies") which amounted to RMB67,842,195 (31 December 2011: RMB24,483,256). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant inference relationship with them.

(2) Amounts due to related parties

Unit:RMB

| Item | Related party | Closing balance | | Opening balance | |
|--------------------------------|---------------------------|-----------------|--------------------|-----------------|--------------------|
| | | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision |
| Accounts payable <i>(note)</i> | Sujiahang | 1,951,329 | | 978,511 | |
| | Yangtze Bridge | 5,239,573 | | 12,036 | |
| | Yanjiang | 4,334,251 | | 2,001,858 | |
| | Subtotal | 11,525,153 | | 2,992,405 | |
| Receipts in advance | Sundian | 361,667 | | 361,667 | |
| Other payable | Network Operation Company | 2,710,293 | | 1,408,158 | |
| | Sundian | 3,857,482 | | 10,916,060 | |
| | Yangtze Bridge | 0 | | 1,656,582 | |
| Subtotal | | 6,567,775 | | 13,980,800 | |
| Interest payable | Far East Shipping | 289,208 | | 412,500 | |

Note: At 31 December 2012, besides the accountants payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB20,040,824 (31 December 2011: RMB6,175,435). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant inference relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

7. Directors' emoluments

| 2012 | Qian | | Cheng Chang | | Xu | Fan | Chen | Zhang | | Yan | Total |
|-----------------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|------------------|
| | Yong Xiang | Fang Hung* | Yung Tsung* | Chang Xin* | Cong Lai* | Dong Hua* | Gao Bo* | Er Zhen* | Shi Ming# | Shao Li# | |
| Director's fee | 0 | 243,443 | 243,443 | 60,000 | 30,000 | 60,000 | 60,000 | 30,000 | 0 | 0 | 726,886 |
| Salaries and other benefits | 457,700 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 270,000 | 270,000 | 997,700 |
| Pension schemes | 33,333 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,000 | 20,000 | 73,333 |
| Total | 491,033 | 243,443 | 243,443 | 60,000 | 30,000 | 60,000 | 60,000 | 30,000 | 290,000 | 290,000 | 1,797,919 |

| 2011 | Qian | | Cheng Chang | | Xu | Fan | Chen | Yan | | Total |
|-----------------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|------------------|
| | Yong Xiang | Fang Hung* | Yung Tsung* | Chang Xin* | Cong Lai* | Dong Hua* | Gao Bo* | Shi Ming# | Shao Li# | |
| Director's fee | 0 | 249,000 | 249,000 | 60,000 | 60,000 | 60,000 | 60,000 | 0 | 0 | 738,000 |
| Salaries and other benefits | 400,000 | 0 | 0 | 0 | 0 | 0 | 0 | 240,000 | 240,000 | 880,000 |
| Pension schemes | 35,748 | 0 | 0 | 0 | 0 | 0 | 0 | 21,456 | 21,456 | 78,660 |
| Total | 435,748 | 249,000 | 249,000 | 60,000 | 60,000 | 60,000 | 60,000 | 261,456 | 261,456 | 1,696,660 |

* Independent director

Supervisor

8. Five individuals with the highest emoluments

One (2011: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining four (2011: four) individuals were as follows:

| | Current year | Prior year |
|------------------|------------------|------------------|
| Salaries | 1,327,500 | 1,180,000 |
| Social insurance | 98,333 | 101,304 |
| Total | 1,425,833 | 1,281,304 |

Their emoluments were within the following bands:

| | Number | Number |
|-------------------------|--------|--------|
| Less than HKD 1,000,000 | 4 | 4 |

VIII. CONTINGENCIES

Ninghu Properties, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Kunshan Huaqiao Tingeing Hongqiao Mansion. The obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 31 December 2012, the outstanding guarantees amounted to approximately RMB11,242,012 (2011: RMB 34,620,000).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

IX. COMMITMENTS

1. Significant commitments

(1) Capital commitments

Unit: RMB

| | Closing balance | Opening balance |
|---|-------------------|-------------------|
| Capital commitments that have been entered into but have not been recognised in the financial statements: | | |
| — Commitment for acquisition and construction of long-term assets | 44,087,260 | 85,905,959 |
| Capital commitments that have been approved by management but not been entered into contracts | 0 | 0 |
| Total | 44,087,260 | 85,905,959 |

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB

| | Closing balance | Opening balance |
|--|------------------|-------------------|
| Minimum lease payments under non-cancellable operating leases: | | |
| 1st year subsequent to the balance sheet date | 4,901,596 | 5,161,294 |
| 2nd year subsequent to the balance sheet date | 2,629,167 | 4,026,551 |
| 3rd year subsequent to the balance sheet date | 1,575,000 | 2,545,833 |
| Subsequent periods | 0 | 1,575,000 |
| Total | 9,105,763 | 13,308,678 |

(3) Other commitments

The Group is committed to pay in the following year to Jiangsu Ninglian Ningtong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

Unit:RMB

| | Amount |
|---|---------------|
| Proposed distributions of profits or dividends | 1,813,589,100 |
| Distributions of profits or dividends authorised and declared | 0 |

XI. OTHER SIGNIFICANT EVENTS

1. Main component and significant changes of annuity scheme

In the year of 2012, the corporate annuities have been paid according with relevant regulations. The contribution base of corporate annuities was calculated upon average monthly salary of 2011, and the individual annuities was as 10% of the contribution base of corporate annuities.

2. Retirement benefits scheme

The Group participates in the Jiangsu Provincial Retirement Scheme. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to certain percent of the monthly salary in respect of its employees. The Group is only responsible for fixed pension payments and the Group has no further obligations.

The total cost charged to the consolidated income statement of RMB40,725,012 (2011: RMB37,571,706) represents contributions payable to these schemes by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2012 and 2011.

3. Operating leases

Property rental income earned during the year:

| | Current year | Prior year |
|-----------|--------------|------------|
| Buildings | 5,409,879 | 2,940,360 |

4. Net current assets (liabilities)/Total assets less current liabilities

| | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| Current assets | 4,239,711,104 | 3,403,446,608 |
| Total assets | 25,849,257,639 | 25,375,438,896 |
| Less: current liabilities | 5,743,940,125 | 4,302,651,046 |
| Net current liabilities (note) | -1,504,229,021 | -899,204,438 |
| Total assets less current liabilities | 20,105,317,514 | 21,072,787,850 |

Note: The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn short-term borrowing facilities at 31 December 2012 of approximately RMB5,450,000,000 (2011: short-term borrowing facilities: RMB7,145,000,000) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB1,504,229,021 (2011: RMB 899,204,438) at the end of the reporting period, the Group has well managed the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS *(continued)*

5. Net Profit for the year has been arrived at after charging:

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|--|--|--------------------------------------|
| Staff costs(Include: directors' emoluments) | 421,905,866 | 377,588,218 |
| Retirement benefits scheme contributions | 62,053,025 | 55,981,148 |
| Total staff costs | 483,958,891 | 433,569,366 |
| Audit fee | 3,020,000 | 2,650,000 |
| Depreciation and amortisation (Included in operating costs and administrative expenses) | 913,419,899 | 932,746,735 |
| Losses on disposal of non-current assets | 15,674,713 | 1,724,124 |
| Amortization of land use rights (Included in operating costs and administrative expenses) | 65,074,303 | 65,263,306 |
| Cost of inventories recognised as an expense | 2,375,112,085 | 1,986,473,586 |

6. Others

6(1) Segment

Based on the Group's internal organisation structure, management requirements and internal reporting system, the operations of the Group are classified into 6 reporting segments. The reporting segments are determined based on the standard with which the Group's management evaluates the operating results of these reporting segments and make decisions about resources to be allocated to the segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are Shanghai-Nanjing Expressway, 312 National Highway, Nanjing-Lianyungang Highway, Guangjing Xicheng Expressway, Ancillary services and Real estate development and advertisement.

Ancillary services include petrol, food and beverage and retail service in service zone along the expressways.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others

6(1) Segment

Segment information

Unit:RMB

| | Shanghai-Nanjing Expressway | | 312 National Highway | | Nanjing-Lianyungang Highway | | Guangjing Xicheng Expressway | | Ancillary services | | Real estate and advertisement | | Unallocated items | | Total | |
|--|-----------------------------|----------------|----------------------|---------------|-----------------------------|-------------|------------------------------|---------------|--------------------|---------------|-------------------------------|---------------|-------------------|----------------|----------------|----------------|
| | Current year | Prior year | Current year | Prior year | Current year | Prior year | Current year | Prior year | Current year | Prior year | Current year | Prior year | Current year | Prior year | Current year | Prior year |
| | Operating income | 4,291,575,932 | 4,319,576,539 | 83,829,554 | 117,596,664 | 33,536,822 | 38,930,257 | 683,080,003 | 694,203,025 | 2,357,431,758 | 2,171,924,670 | 346,488,612 | 59,078,866 | 0 | 0 | 7,795,942,681 |
| Operating costs | 1,023,712,916 | 973,548,775 | 222,006,136 | 284,430,458 | 16,967,614 | 17,793,783 | 246,546,155 | 238,116,457 | 2,307,046,154 | 2,119,401,341 | 238,747,715 | 21,467,721 | 0 | 0 | 4,054,626,690 | 3,635,776,535 |
| Including: Amortisation of toll roads operation rights | 492,957,307 | 469,582,309 | 111,107,703 | 157,509,339 | 10,866,354 | 11,175,640 | 131,846,391 | 129,289,641 | 0 | 0 | 0 | 0 | 0 | 0 | 746,777,735 | 767,567,129 |
| Costs of petrol and other goods sold in service zones | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,153,083,048 | 1,980,688,404 | 0 | 0 | 0 | 0 | 2,153,083,048 | 1,980,688,404 |
| Segment operating profit (loss) | 3,267,863,016 | 3,346,027,764 | -138,176,582 | -146,833,794 | 16,969,208 | 21,136,474 | 436,533,848 | 456,086,568 | 50,385,604 | 52,523,529 | 107,740,897 | 37,591,145 | 0 | 0 | 3,741,315,991 | 3,765,531,686 |
| Reconciling items: | | | | | | | | | | | | | | | | |
| Business taxes and levies | 144,195,951 | 63,551,978 | 0 | 6,580,002 | 1,126,837 | 1,306,952 | 22,951,488 | 23,325,222 | 10,517,871 | 10,285,089 | 25,867,040 | 0 | 0 | 0 | 209,354,642 | 186,635,646 |
| Selling expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,525,073 | 8,569,902 | 0 | 0 | 8,525,073 | 8,569,902 |
| Administrative expenses | 63,382,975 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 114,172,393 | 120,221,136 | 177,535,368 | 183,773,114 |
| Financial expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 333,410,020 | 316,953,136 | 333,410,020 | 316,953,136 |
| Impairment loss of assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -500,000 | -585,597 | -500,000 | -585,597 |
| Gains from changes in fair values | 0 | 3,137,338,014 | -142,871,037 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,011,970 | -922,572 | -1,011,970 | -922,572 |
| Investment income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 161,448,206 | 201,464,314 | 161,448,206 | 201,464,314 |
| Operating profit | 3,060,303,090 | 0 | 0 | -153,414,386 | 15,842,371 | 19,829,522 | 413,582,360 | 431,761,346 | 39,867,733 | 42,238,431 | 73,348,784 | 29,021,243 | -286,046,933 | 3,173,427,124 | 3,270,727,227 | |
| Non-operating income | 0 | 3,137,338,014 | -142,871,037 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,127,498 | 33,448,015 | 10,127,498 | 33,448,015 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,864,698 | 40,947,911 | 37,864,698 | 40,947,911 |
| Total profit | 3,060,303,090 | 3,137,338,014 | -142,871,037 | -153,414,386 | 15,842,371 | 19,829,522 | 413,582,360 | 431,761,346 | 39,867,733 | 42,238,431 | 73,348,784 | 29,021,243 | -314,383,377 | -243,546,825 | 3,145,689,824 | 3,283,227,331 |
| Income tax expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 764,453,843 | 783,532,809 | 764,453,843 | 783,532,809 |
| Net profit | 3,060,303,090 | 14,683,463,561 | 1,251,361,791 | -153,414,386 | 15,842,371 | 19,829,522 | 413,582,360 | 431,761,346 | 39,867,733 | 42,238,431 | 73,348,784 | 29,021,243 | -1,078,837,220 | -1,027,079,638 | 2,381,236,061 | 2,479,694,522 |
| Total segment assets | 14,065,406,471 | | | 2,490,285,151 | 327,658,711 | 338,725,065 | 1,654,952,512 | 1,760,063,286 | 401,810,282 | 391,139,544 | 2,305,174,064 | 2,251,528,260 | 5,822,893,808 | 3,480,234,028 | 25,948,257,639 | 25,375,438,896 |
| Total segment liabilities | 0 | 632,128,231 | 115,662,052 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,693,781,895 | 6,767,628,925 | 6,693,781,895 | 6,767,628,925 |
| Supplementary information: | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | 660,925,006 | 0 | 0 | 165,078,400 | 10,866,354 | 11,175,640 | 138,303,458 | 133,089,791 | 20,883,477 | 20,608,652 | 9,638,979 | 10,111,509 | 21,204,876 | 25,817,828 | 978,494,202 | 989,010,041 |
| Interest income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,144,164 | 8,231,775 | 8,144,164 | 8,231,775 |
| Interest expense | 0 | 14,683,463,561 | 1,251,361,791 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 326,595,732 | 318,805,566 | 326,595,732 | 318,805,566 |
| Investment income from long-term equity investment under equity method | 0 | 89,654,579 | 1,752,502 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 133,212,868 | 150,114,061 | 133,212,868 | 150,114,061 |
| Non-current assets other than long-term equity investments | 14,065,406,471 | 45,832,706 | 0 | 2,490,285,151 | 327,658,711 | 338,725,065 | 1,654,952,512 | 1,760,063,286 | 401,810,282 | 391,139,544 | 77,807,526 | 123,719,833 | 32,881,919 | 13,964,540 | 17,832,179,212 | 19,781,360,980 |
| Capital expenditure | 84,194,170 | 28,259,792 | 1,752,502 | 541,402 | 0 | 0 | 17,601,864 | 54,032,418 | 19,912,294 | 4,022,011 | 4,454,145 | 18,161,717 | 40,242,941 | 6,914,039 | 165,157,916 | 174,526,166 |
| Incl.: Expenditure arising from construction in progress | 49,800,372 | 17,762,081 | 0 | 0 | 0 | 0 | 0 | 13,196,785 | 116,286 | 2,388,221 | 2,110,965 | 40,242,941 | 2,444,018 | 105,628,299 | 50,503,995 | |
| Expenditure arising from purchase of fixed assets | 34,393,799 | 17,762,081 | 0 | 541,402 | 0 | 0 | 17,601,864 | 18,377,654 | 3,715,529 | 3,905,725 | 2,065,924 | 17,650,732 | 0 | 4,470,021 | 59,529,617 | 70,605,526 |
| Expenditure arising from purchase of intangible asset | 0 | 17,762,081 | 0 | 0 | 0 | 0 | 0 | 35,654,594 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53,416,645 |

Segment profit represents the gross profit earned by each segment without allocation of administrative expenses, finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than long-term equity investment, held-for-trading financial assets and cash and bank balances etc.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

(2) *External revenue by geographical area of source and non-current assets by geographical location*

All income and assets of the Group are from/located in Jiangsu province.

(3) *Degree of reliance on major customers*

The principle activities are toll roads operation and ancillary services along toll roads etc. therefore there is no reliance on specific customers.

6(2) *Capital risk management*

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note VI (18), (26), (27), (28) and (29), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

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

6(3) *Financial instruments and risk management*

1. Risk management objectives and policies

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

1.1 Market risk

1.1.1. Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Certain of the Group's bank balances and long-term borrowings are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposes the Group to foreign currency risk attributable to the fluctuations in the exchange rates between USD/HKD and RMB, the functional currency of the respective group entities. The proportion to the Group's total assets is insignificant. Further the Group carries out majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.1. Foreign currency risk (continued)

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

Unit:RMB

| Item | Liabilities | | Assets | |
|------|-------------|------------|-----------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| USD | 24,916,831 | 26,538,996 | 8,611 | 8,627 |
| HKD | 0 | 0 | 1,054,765 | 1,006,186 |

Sensitivity analysis

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

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

Unit:RMB

| Increase (decrease) in profit for the year | USD impact | | HKD impact | |
|---|------------|-----------|------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| if RMB weakens against foreign currency | (934,058) | (994,889) | 39,554 | 37,732 |
| if RMB strengthens against foreign currency | 934,058 | 994,889 | (39,554) | (37,732) |

1.1.2. Interest rate risk - risk of changes in fair value

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate short-term bank borrowings and other borrowings (see Note VI (18), (26), (27), (28) and (29) for details). In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is not significant. The Group currently does not have an interest rate hedging policy.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

6(3) *Financial instruments and risk management (continued)*

1. Risk management objectives and policies *(continued)*

1.1 Market risk *(continued)*

1.1.3. Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings (see Note VI (28) for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate long-term bank borrowings (refer to note VI (28) for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended 31 December 2012 would decrease/increase by RMB6,112,500 (2011: decrease/increase by RMB9,900,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

1.1.4. Other price risk

The Group's held-for-trading investments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The Group established an internal investment division and a designated team are assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

Sensitivity analysis

As at 31 December 2012, if the price of the held-for-trading investments the Group holds had increased/decreased by 50%, shareholders' equity would have been increased/decreased by approximately RMB6,774,547 (2011: RMB7,154,036).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

6(3) *Financial instruments and risk management (continued)*

1. Risk management objectives and policies *(continued)*

1.2. Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- The amount of financial guarantees contract related to real estate sales disclosed in Note (VIII) "Contingencies".

