



# Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)



Quality  
Our Priority

2010 Annual Report



## ***Corporate Mission***

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

## ***Management Principle***

Integrity, Responsible, Caring and Continuous Improvement.

## ***Staff Spirit***

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

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## **Important Notice**

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

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



# Company Profile

***Jiangsu Expressway Company Limited (the “Company”) was incorporated as a joint stock limited company on 1 August 1992 in Jiangsu Province of the People’s Republic of China (the “PRC”). The current registered capital amounts to RMB5.038 billion.***

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

The Company is the only listed company in the transportation and infrastructure industry of Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the Shanghai Stock Exchange (the “Shanghai Stock Exchange”). The Company established the 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 2010, total share capital of the Company amounted to 5,037,747,500 shares at a nominal value of RMB1 each.

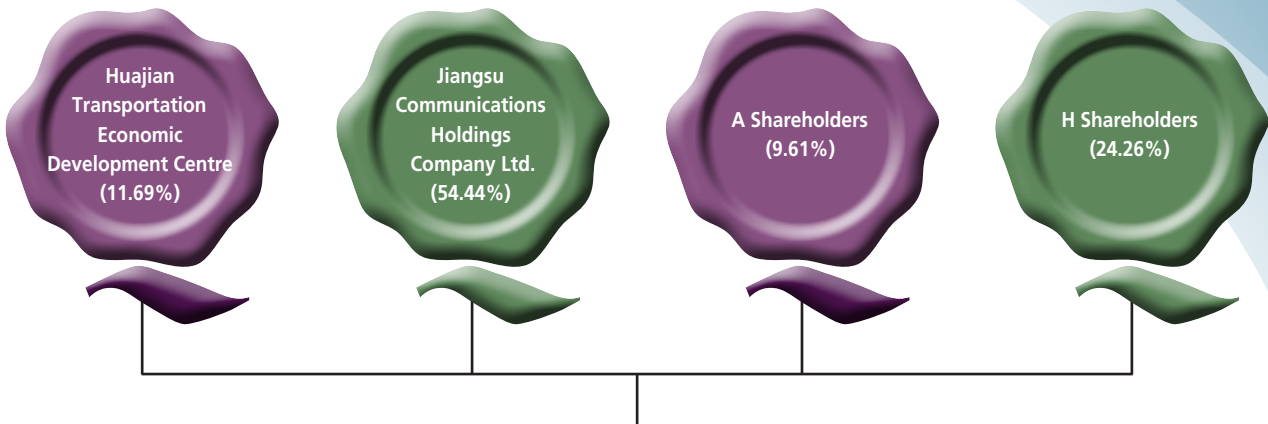


The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2010, the highway mileage managed by the Company exceeded 700 km, with total assets amounting to RMB24.9 billion. The Company is one of the PRC’s largest listed companies in the toll road industry in terms of total assets managed.

The Company’s operations are located in one of the most energetic economic regions in the PRC – the Yangtze River Delta. The roads and bridges owned or invested by the Company are major road transportation corridors linking the east-to-west and south-to-north of 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, Jiangsu Ninghu Properties Co., Ltd. (“Ninghu Properties”), Jiangsu Ninghu Investment Development Co., Ltd. (“Ninghu Investment”) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. (“Guangjing Xicheng”) are collectively referred to as the “Group”.

## Asset Structure of the Group



## Jiangsu Expressway Company Limited



# Financial and Operating Highlights

Financial statements for the year 2010 prepared by the Company in accordance with PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards") and Hong Kong Financial Reporting Standards ("HKFRS") were audited by Deloitte Touche Tohmatsu Certified Public Accountants Limited and Deloitte Touche Tohmatsu, whose audited report expressed an unqualified opinion on the financial statements.

**According to PRC Accounting Standards, the major financial data of the Group as at 31 December 2010 are as follows:**

Item	RMB'000
Operating profit	3,332,055
Gross profit	3,332,191
Net profit attributable to equity holders of the Company	2,484,404
Net profit attributable to equity holders of the Company after non-recurring profit/loss	2,475,692
Net cash flow from operating activities	3,391,632

**According to HKFRS, the major financial data of the Group as at 31 December 2010 are as follows:**

Item	RMB'000
Revenue	6,577,616
Profit before tax	3,377,321
Profit attributable to equity holders of the Company	2,529,534
Net cash flow from operating activities	3,394,904

## Explanation on the differences between PRC Accounting Standards and HKFRS:

The differences between the statutory financial statements of the Group prepared in accordance with PRC Accounting Standard and the 2010 financial statements of the Group prepared in accordance with HKFRS are summarized as follows:

Unit: RMB'000

	Net Profit		Net Assets	
	2010	2009	As at the end of 2010	As at the end of 2009
Under PRC Accounting Standards	<b>2,539,539</b>	2,061,424	<b>18,024,044</b>	17,206,797
HKFRS adjustments:				
– Revaluation gain and depreciation and amortization of fixed assets and operating rights of toll roads	<b>45,130</b>	41,211	<b>-1,247,232</b>	-1,292,362
Balance after adjustment in accordance with HKFRS	<b>2,584,669</b>	2,102,635	<b>16,776,812</b>	15,914,435

## The related statement of adjustments:

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

## Non-recurring profit/loss and amounts deducted in 2010:

Unit: RMB'000

Item	Amount	Description
Gain (loss) from disposal of non-current assets	-5,765	Fixed assets written off and loss from disposal
Gain (loss) from disposal of associates	127	Gain from disposal of associates by subsidiaries
Government subsidy	471	Financial subsidy from local governments received by subsidiaries
Gain from disposal of held-for-trading investment	10,045	Profit from held-for-trading investment such as spot gold
Gain from change in fair value	1,270	Gain from change in fair value of held-for-trading investment
Reversal of impairment provisions made in prior years	80	Reversal of impairment of bad debts made
Except for the above items, other non-operating income and expenses, net	5,429	-
Effects of income tax	-2,914	-
Effects of minority shareholders' profit/(loss)	-31	-
Total	8,712	-

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

Unit: RMB'000

Item	2010	2009	Increase/decrease over the previous year %	2008	2007	2006
Operating revenue	<b>6,756,244</b>	5,741,346	17.68	5,277,139	5,309,835	4,100,824
Gross profit	<b>3,332,191</b>	2,711,901	22.87	2,101,741	2,408,549	1,728,116
Net profit attributable to equity holders of the Company	<b>2,484,404</b>	2,010,972	23.54	1,554,011	1,600,827	1,139,809
Net profit attributable to equity holders of the Company after non-recurring profit/loss	<b>2,475,692</b>	2,010,395	23.14	1,556,241	1,592,160	1,143,220
Net cash flow from operating activities	<b>3,391,632</b>	1,797,660	88.67	2,765,104	3,157,808	2,442,479

	End of 2010	End of 2009	Increase/decrease over the end of the previous year %	End of 2008	End of 2007	End of 2006
Total assets	<b>24,897,493</b>	25,496,204	-2.35	24,775,429	25,937,848	26,459,242
Equity attributable to equity holders of the Company	<b>17,563,723</b>	16,756,571	4.82	15,968,921	15,708,385	15,064,730



# Financial and Operating Highlights

## Major accounting data of the Group under HKFRS for the past five years:

Unit: RMB'000

Item	2010	2009	Increase/decrease over the previous year %	2008	2007	2006
Revenue	<b>6,577,616</b>	5,586,887	17.73	5,133,732	5,068,913	3,925,569
Profit before tax	<b>3,377,321</b>	2,753,112	22.67	2,139,939	2,450,053	1,762,326
Profit attributable to equity holders of the Company	<b>2,529,534</b>	2,052,184	23.26	1,592,209	1,642,331	1,174,111
Profit attributable to equity holders of the Company after non-recurring profit/loss	<b>2,520,822</b>	2,051,607	22.87	1,594,439	1,633,664	1,178,505
Net cash flow from operating activities	<b>3,394,904</b>	1,798,632	88.75	2,766,004	3,158,632	1,936,501

	End of 2010	End of 2009	Increase/decrease over the end of the previous year %	End of 2008	End of 2007	End of 2006
Total assets	<b>23,650,260</b>	24,203,842	-2.29	23,441,854	24,566,078	25,046,796
Equity attributable to equity holders of the Company	<b>16,316,491</b>	15,464,208	5.51	14,635,347	14,336,614	13,651,455

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

Unit: RMB

Major financial indicator	2010	2009	Increase/decrease over the previous year %	2008	2007	2006
Basic earnings per share	<b>0.493</b>	0.399	23.54	0.308	0.318	0.226
Diluted earnings per share	<b>N/A</b>	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profit/loss	<b>0.491</b>	0.399	23.14	0.309	0.316	0.227
Fully diluted return on net assets (%)	<b>14.15</b>	12.00	Increased by 2.15 percentage points	9.73	10.21	7.57
Weighted average return on net assets (%)	<b>14.81</b>	12.55	Increased by 2.26 percentage points	10.03	10.45	7.67
Net cash flow per share from operating activities	<b>0.67</b>	0.36	88.67	0.55	0.63	0.48

	End of 2010	End of 2009	Increase/decrease over the end of the previous year %	End of 2008	End of 2007	End of 2006
Net assets per share attributable to equity holders of the Company	<b>3.49</b>	3.33	4.82	3.17	3.12	2.99



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

Unit: RMB

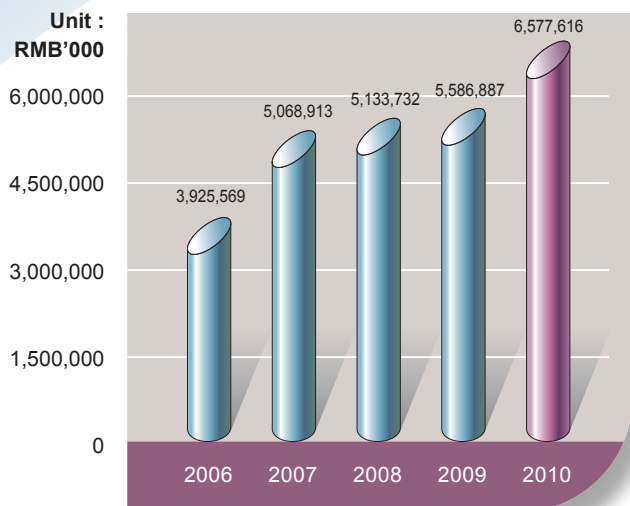
Major financial indicator	2010	2009	Increase/decrease over the previous year %	2008	2007	2006
Basic earnings per share	<b>0.502</b>	0.407	23.26	0.316	0.326	0.233
Basic earnings per share after non-recurring profit/loss	<b>0.500</b>	0.407	22.87	0.316	0.324	0.234
Fully diluted return on net assets (%)	<b>15.50</b>	13.27	Increased by 2.23 percentage points	10.88	11.46	8.60
Weighted average return on net assets (%)	<b>16.31</b>	13.95	Increased by 2.36 percentage points	11.26	11.77	8.81
Net cash flow per share from operating activities	<b>0.67</b>	0.36	88.75	0.55	0.63	0.38

	End of 2010	End of 2009	Increase/decrease over the end of the previous year %	End of 2008	End of 2007	End of 2006
Net assets per share attributable to equity holders of the Company	<b>3.24</b>	3.07	5.51	2.91	2.85	2.71

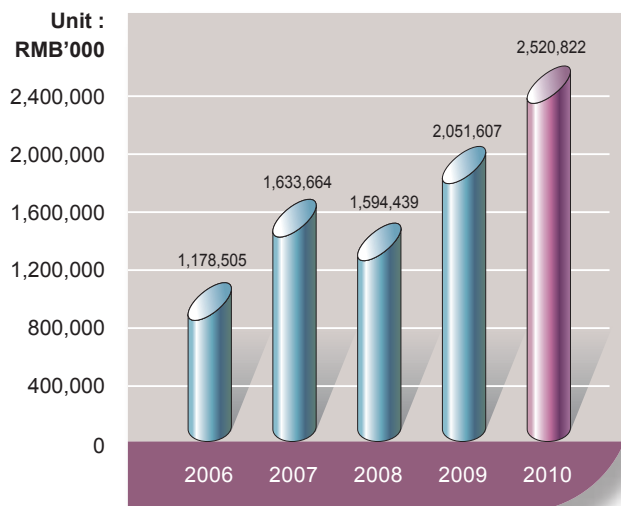
# Financial and Operating Highlights

## Changes of major financial indicators during the past five years: (under HKRFS)

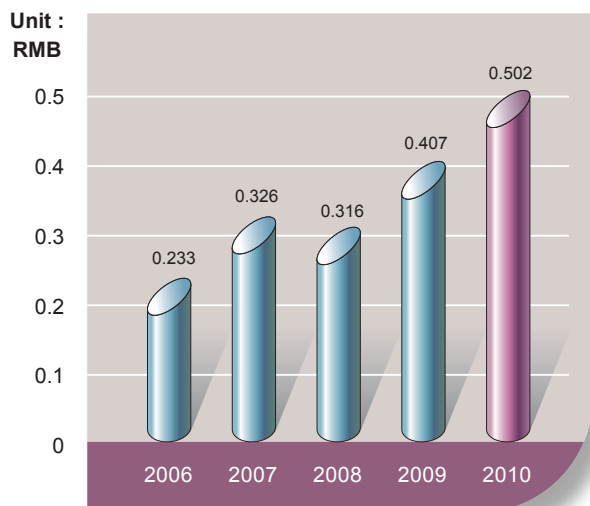
### Revenue



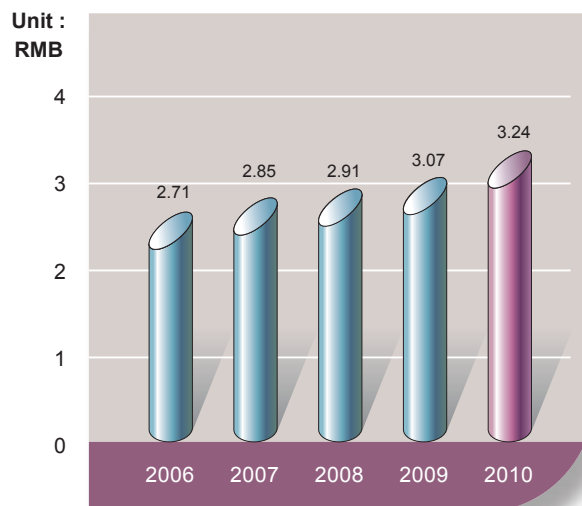
### Net Profit Attributable to Equity Holders of the Company after Non-recurring Profit / Loss



### Earnings per Share



### Net Assets per Share



# Major Events in 2010

## Jan

- The Company was named among the “2009 National Model Units for Courtesy and Integrity”.