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

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

1.3. Liquidity risk

The Group closely monitors and forecast the future cash flow from operating to reduce the liquidity risk. A series of procedures may be adopted when necessary, such as issue bonds and private placement bonds which with lower interest rate.

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn short-term borrowing facilities at 31 December 2012 of approximately RMB5,450,000,000 (2011: short-term borrowing facilities: RMB7,145,000,000) to enable the Group to meet in full its financial obligations for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB1,504,229,021 (2011: RMB 899,204,438) at the end of the reporting period, the Group has well managed the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.3. Liquidity risk

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

| | No maturity | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years |
|---|-------------------|----------------------|--------------------|----------------------|--------------------|--------------------|
| Held-for-trading financial investments | 18,065,458 | 0 | 0 | 0 | 0 | 0 |
| Accounts receivable | 0 | 83,407,096 | 0 | 0 | 0 | 0 |
| Other receivables | 0 | 1,156,828,707 | 0 | 0 | 0 | 0 |
| Bank and cash balances | 0 | 686,484,787 | 0 | 0 | 0 | 0 |
| Other current assets (other than sales tax related to real estate advance sale) | 0 | 323,703,560 | 0 | 0 | 0 | 0 |
| Total | 18,065,458 | 2,250,424,150 | 0 | 0 | 0 | 0 |
| Accounts payable | 0 | 348,951,084 | 0 | 0 | 0 | 0 |
| Other payables | 0 | 124,029,852 | 0 | 0 | 0 | 0 |
| Interest payable | 0 | 56,575,256 | 0 | 0 | 0 | 0 |
| Short-term borrowings | 0 | 0 | 0 | 2,619,487,191 | 0 | 0 |
| Other current liabilities | 0 | 0 | 504,997,260 | 508,191,781 | 0 | 0 |
| Long-term borrowings and non-current liabilities due within 1 year | 0 | 778,694 | 0 | 1,259,962,339 | 529,050,902 | 22,060,782 |
| Bonds payable | 0 | 0 | 0 | 13,605,077 | 27,910,180 | 527,989,356 |
| Total | 0 | 530,334,886 | 504,997,260 | 4,401,246,388 | 556,961,082 | 550,050,138 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

6(3) *Financial instruments and risk management (continued)*

2. Fair value

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

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

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the held-for-trading investments is under level 1 fair value measurement hierarchy.

There were no transfers between Level 1 and 2 in the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

| Item | Closing balance | | | Opening balance | | |
|----------------|------------------|---------------|---------------|------------------|---------------|---------------|
| | Foreign currency | Exchange rate | Amount in RMB | Foreign currency | Exchange rate | Amount in RMB |
| Cash: | | | | | | |
| RMB | | | 209,879 | | | 155,096 |
| Bank balances: | | | | | | |
| RMB | | | 399,604,500 | | | 450,957,056 |
| USD | 1,370 | 6.2855 | 8,611 | 1,369 | 6.3009 | 8,626 |
| HKD | 1,300,815 | 0.8108 | 1,054,765 | 1,241,133 | 0.8107 | 1,006,187 |
| Total | | | 400,877,755 | | | 452,126,965 |

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

| Category | Closing balance | | | | Opening balance | | | |
|---|---------------------------|-------------------|------------------------------|-------------------|---------------------------|-------------------|------------------------------|-------------------|
| | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) |
| Accounts receivable that are individually significant and for which bad debt provision has been assessed individually | 48,117,672 | 69 | 0 | 0 | 27,664,019 | 73 | 0 | 0 |
| Accounts receivable for which bad debt provision has been assessed by portfolios | 21,849,529 | 31 | 0 | 0 | 10,263,155 | 27 | 0 | 0 |
| Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 69,967,201 | 100 | 0 | 0 | 37,927,174 | 100 | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Accounts receivable (continued)

(1) Disclosure of accounts receivable by categories: (continued)

Explanations of categories of accounts receivable:

Aging analysis of accounts receivables is as follows:

Unit:RMB

| Aging | Closing balance | | | Opening balance | | | | |
|---|-----------------|----------------|--------------------|-----------------|------------|----------------|--------------------|-----------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 69,967,201 | 100 | 0 | 69,967,201 | 37,927,174 | 100 | 0 | 37,927,174 |
| More than 1 year but not exceed 2 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| More than 2 years but not exceeding 3 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| More than 3 years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 69,967,201 | 100 | 0 | 69,967,201 | 37,927,174 | 100 | 0 | 37,927,174 |

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

| Name of portfolio | Carrying amount | Bad debt provision |
|--------------------------------|-----------------|--------------------|
| Accounts receivable portfolios | 21,849,529 | 0 |
| Total | 21,849,529 | 0 |

Accounts receivable that are not individually significant at the end of the period but for which bad debt provision has been assessed individually:

Unit:RMB

| Content of accounts receivable | Carrying amount | Amount of bad debt | Proportion of provision (%) | Reasons for the provision |
|--------------------------------|-----------------|--------------------|-----------------------------|---------------------------|
| N/A | | | | |

(2) There are no prepayments to shareholders holding at least 5% of the Company's shares with voting power in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Accounts receivable (continued)

(3) Top five entities with the largest balances of accounts receivable

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Age | Proportion of the amount to the total accounts receivable (%) |
|--|-------------------------------|-------------------|---------------|---|
| Network Operation Company | Same ultimate shareholder | 21,882,482 | Within 1 year | 31 |
| Suzhou Raocheng Expressway Co., Ltd. | Same ultimate shareholder | 11,716,864 | Within 1 year | 17 |
| Sujiahang | Associate | 8,043,967 | Within 1 year | 12 |
| Jiangsu Ningchangzhenli Expressway Co., Ltd. | Same ultimate shareholder | 3,545,503 | Within 1 year | 5 |
| Guangjing Xicheng | Subsidiary | 2,928,856 | Within 1 year | 4 |
| Total | | <u>48,117,672</u> | | <u>69</u> |

(4) Receivables due from related parties

Unit: RMB

| Name of entity | Relationship with the Company | Amount | Proportion of the amount to the total accountants receivable (%) |
|-------------------|-------------------------------|-------------------|--|
| Sujiahang | Associate | 8,043,967 | 12 |
| Guangjing Xicheng | Subsidiary | 2,928,856 | 4 |
| Kuailu Co., Ltd. | Associate | 2,463,438 | 4 |
| Total | | <u>13,436,261</u> | <u>20</u> |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Other receivables

(1) Disclosure of accounts receivable by categories:

Unit:RMB

| Category | Closing balance | | | | Opening balance | | | |
|--|---------------------------|-------------------|------------------------------|-------------------|---------------------------|-------------------|------------------------------|-------------------|
| | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) | Carrying amount Amount | Proportion (%) | Bad debt provision Amount | Proportion (%) |
| Other receivable that are individually significant and for which bad debt provision has been assessed individually | 2,332,621,800 | 99 | 16,312,140 | 98 | 1,269,786,308 | 99 | 16,812,140 | 98 |
| Other receivable for which bad debt provision has been assessed by portfolios | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other receivable that are not individually significant but for which bad debt provision has been assessed individually | 10,358,780 | 1 | 382,097 | 2 | 6,579,215 | 1 | 382,097 | 2 |
| Total | 2,342,980,580 | 100 | 16,694,237 | 100 | 1,276,365,523 | 100 | 17,194,237 | 100 |

Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Unit:RMB

| Aging | Closing balance | | | | Opening balance | | | |
|--|----------------------|-------------------|--------------------|----------------------|----------------------|-------------------|--------------------|----------------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 1,256,645,806 | 54 | 367,067 | 1,256,278,739 | 49,422,002 | 4 | 188,440 | 49,233,562 |
| More than 1 year but not exceed 2 years | 40,009,505 | 2 | 1,901 | 40,007,604 | 430,083,274 | 34 | 192,958 | 429,890,316 |
| More than 2 years but not exceed 3 years | 430,000,000 | 18 | 0 | 430,000,000 | 780,034,978 | 61 | 699 | 780,034,279 |
| More than 3 years | 616,325,269 | 26 | 16,325,269 | 600,000,000 | 16,825,269 | 1 | 16,812,140 | 13,129 |
| Total | 2,342,980,580 | 100 | 16,694,237 | 2,326,286,343 | 1,276,365,523 | 100 | 17,194,237 | 1,259,171,286 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Other receivables (continued)

(1) Disclosure of accounts receivable by categories: (continued)

Other receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

| Name of portfolio | Carrying amount | Bad debt provision |
|------------------------------|-----------------|--------------------|
| Other receivables portfolios | 10,358,780 | 382,097 |

(2) Reversals and collections during the current period:

Unit:RMB

| Content of other receivables | Reasons for reversals or collections | Basis of determining the original bad debt provision | Accumulated bad debt provision prior to reversals or collections | Amount of reversals or collections |
|-------------------------------|--------------------------------------|--|--|------------------------------------|
| Yixing Road Management Office | Amount collected | Amount due from investment liquidation with long aging | 500,000 | 500,000 |

(3) No other receivables written off in the reporting period.

(4) No other receivables due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period

(5) Top five entities with the largest balances of other receivables

Unit:RMB

| Name of entity | Relationship with the Company | Amount | Aging | Proportion of the amount to the total other receivables (%) |
|--|--|---------------|--|---|
| Jiangsu Provincial Government | Governance between government and enterprise | 1,124,177,798 | Within 1 year | 48 |
| Ninghu Properties | Subsidiary | 1,190,000,000 | Within 1 year: 120,000,000 1-2 years: 40,000,000 2-3 years: 430,000,000 Over 3 years: 600,000,000 | 51 |
| Yixing Road Management Office | Investment liquidation receivables | 16,312,140 | Over 3 years | 1 |
| Jiangsu Ninghu Expressway Road Administration Division | Business | 1,364,756 | Within 1 year | 0 |
| Direct branch of Jiangsu CCB | Business | 767,106 | Within 1 year | 0 |
| Total | | 2,332,621,800 | | 100 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Other receivables (continued)

(6) Receivables due from related parties

Unit:RMB

| Name of entity | Relationship with the Company | Amount | Proportion of the amount to the total accountants receivable (%) |
|-------------------|-------------------------------|----------------------|--|
| Ninghu Properties | Subsidiary | 1,190,000,000 | 51 |
| Ninghu Investment | Subsidiary | 35,114 | 0 |
| Total | | <u>1,190,035,114</u> | <u>51</u> |

4. Prepayments

(1) Aging analysis of prepayments is as follows

Unit:RMB

| Aging | Closing balance | | Opening balance | |
|---------------|--------------------------|-------------------|------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 11,846,942 | 100 | 5,985,341 | 99 |
| 1-2 years | 0 | 0 | 84,440 | 1 |
| Total | <u>11,846,942</u> | <u>100</u> | <u>6,069,781</u> | <u>100</u> |

(2) Top five entities with the largest balances of prepayments

Unit:RMB

| Name of entity | Relationship with the Company | Amount | Age | Reasons for unsettlement |
|---|-------------------------------|------------------|---------------|---------------------------|
| Public Security Bureau Traffic Patrol Police Corps | Business | 3,810,000 | Within 1 year | Transaction not completed |
| Jiangsu Zhiyun Technology Co., Ltd. | Business | 2,045,742 | Within 1 year | Transaction not completed |
| Sinopec Jiangsu Petroleum Company | Business | 1,476,328 | Within 1 year | Transaction not completed |
| Nanjing Jiyuan Electric Co., Ltd. | Business | 1,186,200 | Within 1 year | Transaction not completed |
| Jiangsu Machinery Construction Co., Ltd. | Business | 967,000 | Within 1 year | Transaction not completed |
| Total | | <u>9,485,270</u> | | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Prepayments (continued)

(3) No prepayments to shareholders holding at least 5% of the Company's shares with voting power in the reporting period:

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit:RMB

| Category | Closing balance | Opening balance |
|--|-------------------|------------------|
| Individually significant prepayments | 10,401,936 | 4,410,590 |
| Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics | 0 | 0 |
| Other insignificant prepayments | 1,445,006 | 1,659,191 |
| Total | 11,846,942 | 6,069,781 |

5. Inventories

Categories of inventories

Unit:RMB

| Item | Closing balance | | | Opening balance | | |
|--|-----------------------|---|---------------------|-----------------------|---|---------------------|
| | Gross carrying amount | Provision for decline in value of inventories | Net carrying amount | Gross carrying amount | Provision for decline in value of inventories | Net carrying amount |
| Spare parts for repair and maintenance | 9,940,041 | 0 | 9,940,041 | 7,362,763 | 0 | 7,362,763 |
| Petrol | 9,923,103 | 0 | 9,923,103 | 6,887,347 | 0 | 6,887,347 |
| Total | 19,863,144 | 0 | 19,863,144 | 14,250,110 | 0 | 14,250,110 |

6. Investments in joint ventures and associates

Unit:RMB

| Name of investee | Type of enterprise | Registered location | Legal representative | Nature of service | Registered capital | Proportion of ownership interest held by the Group (%) | Investee's total assets at the end of the year | Investee's total liabilities at the end of the year | Total net assets at the end of the year | Total operating income for the year | Net profit for the year |
|------------------|--------------------|---------------------|----------------------|-------------------|--------------------|--|--|---|---|-------------------------------------|-------------------------|
| None | | | | | | | | | | | |
| Kuailu Co., Ltd. | State owned | Nanjing | Sun Hong Ning | Service | 150,300,000 | 33.20 | 318,910,451 | 78,569,725 | 240,340,726 | 213,886,097 | -2,988,703 |
| Yangtze Bridge | State owned | Nanjing | Chen Xiang Hui | Service | 2,137,248,000 | 26.66 | 9,111,950,510 | 5,676,607,997 | 3,435,342,513 | 976,684,927 | 180,097,065 |
| Sujiahang | State owned | Suzhou | Yao Zhen Kang | Service | 1,578,600,000 | 33.33 | 4,571,841,484 | 2,489,362,772 | 2,082,478,712 | 987,038,755 | 202,936,860 |
| Sujiaoyang | State owned | Suzhou | Qian Jin Long | Service | 100,000,000 | 30.00 | 304,841,571 | 55,100,000 | 249,741,571 | 0 | -258,429 |

There are no significant differences between the accounting policies and accounting estimates adopted by joint ventures or associates and those adopted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Long-term equity investments

(1) Details of long-term equity investments are as follows:

Unit:RMB

| Investee | Accounting method | Investment cost | Opening balance | Changes | Closing balance | Proportion of ownership interest in the investee (%) | Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power | Provision for impairment losses | Provision for impairment losses for the year | Cash dividends for the year |
|---------------------------|-------------------|----------------------|----------------------|--------------------|----------------------|--|--|---------------------------------|--|-----------------------------|
| Associates: | | | | | | | | | | |
| Kuailu Co., Ltd. | Equity method | 49,899,600 | 73,464,295 | -6,065,949 | 67,398,346 | 33.2 | No | 0 | 0 | 2,494,980 |
| Yangtze Bridge | Equity method | 631,159,243 | 953,598,812 | 15,447,004 | 969,045,816 | 26.66 | No | 0 | 0 | 56,983,566 |
| Sujiahang | Equity method | 526,090,677 | 707,173,782 | 14,973,862 | 722,147,644 | 33.33 | No | 0 | 0 | 52,615,000 |
| Sujiyong | Equity method | 75,000,000 | 0 | 74,922,471 | 74,922,471 | 30 | No | 0 | 0 | 0 |
| Subsidiaries: | | | | | | | | | | |
| Guangjing Xicheng | Cost method | 2,125,000,000 | 2,125,000,000 | 0 | 2,125,000,000 | 85 | No | 0 | 0 | 251,588,104 |
| Ninghu Investment | Cost method | 95,000,000 | 95,000,000 | 0 | 95,000,000 | 95 | No | 0 | 0 | 0 |
| Ninghu Properties | Cost method | 500,000,000 | 200,000,000 | 300,000,000 | 500,000,000 | 100 | No | 0 | 0 | 0 |
| Other equity investments: | | | | | | | | | | |
| Sundian | Cost method | 24,500,000 | 3,685,500 | 0 | 3,685,500 | 7.5 | No | 0 | 0 | 0 |
| Network Operation Company | Cost method | 2,150,000 | 2,150,000 | 0 | 2,150,000 | 4.42 | No | 0 | 0 | 0 |
| Total | | <u>4,028,799,520</u> | <u>4,160,072,389</u> | <u>399,277,388</u> | <u>4,559,349,777</u> | | | | | <u>363,681,650</u> |

(2) List of associates and principle financial information refer to Note VI (9) and (10).

(3) As at 31 December 2012, the ability of capital transfer from those long-term equity investment companies to the Company is not restricted.

The foregoing companies are all unlisted company registered in PRC.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Fixed asset

(1) Fixed assets

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|---|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Total original carrying amount | 1,869,145,396 | 98,163,303 | 77,357,901 | 1,889,950,798 |
| Including: Buildings | 681,913,006 | 2,769,882 | 17,163,935 | 667,518,953 |
| Safety equipment | 318,740,150 | 1,758,890 | 8,982 | 320,490,058 |
| Communication and surveillance equipment | 195,010,995 | 12,089,448 | 124,250 | 206,976,193 |
| Toll stations and ancillary equipment | 222,886,925 | 35,438,204 | 16,520,312 | 241,804,817 |
| Motor vehicles | 140,118,820 | 14,100,081 | 21,600,789 | 132,618,112 |
| Other machinery and equipment | 310,475,500 | 32,006,798 | 21,939,633 | 320,542,665 |
| II. Total accumulated depreciation | 895,304,395 | 135,615,589 | 58,796,964 | 972,123,020 |
| Including: Buildings | 197,532,167 | 21,940,587 | 6,474,693 | 212,998,061 |
| Safety equipment | 178,812,942 | 30,965,204 | 5,536 | 209,772,610 |
| Communication and surveillance equipment | 101,672,631 | 19,339,845 | 81,436 | 120,931,040 |
| Toll stations and ancillary equipment | 147,294,338 | 23,125,059 | 16,024,702 | 154,394,695 |
| Motor vehicles | 89,358,616 | 9,912,070 | 19,507,418 | 79,763,268 |
| Other machinery and equipment | 180,633,701 | 30,332,824 | 16,703,179 | 194,263,346 |
| III. Total net book value of fixed assets | 973,841,001 | | | 917,827,778 |
| Including: Buildings | 484,380,839 | | | 454,520,892 |
| Safety equipment | 139,927,208 | | | 110,717,448 |
| Communication and surveillance equipment | 93,338,364 | | | 86,045,153 |
| Toll stations and ancillary equipment | 75,592,587 | | | 87,410,122 |
| Motor vehicles | 50,760,204 | | | 52,854,844 |
| Other machinery and equipment | 129,841,799 | | | 126,279,319 |
| IV. Total provision for impairment losses | 0 | 0 | 0 | 0 |
| Including: Buildings | 0 | 0 | 0 | 0 |
| Safety equipment | 0 | 0 | 0 | 0 |
| Communication and surveillance equipment | 0 | 0 | 0 | 0 |
| Toll stations and ancillary equipment | 0 | 0 | 0 | 0 |
| Motor vehicles | 0 | 0 | 0 | 0 |
| Other machinery and equipment | 0 | 0 | 0 | 0 |
| V. Total carrying amount of fixed assets | 973,841,001 | | | 917,827,778 |
| Including: Buildings | 484,380,839 | | | 454,520,892 |
| Safety equipment | 139,927,208 | | | 110,717,448 |
| Communication and surveillance equipment | 93,338,364 | | | 86,045,153 |
| Toll stations and ancillary equipment | 75,592,587 | | | 87,410,122 |
| Motor vehicles | 50,760,204 | | | 52,854,844 |
| Other machinery and equipment | 129,841,799 | | | 126,279,319 |

The depreciation for the current year is RMB135,615,589.

The increase in the original carrying amount for the current year consists of RMB58,301,473 transferred from construction in progress.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Fixed asset (continued)

(2) Fixed assets leased out under operating leases

Unit:RMB

| Item | Closing balance | Opening balance |
|-----------|-----------------|-----------------|
| Buildings | 41,262,870 | 43,105,197 |

(3) Fixed assets of which certificates of title have not been obtained

Unit:RMB

| Item | Amount | Reasons why certificates of title have not been obtained | Expected timing of obtaining certificates of title |
|---|------------|--|--|
| Ninghu expressway Lujia toll station | 5,873,125 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Xuejia toll station | 2,231,243 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Wuxi airport toll station | 1,016,948 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Heyang toll station | 3,027,553 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Suzhou management offices | 14,407,863 | Incorporated into communication facilities and cannot obtain certification at present. | uncertain |
| Ninghu expressway Changzhou Luoshuwan buildings | 3,945,846 | Completed during 2011, not obtained certification yet. | uncertain |
| Ninghu expressway Changzhou ETC customer service branch buildings | 1,181,721 | Completed during current year, not obtained certification yet. | uncertain |
| Service zone office buildings | 1,383,703 | Completed during 2011, not obtained certification yet. | uncertain |
| Total | 33,068,002 | | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Fixed asset (continued)

Description of fixed assets:

- (1) The increase in the original carrying amount for the current year consists of acquisitions of RMB39,861,830, an increase of RMB58,301,473 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current year consists of a decrease of RMB77,357,901 on disposals.
- (3) The increase in accumulated depreciation for the current year consists of charge for the current year of RMB135,615,589.
- (4) The decrease in accumulated depreciation for the current year consists of a decrease of RMB58,796,964 on disposals.

9. Construction in progress

- (1) Details of construction in progress are as follows:

Unit: RMB

| Item | Closing balance | | | Opening balance | | |
|--|-------------------|---------------------------------|---------------------|-------------------|---------------------------------|---------------------|
| | Carrying amount | Provision for impairment losses | Net carrying amount | Carrying amount | Provision for impairment losses | Net carrying amount |
| Buildings of management offices | 6,649,347 | 0 | 6,649,347 | 396,680 | 0 | 396,680 |
| The vehicle license plate recognition and charging software updating project of the toll station | 5,161,510 | 0 | 5,161,510 | 0 | 0 | 0 |
| The experimental lighting project of Ninghu express | 3,095,291 | 0 | 3,095,291 | 0 | 0 | 0 |
| Expansion project of expressway toll station | 8,169,777 | 0 | 8,169,777 | 12,367,953 | 0 | 12,367,953 |
| The electromechanical expansion project of Lu Jia toll station | 0 | 0 | 0 | 3,662,392 | 0 | 3,662,392 |
| The small information board construction of the Service Area | 0 | 0 | 0 | 2,440,392 | 0 | 2,440,392 |
| Others | 1,062,903 | 0 | 1,062,903 | 575,747 | 0 | 575,747 |
| Total | 24,138,828 | 0 | 24,138,828 | 19,443,164 | 0 | 19,443,164 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Construction in progress (continued)

(2) Changes in significant construction in progress

Unit:RMB

| Item | Budget amount (0,000) | Opening balance | Increase in current year | Transfer to fixed assets | Other decreases | Amount | Construction progress | Amount of accumulated capitalised interest | Including: capitalised interest for the year | Interest capitalisation rate for the year (%) | Source of funds | Closing balance |
|--|--------------------------|-------------------|--------------------------|--------------------------|-----------------|---|-----------------------|--|--|---|-----------------|-------------------|
| | | | | | | of budget a proportion amount (%) | | | | | | |
| Buildings of management offices | 1,470 | 396,680 | 6,526,530 | 273,863 | 0 | 47 | In progress | 0 | 0 | 0 | Own funds | 6,649,347 |
| The vehicle license plate recognition and charging software updating project of the toll station | 875 | 0 | 5,161,510 | 0 | 0 | 59 | In progress | 0 | 0 | 0 | Own funds | 5,161,510 |
| The experimental lighting project of Ninghu express | 2,967 | 0 | 3,095,291 | 0 | 0 | 10 | In progress | 0 | 0 | 0 | Own funds | 3,095,291 |
| Expansion project of expressway toll station | 3,466 | 12,367,953 | 11,600,303 | 15,798,479 | 0 | 69 | In progress | 0 | 0 | 0 | Own funds | 8,169,777 |
| The electromechanical expansion project of Lu Jia toll station | 739 | 3,662,392 | 3,723,137 | 7,385,529 | 0 | 100 | Completed | 0 | 0 | 0 | Own funds | 0 |
| The small information board construction of the Service Area | 900 | 2,440,392 | 6,295,741 | 8,736,133 | 0 | 97 | Completed | 0 | 0 | 0 | Own funds | 0 |
| Reconstruction project of gas recovery in gas stations | 1,400 | 0 | 13,196,765 | 13,196,765 | 0 | 94 | Completed | 0 | 0 | 0 | Own funds | 0 |
| Others | N/A | 575,747 | 13,397,860 | 12,910,704 | 0 | | In progress | 0 | 0 | 0 | Own funds | 1,062,903 |
| Total | | 19,443,164 | 62,997,137 | 58,301,473 | 0 | | | 0 | 0 | 0 | | 24,138,828 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

10. Intangible assets

(1) Intangible assets

Unit: RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|--|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Total original carrying amount | 22,899,855,044 | 0 | 1,728,397,153 | 21,171,457,891 |
| Toll road operation rights | 21,169,145,327 | 0 | 1,728,397,153 | 19,440,748,174 |
| Land use right of | | | | |
| Shanghai-Nanjing Expressway | 1,710,521,846 | 0 | 0 | 1,710,521,846 |
| Other land use rights | 20,187,871 | 0 | 0 | 20,187,871 |
| II. Total accumulated amortisation | 6,068,470,712 | 679,208,507 | 604,219,355 | 6,143,459,864 |
| Toll road operation rights | 5,285,163,365 | 614,931,365 | 604,219,355 | 5,295,875,375 |
| Land use right of | | | | |
| Shanghai-Nanjing Expressway | 775,994,005 | 63,362,975 | 0 | 839,356,980 |
| Other land use rights | 7,313,342 | 914,167 | 0 | 8,227,509 |
| III. Total net book value of intangible assets | 16,831,384,332 | | | 15,027,998,027 |
| Toll road operation rights | 15,883,981,962 | | | 14,144,872,799 |
| Land use right of | | | | |
| Shanghai-Nanjing Expressway | 934,527,841 | | | 871,164,866 |
| Other land use rights | 12,874,529 | | | 11,960,362 |
| IV. Total provision for impairment | 0 | 0 | 0 | 0 |
| Toll road operation rights | 0 | 0 | 0 | 0 |
| Land use right of | | | | |
| Shanghai-Nanjing Expressway | 0 | 0 | 0 | 0 |
| Other land use rights | 0 | 0 | 0 | 0 |
| Total carrying amount of intangible assets | 16,831,384,332 | | | 15,027,998,027 |
| Toll road operation rights | 15,883,981,962 | | | 14,144,872,799 |
| Land use right of | | | | |
| Shanghai-Nanjing Expressway | 934,527,841 | | | 871,164,866 |
| Other land use rights | 12,874,529 | | | 11,960,362 |

The amortisation for the current year is RMB679,208,507.

Description of intangible assets:

- (1) The decrease in the original carrying amount for the current year consists of 1,728,397,153 due from disposal.
- (2) The increase in accumulated amortisation for the current year consists of charge for the current year of RMB679,208,507.
- (3) The decrease in accumulated amortisation for the current year consists of RMB604,219,355 due from disposal.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

10. Intangible assets (continued)

Location and useful life analysis of land use right is as follows:

| Located in PRC | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Medium-term land use rights (10-50 years) | 883,125,228 | 947,402,370 |

11. Deferred tax assets/deferred tax liabilities

(1) Recognised deferred tax assets and deferred tax liabilities

Unit:RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Deferred tax assets: | | |
| Provision for impairment losses of assets | 4,173,559 | 4,298,559 |

(2) Details of taxable temporary differences and deductible temporary differences

Unit:RMB

| Item | Amount |
|---|------------|
| Closing balance: | |
| Deductible temporary differences and deductible losses: | |
| Provision for impairment losses of assets | 16,694,237 |
| Opening balance: | |
| Deductible temporary differences and deductible losses: | |
| Provision for impairment losses of assets | 17,194,237 |

12. Details of provision for impairment losses of assets

Unit:RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | | Closing carrying amount |
|--------------------|-------------------------|------------------------------|------------------------------|-----------|-------------------------|
| | | | Reversals | Write-off | |
| Bad debt provision | 17,194,237 | 0 | 500,000 | 0 | 16,694,237 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

13. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

| Item | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Unsecured loans | 250,000,000 | 1,455,000,000 |
| Including: Bank loans | 100,000,000 | 655,000,000 |
| Entrusted loans | 150,000,000 | 800,000,000 |
| Short-term bonds | 2,000,000,000 | 2,000,000,000 |
| Total | 2,250,000,000 | 3,455,000,000 |

Note: Short-term bonds represent the bonds issued on 1 August 2012 and 20 September 2012, bears interest at 3.75% and 4.37% per annum respectively.

(2) There are no short-term borrowings overdue but not yet repaid.

14. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Construction payable | 65,990,419 | 78,781,095 |
| Toll road fee payable | 18,871,416 | 3,172,713 |
| Daily purchase payable for service zones | 24,399,373 | 23,072,861 |
| Total | 109,261,208 | 105,026,669 |

(2) There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of accounts payable to related parties please refer to note XII (31)(7).

Description of significant accounts payable aged more than one year:

As at 31 December 2012, the accounts payable aged over 1 year of the group mainly represent the construction payable amount to approximately RMB65,990,419. The amount keeps unpaid because the construction settlement procedure is long.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

14. Accounts payable

(2) (Continued)

Aging analysis of accounts payable is as follows:

| Item | Closing balance | Opening balance |
|---------------|-----------------|-----------------|
| Within 1 year | 43,270,789 | 26,245,574 |
| 1-2 years | 0 | 0 |
| 2-3 years | 0 | 0 |
| Over 3 years | 65,990,419 | 78,781,095 |
| Total | 109,261,208 | 105,026,669 |

15. Employee benefits payable

Unit:RMB

| Item | Opening carrying amount | Increase in the current year | Decrease in the current year | Closing carrying amount |
|---|-------------------------|------------------------------|------------------------------|-------------------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 0 | 244,220,644 | 244,220,644 | 0 |
| II. Staff welfare | 0 | 18,421,317 | 18,421,317 | 0 |
| III. Social security contributions | 0 | 84,031,245 | 84,031,245 | 0 |
| Including: Medical insurance | 0 | 26,232,128 | 26,232,128 | 0 |
| Basic pension insurance | 0 | 33,435,323 | 33,435,323 | 0 |
| Supplemental pension | 0 | 18,325,352 | 18,325,352 | 0 |
| Unemployment insurance | 0 | 3,300,933 | 3,300,933 | 0 |
| Compo insurance | 0 | 1,300,651 | 1,300,651 | 0 |
| Bearing insurance | 0 | 1,436,858 | 1,436,858 | 0 |
| IV. Housing funds | 0 | 20,153,879 | 20,153,879 | 0 |
| V. Termination benefits | 0 | 224,034 | 224,034 | 0 |
| VI. Others | 5,496,846 | 36,443,080 | 39,752,394 | 2,187,532 |
| Outlay for Labour union and employees education | 5,496,846 | 4,872,852 | 8,182,166 | 2,187,532 |
| Non-monetary welfare | 0 | 18,115,811 | 18,115,811 | 0 |
| Others | 0 | 13,454,417 | 13,454,417 | 0 |
| Total | 5,496,846 | 403,494,199 | 406,803,513 | 2,187,532 |

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB4,872,852, compensations to employees for termination of employment relationship are RMB224,034,. Non-monetary benefits are RMB18,115,811, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

16. Taxes payable

Unit:RMB

| Item | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Enterprise income tax | 154,132,019 | 236,959,790 |
| Business tax | 11,228,604 | 11,845,587 |
| VAT | 1,449,651 | 820,453 |
| Property tax | 372,750 | 198,624 |
| Individual income tax | 1,932,135 | 1,454,359 |
| Others | 2,781,438 | 2,732,022 |
| Total | 171,896,597 | 254,010,835 |

17. Other payables

(1) Details of other payables are as follows:

Unit:RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Construction quality warrantee fee payable | 45,389,514 | 32,549,478 |
| 312 toll road operation right acquisition costs payable | 10,000,000 | 10,000,000 |
| Others | 41,354,028 | 30,335,647 |
| Total | 96,743,542 | 72,885,125 |

(2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note XII (31)(7).