## Mar

- The Company launched in full gear the “Caring Shanghai-Nanjing Expressway” standardized service campaign.
- The Company announced the 2009 annual results and conducted roadshows in Hong Kong.

## Apr

- The Company launched the security campaign for the Shanghai World Expo.

## Jun

- Ninghu Properties, a subsidiary, officially commenced the development and construction on its property projects.

## Jul

- Mr. Shen Chang Quan, former Chairman, retired from his term of office. The Board elected Mr. Yang Gen Lin to take over the office of Chairman.

## Aug

- The Company issued the RMB1 billion one-year short-term commercial paper.
- The Company announced the 2010 interim results and conducted roadshows in Hong Kong.

## Nov

- The Company organized the Seventeenth National Seminar on Expressway Management.

## Dec

- The Company was awarded the “Titanium Award for Excellence in Corporate Governance and Investor Relations” of “The Excellence of Management and Corporate Governance Awards 2010” organized by the Asset magazine.
- The Company was named among the “Exemplary Courteous Units of Jiangsu Province”.
- The Company was named among the “Enterprises with Excellent Quality Management in Jiangsu Province”.



## Report of the Directors

Amid the opportunities in the future, we will carry forward our development and upgrade through changes based on the blueprint for the Group's 12th Five-Year Plan, accumulating experience and developing in a steady manner. The Group's Board, management and entire staff are confident about overcoming various difficulties and challenges. We will never cease to surpass ourselves on the path of steady and continued development and will achieve a win-win in respect of shareholder value.



# Report of the Directors



## (I) Chairman's Statement

### To the Shareholders:

In 2010, under the government's efforts in strengthening and improving macro-control policies and fully capitalizing on the market mechanism, China resumed its strong growth momentum after having overcome the adverse effects of the global economic crisis that was set on in the beginning of 2009, thus providing a satisfactory operating environment for the toll road industry. The rapid economic recovery has driven the growth of consumer demand, logistics demand and vehicle ownership, generating positive effects on the steady growth of the Group's businesses. Under such situation, the Group provided safe, comfortable, convenient and quality transportation services to highway users and pushed forward the continued development of its principal business through continuously enhancing its service quality. It achieved innovation in its management mechanisms and approaches and effectively enhanced its management capabilities through further promoting detailed management. In 2010, the Group delivered once again good returns to the community and shareholders with outstanding operating results.

### • 2010 Results and Dividends

In 2010, the Group realized an operating revenue of RMB6,756,244,000, representing an increase of approximately of 17.68% over the same period of 2009. Under PRC Accounting Standards, profit attributable to equity holders of the Company amounted to approximately RMB2,484,404,000 and earnings per share was approximately RMB0.493, an increase of approximately 23.54% as compared to the same period of 2009. Under HKFRS, profit attributable to equity holders of the Company amounted to approximately RMB2,529,534,000 and earnings per share was approximately RMB0.502, representing an increase of approximately 23.26% over the same period of 2009.

The Company still maintained a stable, high payout-ratio dividend policy to reward its shareholders. The Board proposes to distribute a 2010 final cash dividend of RMB0.36 per share (tax inclusive) to all shareholders, representing 82.06% of the profit available for distribution for the year. The proposal will be submitted to the 2010 annual general meeting for consideration and approval.

### • Business Review

In respect of the road operation management of the Company, 2010 was a year full of difficult challenges. While bringing new opportunities to the development of the Company, the Shanghai World Expo which lasted for half a year also staged a practical drill for proof-testing the Company's traffic organization capacity and the capacity for ensuring smooth traffic conditions. During the World Expo, leaders of various ranks and domestic and foreign visitors assembled on Shanghai-Nanjing Expressway, the major passage to Shanghai from Jiangsu Province. There was a greater demand for smooth traffic conditions on roads and quality and civilized services. Therefore, in 2010, it was the top priority for the Company's operations management to ensure road safety and traffic smoothness amidst high traffic volume and to provide quality services for traveling vehicles and people. Meanwhile, as an important section of the security campaign for the World Expo, Shanghai-Nanjing Expressway also undertook significant security responsibility which served as a solid protective barrier for the Shanghai World Expo.

# Report of the Directors

For that reason, based on the mission “Assuring Safety, Smoothness, Supply and Service”, the Company undertook a high degree of social responsibility and devoted a strong sense of commitment in performing its security responsibility and in ensuring smooth traffic conditions for the World Expo. Our staff’s spirit of “Being a Part of the World Expo with Dedicated Service and Contribution” was fully displayed on the work in ensuring smooth traffic conditions at the World Expo. After 184 days of efforts by the entire staff, we completed successfully our missions in ensuring security and smooth traffic flow for the World Expo with our quality courteous services. During such period, no serious congestion or incidents regarding security has occurred. The hard work devoted, the success experienced and the staff’s selfless spirit deserved our affirmation and praise, which will continue to be developed and consolidated in our road operations management thereafter.

The Shanghai World Expo offered exceptional opportunities for the Company to display its overall image and enhance its service and management standards. In 2010, the “Caring Shanghai-Nanjing Expressway” standardized service campaign was initially launched at toll collection positions of the Company, in order to prepare for the World Expo with a new image and to prepare for the Major Inspection on National Trunk Highway Maintenance and Management. The “Caring Shanghai-Nanjing Expressway” standardized service is another reform of the Company after the “How Are You Project” for meeting social development needs, preparing for the Shanghai World Expo, displaying corporate image and enhancing service content. As the world develops and progresses, the public has higher and newer requirements on our service quality and level. Meanwhile, the development of service content and enhancement of service level within the industry pushes us to reposition our service standard, which involves the penetration of the concepts of customer respect and sincere service into the entire process of customer service.



Through launching the standardized service, a positive work attitude has been cultivated among the staff, and the optimistic and positive spirit and the sincere and courteous service of Jiangsu Expressway people were displayed, significantly improving the image of the Company. The standardized service represents a service concept, a set of service criteria and a courtesy carrier. We actualized our respect and friendliness to the society and customers and aroused interaction and responsiveness among customers through our sincere service. A warm and harmonious social environment has thus been created.

While enhancing the principal business in a steady manner, the Group was also prudently promoting the diversification of businesses. During the year, the property business began to gradually move into a solid development stage, in which the development and construction of individual projects formally commenced. In 2010, for the purpose of maintaining a steady and healthy development in the property market and suppressing the excessive price hikes of some urban residential properties, the State launched in 2010 an array of macro-control policies pertaining to the property market, which resulted in uncertainties in the market and a gradual increase in industry risks. Under such situation, the Group has been very cautious in the development of the property business and remains committed to its established stable development strategy. Based on the regional characteristics of each project, the Group determines positioning in a reasonable manner, adjusts the development strategies and progress for all projects from time to time, and slows down its pace to accommodate to changes in the market and to control investment risks.



- **Thoughts and Strategies on Development Trends**

- **Thoughts on industry development**

In the past 20 years, toll road polices have had an indispensable effect on the rapid development of expressways in China. The toll road industry has made significant contributions in aspects including raising funds for the construction and maintenance of roads, enhancing the management level of roads and alleviating traffic pressure, thereby undertaking a significant role in meeting the service needs arising from the region's economic and social development. The government has also launched an array of policies and management measures to improve the operating environment and regulate the healthy development of the industry. Given the overall road network planning and the scale of toll road development, and along with an increasing degree of marketization, the investment, reconstruction and operation and maintenance of expressways will still have ample room for development over a relatively long period thereafter.

As the economy continues to develop, people's income level will further increase and growth in people's consumption will further accelerate. The developed regions in China will enter quickly into a period of development in which cars will become part of a family. The fast growth in the society's car ownership and the busier economic activities will certainly result in booming traffic demands, which will boost the growth of road operators in the long run.

As the society is developing and the environment keeps changing, new issues inevitably emerge after years of rapid development of the toll road industry, and we need to recognize and consider such issues. While supporting the development of the industry, the government will adjust the policies when necessary, by stage or on a partial basis, in response to the community's benefits and demands. Some of the examples are the implementation of the Green Passage toll-free policy and new discussions on the term of tolling operations and the determination of toll standards, which were aimed to balance social benefits. Although such issues bring uncertainties to the future, they ensure the scientific, rational and durable development of the toll road industry.

Meanwhile, the rapid development in the social economy will certainly raise the requirements for building a more speedy and highly efficient modern transportation system. China's transportation system will gradually enter into a period of rapid development from a system supported by roads only to a system comprising composite means of transportation. The generation of new transportation means will result in changes in the competition patterns in transportation in the future, which requires our long-term attention and adjustment on our operating strategies.

The macro-environment in the future will still bring opportunities for the toll road industry to sustain stable development over a certain period, but the continuously changing situation requires us to have a crisis awareness, to take into account forward-looking issues, and to explore scientific development approaches. Under such situation, in 2011, the Company will seriously analyze its strategic positioning by taking into consideration its own development requirements and characteristics as well as Jiangsu Province's transportation development plan during the 12th Five-Year Plan. Based on the theme of "enhancement of management and services, building of first-class brand and development in a steady and continuous manner", the strategic plan of the Company with respect to the 12th Five-Year Plan will be carefully considered and formulated. Objectives and implementation plan on strategic development for the next five years of the Company will be determined, with a view to defining the direction for the long-term and healthy development of the Company and searching for a new phase of development from a new starting point in history.



# Report of the Directors

## — Thoughts on management and services

As traffic volume grows, contradictions between the public's continuously rising requirements on traveling services and the operations management gradually emerged. The tolerance level of users on traffic congestions becomes lower. There is still a gap between the existing service values, mode of management and management approaches and the public's requirements on services. As a social public service industry, road operation and management enterprises are without "walls". Road operation and management is characterized by its openness and high transparency, in which the goods and the bads of the management and services can directly be seen by the public, leading to considerable social feedback which requires us to deal with seriously and make continuous improvements thereon.

In 2010, the Company launched the "Caring Shanghai-Nanjing Expressway" standardized service campaign, which represented an enhancement of our service values and an innovation in our management approaches. The campaign received full affirmation and compliment from the public and drivers. From now on, we will further extend the campaign to all serving positions and continue to develop the service content, innovate service forms and enhance service quality in order to achieve our service target of "Drive Smoothly on the Caring Shanghai-Nanjing Expressway". Meanwhile, we will accelerate the establishment of a fast and highly effective contingency response mechanism and enhance our capability in providing hindrance-free traffic conditions, thereby maintaining



excellent road quality and providing safe and smooth traveling services. We will also meet the rising traveling demands through improving our management and upgrading our services. We will enhance our capabilities of serving the needs of social economic development and the public so as to maintain our leadership position in the road service industry.

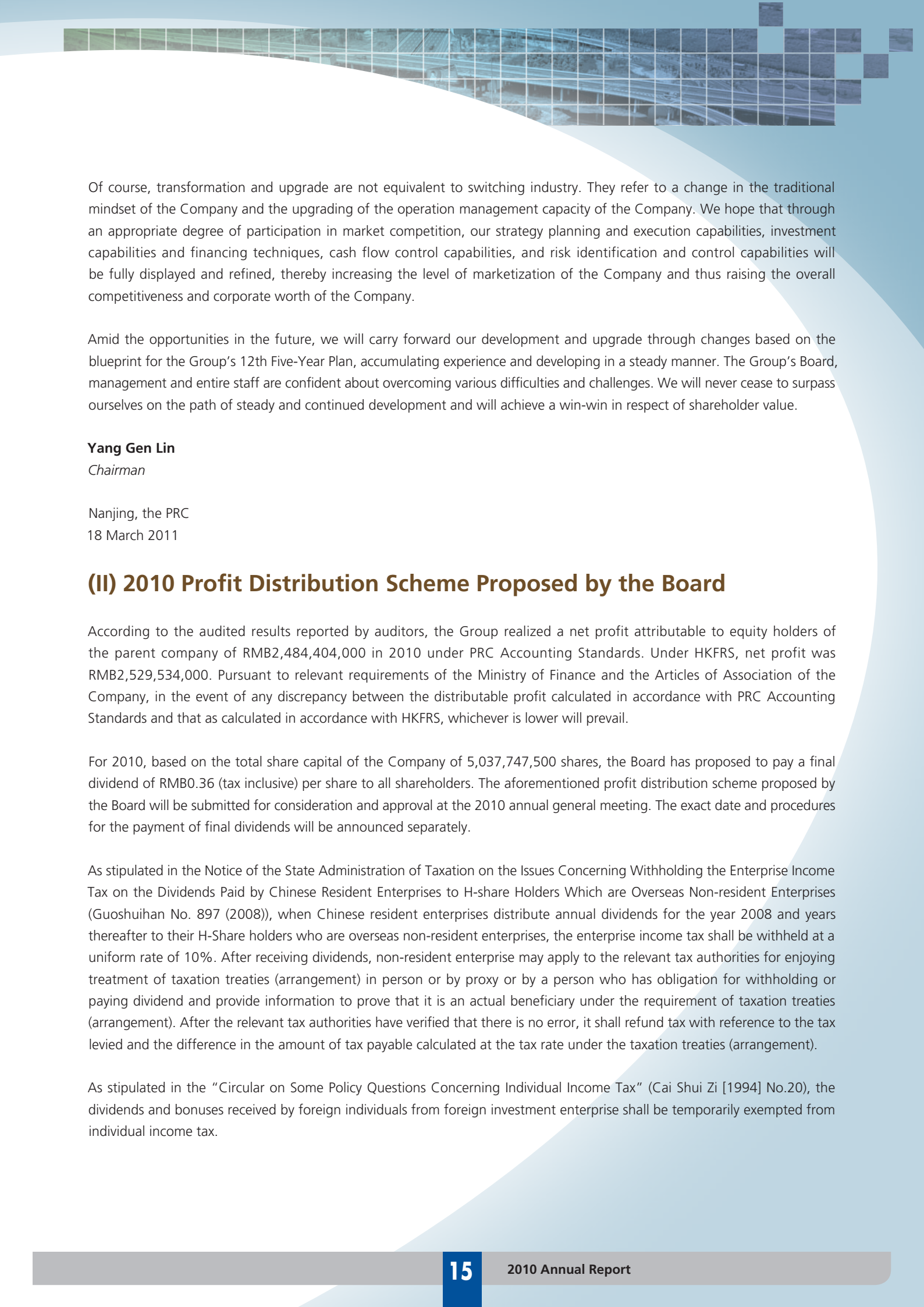
## — Thoughts on sustainable development

Having experienced the rapid growth stage during the initial development period and the second venture period as a result of road expansion, the Company is gradually entering a maturity period with steady development, while the growth in traffic volume and toll revenue may become slower gradually. Meanwhile, as the usage years of roads increase year after year, maintenance costs, operation costs and labor costs will increase gradually correspondingly, the room for increase in profitability is limited.