18. Surplus reserves

Unit:RMB

| Item | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------|-----------------|----------------------|----------------------|-----------------|
| 2012: | | | | |
| Statutory surplus reserve | 2,002,886,733 | 227,073,960 | 0 | 2,229,960,693 |
| 2011: | | | | |
| Statutory surplus reserve | 1,761,694,860 | 241,191,873 | 0 | 2,002,886,733 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

19. Unappropriated profits

Unit:RMB

| Item | Amount | Proportion of appropriation |
|--|---------------|--|
| 2012: | | |
| Unappropriated profits at the end of prior year | 3,004,631,139 | |
| Add: Net profit attributable to owners of the Company for the year | 2,270,739,602 | |
| Less: Appropriation to statutory surplus reserve | 227,073,960 | 10% |
| Declaration of dividends on ordinary shares | 1,813,589,100 | Cash dividends of RMB 0.36 for every share |
| Unappropriated profits at the end of the year | 3,234,707,681 | |
| 2011: | | |
| Unappropriated profits at the end of prior year | 2,647,493,378 | |
| Add: Net profit attributable to owners of the Company for the year | 2,411,918,734 | |
| Less: Appropriation to statutory surplus reserve | 241,191,873 | 10% |
| Declaration of dividends on ordinary shares | 1,813,589,100 | Cash dividends of RMB 0.36 for every share |
| Unappropriated profits at the end of the year | 3,004,631,139 | |

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

Note 2: Cash dividends approved in shareholders' meeting during the year

In 2012, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 0.36 for every share were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 22 March 2013, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2013, cash dividends of RMB 0.36 for every share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

20. Operating income and operating costs

(1) Operating income

Unit:RMB

| Item | Amount incurred in the current year | | Amount incurred in the prior year | |
|-----------------------------|--|--------------------|--------------------------------------|--------------------|
| | Operating income | Operating costs | Operating income | Operating costs |
| Principal operating income | | | | |
| Including: | | | | |
| Shanghai-Nanjing Expressway | 4,291,575,932 | 1,023,712,916 | 4,319,576,539 | 973,548,775 |
| 312 National Highway | 83,829,554 | 222,006,136 | 117,596,664 | 264,430,458 |
| Nanjing-Lianyungang Highway | 33,536,822 | 16,567,614 | 38,930,257 | 17,793,783 |
| Ancillary services | 2,330,466,447 | 2,275,535,796 | 2,147,517,951 | 2,089,314,825 |
| Total | 6,739,408,755 | 3,537,822,462 | 6,623,621,411 | 3,345,087,841 |

(2) Principal operating activities (classified by geographical areas): The principal operation activities of the Group are held in Jiangsu Province.

(3) Operating income from the Company's top five customers: the operating income principally include the toll road income, ancillary services, advertisement and real estate business. The Group is unable to present top five customers because of the nature of the business.

21. Business taxes and levies

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year | Basis of calculation |
|-------------------------------------|--|--------------------------------------|---|
| Business tax | 140,452,949 | 143,043,806 | 3% of toll revenue 5% of maintenance revenue |
| Construction and maintenance tax | 10,944,263 | 11,184,511 | 7% of actual paid turnover taxes |
| Education surcharge | 7,880,778 | 7,936,448 | 5% of actual paid turnover taxes |
| Total | 159,277,990 | 162,164,765 | |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

22. Administrative expenses

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|--|--------------------------------------|
| Salaries | 30,686,351 | 28,506,233 |
| Depreciation and amortisation | 70,056,321 | 73,652,811 |
| Audit fee | 3,020,000 | 2,650,000 |
| Consulting and intermediary service fee | 10,691,286 | 6,864,006 |
| Properties tax and other taxes | 14,675,750 | 11,809,814 |
| Entertainment fee | 1,922,693 | 2,191,633 |
| Maintenance and repair costs | 3,619,257 | 3,302,708 |
| Office expenses | 2,032,574 | 2,047,882 |
| Travelling expenses | 1,168,841 | 912,942 |
| Vehicle related expenses | 1,119,914 | 1,240,456 |
| Others | 6,635,197 | 6,626,924 |
| Total | 145,628,184 | 139,805,409 |

23. Investment income

(1) Details of investment income

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|--|--------------------------------------|
| Income from long-term equity investments under cost method | 251,588,104 | 267,155,670 |
| Income from long-term equity investments under equity method | 111,954,241 | 190,057,183 |
| Investment income from available-for-sale financial assets | 9,555,756 | 3,492,910 |
| Total | 373,098,101 | 460,705,763 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

23. Investment income (continued)

(2) Income from long-term equity investments under cost method:

Unit:RMB

| Investee | Amount recognised in the current year | Amount recognised in the prior year | Reasons of change |
|-------------------|---------------------------------------|-------------------------------------|--------------------|
| Guangjing Xicheng | 251,588,104 | 267,155,670 | Dividends declared |

(3) Income from long-term equity investments under equity method:

Unit:RMB

| Investee | Amount recognised in the current year | Amount recognised in the prior year | Reasons for increase or decrease in the current compared to the prior year |
|------------------|---------------------------------------|-------------------------------------|--|
| Kuailu Co., Ltd. | -3,570,969 | 4,088,141 | The profit from associate |
| Yangtze bridge | 48,013,877 | 96,466,422 | The profit from associate |
| Sujiahang | 67,588,862 | 89,502,620 | The profit from associate |
| Sujiayong | -77,529 | 0 | New associate during current year |
| Total | 111,954,241 | 190,057,183 | |

The investment income of current and prior year is generated from non-listed investments.

24. Impairment losses on assets

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|-----------------------------|-------------------------------------|-----------------------------------|
| Bad debt provision reversal | 500,000 | 585,597 |

25. Non-operating income

(1) Details of non-operating income are as follows:

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Total gains on disposal of non-current assets | 718,130 | 22,211,908 |
| Including: Gains on disposal of fixed assets | 718,130 | 22,211,908 |
| Compensation income from damaged road | 6,993,404 | 8,134,090 |
| Government grants | 192,000 | 0 |
| Others | 844,364 | 981,564 |
| Total | 8,747,898 | 31,327,562 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

26. Non-operating expenses

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|--|--|--------------------------------------|
| Total losses on disposal of non-current assets | 16,400,513 | 20,858,295 |
| Including: Losses on disposal of fixed assets | 16,400,513 | 20,858,295 |
| Repair expenditure of damaged road | 13,548,917 | 10,876,502 |
| Donation | 673,810 | 750,000 |
| Others | 3,790,275 | 2,293,288 |
| Total | 34,413,515 | 34,778,085 |

27. Income tax expense

Unit:RMB

| Item | Amount incurred in current year | Amount incurred in prior year |
|---|------------------------------------|----------------------------------|
| Current tax expense calculated according to tax laws and relevant requirements - PRC | 656,875,605 | 675,505,293 |
| Over provision of prior years' tax | -1,875,538 | 0 |
| Adjustments to deferred tax | 125,000 | 260,225 |
| Total | 655,125,067 | 675,765,518 |

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

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit:RMB

| | Amount incurred in the current year | Amount incurred in the prior year |
|--|--|--------------------------------------|
| Accounting profit | 2,925,864,669 | 3,087,684,252 |
| Income tax expenses calculated at 25% (prior year: 25%) | 731,466,167 | 771,921,063 |
| Effect of expenses that are not deductible for tax purposes | 16,420,024 | 18,147,668 |
| Effect of tax-free income | -90,885,586 | -114,303,213 |
| Over provision of prior years' tax | -1,875,538 | 0 |
| Total | 655,125,067 | 675,765,518 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

28. Other comprehensive income

| Item | <i>Unit:RMB</i> | |
|---|--------------------------------|------------------------------|
| | Amount for the current year | Amount for the prior year |
| Share of other comprehensive income of the investee accounted for using the equity method | 24,416,693 | -35,194,761 |

29. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

| Item | <i>Unit:RMB</i> | |
|--|--|--------------------------------------|
| | Amount incurred in the current year | Amount incurred in the prior year |
| Receipts from compensation of damaged road and non-operating income items, etc | 5,592,509 | 16,768,171 |
| Receipts from interest income of bank deposit | 2,564,700 | 3,275,231 |
| Total | 8,157,209 | 20,043,402 |

(2) Other cash payments relating to operating activities

| Item | <i>Unit:RMB</i> | |
|---|--|--------------------------------------|
| | Amount incurred in the current year | Amount incurred in the prior year |
| Payment of non salary and other expenditure | 41,523,871 | 39,350,845 |

(3) Other cash receipts relating to investing activities

| Item | <i>Unit:RMB</i> | |
|--|--|--------------------------------------|
| | Amount incurred in the current year | Amount incurred in the prior year |
| Other receivables from Ninghu Properties collected | 180,000,000 | 120,000,000 |

(4) Other cash payments relating to investing activities

| Item | <i>Unit:RMB</i> | |
|---|--|--------------------------------------|
| | Amount incurred in the current year | Amount incurred in the prior year |
| Payment to Ninghu Properties as other receivables | 120,000,000 | 40,000,000 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

29. Notes to items in the cash flow statement (continued)

(5) Other cash payments relating to financing activities

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---------------------------------------|--|--------------------------------------|
| Bond issue fee and other loan charges | 7,550,840 | 8,191,435 |

30. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit:RMB

| Supplementary information | Current year | Prior year |
|---|---------------|---------------|
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 2,270,739,602 | 2,411,918,734 |
| Add: Reversals of provision for impairment losses of assets | -500,000 | -585,597 |
| Depreciation of fixed assets | 135,615,589 | 136,111,480 |
| Amortisation of intangible assets | 679,208,507 | 702,743,434 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-") | 15,682,383 | -1,353,613 |
| Financial expenses | 320,993,147 | 350,599,173 |
| Losses arising from investments (gains are indicated by "-") | -373,098,101 | -460,705,763 |
| Decrease in deferred tax assets (increase is indicated by "-") | 125,000 | 260,225 |
| Decrease in inventories (increase is indicated by "-") | -5,613,034 | -2,154,478 |
| Decrease in receivables from operating activities (increase is indicated by "-") | -40,254,447 | 30,798,809 |
| Increase in payables from operating activities (decrease is indicated by "-") | -63,312,319 | 82,054,510 |
| Net cash flow from operating activities | 2,939,586,327 | 3,249,686,914 |
| 2. Significant investing and financing activities that do not involve cash receipts and payments: | 0 | 0 |
| 3. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 400,877,755 | 452,126,965 |
| Less: Opening balance of cash | 452,126,965 | 171,257,578 |
| Net increase (decrease) in cash and cash equivalents | -51,249,210 | 280,869,387 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

- (1) Relevant information of subsidiaries and other related parties please refer to note VII.
- (2) Sales and purchase of goods, provision and receipt of services

Unit:RMB

| Related party | Type of related party transactions | Whether a connected transaction | Details of related party transaction | Pricing and decision-making procedures of related party transactions | Amount for the current year | | Related party | |
|--|------------------------------------|---------------------------------|--|---|-----------------------------|--|---------------|--|
| | | | | | Amount | Proportion of the amount of related party transactions to that of similar transactions (%) | Amount | Proportion of the amount of related party transactions to that of similar transactions (%) |
| Kuailu Co., Ltd. | Goods sold | No | Petrol fee | For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts. | 22,115,257 | 1 | 25,726,002 | 1 |
| Kuailu Co., Ltd. | Service provided | No | Toll road fee | | 7,800,000 | 0 | 7,800,000 | 0 |
| Sundian* | Service received | Yes | Road maintenance fee | | 19,600,000 | 15 | 18,559,572 | 11 |
| Sundian* | Goods sold | Yes | Petrol fee | | 0 | 0 | 470,162 | 0 |
| Network Operation Company* | Service received | Yes | Management fee for toll road system management and maintenance | | 20,222,603 | 100 | 16,937,431 | 100 |
| Guangjing Xicheng Financing | | No | Entrusted loan interest | | 5,702,907 | 2 | 25,755,556 | 7 |
| Far East Shipping* Financing | | Yes | Entrusted loan interest | | 12,758,333 | 4 | 13,008,867 | 4 |
| Ninghu Investment Financing | | No | Entrusted loan interest | | 1,611,111 | 1 | 1,944,478 | 0 |
| Yangtze Bridge* Communications Holding | Service received Assets sold | Yes Yes | Toll service expenses Building sold | | 0 1,597,018 | 0 100 | 526,482 0 | 100 0 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Leases with related parties

Unit:RMB

| Name of lessor | Name of lessee | Whether a connected transaction | Type of leased assets | Amount of leased assets | Leasing begin date | Leasing ending date | Lease income recognised in the current year | Basis of determining the lease income | Effect of the Group |
|-------------------|----------------------------|---------------------------------|-----------------------|-------------------------|--------------------|---------------------|---|--|---------------------|
| The Company | Network Operation Company* | Yes | Buildings lease | 17,184,698 | 1 September 2011 | 31 August 2014 | 4,460,000 | Base on cost recovery principle, and tax effect considered as well | Not significant |
| The Company | Sundian* | Yes | Buildings lease | 11,536,812 | 1 September 2011 | 31 August 2014 | 1,690,000 | Base on cost recovery principle, and tax effect considered as well | Not significant |
| Ninghu Investment | The Company | No | Buildings lease | 15,142,431 | 1 January 2011 | 31 December 2013 | 770,000 | Base on cost recovery principle, and tax effect considered as well | Not significant |

(4) Guarantees with related parties

Unit:RMB

| Guarantor | Whether a connected transaction | Guaranteed party | Guaranteed amount | Inception date of guarantee | Expiration date of guarantee | Whether execution of guarantee has been completed |
|-------------------------|---------------------------------|------------------|-------------------|-----------------------------|------------------------------|---|
| Communications Holding* | Yes | The Company | 24,916,831 | 15 October 1998 | 18 July 2027 | Not completed |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Borrowings/loans with related parties

During the year:

Unit:RMB

| Related party | Amount of borrowing/loan | Inception date | Maturity date | Amount at the end of the current year | Remarks |
|-----------------------|--------------------------|-----------------|------------------|---------------------------------------|---|
| Borrowed from: | | | | | |
| Far East Shipping | 100,000,000 | 10 May 2012 | 10 May 2013 | 50,000,000 | Entrusted loan with annual interest rate of 6.56% |
| Far East Shipping | 100,000,000 | 4 July 2012 | 4 July 2013 | 100,000,000 | Entrusted loan with annual interest rate of 6.31% |
| Ninghu Investment | 50,000,000 | 20 January 2012 | 6 September 2012 | 0 | Entrusted loan with annual interest rate of 4% |
| Lend to | | | | | |
| Ninghu Properties | 1,190,000,000 | N/A | | 1,190,000,000 | Inter group financing without interest |

In the prior year:

Unit:RMB

| Related party | Amount of borrowing/loan | Inception date | Maturity date | Amount at the end of the current year | Remarks |
|-----------------------|--------------------------|-----------------|-----------------|---------------------------------------|---|
| Borrowed from: | | | | | |
| Guangjing Xicheng | 640,000,000 | 8 July 2011 | 7 July 2012 | 540,000,000 | Entrusted loan with annual interest rate of 4% |
| Far East Shipping | 100,000,000 | 7 July 2011 | 7 July 2012 | 100,000,000 | Entrusted loan with annual interest rate of 6.56% |
| Far East Shipping | 110,000,000 | 9 May 2011 | 9 May 2012 | 110,000,000 | Entrusted loan with annual interest rate of 6.31% |
| Ninghu Investment | 50,000,000 | 26 January 2011 | 26 January 2012 | 50,000,000 | Entrusted loan with annual interest rate of 4% |
| Lend to | | | | | |
| Ninghu Properties | 1,250,000,000 | N/A | | 1,250,000,000 | Inter group financing without interest |

* represents the continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(6) Compensation for key management personnel

Unit:RMB

| Item | Amount incurred in the current year | Amount incurred in the prior year |
|---|-------------------------------------|-----------------------------------|
| Compensation for key management personnel | 1,916,866 | 1,717,052 |

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(7) Amounts due from / to related parties

Amounts due from related parties

Unit: RMB

| Item | Related party | Closing balance | | Opening balance | |
|-------------------------------|-------------------|----------------------|--------------------|----------------------|--------------------|
| | | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision |
| Accountants receivable (note) | Kuailu Co., Ltd. | 2,463,438 | 0 | 6,877,444 | 0 |
| | Guangjing Xicheng | 2,928,856 | 0 | 1,842,940 | 0 |
| | Sujiahang | 8,043,967 | 0 | 6,863,321 | 0 |
| | Yangtze Bridge | 0 | 0 | 347,627 | 0 |
| | Sundian | 0 | 0 | 336,194 | 0 |
| | Ninghu Investment | 0 | 0 | 9,776 | 0 |
| Subtotal | | <u>13,436,261</u> | <u>0</u> | <u>16,277,302</u> | <u>0</u> |
| Other receivables | Sundian | 0 | 0 | 34,827 | 0 |
| | Ninghu Investment | 35,114 | 0 | 59,519 | 0 |
| | Ninghu Properties | 1,190,000,000 | 0 | 1,250,000,000 | 0 |
| Subtotal | | <u>1,190,035,114</u> | <u>0</u> | <u>1,250,094,346</u> | <u>0</u> |
| Dividends receivables | Kuailu Co., Ltd. | 4,989,960 | 0 | 2,494,980 | 0 |
| | Guangjing Xicheng | 83,926,420 | 0 | 0 | 0 |
| Subtotal | | <u>88,916,380</u> | <u>0</u> | <u>2,494,980</u> | <u>0</u> |

Note: At 31 December 2012, besides the accountants receivable from related party stated above, there are split toll road fee receivable from the Toll Road Network Companies which amounted to RMB56,150,625 (31 December 2011: RMB19,093,868). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant inference relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(continued)

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(7) Amounts due from / to related parties (continued)

Amounts due to related parties

Unit:RMB

| Item | Related party | Closing balance | Opening balance |
|-------------------------|---------------------------|-----------------|-----------------|
| Accounts payable (note) | Guangjing Xicheng | 698,334 | 224,007 |
| | Sujiahang | 1,441,986 | 622,353 |
| | Yangtze Bridge | 1,172,921 | 0 |
| | Yanjiang | 2,480,124 | 1,930,438 |
| Subtotal | | 5,793,365 | 2,776,798 |
| Receipts in advance | Sundian | 361,667 | 361,667 |
| Interest payable | Guangjing Xicheng | 0 | 660,000 |
| | Far East Shipping | 289,208 | 412,500 |
| | Ninghu Investment | 0 | 61,111 |
| Subtotal | | 289,208 | 1,133,611 |
| Other payables | Network Operation Company | 1,798,623 | 1,408,158 |
| | Sundian | 1,445,902 | 3,145,902 |
| | Yangtze Bridge | 0 | 526,482 |
| Subtotal | | 3,244,525 | 5,080,542 |

Note: At 31 December 2012, besides the accountants payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB13,078,051 (31 December 2011: RMB395,915). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant inference relationship with them.

XIII. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorised for issue on 22 March 2013.

Supplementary Information

1. Breakdown of non-recurring profit or loss

Unit:RMB

| Item | Amount |
|--|---------------|
| Net profit | 2,381,236,081 |
| Add(less): non-recurring items | |
| — (Profit) or loss on disposal of non-current assets | 15,674,713 |
| — Government grants | –192,000 |
| — Profit on disposal of held-for-trading financial investments | –656,389 |
| — Profit on disposal of available-for-sale financial assets | –15,678,949 |
| — (Profit) or loss on changes in the fair value | 1,011,970 |
| — Reversal of provision for accounts receivable that are tested for impairment losses individually | –500,000 |
| — Other net non-operating income or expenses other than the above | 12,254,487 |
| Subtotal | 11,913,832 |
| Tax effect of non-recurring items | –2,850,466 |
| Net profit after non-recurring profit or loss | 2,390,299,447 |
| Including: attributable to owners of the Company | 2,342,604,374 |
| attributable to minority interests | 47,695,073 |

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by China GAAP Holdings Limited ("China GAAP Company") in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

| Profit for the reporting period | Weighted average return on net assets (%) | EPS | |
|--|---|-----------|-------------|
| | | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders of the Company | 12.99% | 0.4632 | N/A |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 13.04% | 0.4650 | N/A |

Supplementary Information

3. Abnormal financial statements items ("F/S items") and description of reasons

Unit:RMB

| | F/S items | 2012 | 2011 | Change by % | Cause for the |
|---|---|-----------------------|----------------|-------------|--|
| 1 | Accountants receivable | 83,407,096 | 47,367,781 | 76% | Because of the north and south network convergence during current year, more expressway companies were included in the toll road fee split network, as a result, the toll road fee receivable increased. |
| 2 | Other receivables | 1,156,828,707 | 37,116,199 | 3,017% | As stated in note VI (5), the company removed the "312 Toll Stations", Jiangsu Provincial Government committed to compensate for the loss incurred. As a result, the Company recognized compensation receivables from Jiangsu Provincial Government. |
| 3 | Other current assets | 327,026,166 | 560,390,281 | -42% | Because of the investment of Sujaiyong and yanjiang in current year, the company had not much idle capital to acquire prudent financial management product. |
| 4 | Long-term equity investment | 3,777,367,323 | 2,190,631,308 | 72% | The company invested sujaiyong and yanjiang in the current year |
| 5 | Intangible assets | 16,637,621,860 | 18,573,651,716 | -10% | According to the document of Jiangsu Provincial Government, the company removed the "312 Toll Stations" in the current year, so the net book value of related toll road operation rights was removed. |
| 6 | Receipts in advance | 107,873,796 | 346,683,735 | -69% | Part of Huaqiao C4 Tongcheng Hongqiao Mansion developed by Ninghu Properties had been completed, hence the advance from supplier has been closed to the Operating income |
| 7 | Non-current liabilities due within one year | 1,201,557,302 | 201,561,117 | 496% | Part of the long-term borrowings will expire within one year. |
| 8 | Other current liabilities | 1,000,000,000 | 0 | N/A | The company issued short-term private placement bonds with lower interest rate, taking the consideration of optimizing debt structure and reducing financial cost. |
| 9 | Long-term borrowings | 453,359,529 | 2,464,977,879 | -82% | The company paid off long-term borrowings at maturity this year to reduce the financial cost and optimize debt structure. |

Supplementary Information

| | F/S items | 2012 | 2011 | Change by % | Cause for the |
|----|------------------|----------------------|---------------|--------------------|--|
| 10 | Bonds payable | 496,482,241 | 0 | N/A | The company issued 3-year private placement bonds with lower interest rate, taking the consideration of optimizing debt structure and reducing financial cost. |
| 11 | Operating income | 7,795,942,681 | 7,401,310,221 | 5% | The increase of toll revenue for the current year were not too much, the new operating income came from Huaqiao C4 Tongcheng Hongqiao Mansion developed by Ninghu Properties. |
| 12 | Operating costs | 4,054,626,690 | 3,635,778,535 | 12% | Operating costs increased mainly due to the settlement of Huaqiao C4 Tongcheng Hongqiao Mansion developed by Ninghu Properties, and the real estate cost was closed at the recognition of sales. On the other side, the cost of ancillary services increased due to the rise of petroleum price. |

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

2012 Self-evaluation Report on Internal Control of Jiangsu Expressway Company Limited

All the members of the Board warrant that the information contained in this report is true, accurate and complete, and that there are no false representations or misleading statements contained in, or material omissions from, this report.

To Shareholders of Jiangsu Expressway Company Limited:

The Board of Directors (the "Board") of Jiangsu Expressway Company Limited (the "Company") is responsible for establishing and maintaining adequate internal control system relating to financial reporting.

The objectives of the internal control over financial reporting are to ensure the trueness, completeness and reliability of the information contained in the financial statements and prevent material misstatement. Given the fact that internal control has its inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives.

The Board has evaluated the internal control over financial reporting in accordance with the requirements of the "Basic Standards for Enterprise Internal Control", and is of the view that such internal control was effective as at 31 December 2012.

No significant defects were identified in the internal control not related to financial reporting during the self-evaluation on internal control carried out by the Company.

Chairman: Yang Genlin
Jiangsu Expressway Company Limited

22 March 2013

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

Attachment:

I. Statement of the Board

All the members of the Board warrant that the information contained in this report is true, accurate and complete, and that there are no false representations or misleading statements contained in, or material omissions from, this report.

The Board of the Company is responsible for establishing and improving internal control and the effective implementation of such internal control; the Supervisory Committee of the Company supervises the establishment and implementation of internal control by the Board; and the management of the Company is responsible for arranging and leading the daily operation of the Company's internal control.

Internal control referred to in this report is a set of procedures implemented by the Board, Supervisory Committee, managers at all levels and the staff of the Company, with an aim to achieving control objectives. The objectives of internal control are to give a reasonable assurance that the Company's management is lawful and compliant, the assets are safe and that the financial reporting and related information are true and complete; to improve operational efficiency and effectiveness; and to facilitate the achievement of the Company's development strategy.

Given the fact that internal control has its inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policy or procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of an internal control evaluation.

II. Overview of Internal Control Evaluation

The Audit Committee under the Board was established by the Company in 2011 as an independent internal audit department that reports to the Office of the Secretary to the Board. The Audit Committee is mainly responsible for the supervision, inspection and assessment of internal control system, including formulation of work plan for internal control assessment, implementation of internal control assessment tests, finding and identification of defects, maintenance and updating of internal control assessment documents, supervision of the rectification of defects identified during an internal control assessment and making timely reports to the Board in respect of the implementation of self-evaluation on internal control as and when necessary during the process. In 2012, the Company established a team for internal control evaluation, which comprises backbone members from various departments and secondary units. The team is responsible for the specific implementation of routine internal control evaluation and the assessment of high-risk areas and units within the scope of evaluation.

The Company stepped up the establishment of an internal control system pursuant to the relevant requirements of the Basic Standards and in light of the actual situation of the Company. In 2011, the Company established a more mature "Four in One"(四標一體) management system comprising the general system, business system, safety and health system, maintenance system and operational system, as well as a quality management manual, all of which has gradually improved the development of the Company's internal control system.

III. Basis for Internal Control Evaluation

This evaluation report is aimed to evaluate the effectiveness of the design and operation of the Company's internal control based on routine supervision and special supervision of internal control, with reference to the corporate internal control system and evaluation methods and pursuant to the relevant requirements of the "Basic Standards for Enterprise Internal Control" (the "Basic Standards"), the Application Guidelines on Corporate Internal Control (the "Application Guidelines") and the Guidelines on the Evaluation of Corporate Internal Control (the "Guidelines on the Evaluation") jointly issued by five ministries and commissions, including the Ministry of Finance of the People's Republic of China.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

IV. Scope and content of internal control evaluation

The Company establishes the scope of internal control evaluation in accordance with the Principle of Completeness and Principle of Materiality as required in the Guidelines on the Evaluation of Corporate Internal Control. On the basis of a comprehensive survey and evaluation of the various businesses of the Company itself as well as the secondary entities and controlled subsidiaries of the Company, focus was placed on the entities that handle important businesses, major business issues and high-risk areas to determine the scope of internal control evaluation in 2012. Four companies were consolidated into the consolidated financial statements of the Company in 2012. They were Jiangsu Expressway Company Limited (parent company), Jiangsu Ninghu Properties Co., Ltd. (100% owned), Jiangsu Ninghu Investment Development Co., Ltd. (95% owned) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. (85% owned).

The entities handling important businesses that fell into the scope of the Company's internal control evaluation in 2012 were Jiangsu Expressway Company Limited and Jiangsu Guangjing Xicheng Expressway Co., Ltd. The total revenue, total assets and total net profit of these two companies for 2012 accounted for more than 90% of the corresponding item in the Group's consolidated financial statements.

The major businesses and areas which were the focus of the Company's internal control evaluation during 2012 covered two major aspects: control at the Company level and control at the business process level. Details were as follows:

(1) Internal environment

1. Organizational structure

In accordance with the regulatory requirements, the Company established a sound corporate governance structure, including Shareholder's General Meeting, Board of Directors, Supervisory Committee, and Management. The Board of Directors comprises four committees in charge of relevant major issues. They are Strategy Committee, Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee. Meanwhile, the Company formulated independent Director system. The independent Directors and committees play a key role in the improvement of corporate governance.

The Management set 10 functional departments. Shanghai-Nanjing section are divided into 4 management offices as operational division of expressway according to their administrative region, and set up G312 management office and operational development company as G312 operational division and operational division for service zones along Shanghai-Nanjing expressway according to their business nature. The Company established a written system to clarify the powers and responsibilities of each functional department, so as to ensure they will discharge their own duties, exercise mutual checks and balances, and coordinate with each other. Being clear of the design of organizational structure and the allocation of powers and duties, the staff correctly performs their duties. At the same time, in accordance with the internal restrictive principle, three kinds of positions on the decision-making level, executive level and supervisory level were set, with clarified power and duty on each level.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

2. *Development strategy*

Strategic committee were established under the Board of Directors as early as in 2002, responsible for the development strategy management. The Guidelines for the Detailed Implementation Rules on Strategy Committee under the Board specified such issues as the composition of committee, power and responsibilities, decision-making procedures, and rules of proceedings, etc.

External consultants were engaged as strategy consultants in 2011 who made a comprehensive analysis of current situation and scientific prediction of the trend of future development. Combined with intrinsic development requirements and features, the Company mapped out a "Twelfth Five-year" strategic plan after careful analysis of the Company's strategic positioning. This strategic plan set out the overall development objectives of the Company in the next five years, drafted plans for different phases in light of the development objective, and clarified the specific objectives, tasks and implementation paths of each development phase. This strategic plan was approved in the 24th meeting of the sixth session of the Board. The Company will turn this Five-year plan into a detailed annual plan, which is the basis for budgetary planning of the Company and its subsidiary entity, guiding the Company's operation.

3. *Human resources*

Pursuant to the relevant laws and regulations of the PRC, the Company established a scientific and regulated laboring system, staff attendance regulation, and rewards and punishment management. With the improvement in performance appraisal system and remuneration allocating plan, the Company established operational procedures for recruitment, promotion, and training, and specified the managerial powers and authorities of human resources at departmental and subsidiary level.

According to the actual requirements of the Company, and through surveying and calculating the numbers of positions and staff members, Human Resource Department allocated enough related personnel in a reasonable way. The Annual Human Resource Summary Report, presented by Human Resource Department, evaluated the execution of human resource plan, summarized experiences, and analyzed the main defects and deficiencies, with the aim of improving human resource policies.

In accordance with the duties and requirements of different positions, the Company prepares training plans and organizes its implementation, with the training focus on management of new knowledge, improvement in operational techniques, further education for professional technical staff, and certificate training for certain types of work, etc. The Human Resource Department will follow the track of these implementations on a regular basis, and supervise, direct, or provide training support.

4. *Social responsibility*

As a listed company in the transportation and infrastructure industry principally engaged in investment, construction, operation and management of toll roads and bridges, the Company takes it as its own duty to ensure a safety and hindrance-free expressway, and provide a safe, convenient and comfortable transportation environment for customers. In seeking of economic benefits and protecting shareholder's interest, the Company treats and protects other stakeholders with integrity, making contribution to the social economic development, and striving for the mutual development of enterprises and society. The Company highlights safety production, environmental protection, resource conservation, employees' interest, participation and organization of social welfare and charity causes, so as to influence and motivate the local economic prosperity with its own development and to promote the synchronized and harmonious development between the Company and society, customers and nature.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

5. *Corporate culture*

Adhering to the mission of "contributing to the harmony and development of the society through dedicated efforts to providing quality expressway services and continuous enhancement of corporate values", the Company advocate a spirit of "commitment, integrity, win-win cooperation, and excellence", with its core values being "customer first, taking responsibilities, and people-oriented". In recent years, the Company attached great importance on the construction of corporate culture, with the aim of achieving the goal of "setting the corporate culture in mind, solidifying it in system, and putting it in practice". Involving with the "Twelfth Five-year" development strategies, the Company took various measures and vigorously promoted the activity of "Culture-building Year" in 2012. Through the combing, summary and optimization of the cultural essence accumulated by the Company during these years, the Company formulated a System Manual on Corporate Cultural Concept and an Outline for Corporate Culture, in which it specifies the core values, visions, missions, spirits, and the central concept of the Company, pointing out the development positioning and direction of the Company. The Company organizes corporate culture training to staff above medium level managers, so as to promote corporate culture and enhance their sense of responsibility.

(2) **Risk assessment**

According to the requirement of risk management, and based on the optimization of risk management system, the Company formally released the Measures for Risk Management in 2008, which specified the duties and working procedures of risk management for each department. In accordance with the Guidelines on the Application of Corporate Internal Control, all the departments of the Company has carried out the task of discerning and evaluating of the risky issues which may influence the realization of the annual objective in 2012.

Moreover the Company regularly analyzes the internal operations and collects external information, so as to promptly detect new changes, and make adjustment and continuous improvement to the risk management and control. Concerning the emergencies occurred in daily operations, the Company developed Management Measures for Preparations of Emergent Response and Emergencies, which contains various plans for emergencies, and specifies the countermeasures to emergencies.

(3) **Control activities**

Documents concerning the Company's internal control system are released through printing copies and corporate network, the latest version of which can be obtained at all positions, and can be easily tracked down. Document is approved by authorized person before its release, and can be retrieved in time from where it is released or used when it becomes invalid. This fundamentally prevent the misuse of the documents. Documents of state or provincial level, or executive documents of the industry can be promptly recognized, and turned into internal documents when necessary. Documents and data for record should be properly labeled.

1. *Capital management*

The Company established Measures for Capital Management to regulate capital management, to strictly unify management and operation of capital, and to separate revenue and expenditure. The powers and responsibilities of capital management positions should be clear-cut, ensuring mutual separation, mutual checks and balances between the positions dealing with capital business and the irrelevant positions. Cash revenue of toll stations is in strict accordance with Cash Service Standard. Each tolling shift set a cash-checking system, checking cash and bank account on a regular basis. Moreover, the Company established Management Measures for External Investment, which specifies a standard, transparent investment decision-making procedure.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

2. *Procurement management*

The Company developed, released and implemented the Management Measures for Procurement, which specifies such relevant issues as the responsible department for procurement, methods of procurement, operating proceedings, and the power of examination and approval. On checking and evaluation of the special plan, supplies purchasing, or economic contract of each department and division, the Company put its focus on the implementation of internal control system, urging a standardized implementation of various proceedings, thus effectively prevent economic risks.