A natural shortcoming in the toll road industry is the restriction in respect of the term of operating rights, which is the biggest problem for the sustainable development of the Company. Since income of the Company is from a single source, with the over-reliance of profit structure on its principal business in roads and bridges, as the period for toll earning shortens, the long-term development of the Company is restricted. Through constantly buying new road assets, a roll-over operation may be achieved. However, as the return on investment in constructing new roads is low, the overall profitability of the Company may be lowered. As cash flows accumulate year after year and the gearing ratio drops rapidly, the Company will be under great pressure to carry out project investment and business expansion in the next few years.

In view of this, under the macro environment whereby the State proposes changes in the development mode and an acceleration of transformation and upgrade, we should take a long-term view and seriously research on the issue of enterprise transformation and upgrade. We should search for areas for business expansion which suit the Company's own characteristics and fully leverage the competitive advantages of its own resources through an extension of the assets chain of the expressway industry; and focus on considering infrastructure investment projects with high entry barrier, large investment scale and long investment return cycle as well as other investment opportunities in emerging industries. We will aim to expand gradually the proportion of earnings from non-principal businesses and to achieve upgrade and sustainable development of the Company's assets structure.





Of course, transformation and upgrade are not equivalent to switching industry. They refer to a change in the traditional mindset of the Company and the upgrading of the operation management capacity of the Company. We hope that through an appropriate degree of participation in market competition, our strategy planning and execution capabilities, investment capabilities and financing techniques, cash flow control capabilities, and risk identification and control capabilities will be fully displayed and refined, thereby increasing the level of marketization of the Company and thus raising the overall competitiveness and corporate worth of the Company.

Amid the opportunities in the future, we will carry forward our development and upgrade through changes based on the blueprint for the Group's 12th Five-Year Plan, accumulating experience and developing in a steady manner. The Group's Board, management and entire staff are confident about overcoming various difficulties and challenges. We will never cease to surpass ourselves on the path of steady and continued development and will achieve a win-win in respect of shareholder value.

**Yang Gen Lin**

*Chairman*

Nanjing, the PRC

18 March 2011

## **(II) 2010 Profit Distribution Scheme Proposed by the Board**

According to the audited results reported by auditors, the Group realized a net profit attributable to equity holders of the parent company of RMB2,484,404,000 in 2010 under PRC Accounting Standards. Under HKFRS, net profit was RMB2,529,534,000. Pursuant to relevant requirements of the Ministry of Finance and the Articles of Association of the Company, in the event of any discrepancy between the distributable profit calculated in accordance with PRC Accounting Standards and that as calculated in accordance with HKFRS, whichever is lower will prevail.

For 2010, based on the total share capital of the Company of 5,037,747,500 shares, the Board has proposed to pay a final dividend of RMB0.36 (tax inclusive) per share to all shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2010 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

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

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



## Management Discussion and Analysis

In 2010, the management of the Company strove to cope with various challenges and opportunities by carrying out an array of effective strategies and measures. Consequently, remarkable achievements were made in ensuring the safe and smooth operation during the World Expo, maintaining good road quality and elevating the overall management standards. In 2011, amid the operation situation, we strive to set high objectives and requirements for the development, management and services of the Company, achieving continued and healthy development of the Company.

# Management Discussion and Analysis



## (I) Review of Operations Management

In 2010, the management of the Company fully implemented the plans for various tasks, led all staff to carry out its operation progressively but steadily and pushed forward various tasks in accordance with the operations management objectives set by the Board. It strove to cope with various challenges and opportunities by carrying out an array of effective strategies and measures. Consequently, remarkable achievements were made in ensuring the safe and smooth operation during the World Expo, maintaining good road quality and elevating the overall management standards. The overall target of “ensuring safety, smoothness, supplies and service” has also been achieved at higher standards. Specific strategies and measures carried out in relation to its key tasks, together with their results and performance, are set out below:

- **Results Improvement**

During the reporting period, the Group realized aggregated total operating revenues of approximately RMB6,756,244,000, up approximately 17.68% year-on-year, of which toll revenue amounted to approximately RMB4,999,130,000, representing an increase of approximately 16.08% year-on-year; revenue from ancillary services amounted to approximately RMB1,656,851,000, up approximately 36.74% year-on-year; and revenue from other operations amounted to approximately RMB100,263,000, down approximately 55.04% year-on-year. Under PRC Accounting Standards, the Group realized an operating profit of approximately RMB3,332,055,000 during the reporting period, an increase of approximately 22.12% over the same period of 2009. Net profit attributable to equity holders of the Company was approximately RMB2,484,404,000 and earnings per share was approximately RMB0.493, an increase of approximately 23.54% over the same period of 2009. Under HKFRS, profit after taxation attributable to the equity holders of the Company was approximately RMB2,529,534,000 and earnings per share was approximately RMB0.502, an increase of approximately 23.26% year-on-year.

- **Service Enhancement**

**Launching the “Caring Shanghai-Nanjing Expressway” standardized service campaign.** During the year, the “Caring Shanghai-Nanjing Expressway” standardized service campaign was first launched at toll collection positions for the purpose of responding to the development needs of the society, preparing for the Shanghai World Expo and exhibiting the corporate image. Service quality was fully enhanced with respect to the philosophy, approach and applications of service excellence. Standardization covered nine areas, namely service with smiles, service with gestures, staff image, civilized use of language, telephone service, reception etiquette, business handling, smooth operation and service to provide convenience, with an aim to realize the ideas of respecting the customers, expressing politeness and providing sincere service throughout the entire toll collection service. By launching the standardized service campaign, a positive work attitude has been cultivated among staff and team spirit has been enhanced. The appearance of staff was refreshed which was a big step toward achieving a fine brand image of the Company.



# Management Discussion and Analysis

**Further ensuring smooth traffic flows on the roads.** During the year, a special rectification campaign against traffic offences was launched by the Company in active cooperation with the traffic administrative department. On-site management for major cross-border projects was strengthened; the command and dispatch system and the control system were improved. Information exchange with the public was enhanced by means of changeable message signs and traffic broadcast networks, thereby achieving better traffic instructions, enhancing traffic efficiency and ensuring safety and smoothness under heavy



traffic. To enhance traffic flows at toll stations, the application of the electronic toll collection (ETC) system was promoted by the Company. In fact, Shanghai-Nanjing Expressway was the expressway within the Jiangsu expressway network that has achieved 100% coverage of the ETC system. Meanwhile, the second-phase extension work on the road condition monitoring system for Shanghai-Nanjing Expressway has commenced, basically achieving up to full coverage for such road condition monitoring system. The monitoring system was fully utilized to allow for real-time electronic inspection which has enhanced our capabilities of promptly coping with unexpected incidents on the roads.

**Improving contingency response and rescue speed.** In respect of transportation service, fast response and fast hindrance clearance for unexpected incidents were regarded as the starting points for service enhancements by the Company. Based on the principles of focusing on key locations and balanced deployment, hindrance clearance facilities and staff were allocated in a rational manner and hindrance clearance posts and standby posts were increased. Assessment benchmarks requiring arrival for obstacle clearance within 15 minutes, 30 minutes or 45 minutes were set up, and the promptness target of achieving  $\geq 95\%$  arrivals within 45 minutes for providing hindrance clearance service to any location on the expressway was proposed. The mode of operation was also improved through a flexible dispatch of operation vehicles via GPS and a partial implementation of cross-district operation. The hindrance clearance capability was greatly enhanced with a satisfaction rate of 99.82% from customers' feedback.

**Strengthening road maintenance and management.** Taking the opportunity of the Major Inspection on National Trunk Highway Maintenance and Management, the Company commenced its work on road and bridge repairs and refurbishment. The overall condition of the roads was significantly improved, thereby maintaining good road quality. The Company continued to adhere to its policies for preventive maintenance and ad hoc maintenance, setting quality targets of achieving the quality indices of MQI  $\geq 95\%$  and excellent road ratio  $\geq 95\%$ . In 2010, the whole-expressway MQI was averaged at 97.05, with the excellent road ratio being 100%. The ratios for completing road surface repairs within 24 hours and 48 hours for the year were 98.1% and 100% respectively. The roads were maintained in good condition.

- **Management Enhancement**

In 2010, the Company pushed forward various aspects of internal management work steadily alongside its production and operation activities, with more focus on rationalizing the implementation flow of various systems and conducting effective analysis thereon, so as to correct existing problems and achieve innovation in its management mechanisms and approaches in view of new management needs. This was aimed to facilitate management improvement. During the year, the Company strengthened the control on business costs in different aspects. Under the State's gradual tightening of its monetary policies, the Company reduced finance costs through adopting pro-active financing strategies. The Company actively pushed forward enhancement work on its human resources placement and allocation system and implemented a management succession planning strategy. The Company continued to push forward energy conservation measures and reduced energy usage and materials wastage in our operations activities, achieving the management target of 5% reduction year-on-year on overall wastage. Through the implementation of the above measures, a foundation for its management team has been further consolidated which will have positive and far-reaching impact on the long-term and healthy development of the Company.



## (II) Analysis of Business Operations

### 1. Toll Road Business

#### (1) Operations of Road and Bridge Assets

In 2010, the Group's toll roads and bridges business was growing relatively fast, realizing a toll revenue from roads and bridges of approximately RMB4,999,130,000, representing an increase of approximately 16.08% as compared to the same period of 2009. Toll revenue represented 73.99% of the Group's total operating revenue. The operating performance of each road and bridge project is as follows:

#### Comparison of average daily traffic volumes and toll revenues

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	2010	2009	Change %	2010	2009	Change %
Shanghai-Nanjing Expressway	<b>55,913</b>	50,906	9.83	<b>11,414.1</b>	9,732.2	17.28
Shanghai-Nanjing Section of G312	<b>21,094</b>	22,337	-5.56	<b>344.3</b>	366.1	-5.96
Nanjing Section of Nanjing-Lianyungang Highway	<b>5,828</b>	5,230	11.43	<b>138.6</b>	111.7	24.04
Guangjing Expressway	<b>37,500</b>	34,201	9.65	<b>645.6</b>	563.4	14.60
Xicheng Expressway	<b>39,325</b>	36,337	8.22	<b>1,153.6</b>	1,025.7	12.47
Jiangyin Yangtze Bridge	<b>44,009</b>	40,021	9.96	<b>2,148.7</b>	1,915.1	12.20
Sujiahang Expressway	<b>33,776</b>	30,067	12.33	<b>2,459</b>	2,174.9	13.06

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

Road/Bridge	Ratio of traffic volume of passenger/trucks		Ratio of toll revenue of passenger/trucks		Average daily full-trip revenue per vehicle (RMB/day)		
	2010	2009	2010	2009	2010	2009	Change %
Shanghai-Nanjing Expressway	<b>67.5:32.5</b>	68.6:31.4	<b>45:55</b>	47.5:52.5	<b>204.1</b>	191.2	6.75
Shanghai-Nanjing Section of G312	<b>55.7:44.3</b>	54.5:45.5	<b>35.7:64.3</b>	35.2:64.8	<b>16.3</b>	16.4	-0.61
Nanjing Section of Nanjing-Lianyungang Highway	<b>42.5:57.5</b>	49.5:50.5	<b>23.3:76.7</b>	28.3:71.7	<b>23.8</b>	21.4	11.21
Guangjing Expressway	<b>66.4:33.6</b>	66.2:33.8	<b>42.1:57.9</b>	43.9:56.1	<b>17.2</b>	16.5	4.24
Xicheng Expressway	<b>68.8:31.2</b>	68.7:31.3	<b>47.2:52.8</b>	49.3:50.7	<b>29.3</b>	28.2	3.90
Jiangyin Yangtze Bridge	<b>67.9:32.1</b>	67.7:32.3	<b>40.3:59.7</b>	41.4:58.6	<b>48.8</b>	47.9	1.88
Sujiahang Expressway	<b>58:42</b>	58.4:41.6	<b>37:63</b>	38.6:61.4	<b>72.8</b>	72.3	0.69

# Management Discussion and Analysis

In 2010, other than the Shanghai-Nanjing section of G312, the Group's road and bridge projects were all operating in sound condition and recorded growth to varying degrees on average daily traffic volumes and revenues. The adjustments to the toll-by-weight standards for trucks implemented since 1 July 2009 continued to contribute to an increase in toll revenue during the first half of the year. Increases in toll revenues from various road sections were generally higher than increases in traffic volumes. Revenues per vehicle also increased to varying degrees. The Nanjing Section of Nanjing-Lianyungang Highway recorded relatively outstanding performance during the year. As a result of the adjustments to the toll standards for trucks on Ninghuai Expressway which runs parallel to Nanjing-Lianyungang Highway, some vehicles were attracted to Nanjing-Lianyungang Highway which charged less, thereby significantly increasing the proportion of truck traffic on the highway. During the reporting period, average daily traffic volume and average daily toll revenue on the highway increased by 11.43% and 24.04% respectively over the corresponding period of the previous year. As to G312, traffic volume and toll revenue still declined, but the declines had slowed significantly.

Major factors affecting the operating performance of the Group's toll road and bridge projects in 2010 included:

- **Impact of the macro-economic environment**

In 2010, in view of the complex and changing domestic and foreign economic environments, the Chinese government strengthened and improved macro-economic controls and fully leveraged the role of market-oriented mechanisms. The overall operation momentum of the national economy was satisfactory, with a 10.3% year-on-year increase in gross domestic product, up 1.1 percentage points over the previous year.

Under such situation, the Yangtze River Delta region underwent accelerated changes in the mode of economic development and in its structural adjustments. Economic development during the year exhibited a robust and steady development momentum. The rates of increase in the principal economic indicators became gradually stable. Aggregate Economic volume reached a new level, with an average of 12.6% increase in gross domestic product, up 1.6 percentage points over the previous year. The region's aggregate economic volume represented 17.6% of the national volume, the same as the previous year. Export trade resumed rapidly, with a 32.8% year-on-year increase in total exports for the year, up 11.7% over 2008 before the financial crisis.

Representing 46.5% of total GDP and 44% of total exports of its economic region, Jiangsu recorded a 12.6% year-on-year increase in the annual GDP, continuing to maintain the relatively fast growth rate of 2009. The rates of GDP growth in the five cities located in southern Jiangsu where the Company operates all exceeded 13%, indicating strong and robust economic vitality in the region.

GDP Growth Rate	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou	Shanghai
2010	13.3%	13.3%	13.1%	13.1%	13.2%	9.9%
2009	11.5%	13.7%	11.7%	11.6%	11.5%	8.2%

The steady growth in both the Chinese and regional economies is the key factor boosting the organic growth of traffic volume on the Group's road and bridge assets. Rapid and active economic activities drove an increase in traffic demands, particularly goods transportation demand. Since the impact of the financial crisis still lingered in the first half of 2009, and the overall goods transportation base still remained at a relatively low level, the economic rebound in 2010 has brought a relatively rapid growth in goods transportation. In 2010, average daily traffic volume of trucks on Shanghai-Nanjing Expressway increased by approximately 13.5%, 5.3 percentage points higher than the increase in traffic volume of passenger vehicles. The traffic volume of trucks was approximately 32.5% of the total traffic volume, up 1.1 percentage points over 2009. Benefiting from the enlarged proportion of trucks and the adjustment on toll standards for trucks in 2009, toll revenue recorded satisfactory performance, with a 17.28% year-on-year increase. Average revenue per vehicle increased by 6.75%.

- **Impact of traffic demand and growth**

Rapid economic growth drove a steady growth of the transportation industry. In 2010, passenger and cargo transportation volumes in Jiangsu Province rose 12.7% and 17% respectively; and passenger and goods turnovers increased by 13.1% and 18.6% respectively. Cargo throughput at ports amounted to 1.59 billion tons, representing an increase of 19.6%. Of this throughput, cargo throughput due to foreign trade amounted to 0.24 billion tons, up 18.2%.

In 2010, under the positive effect of the series of policies and measures implemented by the State to expand domestic demands and adjust economic structures, the automobile industry of our country continued the development momentum of 2009, with a rapid growth in production and sales of automobiles. According to the statistics of the China Association of Automobile Manufacturers, the annual aggregate volume of production of automobiles totaled 18,264,700 units, a 32.4% year-on-year increase; and sales of automobiles totaled 18,061,900 units, a 32.4% year-on-year increase. As at the end of the year, the nation's vehicle ownership for civilian use totaled 90,860,000 units, representing a 19.3% increase over the end of the previous year. In 2010, the production and sales of automobiles in Jiangsu Province both exceeded one million units. The annual production and sales of automobiles amounted to 1,032,000 units and 1,014,000 units respectively, increases of 50.1% and 49.4% year-on-year respectively. As at the end of the year, the province's vehicle ownership for civilian use totaled 5,677,000 units, representing a 23.9% increase. The continuous increase in consumption demand and ownership of vehicles brought a continuous positive effect on growth in traffic volume on expressways.

<b>Vehicle ownership (‘0000 vehicles)</b>	<b>Nanjing</b>	<b>Zhenjiang</b>	<b>Changzhou</b>	<b>Wuxi</b>	<b>Suzhou</b>	<b>Shanghai</b>
End of 2010	88.1	18.9	45.4	73.5	125	169.5
End of 2009	67.1	15.7	35.9	60.1	101.6	147.3
Growth rate	31.3%	20.4%	26.5%	22.3%	22.9%	18.7%

- **Radiating effect of the Shanghai World Expo**

During the reporting period, the World Expo, also known as the “Olympics of the Economic World”, was successfully held in Shanghai from 1 May to 31 October 2010. The World Expo not only brought tremendous opportunities to the economic development of Shanghai, but also exerted radiating effects toward other cities in the Yangtze River Delta region, which has shared the enjoyment of opportunities in the aspects of manufacturing, logistics, tourism and finance brought by the World Expo. As a result, a deep and harmonious development of the integral Yangtze River Delta region was enhanced.

During the World Expo, positive effects have also been brought to the Group's business. Visitor flows from nearby localities to Shanghai and short-distance tourism in neighboring areas have boosted road traffic volume to a certain degree and stimulated the growth of customer volume at the service areas, which was mainly reflected by the significant year-on-year increase in the number of large passenger vehicles represented by tour coaches. However, as large passenger vehicles only represented around 7% of the total traffic volume, the positive effect on the growth of traffic volume was relatively mild.

- **Effect of changes in competition patterns within the transportation sector**

During the reporting period, there was further development on the transport infrastructure in the region. As at the end of 2010, total operating expressway mileage in Jiangsu Province amounted to 4,059 kilometers, with 304 kilometers of new expressways added which are mainly located in northern Jiangsu. No other new competing road sections were completed and opened to traffic within the Group's operating territory, and therefore the operating environment of our road network was stable.

# Management Discussion and Analysis

On 1 July 2010, the Inter-city High-speed Railway between Shanghai and Nanjing, a passenger dedicated railway line, was officially put into operation, which replaced the original train units. Significant improvements in transportation volume and efficiency have since been seen. The new means of transport will result in a new competition pattern in passenger transportation between Shanghai and Nanjing regions. However, judging from current market response, we observe that normal customers are relatively more sensitive to the ticket price than to the efficiency of the High-speed Railway. After the High-speed Railway came into operation, some middle to low-end customers who do not have a demanding need on traveling time have reverted to highway passenger transportation which has a significant price advantage.

Therefore, traffic volumes of our expressways to date have not suffered diversions as a result of the operation of the Shanghai-Nanjing High-speed Railway. The pattern of competition between highway and railway passenger transportations (Shanghai-Nanjing) remained stable. However, since its commencement of operation, the railway's operation schedule and business strategies are being revised continuously according to market needs in order to provide more convenient and efficient services, with a number of adjustments having been made on the operations so far. Whether this will create traffic diversions subsequently requires a long-term observation.

- **Effect of changes in toll road policies**

In 2010, domestic toll expressway policies remained generally stable. During the year, Jiangsu Province has made adjustments two times to the Green Passage policy for transportation of fresh and live stocks. The first round of adjustments was made in June, in which the toll-free policy on the Green Passage implemented in the province was further improved: the criteria for fresh and live stocks were defined expressly; the loading proportion was increased from 70% to 80%; mixed packing and consolidated packing are prohibited; and the original toll-free entitlement for the portion within 30% of the exceeded limit of the fresh and live stocks transported was cancelled. Such adjustments further defined the conditions for toll-free transportation of fresh and live stocks and raised the relevant standards. A slight decrease in the amount of toll fees waived for using Shanghai-Nanjing Expressway was recorded after the adjustments.



Under the inflation pressure and amid the food and vegetable price hikes in the second half of the year, Jiangsu Province made another round of adjustments to the Green Passage policy with effect from 1 December as required by the "Urgent Notice on Further Improvement and Implementation of the Green Passage Policy for the Transportation of Fresh and Live Stocks" issued by the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance. As a result, the toll-free policy for transportation of fresh and live stocks was extended from the original "one vertical and two horizontal" expressways to all toll roads within the entire province. As vehicles transporting fresh and

live stocks would travel as much as possible on toll roads to improve transportation efficiency, after the Green Passage toll-free policy was implemented on all toll roads in the province, there was an increase in toll-free traffic volumes within the Company's road network.

In 2010, total toll fees waived for vehicles using the Green Passage amounted to approximately RMB130 million, representing 2.6% of total toll revenue and a year-on-year increase of approximately 7.4%.



## 2. 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 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.

In 2010, the Company realized a revenue of approximately RMB1,656,851,000 from ancillary services, an increase of approximately 36.74% over the corresponding period of the previous year. Of this revenue, revenue from petroleum product sales was approximately RMB1,471,777,000, an increase of approximately 38.39% over the corresponding period of the previous year, representing approximately 88.83% of total ancillary services revenue. The increase in traffic and the price advantage of petroleum products in Jiangsu compared to Shanghai have led to an increase in petroleum products sales, with refueling volume at service areas increasing by 20.71% year-on-year. On the other hand,



the price increases on petroleum products was another factor causing a substantial revenue growth from petroleum products sales. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services amounted to RMB185,074,000, an increase of approximately 24.9% over the corresponding period of 2009.

## 3. Other Business Operations

Other businesses of the Company mainly comprise the project development and operations of two subsidiaries, Ninghu Investment and Ninghu Properties. In 2010, the Company realized a revenue from other business operations of RMB100,263,000, down 55.04% year-on-year.

Ninghu Investment is principally engaged in the distribution of advertising media along Shanghai-Nanjing Expressway and in other investments. In 2010, the sales of the Kunshan real estate project developed by Ninghu Investment approached completion. Revenue from the sales of properties realized during the period amounted to RMB48,377,000, down 72.46% year-on-year. Revenue from the advertising business amounted to RMB48,675,000, up 10.36% year-on-year.

Ninghu Properties is principally engaged in property development and operation. In 2009, the real estate business formally commenced. During the reporting period, Ninghu Properties was carrying out preliminary works in the projects and did not make any revenue or profit contribution yet.

In 2010, for the purpose of maintaining a steady and healthy development in the property market and suppressing the excessive price increase of some urban residential properties, the State promulgated an array of macro-control policies to cool down the property market, which resulted in a greater wait-and-see sentiment in the market. In view of the uncertainties facing the property market with regard to the policy environment, the industry trends and the competitive situation, Ninghu Properties adhered to its established stable development strategy, determined reasonable positionings for existing projects, adjusted the development strategies and progress for all projects from time to time, and slowed down its pace to accommodate the changes in the market.

# Management Discussion and Analysis

In June 2010, construction works on Lot C4 at Huaqiao International Service Business Park in Kunshan formally commenced, which marked the move of the Company's property business into the development stage. Later, construction works and pre-sale preparation commenced gradually in a number of projects in Huaqiao, Suzhou and so forth. Aggregated funds injected into the development and construction of property projects for the year amounted to RMB240 million, mainly for final payments for land, progress payments for construction works of relevant projects and relevant costs on the pre-development stage of the projects. Details and progress of various projects were as follows:

- **Land lots at Huaqiao International Service Business Park in Kunshan**

On 29 September 2009, by submitting bids at an auction, Ninghu Properties won seven lots at Huaqiao International Service Business Park in Kunshan, with a total cadastral 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.

As the only provincial-level development zone in Jiangsu Province which undertakes the modern services industry as its key industry, Huaqiao International Service Business Park is situated in the Kunshan Huaqiao Economic Development Zone, on the border between the Shanghai Municipality and Jiangsu Province and less than 25 kilometers away from Shanghai's city proper. According to its functional positioning and overall planning, the Huaqiao International Service Business Park will be able to fully leverage its geographical advantage of being close to Shanghai. It will provide services for business affairs in Shanghai and endeavor to establish a services outsourcing base and an exemplary national-level financial services outsourcing zone, building itself into a satellite business services city for metropolitan Shanghai.


Huaqiao International Service Business Park has the advantage of convenient traffic. G312 passes through the area from east to west. Shanghai-Nanjing Expressway and Tongshan Expressway meet there with interchanges for exit/entrance, providing convenient traffic for the service business park. With regard to railway transportation, it takes only 18 minutes between Shanghai and Kunshan by inter-city express train. Both the Shanghai-Nanjing High-Speed Railway and the Beijing-Shanghai High-speed Railway have stops at Kunshan. Meanwhile, the Shanghai Subway Line No. 11 to be completed in 2012 will directly extend to the service business park and other public transportation networks and taxi systems accessible to Shanghai are being developed. Such regional transportation measures will shorten the distance between Shanghai and Kunshan, allowing the gradual emergence of the "one-city effect" of the service business park and Shanghai.



Given the geographic characteristics of the land lots at Huaqiao and combining the modern transportation means including expressways, high-speed railways and subways within the same city, the Company decided to name the series of projects on the land lots at the Huaqiao International Service Business Park as "One City" which will serve as a unified concept for the Company's first lot of products to be introduced into the market. Furthermore, sub-project names were designed and refined based on the names of well-known locations in Shanghai. As a result, project C4 and project C7 were named "Hongqiao Image, One City" and "Pujiang Centre, One City" respectively.

C4 "Hongqiao Image, One City" is a residential project with a land area of 21,900 square meters. The area for development and construction is approximately 52,000 square meters. The area for sale is approximately 42,000 square meters. Construction works commenced in June 2010 and pre-sale officially began in January 2011.

C7 "Pujiang Center, One City" is a commercial project with a land area of 30,265 square meters. The area for development and construction is approximately 70,000 square meters. The area for sale is expected to be approximately 54,000 square meters. Preparation for construction works is completed and construction is expected to commence on a full scale in the first half of 2011.



Lot C5 is a hotel project with a land area of 20,837 square meters. During the reporting period, the Company engaged the professional UHC Hotel Consultancy Company to provide strategic advice on the project. The hotel's positioning and investment scale were initially determined, with a plan to introduce an internationally renowned hotel management company to start the project.

The remaining land lots are commercial and residential projects currently under planning and design 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 on Xida Street, Xinshi Road, Canglang District, Suzhou, with a total cadastral 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.

As an old city with a history of a thousand years, Suzhou has a deep cultural foundation. As the economic strength of Suzhou rises rapidly, land lots in the ancient castle district of Suzhou are becoming precious as a result of the scarce supply of land and housing resources. Their underlying commercial value leads to keen competition among developers, resulting in surging land prices. Under the government's policy direction focusing on protecting the heritage value of the ancient castle district, construction in the ancient castle district is subject to particularly stringent restrictions. Construction of high-end ancient-style villas is the major residential development direction in this precious district. The architectural style will mainly be Chinese, classically simple, low-density and with a high degree of plantation, thereby maintaining harmony with the surrounding ancient garden.

Therefore, the Company will also develop its land lot into a traditional Suzhou courtyard-house style with layout and landscape design reflecting the local characteristics and the garden style of Suzhou. The project is named "Qingyuan", with an area for development of approximately 28,000 square meters. Currently, the land-use certificate and other relevant development formalities have been processed and construction on a full scale has commenced. Preparation work on pre-sale has been launched and pre-sale is expected to begin in the middle of 2011.

- **Land lot 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 cadastral 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.

Directly adjacent to the Xinlin New District of Nanjing City, Baohua is a district extended from and influenced by Nanjing City. The Xinlin New District of Nanjing City focuses its development on the higher education sector and the new high-tech industry, with 11 institutes of higher education such as Nanjing University and Nanjing Normal University having already moved in. A new phase of urban construction in that district has commenced, and its infrastructure planning and construction will be fully hooked up with those of Baohua Town. The Jurong City Government has also timely proposed a plan to build the Baohua area into the "New Eastern Suburb of Nanjing".

Currently, the Shanghai-Nanjing High-speed Railway has a stop at Baohua. It takes only 10 minutes to the urban area of Nanjing. The eastern extension of Nanjing Subway Line 2 will stimulate the development of the Baohua area. Well-connected expressways, national roads and city ring roads have formed a convenient and fast traffic network. The "one-city effect" with Nanjing is gradually emerging in Baohua. The scenic-heritage living environment in the New Eastern Suburb of Nanjing is being formed step-by-step, allowing people to stay away from the noisy urban area while enjoying the proximity for convenience and prosperity of an urban life.