3. *Asset management*

The Company set up rules and regulations for asset management, with managing details and operational procedures for equipments and assets. The Company set a record for and analyze regularly on such issues as building construction, tolls, communication, monitoring, electricity, hindrance clearance, maintenance and hindrance clearance, vehicles, operation of office and living facilities, maintenance, breakdowns, accidents, material consumption, and consumption cost etc. Asset forming process is in strict accordance with relevant company regulations. The inventory of company asset will be checked regularly, to ensure accounting record is reconciled with actual situation of fixed assets. The retirement of fixed asset is to be strictly carried out under rules and regulations of the state and the Company, with the residual value recorded back to account. The Company takes out property insurance for major asset, to ensure risk can be transferred in case of an accidental loss.

4. *Toll businesses*

In light of the Toll Standard for National Expressways, the Company developed and released Management Measure for Jiangsu Section of Shanghai-Nanjing Expressway, which governs the revenue and prices of road toll, roadside assistance, and commodity sale in service stations etc. The Company checks regularly on the accuracy and appropriateness of the split data on expressway toll. The Company established a complete tolling operation procedure, and set severe regulations on vehicles which race away toll stations or not meet the requirements. The tolling procedure is perfect and the service environment is conforming to relevant requirements.

5. *Construction management*

The Company established a series of standardized process as project approval, application of implementation, budget audit, approval and signing of the contract, contract modification, delegating and contracting of the project, and on-site survey of the project, etc. The contract management department checks regularly on the contract management, to make it regulated and accurate. The Company formulated some management systems as Management Measures for Construction Maintenance, Management Measures for Equipment Maintenance, Management Measures for hindrance clearance, Management Measures for Special Issues, and Management Measures for economic contract. These systems standardize the decision-making process, clarify the powers and responsibilities of relevant department and personnel, and ensure a smooth operation of construction management.

6. *External Guarantee*

The Company formulated Management Measures for Guarantee, and made it clear that financial accounting department is the main functional department which is responsible for the application, audit, and report of guaranteed project. It also shouldered the responsibility of summarizing the financial information relevant to the guarantee, and report timely to management. As at December 2012, the Company undertakes no external guarantee operation.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

7. *Outsourcing*

Currently, the Company has eight non-core businesses which need outsourcing. They are cleaning and landscaping, procurement of the maintenance material for roads and bridges, subgrade, and pavement, facilities for transportation safety, expansion joint, paint, and emergency coordination (including placing emergency facilities, and clearing up accident trashes etc.). The outsourcing contract is prepared by corresponding management department, approved and executed in strict accordance with the Management Measures for Procurement. The Company evaluates annually on the outsourcers' execution of contract, and determines accordingly whether to renew a contract or not.

8. *Financial report*

(1) Management of financial approvals

For every financial expenditure, the handler of the business should get a payment voucher and sign to confirm it in accordance with the Company's financial regulations. The person in charge of the business and the accountant respectively check and review the expenditure, and the person in charge of financing department should audit all the reported expenditures. Having verified that there is no error, the expenditure is reported to the management waiting for approval. All the financial revenue and expenditure issues are controlled by approval.

(2) Management of financial report and analysis

The Company established a unified accounting system and report analysis system. Implementing a regulated financial audit process, the company conducts accounting according to real economic issues, and implements an effective control of the whole accounting process. Accounting records should be consistency in accountings, the real situations and accounting books.

(3) Management of related party transactions

In accordance with regulations concerning related party transactions in the rules of proceedings of the general meetings, rules of proceedings of the Board of Directors, and independent Directors' working system, all the related party transactions should be subject to the consideration procedures at the general meeting and the Board meeting and the legal disclosure process in accordance with the special requirements on related party transactions under the listing rules of the Hong Kong Stock Exchange and Shanghai Stock Exchange. Files for related party should be clear and updated in time. The accounting department of the Company should check up account with related party on a regular basis, with the results shown in the form of notes to the financial statement. The independent Directors should express an independent opinion on related party transaction.

9. *Comprehensive budget*

The Company established a strict system of budget preparation, declaration, audit, release, execution and evaluation. Special budgetary management positions were set up to coordinate the relevant issues. Budgetary management committee will hold meetings to discuss the draft of the annual budget. Financial department will audit the process of the draft (presented in "comprehensive management information system"), and the final version of budget is signed and issued by the General Manager. For extra-budgetary projects, a supplement budget should be added and implement related procedures.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

10. *Contract management*

A sound contract management system is established in the Company. The declaration and signing of the contract can be finished online at present. The signing of the contract should be approved in a standard signing procedure. Model contracts are provided for common contract with the aim of protecting the Company's legal interest and reduce potential economic risk. All the major contracts are reviewed by engaged legal adviser. The seal for contract-use only is under special custody, and every contract is numbered accordingly.

11. *Remuneration management*

The Company established a sound remuneration management system. For each position, according to business requirement, the Company fixes the number of staff in relation to capacity and requirements of the position. For the positions vacant, the Company will recruit people from society. All the staff has signed regulated labor contracts. Sound working procedures have also been established in such areas as recruitment, salary adjustment, dismissal, demission, salary calculation, welfare calculation, bonus calculation, calculation of person income tax, compensation and welfare payment, and withholding income tax etc.

(4) **Information and communication**

1. *Internal information delivery*

The Company formulated Management Measures for Information, to administrate its information. Through various ways like reporting, website resourcing, abstracts from professional periodicals, customer service phones, on-site complaint, and customer satisfaction poll etc, the Company continuously identified, collected, dealt with, and reported both internal and external information concerning the achievement of the Company's objectives and effective management, so as to ensure the management can accurately and promptly receive such information as business news, management information and major risk information. The Company established and maintained a sound internal information communication channel through such ways as regular working meeting system, seminars, information reporting, telephone communication and reasonable advices from staff.

2. *Information system*

The Company integrated a comprehensive information management system in toll operation, maintenance and hindrance clearance, assets, finance, plan and contract, transportation information, service station operation, and office automation. Each business procedure flows smoothly within the system and correspondent to their operational business.

(5) **Supervision**

The audit committee, established under the Board, is responsible for conducting an annual assessment of the establishment and implementation of internal control. The audit committee will hold at least four meetings a year. At such meetings, the management, the financial controller and responsible personnel of the internal audit department will report on the financial position of the Company and performances related to internal controls.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

The Company established an independent internal audit department, to exercise its supervising responsibilities, and report to the audit committee. The internal audit department conducts an annual evaluation to the designing and execution of internal control. For internal control deficiencies detected during internal control evaluation, the Company will report promptly to the executors of the Company internal control by way of "self-evaluation report". The material defects and risks detected during the supervising will be reported to the general manager, the audit committee, and the Board. Through analyzing the reasons behind the internal control defects, the Company will advise and implement the solutions accordingly, so as to continuously improve the Company's internal control.

The Company has built relevant systems of anti-fraud. In light of the working procedure, the discipline inspection and supervision department is responsible for the administrating and treating of all the letter reporting, visit reporting, and telephone reporting from internal employees or other stakeholders.

V. Procedures and methods for internal control evaluation

Reporting to the Board, the internal control evaluation team is responsible for the Company's internal control evaluation. During the year, the internal control evaluation procedures were roughly divided into the following four stages:

Planning and preparation. At this stage, the main tasks were to assure the availability of relevant resources for the evaluation, form an evaluation working group, determine the scope of evaluation and set the criteria for identifying defects in internal control, etc.

Evaluation of the effectiveness of internal control design. At this stage, the main methods were to determine the critical control points in various businesses and areas, review the written policies, interview business practitioners, and walk through tests, etc.

Evaluation of internal control operation. At this stage, the tasks were to carry out tests on critical control points. The main methods were to prepare test plans and test steps, perform tests and record test results for the compilation of working papers on the test. During the testing process, the evaluation team employed various testing methods such as enquiries, interviews, site inspections, analytical reviews, sampling inspection and re-performance.

Summary report. At this stage, the tasks were to summarize evaluation results, determine the severity of the defects identified in internal control during the evaluation, and prepare a self-evaluation report on internal control.

VI. Defects in internal control and identification

(1) Types of defects in internal control

In light of the Guidelines on the Evaluation of Corporate Internal Control, and according to its severity, defects in internal control are classified into general defects, major defects, and material defects.

Material defects, refer to a combination of one or more control defects, which may lead the company to severely deviate its control objectives.

Major defects, refer to a combination of one or more control defects. Though its severity and economic consequence below that of material defects, it may still lead the company to deviate its control objectives.

General defects, refer to defects other than material defects and major defects.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

(2) Criteria for defining and determining the severity of defects in internal control

The severity of defects in internal control is determined by the actual or potential influences of loss amount in assets or misreported amount in financial statements when defects occur. In accordance with the financial report objectives and asset safety objectives, the Company establishes quantitative criteria; in accordance with the strategic objectives, operational objectives, and compliant objectives, the Company establishes qualitative criteria. The concrete criteria is shown in the table below:

| Criteria | | Material defects | Major defects | General defects |
|--------------|----------------------|--|--|--|
| Quantitative | Financial report | Misreported amount in financial report is greater than or equal to the smaller amount between 10% of the net profit before tax and 2% of the total asset in audited consolidated financial report of last fiscal year | Misreported amount in financial report is greater than or equal to 20% of the amount stated in the criteria for material defects, but less than the amount stated in the criteria for material defects | Misreported amount in financial report is lower than the amount stated in the criteria for major defects |
| | Asset safety | Loss amount in assets is greater than or equal to the smaller amount between 10% of the net profit before tax and 2% of the total asset in audited consolidated financial report of last fiscal year | Loss amount in assets is greater than or equal to 20% of the amount stated in the criteria for material defects, but less than the amount stated in the criteria for material defects | Loss amount in assets is lower than the amount stated in the criteria for major defects |
| Qualitative | Operation & strategy | <ul style="list-style-type: none"> — exert a significant influence on the establishment and implementation of the Company's strategy and operation; — fail to achieve critical operation objectives or key performance index | <ul style="list-style-type: none"> — exert a medium influence on the establishment and implementation of the Company's strategy and operation; — exert a negative influence on the achievement of critical operation objectives or key performance index | <ul style="list-style-type: none"> — exert a slight influence on the establishment and implementation of the Company's strategy and operation; — gear down the operation, but only exert a slight influence on the achievement of operation objectives |
| | Compliance | <ul style="list-style-type: none"> — have material negative consequences on the Company' prestige; — significant violations. | <ul style="list-style-type: none"> — have medium negative consequences on the Company' prestige; — individual event which is penalized by the government authorities or regulators. | <ul style="list-style-type: none"> — have slight negative consequences on the Company' prestige; — individual event which is blamed by the government authorities or regulators. |

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

Besides the above quantitative and qualitative criteria for defining and determining defects, it shows that the Company has material defects in internal control when the following situation occurs:

The Company's Directors, supervisors, general managers, vice general managers, or the senior management of the same level are found to have fraud behavior;

The audit committee, internal audit committee fail to discharge corresponding supervising obligation of internal control;

The Company's financial report (quarterly report, interim report, annual report) need to conduct major aftermath adjustments due to failure to find mistakes in time, resulting in restatement of the financial report.

VII. Conclusion on effectiveness of internal control

The Company conducted an evaluation of its internal control in 2012 based on the Basic Standards for Enterprise Internal Control as well as other rules and regulations and in accordance with the principles and evaluation procedures set forth in the Guidelines on the Evaluation of Corporate Internal Control. During the evaluation, no material defects were detected in the internal control of the Company as at 31 December 2012. The Company's internal control was effective.

Deloitte Touche Tohmatsu Certified Public Accountants LLP, an accounting firm engaged by the Company, has conducted an audit of the internal control relating to the Company's financial report for 2012.

The Company discovered during the evaluation that some general defects still exist in its information system control. The Company has drawn up measures and a timetable to rectify these defects, and has assigned staff to be in charge of carrying out the rectifications. The Company's internal audit department will regularly supervise the rectification of these defects to ensure that the rectification could be completed during the first half of 2013.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

Jiangsu Expressway Company Limited 2012 Corporate Social Responsibility Report

The Board of Directors (the “Board”) of the Company and its members confirm that this report does not contain any false information, misleading statements or material omissions and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Prepared by

Jiangsu Expressway Company Limited

Reporting Period

From 1 January 2012 to 31 December 2012, with some contents extended beyond this time frame in order to follow the principles of completeness and continuity for information disclosure.

Basis of Preparation

This report is prepared with reference to related rules and the requirements of the Guidelines on Preparation of Corporate Social Responsibility Report (《公司履行社會責任的報告編制指引》) issued by the Shanghai Stock Exchange and elaborated from the perspective of stakeholders.

Purposes of the Report

This 2012 Social Responsibility Report of the Company reflects the Company’s commitment to embracing the scientific outlook on development, promoting the sustainable economic and social development and environmental protection and actively fulfilling its social responsibilities to stakeholders including shareholders, creditors, employees and clients of the Company based on the principles of honesty and trustworthiness. We wish that this report will serve as a bridge of communication and exchange with all sectors of the community, and will deepen these sectors’ understanding of the Company. We also wish that with this report, we are subject to supervision by all parties, who will encourage us to constantly improve in serving the community and the public and in carrying out harmonious development.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

Consideration and Approval

This report was considered and approved at the 5th meeting of the seventh Board on 22 March 2013.

I. Corporate Social Responsibility

◇ **The Company's understanding of social responsibility**

By corporate social responsibility, a company should undertake responsibilities towards society, employees and customers while creating profits and undertaking legal responsibilities towards shareholders. Under the social responsibilities of a corporation, one is required to break the traditional concept in which profit-making is the sole target of a corporation. It emphasizes the care on human value and the contribution to customers, the environment and society during the course of production. As the economy develops and society progresses, there is growing concern on the social responsibilities of a corporation, which has become a significant standard in measuring the quality of a corporation.

◇ **The Company's values in social responsibilities**

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, Jiangsu Expressway Company Limited continued to develop and grow and at the same time gradually realized that corporate wealth originates from the public recognition of our products and services. Aside from making profit and protecting the interests of our shareholders, we carry a wide range of social responsibilities, including responsibilities towards our stakeholders such as our employees and consumers as well as the community and the environment. The continuous support of society, customers, shareholders and employees ensures the sustainable development of the Company's operations. The Company must treat and protect other stakeholders in a practical and trustworthy manner; promote environmental protection and energy conservation; participate in and donate to community services and other charitable causes; so as to influence and motivate the local economic prosperity with its own development and to promote the synchronized and harmonious development between the Company and society, customers and nature.

The 2012 Corporate Social Responsibility Report of Jiangsu Expressway Company Limited truly and objectively reflects the important information on how the Company fulfills its social responsibilities in its operations and management.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT



The Company's responsibilities towards stakeholders

The Company cares and respects all stakeholders. We incorporate the values in sustainable development and social responsibilities into our daily operations and corporate culture, and seek to maintain good relationships with all stakeholders, including government departments, shareholders and customers, as well as employees, environment and community, while striking a balance of interests among them.

| Stakeholder | | |
|---------------------------|--|---|
| Government | <ul style="list-style-type: none"> * Abide by laws and regulations and observe the regulatory requirements of the government * Carry out operations in a regulated manner and pay taxes according to law | <ul style="list-style-type: none"> * Regular reporting of work progress * Participating in policy research and implementation of policies |
| Shareholders | <ul style="list-style-type: none"> * Equal right to information * Timely, true and accurate information disclosure * A high and stable dividend payout ratio | <ul style="list-style-type: none"> * General meetings * Investor exchange activities * Disclosure of information |
| Customers | <ul style="list-style-type: none"> * A safe, convenient and comfortable transportation environment * High-quality services to raise the level of customer satisfaction | <ul style="list-style-type: none"> * Collect comments from customer and provide feedback * Handle customer complaints |
| Employees | <ul style="list-style-type: none"> * Stable and reasonable remuneration packages * Provide opportunities for career development * Protect lawful rights and interests of employees | <ul style="list-style-type: none"> * Trade union; convene workers' conference * Collect and research employees' comments, suggestions and feedback * Staff training |
| Community and environment | <ul style="list-style-type: none"> * Preserve resources, conserve energy and reduce consumption * Focus on environmental protection * Proactively engage in charitable activities and promote harmonious development of society | <ul style="list-style-type: none"> * Maintain communication with the environmental protection departments * Promote learning and exchange of advanced experience from home and abroad |

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

II. Providing Quality and Effective Public Services

The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic developments by providing transportation services.

◇ Promoting sustained development of the regional economy

As vital components of the modern transportation system, expressways have significant advantages in centralizing the use of various resources, enhancing transportation efficiency, optimizing the deployment of industries and facilitating urbanization. Expressways enable the interaction of economic and social activities and contribute very much to economic and social developments. The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic developments by providing transportation services. As at the end of 2012, the highway network owned or invested by the Company exceeded 850km, including 569km of expressways, representing approximately 13% of the total mileage of expressways in the province and 38.55% of the road network of the southern Jiangsu. The roads and bridges owned or invested by the Company are major passages linking east-to-west and south-to-north in Jiangsu Province, playing an important role in the regional transportation network and making significant contribution to the economic development and social advancement in the region.