# Management Discussion and Analysis

On 20 January 2010, Ninghu Properties won the bids for lots Nos. 02 and 03 in Jurong City, with a cadastral area of 23,900 square meters and 26,667 square meters respectively for total considerations of RMB53,800,000 and RMB60,000,000 respectively. However, due to the adjustment in land planning by the Jurong City Government, the Company surrendered the land development rights of the two lots as required by the government.

The development focus of land lots A and B in Baohua is high-end residential properties with a variety of elements including row villas, garden houses and sub-high rise flats, so as to meet the needs of different consumers. Taking into consideration the extension plan of Nanjing Subway as well as the Jurong City Government's initiative to build Baohua as the "New Eastern Suburb of Nanjing", the Company has also planned to introduce the "One City" concept into the marketing scheme of this project, forming part of the Company's maiden series of the property products.

As at the end of the reporting period, the land use certificates for land lots A and B were under process. The planning proposal and scheme and tender invitations for sales agencies have been completed. Various preliminary procedures have been proceeding in order and the projects have entered into the construction planning and application phase.

## 4. Operations and Results of Subsidiaries

Name of Company	Scope of Business	Investment cost RMB' 000	Equity of the Company (%)	Total assets RMB'000	Net assets RMB'000	Net profit RMB'000	Percentage over the Company's Net Profit (%)	Year-on-year Increase / decrease on net profit (%)
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway in Jiangsu	2,125,000	85	3,106,925	3,007,374	352,863	13.89	12.05
Jiangsu Ninghu Investment Development Co., Ltd.	Investment in various infrastructure, industrial and assets investment	95,000	95	282,823	239,577	44,112	1.74	-31.34
Jiangsu Ninghu Properties Co., Ltd.	Development and operation and consultancy of properties	200,000	100	1,533,335	201,223	-176	-	81.58



## (III) Analysis of Operating Results and Financial Conditions

### 1. Analysis of Operating Results

#### — Change in operating revenue and costs

In 2010, the Group recognized an aggregate operating revenue of approximately RMB6,756,244,000, representing an increase of approximately 17.68% as compared to the corresponding period of 2009. Operating costs amounted to approximately RMB2,958,850,000 in aggregate, representing an increase of approximately 18.66% as compared to the corresponding period of 2009. The growth rate of revenue was slightly lower than the growth rate of costs, leading to a decrease of 0.36 percentage point 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 (%)	
	2010 RMB'000	Change over the previous year (%)	2010 RMB'000	Change over the previous year (%)	2010	Change over the previous year
<b>Toll road</b>	<b>4,999,130</b>	16.08	<b>1,311,087</b>	10.83	<b>73.77</b>	Increased by 1.24 percentage points
Shanghai-Nanjing Expressway	<b>4,166,149</b>	17.28	<b>847,429</b>	10.79	<b>79.66</b>	Increased by 1.19 percentage points
Shanghai-Nanjing Section of G312	<b>125,673</b>	-5.96	<b>255,471</b>	0.97	<b>-103.28</b>	Decreased by 13.95 percentage points
Nanjing Section of Nanjing-Lianyungang Highway	<b>50,592</b>	24.04	<b>22,626</b>	17.00	<b>55.28</b>	Increased by 2.69 percentage points
Guangjing Xicheng Expressway	<b>656,716</b>	13.23	<b>185,561</b>	27.34	<b>71.74</b>	Decreased by 3.14 percentage points
<b>Ancillary Service</b>	<b>1,656,851</b>	36.74	<b>1,604,842</b>	37.57	<b>3.14</b>	Decreased by 0.58 percentage point
<b>Other Services</b>	<b>100,263</b>	-55.04	<b>42,921</b>	-70.21	<b>57.19</b>	Increased by 21.79 percentage points
<b>Total</b>	<b>6,756,244</b>	17.68	<b>2,958,850</b>	18.66	<b>56.21</b>	Decreased by 0.36 percentage point

- During the year, due to the fact that Guangjing Xicheng Expressway amortized a cost of RMB18,000,000 on partial renovation on road surface and that regular maintenance costs increased, there was a significant change in operating costs, namely an increase of 27.34% year-on-year.
- During the year, as sales of properties decreased, both revenue and costs decreased significantly. Meanwhile, since the revenue share of the high-profit-margin advertising business increased, the gross profit margin of Other Services increased by 21.79 percentage points year-on-year.

# Management Discussion and Analysis

## Cost structure of toll road operations:

During the reporting period, the cost structure of toll road operations remained basically stable. Other than the drop in traffic volume of G312, the traffic volumes of the Group's other road sections recorded year-on-year growths to varying degrees, resulting in a corresponding increase in the depreciation and amortization of operating rights of roads. To prepare for the Major Inspection on National Trunk Highway Maintenance and Management, during the year, the Company launched full-scale appearance rectification works on the road sections under its operation based on the inspection requirements. A relatively large sum was committed to special maintenance works on the road and bridge projects, resulting in an increase of RMB48,307,000 or 64.60% in maintenance costs. In addition, during the year, system maintenance costs increased by 13.86% due to the introduction of the toll fee receipt system and the vehicle license plate identification system as well as the upgrade and renovation of toll-by-weight facilities.

Operating costs of toll road operation	2010 RMB'000	Percentage over total operating costs %	2009 RMB'000	Percentage over total operating costs %	Change over the previous year %
Depreciation and amortization	813,656	62.06	759,562	64.21	7.12
Costs on toll collection operation	346,617	26.44	324,315	27.41	6.88
Costs on roads and bridges maintenance	123,081	9.39	74,774	6.32	64.60
System maintenance	27,733	2.11	24,358	2.06	13.86
Total	1,311,087	100	1,183,009	100	10.83

## — Investment Income

In 2010, the Group's investment income amounted to RMB243,082,000, up 38.62% year-on-year. Of the income, investment income contributed by associates, in which the Group had equity investments, amounted to approximately RMB213,787,000, representing an increase of 22.72% as compared to 2009 and accounting for approximately 8.42% 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	294,238	98,069	3.86	38.31
Jiangsu Kuailu Motor Transport Co., Ltd.	Road transportation, automobile repair and sales of automobiles and automobile parts and components	49,900	33.2	16,041	7,160	0.28	—
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	408,492	108,904	4.29	7.43

- Benefiting from various factors including an increase in toll revenue and a drop in finance costs, Sujiahang Co. registered an increase in net profit of 38.31% year-on-year, leading to a year-on-year increase in its investment income contribution.
- Benefiting from the Shanghai World Expo, the Shanghai-Nanjing passenger line of Kuailu Co. recorded a substantial increase in actual transportation rate. The operation condition improved significantly and the company recorded a substantial results growth.

### — Administrative expenses

During 2010, administrative expenses of the Group amounted to RMB163,629,000 in aggregate, basically at par with the level in the corresponding period of 2009. During the year, the Company continued to carry out energy conservation measures and has made good achievement. Although the administrative expenses of a subsidiary increased due to the development of property projects, total administrative expenses of the Group were still under effective control.

### — Finance Costs

As at 31 December 2010, total interest-bearing loans of the Group amounted to RMB6,267,105,000, representing a decrease of RMB1,524,468,000 as compared to the corresponding period in 2009. As interest-bearing loans decreased and 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 paper and trust products, finance costs of the Group during the reporting period were under effective control in general. Aggregate finance costs amounted to RMB362,391,000, representing a decrease of 6.36% year-on-year. The Company's consolidated borrowing cost of interest-bearing loans was approximately 4.78%, approximately 0.66 percentage point lower than the prevailing bank borrowing rate and slightly lower than that of the same period of the previous year.

### — Income Tax

The statutory tax rate of the Group was 25% while operating tax rate of toll revenue from expressway vehicles was 3%. In 2010, income tax expense of the Group amounted to RMB792,652,000 in aggregate, representing an increase of 21.86% as compared to the corresponding period in 2009.

### — Items Calculated on a Fair Value Basis

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 Group. Of the assets, the fair value of "investment in equity products held for trading" at the end of the year was RMB6,000 and the fair value of "investment in spot gold" at the end of the year was RMB60,138,000. The market prices of the investment in spot gold at the end of the year and related information were sourced from the prices published by the Shanghai Gold Exchange. During the reporting period, the Company did not hold any financial liabilities calculated on a fair value basis.

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
<b>Financial assets</b>					
Including: 1. Investment calculated on a fair value basis with changes in the value accounted for as current profit or loss	52,100	1,270	—	—	60,144
2. Available-for-sale investment	—	—	—	—	—
Total	52,100	1,270	—	—	60,144

# Management Discussion and Analysis

## 2. Analysis of Financial Conditions

### — The Group's capital structure

The Company has long been focusing on maintaining a reasonable capital structure with an aim to maintain a sound credit rating and a healthy financial position, thereby increasing shareholder's value. With the Group's stable growth in operating results and abundant cashflow as well as the current arrangement of debt structure, the management of the Company is of the view that the current gearing ratio is at a reasonable level.

Under PRC Accounting Standards, the capital structure of the Group as at 31 December 2010 is as follows:

Item	As at 31 December 2010		As at 31 December 2009		Change over the previous year %
	RMB'000	%	RMB'000	%	
Current liabilities	3,795,237	15.24	3,771,363	14.79	0.63
Non-current liabilities	3,078,212	12.36	4,518,044	17.72	-31.87
Loans at fixed interest rates	3,017,105	12.12	4,201,573	16.48	-28.19
Loans at floating interest rates	3,250,000	13.05	3,590,000	14.08	-9.47
Interest-free loans	606,344	2.43	497,834	1.95	21.80
Equity attributable to equity holders of the Company	17,563,723	70.55	16,756,571	65.72	4.82
Minority interests	460,321	1.85	450,226	1.77	2.24
Total assets	24,897,493	100.00	25,496,204	100.00	-2.35
Gearing ratio:	—	27.61	—	32.51	Decreased by 4.9 percentage points

- During the reporting period, the Group returned a portion of short-term borrowings, and loans at fixed interest rates decreased significantly. As the medium-to-long-term loans occurred during the expansion period was expiring in turn, loans at floating interest rates also decreased. The increase in interest-free loans was due to the year-on-year increase in items including tax payable. The Group had abundant cash flow during the financial year, and repaid interest-bearing loans of RMB1.524 billion. As a result, total liabilities decreased by 17.08% and the gearing ratio decreased by 4.9 percentage points year-on-year.



Under HKFRS, the capital structure of the Group as at 31 December 2010 is as follows:

Item	As at 31 December 2010		As at 31 December 2009		Change over the previous year %
	RMB'000	%	RMB'000	%	
Current liabilities	<b>3,795,237</b>	<b>16.05</b>	3,771,363	15.58	<b>0.63</b>
Non-current liabilities	<b>3,078,211</b>	<b>13.01</b>	4,518,044	18.67	<b>-31.87</b>
Loans at fixed interest rates	<b>3,017,104</b>	<b>12.76</b>	4,201,573	17.36	<b>-28.19</b>
Loans at floating interest rates	<b>3,250,000</b>	<b>13.74</b>	3,590,000	14.83	<b>-9.47</b>
Interest-free loans	<b>606,344</b>	<b>2.56</b>	497,834	2.06	<b>21.80</b>
Equity attributable to equity holders of the parent company	<b>16,316,491</b>	<b>68.99</b>	15,464,209	63.89	<b>5.51</b>
Minority interests	<b>460,321</b>	<b>1.95</b>	450,226	1.86	<b>2.24</b>
Total assets	<b>23,650,260</b>	<b>100</b>	24,203,842	100	<b>-2.29</b>
Gearing ratio:	—	<b>26.50</b>	—	32.19	<b>Decreased by 5.69 percentage points</b>

Gearing ratio: interest-bearing loans / total assets

#### — Asset liquidity and financial resources

The Group is principally engaged in the operation of toll roads and bridges. Operating activities relating to the day-to-day toll business are received in cash, with which the Group has a stable operating cashflow. In 2010, cash inflow from the Group's operating activities amounted to approximately RMB7,026,655,000; net cash inflow from operating activities amounted to approximately RMB3,391,632,000. During 2010, the Company has obtained credit facilities from banks amounting to RMB9.45 billion. Of such amount, RMB3.93 billion has been utilized and the unutilized credit facilities from banks amounted to RMB5.52 billion. The Group has a stable and abundant operating cashflow and adequate credit facilities from banks; and has made appropriate financing arrangements to fulfil the needs of repayments, dividend distribution and capital expenditure. As such, the management believes that the Group does not have any cash liquidity problem.

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

Item	As at 31 December 2010 The Group (RMB'000)	As at 31 December 2009 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	<b>270</b>	354
Bank deposits	<b>474,815</b>	517,466
Total:	<b>475,085</b>	517,820
Loans		
Short-term bank loans	<b>1,890,000</b>	3,075,850
Long-term loans due within one year	<b>1,299,210</b>	201,692
Long-term bank loans	<b>3,077,895</b>	3,420,451
Bonds repayable	<b>0</b>	1,093,580
Total	<b>6,267,105</b>	7,791,573

— The Group's bond of RMB1.1 billion (amounting to RMB1,097,569,000 at the end of 2010) will expire in July 2011. The bond has been moved from bonds repayable to long-term loans due within one year.

# Management Discussion and Analysis

## — Major sources of cash and their applications

Unit: RMB'000

	2010	2009
Net cash flow from operating activities	3,391,632	1,797,660
Net cash flow from investing activities	39,415	-138,755
Net cash flow from financing activities	-3,473,782	-1,601,678
Net increase in cash and cash equivalents	-42,735	57,227

- During the reporting period, owing to an increase in income from principal business and a decrease in cash outflow from the operating activities of a subsidiary's property projects, net cash flow from operating activities increased by RMB1,593,972,000 year-on-year.
- Owing to an increase in cash from investment received by the Company and a decrease in cash in purchasing capital, net cash flow from investing activities during the reporting period increased by RMB178,170,000 year-on-year.
- During the reporting period, the Group utilized its abundant net operating cash flow to repay liabilities. As a result, net cash flow from financing activities decreased by RMB1,872,104,000 year-on-year.

## — Capital expenditures

In 2010, the Group's planned capital expenditures actually incurred amounted to approximately RMB118,545,000, representing a decrease of 56.86% or RMB156,268,000 from 2009. The capital expenditure on projects was mainly the balance payment made for the expansion works of Shanghai-Nanjing Expressway and the partial renovation on surface of Guangjing Xicheng Expressway. As at the end of the reporting period, the balance payment for the expansion works of Shanghai-Nanjing Expressway amounting RMB80,400,000 has not been paid.

In 2010, the implementation of Group's capital expenditure projects and amounts are as follows:

Capital Expenditure Project	RMB'000
Balance payment for the expansion works of Shanghai-Nanjing Expressway	13,215
Partial renovation on surface of Guangjing Xicheng Expressway	63,630
Others	41,700
Total	118,545

## — Financing activities and financial costs

During the reporting period, the State gradually tightened its monetary policies. The loan scale of financial institutions shrank significantly and commercial banks gradually ceased to provide special offers for loans. Based on its sound financial conditions, steady cash flows, good credit track records and fine reputation in the industry, the Company continued to be entitled to the prime rates of commercial loans under the interest rate policy of the People's Bank of China, thereby enjoying lower financing costs. Meanwhile, the Company actively expanded its financing channels and adjusted its debt structure, with a view to lowering financing costs. With the arrangement of a series of aggressive and effective financing activities, the Company's financing risks and financial risks were effectively controlled as a whole. The Company has also effectively lowered financing costs on the premises of maintaining financial safety. In 2010, the Company's consolidated borrowing cost of interest-bearing loans was approximately 4.78%, approximately 0.66 percentage point lower than the prevailing bank borrowing rate, slightly lower than that of the same period of the previous year.

In 2010, 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 Commercial Paper	2010-08-16	1 year	10	2.87	5.31	45.95
Jiangsu International Trust (省國際信託)	2010-04-09	around 6 months	5	4.374	4.86	10
BOC Trust (交銀信託)	2010-06-02	6 months	5	4.374	4.86	10

## — Financial assets and financial liabilities held in foreign currencies

During the reporting period, financial liabilities in foreign currencies held by the Group at the end of the year amounted to RMB29,535,000. A borrowing facility of US\$9.80 million was secured in 1998 from Bank of China, Jiangsu Branch for acquiring imported facilities and technology. The borrowing facility comprised approximately US\$4.90 million credit facility to the purchaser and a loan of US\$4.90 million from the Spanish Government. The borrowing of the credit facility to the purchaser has been settled in 2006. The loan from the Spanish Government will be repaid half-yearly by 40 equal installments from January 2009 with reference to the actual borrowing amount.

The Group operates its businesses principally in China. No major foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for dividend payments for H shares. The Group has not made any foreign exchange hedge against liabilities held in foreign currencies. Fluctuations in exchange rates will not have any material impact on the Company's results.

Unit: RMB'000

Item	Amount at the beginning of the period	Profit/loss of fair value change during the reporting period	Aggregate fair value change accounted for as equity	Impairment made during the reporting period	Amount at the end of the period
Financial assets	5,476	—	—	—	3,137
Financial liabilities	32,143	—	—	—	29,535

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## — Pledge of assets

As at 31 December 2010, the Company did not have any pledge of assets.

## — Contingent liabilities

As at 31 December 2010, the Company did not have any contingent liabilities.

## — Trust deposits

As at 31 December 2010, the Company did not have any trust deposits with any financial institutions in China or any fixed term deposits which were irrecoverable upon their maturity.

## — Trust loans

During the reporting period, the Company secured RMB600,000,000 from its subsidiary Guangjing Xicheng by way of a trust loan with a term of one year at an annual interest of 4%. The Company also secured a loan of RMB210,000,000 from its connected company Far East Shipping by way of a trust loan with a term of one year and carrying an interest rate prevailing among the banks in the same period. As at 31 December 2010, the balance of trust loans with related companies amounted to RMB810,000,000.

## — Reserves

Unit: RMB'000

	Share capital	Capital reserve fund	Statutory surplus reserve fund	Undistributed profit	Equity attributable to equity holders of the parent company
1 January 2009	5,037,748	7,555,403	1,524,823	1,850,947	15,968,921
Profit of the year	—	—	—	2,010,972	2,010,972
Other comprehensive income	—	136,870	—	—	136,870
Profit distributed	—	—	222,902	-222,902	0
Dividends distributed	—	—	—	-1,360,192	-1,360,192
31 December 2009	5,037,748	7,692,273	1,747,725	2,278,825	16,756,571
1 January 2010	5,037,748	7,692,273	1,747,725	2,278,825	16,756,571
Profit of the year	—	—	—	2,484,404	2,484,404
Other comprehensive income	—	-115,550	—	—	-115,550
Profit distributed	—	—	274,357	-274,357	0
Dividends distributed	—	—	—	-1,561,702	-1,561,702
31 December 2010	5,037,748	7,576,723	2,022,082	2,927,170	17,563,723

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.



## (IV) Prospects and Plans

### • Developments in the Regional Economic Environment

Year 2011 marks the beginning of the implementation of the 12th Five-Year Plan for the development of a new era. A long-standing front-runner in domestic economic development, the Yangtze River Delta region is seeking an overall “jump” in its model of development. The “economic integration” of the Yangtze River Delta region is proceeding at an accelerating pace with the market environment being further improved, which sparks vitality in the regional economic development for a period of time to come.



On 25 May 2010, “The Regional Plan for the Yangtze River Delta Region” was approved by the State Council. This will further enhance the overall strength and international competitiveness of the Yangtze River Delta, resulting in the emergence of an innovation-driven and transformation-oriented model of development, which will allow the transformation and upgrade of the industry structure to take place at a significantly faster pace. Backed by its wealth of experience, exceptional geographic location and first-mover advantage in economic transformation, the Yangtze River Delta is expected to enjoy a slightly faster economic growth compared to the national standard during the long transformation period.

The Plan proposed that in the future development of the Yangtze River Delta region, Shanghai, being the core of development, will be developed together with the region framed by the six “development belts” including those located along the Shanghai-Nanjing line, the Yangtze River line and the Hangzhou Bay line. The development in the Shanghai-Nanjing development belt will follow the principle of intensification, innovation and betterment with an aim to build an interlinked metropolitan area at a world-class level. Shanghai-Nanjing Expressway, the core asset of the Group, is located in the central area of the Yangtze River Delta region and connects to Shanghai, the region’s core. It is literally a “golden path”. The development of regional economic integration will strengthen economic exchange while the development of the metropolitan area will also boost growth in traffic volume.

However, the transformation and upgrade of the regional economy will also lead to structural changes in traffic demands. The added value of products in the Yangtze River Delta region may increase gradually following the industry upgrade. The plan for multiplied growth of emerging industries and the upgrade plan for traditional industries implemented on a big scale in Jiangsu Province also aim to elevate the class and added value of products. This will result in a gradual decrease in the size and volume of goods of the same value, thereby leading to slower growth in demands for goods transportation.

### • Developments in the Regional Transportation Environment

Compared to the large-scale expressway construction still under way in the central and western regions of China, the expressway networks in Jiangsu Province, particularly the southern Jiangsu road network, is comparatively comprehensive. Under Jiangsu Province’s second-stage plan for expressway construction, by 2015, total mileage of expressway networks will exceed 5,200 km, of which the mileage of newly added expressways during the 12th Five-Year Plan period will be approximately 1,150 km. Such portion of expressways will mainly be in the northern Jiangsu region. Therefore, the external environment where the Group operates its principal business will remain relatively stable, with limited diversion pressure from newly constructed roads.

During the 12th Five-Year Plan period, the investment focus of construction of transportation infrastructure in Jiangsu Province will shift from expressways to railways. By 2015, a developed and comprehensive railway network will be built across the entire province with an operating mileage of over 3,200 km, of which approximately 1,200 km will be newly added mileage. In July 2010, the operation of the Shanghai-Nanjing High-Speed Railway has commenced. In June 2011, the Beijing-Shanghai High-Speed Railway will also commence operation. Although this will enhance railway passenger-carrying capacity in regions between Shanghai and Nanjing, the arena of competition between Beijing-to-Shanghai high-speed railway and expressways will be the cross-province long-distance passenger transportation market. Users of Shanghai-Nanjing Expressway are mainly regional traffic users with an average travel distance (of passenger vehicles or trucks) of approximately 60 km, which is not very

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relevant to the long-distance transportation market. In the short run, traffic volumes of the Group's expressways will basically not be affected by the high-speed railways. In respect of goods transportation on expressways, although the commencement of operation of the two passenger dedicated lines of the Shanghai-Nanjing High-Speed Railway and the Beijing-Shanghai High-Speed Railway will release the goods transportation capacity of the original railways, the cost advantage of railway transportation pertains to the transportation of long-distance and low-added-value goods. In the short run, adverse effects brought by railways to expressway transportation are minimal.

## • Effects of Macro-economic Policies

In 2011, China's monetary policies will focus on combating inflation and providing stable growth, and will change from "appropriately relaxed" to "solidly governed", with more forceful adjustments than before to be made. This indicates the intention of the government to pull back liquidity and tighten the monetary policy step-by-step. From the beginning of the year, the specific monetary policy in force, however, tended to become tightened rather than solidly governed. China is entering the interest rate hike cycle and money supply will be tightened, thus increasing financing costs. The tightened monetary policy of the State will bring pressure to the cost of funds of the Company, with a certain degree of impact on the profit. The Company will need to adopt active and effective measures to lower the cost of funds and adjust the debt structure.

The new Green Passage policy implemented in December 2010 extended the toll-free coverage for transportation of fresh and live stocks from the original "one vertical and two horizontal" expressways to all toll roads within the entire province. All toll highways and bridges under the Group have been included in the toll-free coverage. Therefore, the amount of toll fees waived in 2011 is expected to further increase.

In 2010, the State launched an array of control policies on the property market. A number of cities successively promulgated the implementation rules, which demonstrated the determination of the State to control the property market and prevent the surge of property prices. The development of the property market will be affected for a certain period of time to come. As the effects of the policies gradually emerge, it is expected that investment demands will be further suppressed; the overall sales momentum in the market will slow down; saleable stock will increase; and the supply-and-demand situation will tend to change toward favoring the buyer more.

## • Direction and Measures of Business Development

As a starting point, 2011 is a key year for the Company to plan for strategic transformation and seek a new phase of development. Amid the operation situation this year, we strive to set high objectives and requirements for the development, management and services of the Company and ensure complete fulfillment of the work targets set by the Board. To achieve continued and healthy development of the Company, we adopt the following major objectives, plans and measures for our operations management in 2011:

### — Work directions

The requirements set out in the 12th Five-Year Plan and various work arrangements will be fully implemented while the development strategies of the Company will be actively and prudently formulated for setting a clear direction for the long-term and stable development of the Company. We will take the opportunity of the full implementation of the corporate internal control guidelines to further enhance internal management, intensify the "Caring Shanghai-Nanjing Expressway" standardized service and further upgrade on-site service standards on a full scale, with a view to maintaining the Company's leadership position in the industry with respect to management and service standards.

### — Revenue target

Based on the anticipation that there will be no significant changes of the operating environment, we believe that the development of our major businesses will remain steady in 2011, with a possible slow-down in the growth rate. In view of this, the Group has set the target of achieving a total revenue of RMB6,900,000,000 for 2011. Taking into account the increase in labor costs, maintenance costs and finance costs, the Group strives to incur operating costs and related costs of not higher than RMB3,700,000,000 and realize a net profit after tax of more than RMB2,400,000,000.

## — Plans and measures

**The strategic plan of the Company with respect to the 12th Five-Year Plan will be formulated.** The Company will seriously analyze its strategic positioning taking into consideration its own development requirements and characteristics. Based on the theme of “enhancement of management and services, building of first-class brand and development in a steady and continuous manner”, the strategic plan of the Company with respect to the 12th Five-Year Plan will be carefully considered and formulated while the overall development target and annual implementation plan for the next five years of the Company will be formulated in order to define the direction for the long-term and stable development of the Company. Planning will be carefully done on the support level including manpower, management and technology so as to lay a solid foundation for the healthy and continued development of the Company.

**The scale of the “Caring Shanghai-Nanjing Expressway” campaign on service standardization will be expanded internally and externally.** In 2011, the Company will further improve the criteria for standardized services at other service positions apart from toll collection and will implement the relevant standard gradually. With a focus to ensure safe and smooth road traffic, enhance quality and courteous service and meet customers’ diverse demands, the scale of the “Caring Shanghai-Nanjing Expressway” standardized service will be actively expanded internally and externally. The enhancement of the value and awareness on providing quality service will be deemed the key task for building a management brand, thereby achieving the migration to professional-based management of the service force from its original experience-based management.

**Corporate internal control management system will be operated on a full scale.** While keeping in line with the Basic Standards for Enterprise Internal Control issued by the five ministries of the State, the Group will, based on its development strategies and operation and management needs, adjust the functions of its departments and improve its management flows to further improve the internal control system and “certification system”. Establishing scientific standards with reasonable applications, and the systems of risk control and management efficiency will also be covered. The implementation of various systems will be reinforced, while risk identification and assessment and the supervision and evaluation mechanisms of the internal control systems will be strengthened, with a view to enhancing management and governance.

**Control on business costs will be strengthened.** Against the backdrop of the approaching interest rate hike cycle, the Group will broaden its financing channels and lower its finance costs through pro-active and effective financing arrangements and debt structure adjustments. Focus will be placed on strengthening budget management and control on significant expenses. Sustained management of energy conservation and consumption reduction will be continuously improved to enlarge the effect of reduction in operating costs.

**Human resources management will be intensified and enhanced.** Medium and long-term plans for human resources development will be formulated based on the industry’s development characteristics and the Group’s transformation and upgrade requirements. We aim to enhance the human resources structure, in which succession planning for professional technical staff and quality integrated management staff will be established, and talents will be trained and retained for the purpose of corporate transformation and upgrade. The performance appraisal system will be further improved, in which the benchmarks will be refined and evaluation will be quantified, and the system will be strictly and practically implemented. A practical and effective incentive mechanism will be established to increase competitiveness and vitality within the Company.

### **Qian Yong Xiang**

*Director and General Manager*

Nanjing, the PRC  
18 March 2011



## Corporate Governance Report

Sound corporate governance is a basic assurance for the healthy and stable development of a company in the long run. The Company adheres to the corporate values of integrity and diligence, and endeavors to enhance its corporate governance standards on a continuous basis, so much so that it has put itself on a track of continuous self-improvement.



# Corporate Governance Report

## (I) Corporate Governance

### — 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 are 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 endeavors to enhance its corporate governance standards on a continuous basis, so much so that it has put itself on a track of continuous self-improvement.

In 2010, the Company further improved the management system governing information disclosure pursuant to the requirements of the CSRC by formulating a “System of Accountability for Significant Mistakes in Annual Report Information Disclosure of Jiangsu Expressway Company Limited”, thereby reinforcing the accountability of people who are responsible for annual report disclosures and increasing the quality and transparency of information disclosures in annual reports. The Company also further improved the management system governing personnel having access to insider information, enhanced the awareness of the directors, supervisors and senior management staff of the Company about legal compliance, and resolutely put an end to



the trading in the shares of the Company with the use of insider information. In order to strengthen the management and disclosure of information handled by external parties, the Company established the “System Governing External Information Users of Jiangsu Expressway Company Limited” in accordance with the relevant requirements so as to strictly enforce various management requirements in respect of information handling by specific external information users, thereby strengthening confidentiality responsibilities and preventing the leakage of significant and sensitive information.