Since the operation of the Company, the problem of heavy traffic along our highways as been much alleviated and the infrastructure in the southern Jiangsu region as well as the whole Jiangsu Province has been substantially enhanced, promoting the rapid social and economic developments of the areas along the highways. In particular, the completion of the expansion of the 8-lane Shanghai-Nanjing Expressway at the end of 2005 resolved the bottleneck that had constrained the development of the high-technology industry area along Shanghai-Nanjing Expressway, enhancing the international competitiveness of the southern Jiangsu region, facilitating the communication between Jiangsu and other parts of the country, and promoting the economic development of the Yangtze River Delta. Since the Company's commencement of operation, it has paid an aggregated tax contribution of RMB8.898 billion (In 2012: 1.084 billion) and has contributed significantly to the finances of the local governments.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

◇ **Building “intelligent expressway”**

2012 witnessed the Company's efforts for promoting modern operation and management of the Shanghai-Nanjing Expressway and building “intelligent expressway”. In light of the industry development trend and by learning from advanced international management experience, the Company established a preliminary modern indicators system for Shanghai-Nanjing Expressway operation and management, set up a new informatization department for application of information technology to expressway operation and management and public services, and put in place an overall corporate informatization framework including one center and three platforms.

By upholding the customer-oriented value-added service concept, according to the toll-free policy for small passenger cars in major festivals and holidays, and with an aim to meet the public demand for transport information, the Company conducted active communications with media and timely published traffic information via radio, TV, network and posters along expressways to guide vehicles to choose reasonable routes.

During the year, the Company conducted research on the topic of night illumination experimental section of the Shanghai-Nanjing Expressway, with the physical project of the approximately 22km-long Suzhou and Wuxi sections essentially completed, laying a solid foundation for the Company's move to provide night illumination for the Shanghai-Nanjing Expressway in the coming 2-3 years.

◇ **Improving safe passage under high traffic volume conditions**

In 2012, the Company upheld the service tenet of “Smooth and Caring Shanghai-Nanjing Expressway” and centered around the indicators for modern expressway operation, i.e. “the rate of passage in icy or snowy weather: 100%; the rate of recovered passage within 2 hours of a traffic accident: $\geq 90\%$, the rate of arrivals within 30 minutes for emergency response service: $\geq 95\%$ ”. The Company actively explored the normalized management under the high traffic conditions and fully improved the smooth traffic and emergency response capability.

The Company focused closely on various indicators such as “arrival timeliness” and “rate of smooth traffic flows”, increased the number of hindrance clearance points and provided more staff and equipment to carry out cross-regional coordination and operation. As a result of these efforts, both timeliness and customer satisfaction rating improved, with the average rate of arrivals within 30 minutes rising to 98.5% in 2012 from 94% in 2011, the average rate of road clearance within 2 hours at 98.2% and the satisfaction rating at 99.9% after self-assessment.

In response to the tend of traffic volume increase, the Company further optimized and improved the on-site management and operation mechanism and facilitated traffic flow at entrances by expanding capacity and upgrading equipment. We upgraded and revamped 36 sets of weighing machines and 181 sets of high-definition plate number identification systems, achieving over 95% accuracy. Meanwhile, we worked hard to promote the usage and agency service of Sutong Card in service areas, with all service areas along the Shanghai-Nanjing Expressway covered by Sutong Card services in 2012. In particular, during major holidays which entail extremely heavy short-term traffic volumes because of the implementation of the toll-free policy for small passenger cars, the Company applied scientific means such as GPS systems, supervision systems and accident monitoring systems, stepped up efforts for publication of road traffic information, collaborated with expressway traffic police and road administration on safety publicity and strengthened 24-hour monitoring to ensure safe and smooth passage and orderly operation with no blind spot .

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

◇ **Strictly implementing toll policy and fulfilling social responsibility**

In 2012, the Company got involved in the special lean-up campaign for toll roads, adjusted the minimum charge standard for passenger cars traveling on networked expressways, removed four toll stations at Nanjing, Luoshe, Yanqiao and Xilin along the G312 National Expressway, which embodied our sense of political and social responsibility as a state-owned enterprise. During the Mid-Autumn Festival and the National Day when the toll-free policy took effect for the first time, the Company made ensuring smooth passage its top priority in response to the extra high traffic volume, creating special lanes for toll-free cars at all toll stations with clear guiding signs, opening all lanes at the entrances and exits; encrypting road monitoring devices, using more videos; increasing hindrance clearance points, designating personnel to guide the traffic at key road sections and major stations; working on continuous stand-by status; taking multiple measures to ensure the rapid passage at toll stations as well as safe and timely on-site rescue.

In 2012, the Company continued to implement the toll-free policy on the Green Passage for transportation of fresh and live stocks. Special lanes for “Green Passage” have been set up at all toll stations of the Company. In 2012, the Company’s total toll fees waived for vehicles using “Green Passage” amounted to approximately RMB93.55 million, by which the Company has fulfilled its social responsibilities as an expressway serving the community.

III. **Improving Service Quality to Meet Customers’ Needs**

The Company has always been committed to providing “people-focused” services and catering to customers’ needs, and deems it our mission to meet public transport demand. By formulating and implementing the operational processes of all service posts, perfecting the emergency response mechanism, aggressively expanding value-added services, improving channels for customer feedback and other measures in 2012, the Company further improved service quality and customer satisfaction and went all out to build “Intelligent”, “Unimpeded” and “Caring” expressways.

◇ **Enhancing service quality with attentive services**

In 2012, the Company continued to further promote standardized services according to the overall requirement of “Smooth and Caring Shanghai-Nanjing Expressway”, standardizing the criteria and operational process for various positions including toll collection, monitor controlling, maintenance and hindrance clearing, organizing professional etiquette training and communication, requiring quick reaction to improve maintenance and hindrance clearing services, with the aim to engender a caring service culture with “attitude, details, confidence, persistence” at the core.

The Company held various job skills contest according to the features of different positions, scaled up the “star” toll collectors election campaign and level certification for maintenance and hindrance clearing personnel, and refined its employees’ work experience in its business model with “work procedures” for promotion to continuously improve the working skills of employees so as to steadily increase the level of courtesy counter services. The initiative of “Caring Shanghai-Nanjing Expressway” reflected the kindness and good faith the Company wished to extend to the community and the clients. And the sincere service was also well received among clients, which helped create a caring and harmonious social environment.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

◇ **Strengthening maintenance to maintaining road quality**

High quality roads are the premise and guarantee for the Company to deliver good services. In 2012, the Company deepened the separation of maintenance from management, optimized work division, improved and upgraded the data bank and bridge monitoring network to know the performance and quality of roads on a timely basis and form a full-blown maintenance mechanism; focused on the effective control of maintenance operation process and on-site management of special repair projects, conducted intensive operation at work zones in key and congested road sections; set up a maintenance project pre-reporting system, requiring publication of information in advance through the monitor center and rules-based on-site operation, so as to reduce the impact on traffic flow.

The Company attaches importance to maintaining excellent road quality. Emphasis has been placed on launching studies on maintenance technology that focus on roads and bridges, while capabilities in dynamic management, defect detection and analysis of roads and bridges were enhanced. The Company insists on preventive and timely maintenance and proactively promotes maintenance technology innovation.

◇ **Improving emergency response capability**

Emergency response capability is the focus of public concern and is key to the Company's mission of ensuring smoothness. To cope with the high traffic volume which has become normal in recent years, the Company set up and improved the emergency response mechanism along expressways, took multiple measures to enhance passage efficiency under high traffic volume conditions, particularly during holidays and in case of emergencies.

In 2012, the Company improved as appropriate the allocation of staff and equipment, positioning, cross-region operation, directing and deployment based on the indicators for modern services of maintaining smoothness and emergency relief; allocated staff, materials and equipment needed for emergency response based on traffic flow forecast during peak hours; strengthened cooperation with the traffic administrations, explored quick methods for handling minor accidents on site to effectively reduce the time for on-site clearance and prevent further accidents caused thereby.

The Company used encrypted road monitoring systems to achieve dynamic tracking of emergencies and enhance proactive identification of road abnormalities and speed of emergency response; worked out contingency plans for severe weather, toll-free travel, hazardous chemical spills to tackle emergencies or extraordinary events and organized regular staff training and exercises to ensure timely and effective implementation of the plans.

◇ **Creating service areas to the satisfaction of customers**

During the year, the Company launched campaigns selecting "satisfactory service areas" by the yardsticks of environments, convenient measures and civilized services in a bid to do well in management and operation of service areas to achieve the simultaneous development of social and economic benefits.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

Regarding food and beverage sales, the Company gives top priority to food safety by exercising stringent control over the channels for the purchase of raw materials, tightening suppliers management, aiming to maintain quality of purchased materials and prevent fake and inferior products entering the service areas. We fully cooperates with health inspection officers in the day-to-day supervision and guidance; effectively strengthened the environmental and hygiene management of dining backcourts; and strictly controlled the use of food additives to ensure the safety and quality of food hygiene. Meanwhile, each service area further identified its target customers and business positioning based on local consumer groups and actual market conditions to highlight their respective features. With respect to the supply of petroleum products, the Company carried out further communication and coordination with suppliers to secure the supply of petroleum products. The steady supply of petroleum products met the needs of passing vehicles. In commodity sales, the Company continued to apply the business model of making small profit with quick turnover by cutting commodity prices to appropriate levels so as to generate more sales. At the same time, the Company strengthened management of tenants, expanded product categories and scope of centralized procurement, increased the stock of local featured products and offered tourist goods and services in response to the characteristics of passenger flow in each service area. With respect to the management of public service facilities in the service areas, the Company offered free parking space and washroom facilities for customer use, and paid particular attention to maintaining a clean and appealing exterior environment. The Company identified and solved problems through its quality management system and the "Mystery Customer" evaluation mechanism; in turn, on-site management was very effective, and hardware facilities and environmental hygiene in each service area improved significantly.

In 2012, all service areas of the Company further improved the service standards for all posts according to the requirements of "Caring Shanghai-Nanjing Expressway" to provide high-quality services catering to clients' need. Economic Development Company (經發公司), a subsidiary of the Company, was named an "Outstanding Fast Food Enterprise of Jiangsu 2012" by Jiangsu Province Dining Profession Association.

◇ **Strengthening customer relationship management**

The Company is always customer-oriented, attaching great importance to improving services and customer satisfaction. A multi-level information communication platform was established for information collection, feedback, analysis and processing and an effective mechanism was put in place for communication with clients.

In order to enhance exchanges and communication with clients, timely deal with clients' complaints and improve service quality, the Company perfected the process for complaints handling and evaluation methods within the internal control system, implementing the "first customer-service representative accountability" system, conducting regular analysis, assessment and evaluation in respect of complaints against all entities, posting the 24-hour complaints hotline on media, billboard at toll stations and the Company's website and promising reply about results within a prescribed timeframe .

At the same time, the Company established a multi-level communication platform to improve channels for customer complaints, collected clients' opinions and suggestions via on-site, website, email, media, authorities and other various means and channels, and timely understood clients' potential needs through the above platform, so as to continuously improve services.

For years, the Company has been carrying out research on the level of customer satisfaction by employing trade ethos inspectors and "Mystery Customer". Consistency and comparability are maintained in aspects including assessment methods and indexing system so as to strengthen scientific research results and the guiding effect on actual work. Methods of research include interviews, questionnaire surveys, telephone conversations and visits. The Company conducts quantitative and qualitative analysis on the research results, through which factors related to customer dissatisfaction are sorted out, and an importance analysis is then carried out based on the level-of-influence approach so as to identify relevant improvement measures. Such tasks have actualized the customer-oriented approach of the Company and its determination in continuously improving its service quality. During the past few years, the level of customer satisfaction has been rising continuously.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

IV. Caring for Employees to Achieve Common Growth

The Company deems its over 3,000 employees valuable treasures because they are what the Company relies on for survival and development. The Company is people-oriented, respects the employee's efforts, strives to create a safe and healthy working environment and provides comprehensive medical, retirement and other benefits for employees, offers them opportunities and platforms for growth and development by improving their professional skills, with the aim to promote the common development of employees and the Company.

◇ **Protecting employees' lawful rights and interest**

In addition to pension, medical, unemployment, occupational injury and maternity insurance according to relevant requirements of the Labor Law and the Labor Contract Law, the Company also takes out complementary medical, casualty and other commercial insurances for employees, which, coupled with our corporate annuity scheme aimed at improving employees' post-retirement lives, allows longstanding trust relationship built up between the Company and the employees. Our efforts in this regards won us the title of "Provincial Creditworthy Enterprise for Labor and Social Security" (勞動保障誠信示範企業).

The Company keeps improving the human resources related system, offering employees annual paid vacations in addition to statutory holidays. The well-established remuneration system has ensured the rational income distribution and growth, stimulated employees' enthusiasm for work, and helped maintain a stable and harmonious employee-employer relationship. Labor unions are established at all levels, giving employees opportunities to democratic involvement in supervision and management, effectively protecting employees' legitimate rights, nurturing a sense of ownership among employees and creating good corporate culture.

The Company implements comprehensive safe measures in its daily operations to safeguard its employees. The Company has established a specialized Safety Production Committee and OHSAS18001 Occupational Health and Safety System, with a focus on hazard identification and risk assessment so as to control any hazardous risks. All staff take part in the occupational health and safety measures so that the entire production and operation process is safeguarded, thereby ensuring the staff's occupational health and safety.

Moreover, in order to improve safety awareness among the staff, the Company conducted occupational safety and technical training in a number of ways, covering basic knowledge about safety, safe operating skills, handling of accidents and emergencies, self-rescue and first aid for injuries, and required all staff on special positions to hold relevant certificates. In addition, the Company also assisted employees in preventing occupational injuries through various measures so as to reduce and avoid the occurrence of industrial accidents. It also regularly provides staff with necessary labor protection supplies and protective equipment.

◇ **Diverse training, incentive and evaluation mechanisms**

Employees and high-caliber talents are backbones underpinning corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources. Each year, the Company devises training programs based on the annual work plans and the Company's human resources development needs so that training schemes are in line with the Company's operating status and management needs, while conclusions and reviews will be made at the end of the year.

In 2012, the Company provided, at different levels and based on professional expertise, the first session of training for internal trainers, taxation policy interpretation and risk prevention seminar, training for diagnosticians of the quality management team and training on special operation certification, which helped enhance the overall quality of employees. Total spending on these training sessions for the year amounted to approximately RMB3,196,000 (2011: RMB2,836,000), for 11,068 person-times (2011: 11,297 person-times) and involving staff of various levels from junior servicing staff to senior management members.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company adopts a performance-linked and position-based remuneration system. Employees' salaries and bonuses are determined in accordance with the results of comprehensive evaluation, with reference to the principle of "salary by position, award by performance", thereby raising the fairness and competitiveness of the salary system. In 2012, the Company further improved the performance assessment and incentive mechanism for front-line workers. Through the rating of "star" toll collectors and the level certification of maintenance and hindrance clearance workers, front-line workers' sense of responsibility and work enthusiasm were significantly boosted. Every year, the Company selects a number of staff, toll collectors and service staff with outstanding performance and gives them spiritual and material rewards in recognition of their performance and to motivate staff's passion for work. The Company also places emphasis on career planning for its employees and adopted a strategy of building up tiers of management staff. In 2012, the Company opened 10 mid-level assistants posts to competition and thereby selected a group of backup talents to support the Company's sustained development.

◇ **Caring for employees and building a harmonious enterprise**

The Company takes active measures to provide employees with healthy and comfortable working and living environment. The Company has a paid leave system, arranges vacations in resorts every year for honorable employees, devotes more resources to the establishment of entertainment facilities at the front-line toll stations and stages various uplifting cultural and sports activities to create a happy working environment. All of the Company's primary units boasts multifunctional halls, reading rooms, indoor and outdoor playground, playrooms for balls, etc. "employees' electronic reading rooms" were set up in 2012 on a trial basis to satisfy front-line staff's needs for study and entertainment. The Company places importance on providing mental guidance for employees, sticks to the practice of opening corporate affairs, gets to know employees' thoughts and demands on a timely basis by holding regular meetings seeking professional advice and campaigns seeking reasonable suggestions, voluntarily and proactively coordinates various relationships and contradictions to create harmonious labor relations. The Company cares about employees' health, arranging physical examination every year, paying allowance for high temperature and taking temperature-lowering measures in hot seasons. The Company also voluntarily help employees out by providing timely assistance for those in difficulties, giving consolation money or launching fundraising to meet their urgent needs. In 2012, the Company improved the rules for management of support fund and, with the administrative proposal and approval of the Board, formulated a yearly plan for helping 3 employees in very difficult situations. The Company's care and greetings has reinforced corporate cohesion and given employees a greater sense of belonging.