The “Three Meetings” (the shareholders’ general meeting, the Board and its specialized committees and the Supervisory Committee) of the Company were conducted in a normal and orderly manner. The “Three Meetings” discharged their respective duties, coordinated with each other and exercised their effective check-and-balance roles pursuant to regulations and governance rules to improve corporate governance standards on an ongoing basis. The compliance operation of the “Three Meetings” could, on the one hand, encourage the Board and the management to achieve the objective of maximizing the interests of the Company and all shareholders, and on the other hand provide effective supervision to ensure the Company makes its decisions in a rational and scientific manner.

During the year, the Company further enhanced the independence and check-and-balance roles of independent directors on the Board. Independent directors 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.

# Corporate Governance Report

The Company is listed both on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. In addition to the compliance with applicable laws and regulations, the Company is also required to comply with the requirements of the "Governance Standards for Listed Companies" of the CSRC, and the "Code on Corporate Governance Practices" set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange in corporate governance practices. During the reporting period, the actual situation of the Company's corporate governance did not deviate significantly from the requirements of the "Governance Standards for Listed Companies", and the Company has fully adopted all the provisions of the "Code on Corporate Governance Practices".

## — 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 China Securities Regulatory Commissions (the "CSRC"). None of the Company, the Board, the Supervisory Committee and directors, 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.

During the year, the Company continued to rank, in terms of corporate governance, among the top 100 companies in the 2010 Corporate Governance Rating of Chinese Listed Companies evaluated by the Research Center for China Corporate Governance of the Chinese Academy of Social Sciences, and won the "Corporate Awards 2010 - Titanium Award for Corporate Governance and Investor Relations" from Hong Kong's "The Asset" magazine, which ranked the Company among the top of many listed companies in the Hong Kong stock market. 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.



## — Establishment and improvement of the internal control system of the Company

### Master plan for the establishment of internal control

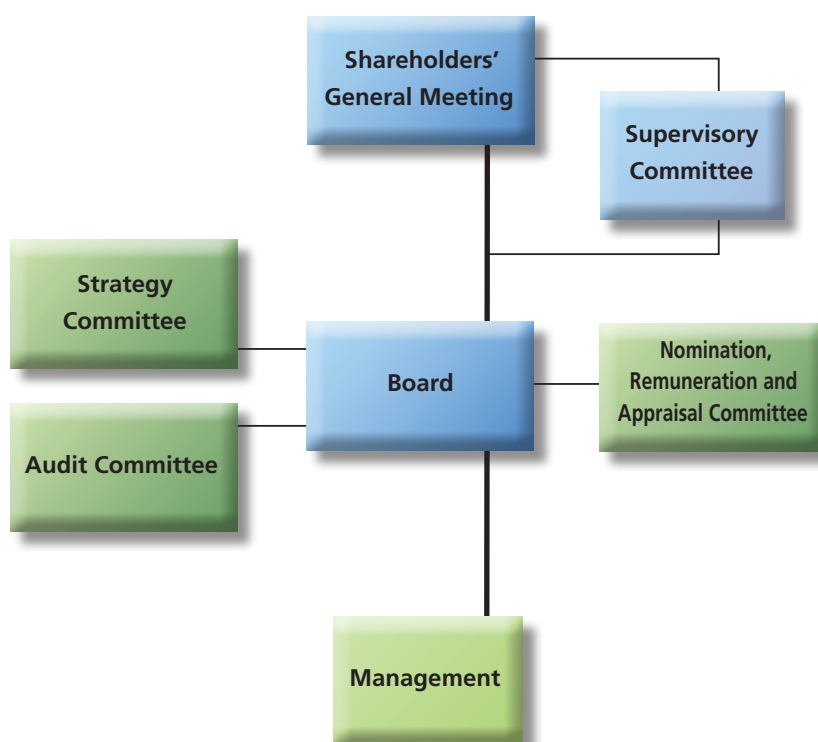
Pursuant to the requirements of the Company Law, Securities Law, Basic Principles on Corporate Internal Control and other relevant national laws and regulations, and with reference to the Supplemental Guidelines on Corporate Internal Control, the Company set out to establish a sound internal control system with an aim to ensure that the operations and management of the enterprise are legally compliant, assets are secure, financial statements and relevant information are truthful and complete, operational efficiency and effectiveness are enhanced, and a continued and healthy development of the enterprise is assured. Starting with the five core elements (internal environment, risk assessment, control activities, information and communication, and internal supervision and inspection) and in the light of the Company's industry characteristics and actual operating conditions, the Company has eventually set up six subsystems through the build-up of an internal control system: namely the internal control environment system, the risk assessment system, the financial control system, the operational control system, the internal control support system and the control system for branches, subsidiaries and joint stock companies.

<p><b>Work plans and implementation work on the establishment of a sound internal control system</b></p>	<p>With the professional support of the intermediaries and based on the existing documented management system, the Company plans to smoothen and diagnose anew various aspects such as organizational structure, management system, business processes and control system. It will promptly make rectification and improvement specifically to the defects in the design aspect of the internal control system, and to the deviations from the Basic Principles on Corporate Internal Control and the application guidelines. Through continuous monitoring, evaluation and rectification in future, the Company will ensure the internal control system operates effectively, and will be gradually integrated into the daily operation and management activities to form a long-term internal control mechanism of the Company. The Company is currently carrying out various tasks as planned, and has engaged Deloitte Touche Tohmatsu CPA to commence a simulated audit of the internal control system.</p>
<p><b>The status of the setup of the internal control inspection and supervision department</b></p>	<p>The Company has set up a special functional department responsible for the establishment of a sound internal control system and the supervision of the implementation of such system. The department is working on refining the internal audit responsibilities and improving the internal audit setup, and is responsible for the communication, monitoring and verification on the Company's internal and external audit. The audit committee is responsible for conducting an annual assessment of the establishment and implementation of internal control, and will compile an annual assessment report and report the same to the Board.</p>
<p><b>The status on rolling out self-evaluation work on internal supervision and internal control</b></p>	<p>Pursuant to the requirements of the Application Guidelines on Corporate Internal Control and the Guidelines on Evaluation of Corporate Internal Control and in the light of the actual operating situation of the Company, in 2010 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. Such self-evaluation work was carried out according to the Internal Control Self-evaluation List that covers five aspects (including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection), 18 evaluation items and 133 evaluation points.</p>
<p><b>Board's arrangements for internal control work</b></p>	<p>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. An audit committee is established under the Board to inspect, monitor and evaluate the Company's financial position, business and internal control activities on a regular basis. Rectifications will be made promptly once defects are identified so that a sound and effective internal control system is gradually built up. An external audit office will be engaged to audit the Company's financial statements and internal control implementation on a regular basis, and to provide independent and objective evaluation and recommendations in the form of an audit report.</p>

# Corporate Governance Report

<p><b>Establishment and operation of an internal control system pertaining to financial statements</b></p>	<p>Pursuant to the requirements of the relevant laws and regulations including the Company Law, Accounting Law and PRC Accounting Standards, the Company has established a relatively complete accounting system, and has developed a series of control policies – including the Financial Management Policy, the Measures Governing Budget and the Measures Governing Costs and Expenses – 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 disclosure requirements of the two listing jurisdictions.</p>
<p><b>Defects in internal control, and rectifications of such defects</b></p>	<p>Through a self-evaluation of the internal control system conducted during the year, the Company’s internal control system and the implementation of such system were basically sound and effective, capable of meeting the needs for various aspects such as corporate governance, operations, management, finance, investment and administrative personnel management. No major defects were identified in the design or implementation of the internal control system. In line with the gradual implementation of the State’s internal control policies and the Company’s needs for business development, the Company will continue to update and improve the internal control system. In 2011, the Company will further improve and enhance the internal audit function, corporate strategic planning, external audit of internal control and other related work, thereby effectively leveraging the supervisory, check-and-balance and enhancement functions of the internal control system to ensure major objectives are set reasonably and executed effectively.</p>

## (II) Corporate Governance Structure

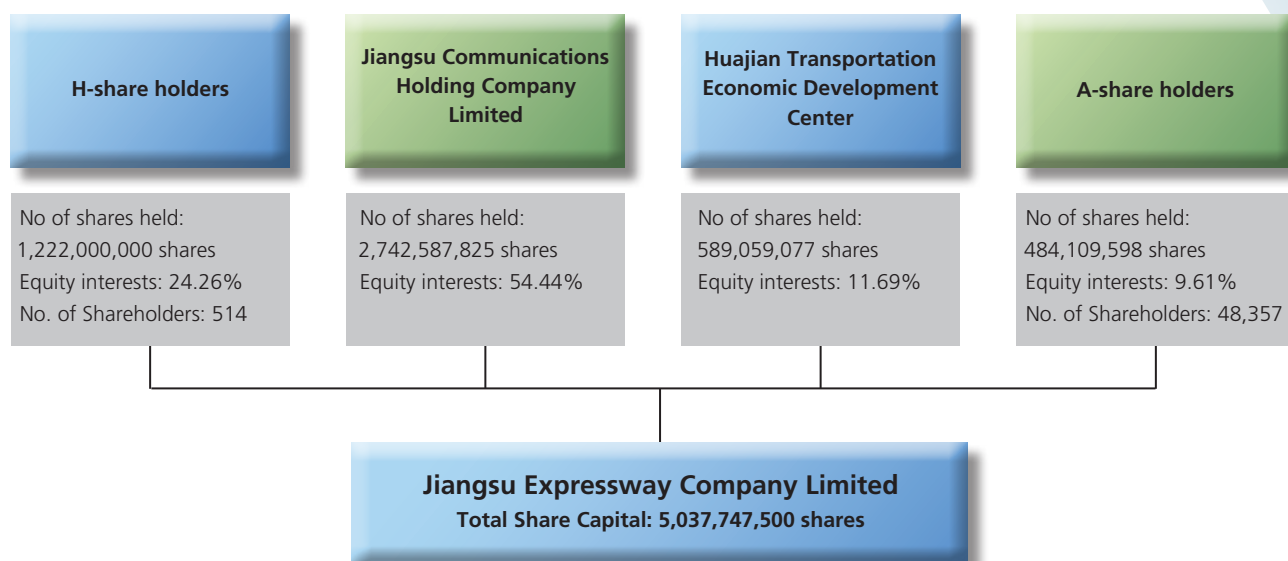




## 1. Shareholders and General Meetings

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

### — Substantial Shareholders



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

### — Independence from the Controlling Shareholder

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

# Corporate Governance Report

## — Shareholders' General Meeting

The shareholders' general meeting is the highest authority which makes important decisions and lawfully exercises duties and power. 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, chairman of the audit committee and nomination, remuneration and appraisal committee or appointed representatives 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. The holding, convening and procedures of the shareholders' general meeting are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information". For details of the Annual General Meeting of this year, please refer to the chapter of "Shareholders' General Meeting".

## 2. Directors and the Board

On 17 June 2009, the election of the new session of the Board was held at the annual general meeting, forming the sixth session of the Board, comprising 11 members, of whom one is executive director and 10 are non-executive directors with a term ending on the date of the 2011 Annual General Meeting. Among the members of the Board, there is one executive director who is General Manager of the Company. Four of the non-executive directors are appointed by shareholders, and six of them are externally engaged by the Company, including four independent non-executive directors. This has ensured adequate independence of the Board. The composition, members and operational procedures of the Board are set out in Section (III) "Compliance with the Code on Corporate Governance Practices and Other Information" in this Chapter.

In 2010, the Board held seven meetings, among which six were on-site 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, change of directors 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	Date Held	Resolution
8th meeting of the sixth session of the Board	18 March 2010	– election of members of the Strategy Committee, and the Nomination, Remuneration and Appraisal Committee
9th meeting of the sixth session of the Board	19 March 2010	<ul style="list-style-type: none"> <li>– considered the 2009 annual report of the Company and relevant matters</li> <li>– proposed policies of the 2009 annual dividend distribution</li> <li>– proposed engagement of domestic and overseas auditors</li> <li>– considered the adjustment of the annual remuneration standard of Independent directors</li> <li>– considered the issue of short-term financial papers with total amount of not more than RMB1.5 billion and the issue of short-term trust product with the total amount of not more than RMB1 billion by the Company</li> <li>– considered the controlled amount over the asset-to-liability ratio of the Company</li> <li>– considered the change in accounting policy</li> <li>– considered the connected transaction of the roads and bridges maintenance of the Company</li> <li>– considered the total staff remuneration of the Company</li> <li>– appointment of senior management staff of the Company</li> </ul>
10th meeting of the sixth session of the Board	28 April 2010	– considered the 2010 first quarterly report
11th meeting of the sixth session of the Board	27 May 2010	– nominated Mr. Yang Gen Lin as the Company's director by way of communication
12th meeting of the sixth session of the Board	16 July 2010	– elected Mr. Yang Gen Lin as the Company's chairman
13th meeting of the sixth session of the Board	20 August 2010	– considered the 2010 interim report and the relevant matters
14th meeting of the sixth session of the Board	28 October 2010	– considered the 2010 third quarterly report

# Corporate Governance Report

## — Independent Non-Executive Directors

The Company has appointed a quorum of independent non-executive directors. Fan Cong Lai, Chen Dong Hua, Xu Chang Xin and Gao Bo were appointed as independent non-executive directors at the sixth 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 are currently serving at renowned universities in the country and are senior experts in the fields of currency finance, financial accounting, economic management and real estate studies and are well-versed with academic theories and management experience. Independent directors play major roles in various specialized committees of the Board. Independent non-executive directors account for a majority in the Audit Committee and the Nomination, Remuneration and Appraisal Committee, and an independent non-executive director holds chairmanship at each of these committees.

The independent directors have submitted a statement in respect of their independence when nominated. Meanwhile, 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 Hong Kong Listing Rules and are independent.

Discharge of duties by independent non-executive directors:

Name of independent non-executive director	Number of board meetings required to be attended during the year	Attendance In person	Attendance By proxy	Absence
Fan Cong Lai	7	5	2	0
Chen Dong Hua	7	7	0	0
Xu Chang Xin	7	7	0	0
Gao Bo	7	6	1	0

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 "Detailed Rules for the Operation of Independent Directors", giving their professional opinions and independent judgement on the decision-making for significant matters discussed by making use of their professional experience and expertise. During 2010, through their participation in the Board and the specialized committees, progress and annual review the independent directors have examined substantial matters such as the Company's investment and financing decisions, 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.



## — Specialized Committees of the Board

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

### The Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Yang Gen Lin (the Chairman), Cheng Chang Yung Tsung, Alice, Chen Xiang Hui, Qian Yong Xiang and Fan Cong Lai\*.