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V. **Achieving a Win-Win Result with Investors through Sustained Enhancement of Governance**

Good corporate governance is the cornerstone of a long-term healthy and stable development for enterprises, while sustained enhancement of governance is indispensable for companies to maintain healthy development. As such, the Company, adhering to its corporate philosophy of integrity and diligence, has continuously enhanced its corporate governance level by timely improving its governance system and operational process on a sustained basis pursuant to the work arrangements of regulatory authorities and the latest rules and regulations, and stepped into a virtuous cycle. Meanwhile, guided by the "Basic Standards for Enterprise Internal Control" and other guidelines, the Company has stepped up construction and implementation of its internal control system, and continuously boosted the operation and management level and risk prevention capability, thus providing strong guarantee for the Company to realize strategic transformation.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

◇ **Continuously improving the governance structure**

The Company has always been committed to adhering to a good corporate governance principle. It has established a sound governance structure and carries out its operations in a regulated manner. Meetings of shareholders, the Board of Directors and Supervisory Committee of the Company functioned in a normal and orderly manner, while general meetings of shareholders, the Board of Directors and its special committees, as well as the Supervisory Committee, discharged their own duties, coordinated with each other and exercised effective checks and balances in accordance with regulations and governance rules, providing a boost to the Company's scientific decision-making, regulated operation and management upgrade on an ongoing basis.

2012 is the year for reelection of Directors and supervisors of the Company. We prepared legal documents in connection with the reelection and formed the new Board and supervisory committee after the reelection at the general meeting. New special committees were also set up. At the same time, pursuant to the requirements of the Listing Rules of the Hong Kong Stock Exchange, the Company arranged liabilities insurance for Directors, supervisors and senior management members to offer protection in respect of their performance of duties.

The Company is strict in its corporate governance. In addition to complying with the Code on Corporate Governance Practices, the Company has devised various governance policies which are more strict than the standards of the current and proposed rules of the securities regulators in a number of aspects. In 2012, the Company reorganized its special committees according to the requirements of the newly amended Corporate Governance Code of Hong Kong Stock Exchange, splitting the former Nomination, Remuneration and Appraisal Committee into the Nomination Committee and the Remuneration and Appraisal Committee, and accordingly formulating the Rules of Procedures of the Nomination Committee and the Rules of Procedures of the Remuneration and Appraisal Committee. Meanwhile, the Company newly established the Rules for Shareholders Nominating Directors and made a comprehensive amendment to the original Rules of Procedures of the Audit Committee.

The Company aims to pursue excellence and be an exemplary company, striving to become an enterprise with long-term investment value and a leader in the capital market. During the year, the Company was selected into the SSE corporate governance sector, and once again granted the Commendation Award of the "H-share and Other PRC Mainland Enterprises Category" of the "Best Corporate Governance Disclosure Awards" organized by the Hong Kong Institute of Certified Public Accountants. The standardized corporate governance, transparent information disclosure, high return to shareholders and effective brand communication led to the establishment of the Company's good brand image on capital markets. During the Year, the Company was listed as the "2012 Top 100 Capital Brands of Chinese Listed Companies" jointly selected by the China Center for Market Value Management, the China Center for Financial Research of Tsinghua University and Sina.com, reflecting the overall capital brand value of the Company and its comprehensive influence in the capital market.

◇ **Carrying out testing on risk management and internal control evaluation comprehensively**

The Company gives high priority to risk control. In 2011, It established the "integrated four-standard" internal control management system, and on the basis of realizing internal control throughout the entire operation process, the Company formulated and improved during the year the Regulation for Internal Audit, the Regulation for the Appraisal of Internal Control, and the Standards for Determination of Defects in Internal Control, placing the focus on promoting the Company's development, enhancing management and profit, and strengthening internal control and preventing risks.

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In 2012, the Company formulated and improved during the reporting period the Regulation for Internal Audit, the Regulation for the Appraisal of Internal Control, the Standards for Determination of Defects in Internal Control and 2012 Appraisal Plan for Internal Control and revised some management systems to enhance risk prevention ability. In order to advance the establishment and perfection of the internal control system and ensure its high quality operation, the Company engaged Protiviti to provide technical support. Protiviti assisted the Company in the preparation of the internal control appraisal handbook and the risk control matrix, which became the basis of evaluation testing on the Company's internal control appraisal and audit work in the future. Furthermore, the Company formed a part-time team to audit its internal control system, which comprised 45 elected experienced management members, to carry out comprehensive and effective supervision and appraisal of internal control implementation.

At the end of 2012, the Company has set up a self-evaluation team of internal control in the Company and appointed professional intermediaries as advisors, to conduct assessment and evaluation on effectiveness of the design and operation of important controls pursuant to the requirements of the "Application Guidelines on Corporate Internal Control" and the "Guidelines on Evaluation of Corporate Internal Control" and in light of the actual operating situation of the Company. Such assessment and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection. A self-evaluation report on internal control for 2012 was produced, which identified no material defects in the Company's internal control.

Meanwhile, the Company further strengthened day-to-day risk monitoring and management, analyzed internal operating conditions, collected external information on a regular basis, issued early warnings and exercised control in accordance with pre-arranged risk management plans, and promptly modified risk management in line with internal and external business circumstances and trends in the changes in the risk environment. The Company ensured that its internal control systems operated effectively by checking its improvement progress through continuous monitoring and self-evaluation of members of management on an annual basis, which gradually fused the internal control systems with the Company's daily operations management, improved the implementation of the internal control system and standardization system and strengthened supervision and inspection of internal control so as to formulate a long-term internal control mechanism for the Company.

◇ **Establishing the mechanism on long-term returns to investors**

During the year, according to the requirement of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission, the Company revised the related clauses under Chapter XVIII "Profit Distribution" of the Articles of Association, setting out particulars of the cash dividend policy, so as to further improve the decision-making procedure and mechanism for cash dividend distribution.

While leveraging the rapid development of the capital market, the Company is also clearly aware that investors are the source of its development, so the Company shall make it a key mission and operational philosophy to actively repay shareholders, let shareholder better enjoy the benefit of the Company's development, guide them to develop the concepts of long-term investment and rational investment to realize virtuous cycle of capital. The Company laid down a proactive and stable dividend distribution policy in the Articles of Association to bring high return to shareholders. During the reporting period, according to the requirement of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission, the Company revised the related clauses under Chapter XVIII "Profit Distribution" of the Articles of Association, setting out particulars of the cash dividend policy, so as to further improve the decision-making procedure and mechanism for cash dividend distribution.

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As for specific implementation, the Company took the initiative to perform its responsibility to repay the society, formulated reasonable distribution mechanism, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win investment and financing environments and value-investing atmosphere, and make due efforts and contributions to promoting the sustained and healthy development of capital markets. The Company has been distributing cash dividends for 16 consecutive years since its listing. As at the end of 2012, total cumulative cash dividends of RMB15.498 billion, or RMB3.0187 per share, were paid. The average annual dividend payout ratio reached approximately 75%. Shareholders are awarded with satisfactory returns from the development of the Company. According to the research report of the China Center for Market Value Management, the Company, with its consecutive high-ratio cash dividend, ranked at the top of all the listed A-share companies in terms of shareholder return intensity.

For 2012, the Company distributed a cash dividend of RMB0.36 per share, with payout ratio at 77.72%.

◇ **Developing good investor relations through effective communication**

The Company attaches great importance to management of investor relations. Through active and transparent information disclosure, and the two-way, interactive exchange with investors, it strengthens investors' understanding on the Company's businesses to help investors make objective and accurate investment decisions.

During the reporting period, the Company has, in strict compliance with relevant requirements, adequately disclosed its information to investors, and duly complied with the "Administrative Measures for the Disclosure of Information of the Company". The Company disclosed important information and matters which may affect investors' interests by issuing periodic and ad hoc announcements, aiming at raising the quality of information disclosed. In 2012, In accordance with the requirements of the statutory disclosures, the Company published 49 announcements for major matters in the PRC and overseas simultaneously, including four periodic reports, 28 ad hoc announcements and relevant information to disclose in details on important corporate information and progress of major matters, including: operating results, financial information, dividend payment, daily operations, project investments, financing activities, connected transactions, change in Directors and supervisors for the new session, and operation of the shareholders' general meeting, the Board and the Supervisory Committee. The contents of the relevant announcement were disclosed on China Securities Journal and Shanghai Securities News, and at the websites of the Shanghai Stock Exchange (www.sse.com.cn), the Hong Kong Stock Exchange (<http://sc.hkex.com.hk>) and the Company (www.jsexpressway.com).

The Company's website is another important platform to develop investor relations. Through the website, the Company regularly publishes its operation updates and information which may interest investors, thereby allowing investors to timely and clearly understand the Company's most updated development and increasing the Company's transparency. We also answered questions raised by investors through the web exchange platform and carried out some basic communication.

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The core of investor relations is effective communication. The Company fosters the market investment atmosphere, passes positive signals and stabilizes market investment confidence by means of proactive investor relations events. During the year, the Company kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas road shows, regular meetings with visiting investors and analysts, teleconferences and so forth. Major events were carried out in the following ways:

- ◇ Investors' inquiries through the investor hotline, company website and e-mail; more than 120 telephone calls and e-mail communications with investors were handled during the year and prompt responses were made on a day-to-day basis.
- ◇ Field trips to the Company or specific teleconferences by investors and analysts: 46 batches of visits to the Company by domestic and foreign investors (57 persons in total) were received during the year.
- ◇ Various promotion activities including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face communications were conducted with investors. 8 major presentations were attended or organized in 2012 with details as follows:

| | |
|----------|--|
| January | — Participated in the "Greater China Conference" organized by UBS in Shanghai |
| March | — Held 2011 annual results presentation and roadshows in Hong Kong |
| May | — Participated in the seminar on the communication industry organized by UBS Asia |
| August | — Held 2012 interim results presentation and roadshows in Hong Kong |
| November | — Participated in the "China Investment Summit" organized by Merrill Lynch Securities in Beijing |
| | — Participated in the "Citi Greater China Investment Conference" |
| | — The management conducted investor roadshow in Europe and the United States |

Market feedback was also collected broadly through investors relations activities with a view to enhancing the Company's corporate governance standards and operating management. During the year, the Company conducted perception survey with industry analysts who follow closely with the Company for years after the annual results and interim results in order to gather views and suggestions on the operating positions and development strategies of the Company. Questionnaires on investors relations management were sent by e-mail to understand the market's assessments and suggestions on the Company's investors relations management, communication modes and disclosure quality as well as the market's concerns about the Company. These initiatives have laid a foundation for the formulation of the next-stage work plan on effective investors relations management and for organizing purposive investor relations activities.

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VI. Actively Performing Corporate Responsibility for the Environment

The Company views environmental protection as an essential component of the sustainable development strategy of an enterprise; practices a scientific outlook on development; remains committed to the idea of placing equal emphasis on both corporate benefits and environmental protection; reacts positively to China's policy for energy conservation and emissions reduction; effectively performs its responsibility for the environment based on its actual production conditions, by way of environmental protection, energy saving and scientific scheduling. Upon taking more responsibility, the Company wishes to protect the environment, use resources in a rational way and promote environmental awareness to the best of its ability so as to promote the sustainable development of the Company.

◇ Promoting green environmental protection concepts

The Company places emphasis on cultivating its employees' environmental protection awareness, implements the environmental protection concept throughout the whole process of operation and management, and actively guides the employees to start from themselves and incorporate environmental protection and conservation into operation of the enterprise.

In respect of cost saving and consumption reduction, the Company implemented the paperless office by fully capitalizing on information system resources. Electronic and network-based operation modes including the Office Automation System and video conference system were successfully set up, allowing full capitalization on modern information technologies. The Company applied various initiatives to control the consumption of energy and materials such as water, electricity, gas and oil by the maintenance and hindrance clearance facilities as well as vehicles, maintaining a good control foundation. In early 2012, in order to lift the timeliness of statistic analysis, the Company appointed professional software companies to develop the statistic analysis software for water, electricity, and gas, through which data entry and analysis effects as well as work efficiency and data accuracy were boosted notably. The Company also stepped up efforts to assess and promote the energy saving and emission reduction work. Under the conditions of sustained growth in the traffic volume of roads, total consumption by vehicles, and water and electricity consumption both fell on a year-on-year basis.

◇ Improving environment management to fulfill green operation

In its operation, the Company adopts various effective measures for ecological protection and pollution prevention. We strive to minimize the impact of road operations on the surrounding environment, and realize sustainable development of the Company by maintaining a balance among corporate value, the living environment and natural resources.

Requirements for environmental protection are included in our tenders for road construction and maintenance projects. The Company makes a comprehensive evaluation of the potential environmental impact of the project on the areas along expressways; and with particular respect to the degree and extent of any adverse impact, propose in the design and construction scheme any measures and counter-plans for the prevention and control of pollution, minimization of environmental impact and improvement of existing environmental issues. The Company also strengthens protection to land resources. Restoration measures including backfill, recultivation and plantation will be adopted to restore the lands affected in road construction. In respect of river protection, the Company adopts construction techniques which are free of or with minimal water pollution. Sewage is collected and treated before discharge. As for noise prevention, the Company arranges its construction program for different locations at reasonable time period to minimize the impact of noises from machinery and vehicles upon residents in the neighborhood. Plantation can prevent the erosion of land, reduce noise, purify air and beautify the environment. The areas along the expressways of the Company as well as the interchanges, road foundation slopes, slope platforms and service areas have extensive plantation.

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The Company adopts measures to reduce noise from the operation of its expressways. As at the end of 2012, noise barriers of approximately 10km were constructed along Shanghai-Nanjing Expressway which has high-level noise pollution, thereby having effectively alleviated the impact of noise pollution to local residents. In addition, the Company is aware of the management of transportation of toxic and hazardous chemicals on the expressways. The vehicles are registered at the entrance to limit the damage of leakage. Drainage systems are installed in bridges running over major rivers, lakes and reservoirs and warning signs are also erected to prevent contamination from leakages of hazardous materials from vehicles.

In 2012, the Company further strengthened environment management and courageously shouldered its social responsibility. By actively contacting local environmental protection departments and injecting special funds, the Company conducted studies over the plan for, technical renovation of and technological adjustment to the sewage pipe networks in its service areas of Huanglishu (黄栗墅), Xianrenshan (仙人山) and Fangmaoshan (芳茂山). By setting up the sewage treatment model, monitoring and testing water quality conditions, the Company realized sewage treatment upgrade and renovation, with treated sewage reaching the government's level-1 discharge standard, which effectively protected the quality of living environments of the surrounding residents. Meanwhile, the Company also unified the entity which tests the discharged water sample after sewage treatment, and monitored sewage treatment status at its toll stations and service areas along its expressways so as to timely and accurately stay updated on sewage discharge status, and hence realized its target of sustained improvement and raised its environmental protection management levels.

VII. Devotion to Public Welfare to build a Harmonious Society

While pressing ahead with business operation and development, the Company has actively participated in social and public services, performed the obligation as a corporate citizen, and encouraged its employees to devote themselves and pay back to the society with concrete actions, perform the obligation as public citizens, and make contributions to the construction of a harmonious society. A motion is tabled at the Company's annual Board meeting every year on proposed charitable donation projects for each year. In 2012, the Company donated an aggregate of approximately RMB1.11 million to various community services, including various poverty alleviation funds, education funds, charitable funds and funds for acts of justice and courage.

Regarding charitable causes, the Company has been offering assistance to the development of less developed regions by making focused, targeted donations and subsidies to education projects, especially in the development of cultural and educational programmes. In 2003, the Company contributed donations to the construction of the Hope Primary School in Tuhe Village, Guanyun County, and offered subsidies to buy supplies every year. The donations amounted to RMB800,000 in 2012. Meanwhile, the Company has established a contact person scheme for the recipients of these donations, through which the Company is able to attain an understanding of the situation on a regular basis. Together with the practical support of human, material and financial resources, the Company assists in the development and construction of schools, endeavoring to take practical actions to contribute to society alongside the development of the Company.

Moreover, the Company emphasizes the cultivation of its employees' sense of social responsibility and encourages them to participate in various community services. Front-line groups of the Company have also continuously participated in a series of volunteer activities and social services to assist the needy in their community, including various regular volunteer activities conducted in local retirement homes and children's welfare institutions and sponsorship of children who are obliged to discontinue their schooling, as well as and poor students, thereby contributing to the harmonious development of the community.

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VIII. Conclusion

The Company considers it a bounden duty and obligation to assume social responsibilities. We will take this opportunity of releasing the social responsibility report to accept the supervision of government departments and all communities of the society, firmly implement the scientific outlook on development, continuously improve the construction of the social responsibility management system, and better perform our economic responsibility, social responsibility and environmental responsibility.

The Company is committed to being a responsible corporate citizen with integrity through unremitting efforts. Meanwhile, we recognize that major social responsibilities of a corporation and the interests of relevant parties are constantly changing in different development stages. In this regard, we will regularly reassess our social responsibilities, enhance our self-awareness and review our measures to make further improvements in response to the needs of the society.

In the future, the Company will further sharpen its mission in social responsibilities, be people-oriented, solid and innovative, provide safe, expedite and comfortable transportation services to the society, satisfy the need of social development for transportation efficiency, and drive the economic growth of surrounding areas. Moreover, the Company will further take into account the respective interests of its shareholders, customers, employees, the government and the communities to realize a harmonious and win-win scenario between the Company and relevant stakeholders within its reach, continue to pay attention to the environment, build a nice and harmonious home, and fulfill common development between the enterprise and the society.



Jiangsu Expressway Company Limited