\* Independent 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 one meeting in 2010 and all members attended the meeting. The committee has discussed the overall debts and financing plan of the Company for 2010. According to the current debt structure and capital expenditure plan, it was 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 financial papers of not more than RMB1.5 billion and short-term trust products of not more than RMB1 billion by the Company, and such plan would be submitted to the Board for consideration.

### The Audit Committee

The Audit Committee was established in 2001. Its current members comprise Chen Dong Hua \* (the Chairman), Fan Cong Lai \* and Du Wen Yi.

\* Independent non-executive director

One independent non-executive director possesses the appropriate professional qualification or he/she possesses the appropriate accounting or the relevant financial management experiences as required by Rule 3.10(2) of Hong Kong Listing Rules.

#### 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.

# Corporate Governance Report

## Major work during the year

### Report on Discharge of Duties in 2010 by the Audit Committee

In 2010, the Audit Committee held five meetings, including four meetings to review periodic reports and one meeting to discuss with the external auditors in respect of the annual results audit. All members attended the meetings. Major work during the year included:

The Audit Committee is responsible for the review and supervision of the quality and procedures of the Company's financial reporting. In 2010, the Audit Committee has reviewed the 2009 financial report, the 2010 first quarterly, interim and third quarterly financial reports.

Before commencing the annual results audit, the Audit Committee held meetings with the financial leader and the external auditors of the Company pursuant to the "Guidelines on Work of Annual Report" to discuss and communicate on the auditing plan, focus of the auditing work, accounting policies to be adopted for audits and substantial accounting treatments, as well as the timetable of the auditing work. Suggestions and views in respect of the auditing work were raised, ensuring the parties' consistent understanding of the material events and the relevant appropriate accounting treatments. After the preliminary audit opinion issued by the auditors, the Audit Committee held the meeting again to review and to confirm the appropriateness of the accounting policies adopted in the financial report of the Group and reasonableness of the accounting estimate for submission to the Board for consideration.

As at the date of the publication of the annual report for this year, the Audit Committee has, pursuant to the "Guidelines on Work of Annual Report", reviewed the 2010 financial report audited by Deloitte, and considered that the 2010 financial report of the Group has reflected the operating results and financial position of the Group in a complete, true and reasonable manner, and recommended the approval by the Board.

In 2010, the Company has examined and self-evaluated the implementation of the internal control system. The Audit Committee has performed the inspection and assessment of the work objective of the Company's internal control, the basic elements and implementation of the internal control system and overall evaluation results. The Audit Committee considered that the internal control system and implementation of the Company are basically sound and effective and has found no material defects in respect of the internal control design or implementation, and recommended the Board to approve the Self-evaluation Report on Internal Control.

Meanwhile, the Audit Committee also regularly monitored and appraised the progress of internal audits and the execution of the internal control system. It raised suggestions to the Board in respect of selection and appointment of the external domestic auditors. The committee also examined all connected transactions of the Company and supervised the transaction procedures to ensure that the requirements of domestic and overseas listing rules were complied with. It examined the capital flow among the Company, its substantial shareholders and other connected parties. The committee studied financing proposals jointly with the Company's finance departments, providing expert opinions to the Company management or reminding them with the relevant risks.

Audit Committee members:

**CHEN Dong Hua, FAN Cong Lai, DU Wen Yi**

18 March 2011

## The Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee was established in 2001. Its current members comprise Xu Chang Xin\* (Chairman), Fang Hung, Kenneth, Chen Dong Hua\*, Gao Bo\* and Zhang Yang.

\* Independent non-executive directors

### Duties

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

### Major work during the year

#### Report on Discharge of Duties in 2010 by the Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee held two meetings in 2010 where all members attended. Major works included:

The committee has carried out the relevant nomination procedures in respect of the changes in directors during the reporting period and the committee has confirmed the independence of the independent directors.

The committee has examined the remuneration information of directors, supervisors and senior management disclosed in this annual report and was of the view that the data disclosed were truthful and accurate. Besides, none of the directors, supervisors or senior management of the Company held any shares, share options or being granted restricted shares of the Company, and the Company had 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 2010. 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 or engagement letters, 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 management 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 2010.

Nomination, Remuneration and Appraisal Committee members:

**XU Chang Xin, FANG Hung, Kenneth, CHEN Dong Hua, GAO Bo, Zhang Yang**

18 March 2011

# Corporate Governance Report

## 3. Supervisors and Supervisory Committee

The sixth session of the Supervisory Committee was elected at the annual general meeting of the Company held on 17 June 2009 and has a term ending on the date of the 2011 Annual General Meeting. The Company's Supervisory Committee comprises five supervisors, of whom three are representatives of the shareholders and the other two are staff representatives of the Company. The number of members and composition of the Company's Supervisory Committee is in compliance with the requirements of the relevant laws and regulations.

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

The Secretary to the Board also takes up the duties of the secretary of the Supervisory Committee, responsible for the daily operation of the Supervisory Committee while facilitating communications among the Supervisory Committee and the Board and the management of the Company. In 2010, the Supervisory Committee held five meetings, and all supervisors were sat in on each Board meeting. The Supervisory Committee supervised the Company's financial matters and the lawful and regulatory performance of duties by the Directors and senior management members, conscientiously discharging the duties of the Supervisory Committee. For details of the work of the Supervisory Committee and the Supervisors, please refer to "Report of the Supervisory Committee" of this annual report.

## 4. The Management

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

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

During the reporting period, the Board reviewed daily governance of the Company in accordance with the relevant provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules and considered that, from 1 January 2010 to the date of this report, the Company regulated its operation and carried out strict governance in accordance with the relevant code provisions. The Company has completely adopted the provisions of the Code and strived to achieve the various recommended best practices.

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



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

## A. Directors

### A1. The Board

<b>Code Principle</b>	<ul style="list-style-type: none"> <li>The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should make decision objectively in the interests of the issuer.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board of the Company reports to shareholders' general meetings and fully represents the interests of shareholders and formulates the Company's development strategies in strict compliance with the "Rules of Proceedings for Board of Directors Meetings" within its terms of reference as stipulated by the Articles of Associations. The Board also monitors the implementation of the Group's operation management and its financial performance, with the primary mission of achieving operating results that generate the best stable long-term returns.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures																																				
<ul style="list-style-type: none"> <li>Regular Board meetings to be held at least four times a year, approximately once every quarter. A regular Board meeting does not include the practice of obtaining Board's approval through circulation of written resolutions</li> </ul>	Yes	<ul style="list-style-type: none"> <li>In 2010, the Company held seven Board meetings, including six physical meetings where directors attended in person and one ad hoc meeting where votes are casted by way of correspondence.</li> <li>Each of the Board meetings was actively participated by the majority of directors who were entitled to attend, either voting in person or by proxy or through other means of participation. The attendance complied with the provisions of the Articles of Association. Details of attendance of 2010 Board meetings: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Attendance/ Number of meetings</th> <th style="text-align: center;">Attendance Rate</th> </tr> </thead> <tbody> <tr><td>Shen Chang Quan</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Qian Yong Xiang</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Zhang Yang</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Chen Xiang Hui</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Du Wen Yi</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Cheng Chang Yung Tsung, Alice</td><td style="text-align: center;">6/7</td><td style="text-align: center;">86%</td></tr> <tr><td>Fang Hung, Kenneth</td><td style="text-align: center;">6/7</td><td style="text-align: center;">86%</td></tr> <tr><td>Fan Cong Lai</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Chen Dong Hua</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Xu Chang Xin</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> <tr><td>Gao Bo</td><td style="text-align: center;">7/7</td><td style="text-align: center;">100%</td></tr> </tbody> </table> </li> </ul>		Attendance/ Number of meetings	Attendance Rate	Shen Chang Quan	7/7	100%	Qian Yong Xiang	7/7	100%	Zhang Yang	7/7	100%	Chen Xiang Hui	7/7	100%	Du Wen Yi	7/7	100%	Cheng Chang Yung Tsung, Alice	6/7	86%	Fang Hung, Kenneth	6/7	86%	Fan Cong Lai	7/7	100%	Chen Dong Hua	7/7	100%	Xu Chang Xin	7/7	100%	Gao Bo	7/7	100%
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<ul style="list-style-type: none"> <li>All directors are given an opportunity to include matters in the agenda for regular Board meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors were given an opportunity to include matters in the agenda for regular Board meetings but such right was not exercised during the year.</li> </ul>																																				

# Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Notice shall be given at least 14 days prior to a regular Board Meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>All directors shall have access to the advice and services of the secretary to the Board</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Secretary to the Board maintained close communications with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advice to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation was in compliance with the procedures.</li> </ul>
<ul style="list-style-type: none"> <li>Minutes of meetings shall be kept by the Secretary to the Board and available for inspection by any director at any reasonable time</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Minutes of meetings shall record in sufficient detail the matters considered by the directors and decision reached at meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Directors could seek independent advice under an agreed procedure at the Company's expense</li> </ul>	Yes	<ul style="list-style-type: none"> <li>In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of Directors at the Company's expense. During the year, no director has individually requested the Company to seek professional independent opinion on any relevant matter.</li> </ul>
<ul style="list-style-type: none"> <li>If a substantial shareholder or a director has a conflict of interest in respect of a material matter, the Company shall convene a Board meeting in due course and the relevant connected directors shall abstain from voting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has made it clear that, if a substantial shareholder or a director has a conflict of interest in respect of any material matter, the connected director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the reporting period, when the connected transaction in respect of the maintenance contract signed with Jiangsu Sundian Engineering Co., Ltd. was considered at the 9th meeting of the sixth session of the Board, all connected directors abstained from voting in respect of the relevant resolution at the meeting.</li> <li>The voting and quorum requirements, as stipulated in the Articles of Association conform to the provisions of the Code.</li> </ul>

**Recommended best practices:**

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

**A2. Chairman and Chief Executive Officer**

<b>Code principle</b>	<ul style="list-style-type: none"> <li>• There should be a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>• The Company has clearly defined the responsibilities of the Chairman and the General Manager. The responsibilities of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>• Roles of the Chairman and the Chief Executive Officer should be separate and clearly established and set out in writing</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• Mr. Yang Gen Lin assumed the position of Chairman of the sixth session of the Board and Mr. Qian Yong Xiang held the position as the General Manager of the Company. The Chairman concentrated his work on the Group's development strategies and matters of the Board, while the General Manager 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 with the support and assistance by the Board and other senior management staff of the Company. The separation of roles is explained in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager".</li> <li>• There was no relationship existing between the Chairman and the General Manager, including financial, operational, family or other relevant relations.</li> </ul>
<ul style="list-style-type: none"> <li>• The Chairman should ensure all directors be briefed on issues arising at Board meetings</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The Board has established a reporting system in which at each regular meeting, the General Manager reports to each director the most updated status of the Company, at least four times per year. The Chairman also tabled, for decision making, any material matters of the Group to the Board for collective discussion by the directors at the meeting.</li> </ul>
<ul style="list-style-type: none"> <li>• The Chairman should ensure that Directors receive adequate information in a timely manner</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The Chairman has appointed the Secretary to the Board to provide timely information regarding the performance of the Board's obligations and is committed to continuously improving the quality and timeliness of the information.</li> </ul>

# Corporate Governance Report

## Recommended best practices:

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

## A3. Board Composition

<b>Code principle</b>	<ul style="list-style-type: none"> <li>• The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively. Non-executive directors should comprise sufficient members and possess sufficient competence so that their opinions will have an impact.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>• The election of the new session of Board was approved at the annual meeting held on 17 June 2009, forming the sixth session of the Board of the Company which comprised 11 directors, of whom one was executive director, 10 were non-executive directors with their terms ending on the date of the 2011 annual general meeting. 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 analyze and discuss issues from different perspectives.</li> <li>• The Directors are elected or replaced by Shareholders' General Meetings. The Company adopts cumulative voting in the election process for directors. The term of a director is usually three years. The appointment of all directors is determined by Shareholders' General Meeting. Directors can be re-elected when their terms expire. A re-elected independent director shall not serve more than 6 years consecutively.</li> <li>• Members of the Board have different industry background. They are diversified in experience, competence and judgemental skills, which makes the Board more prudent and considerate when making decisions. The members of the current session of the Board have background and professional experiences 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.</li> <li>• There exists no relationship among Board members, including financial, operational, family or other relevant material relations.</li> </ul>



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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Identify the Independent Non-executive Directors in all communications</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

Recommended best practices:
<ul style="list-style-type: none"> <li>The four Independent Non-Executive Directors, namely Fan Cong Lai, Chen Dong Hua, Xu Chang Xin and Gao Bo accounted for over one-third of the members of the Board, of whom Mr. Chen Dong Hua was an independent director possessing professional qualifications and financial management experience. The independent directors have submitted their declaration of independence when nominated. Meanwhile, the Company has received from each of its Independent Non-executive Directors confirmation letter in writing on his/her independence, and is of the view that the relevant Independent Non-executive Directors complied with the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules and were independent parties.</li> <li>The Company has provided on its website the list and profiles of current Board members, together with their roles, responsibilities and independence.</li> </ul>

### A4. Appointment, Re-election and Removal

Code principle	<ul style="list-style-type: none"> <li>There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals. The issuer should provide reasons for the resignation or dismissal of any director.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The Board of the Company has established the Nomination, Remuneration and Appraisal Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a shareholders' general meeting. During the process of selection, the criteria considered by the Nomination Committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth.</li> <li>In 2010, the Nomination, Remuneration and Appraisal Committee met two times to assess the performance of fulfilling duties of the Directors in the previous year and considered that all Directors had conscientiously performed their service contracts. Meanwhile, the nominations of senior management of the Company and changes in directors were reviewed and recommendations on the Independent Directors' remuneration standards were provided, with opinions subsequently submitted to the Board for consideration.</li> <li>For changes in directors for the year, please refer to "Changes in Directors, Supervisors and Senior Management" of this Report.</li> <li>For the work of the Nomination, Remuneration and Appraisal Committee during the year, please refer to "(II) Corporate Governance Structure" of this chapter.</li> </ul>

# Corporate Governance Report

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Non-executive Directors should be appointed for a specific term, subject to re-election</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Directors are generally appointed for a term of three years. All directors are appointed at a general meeting and can be re-appointed upon expiry of the term. The consecutive terms of the independent directors shall not last more than six years.</li> </ul>
<ul style="list-style-type: none"> <li>Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors are elected or replaced by Shareholders' General Meetings. The Company has introduced the cumulative voting system for the election of directors.</li> </ul>
<ul style="list-style-type: none"> <li>Each director should be subject to retirement by rotation at least once every three years</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

### Recommended best practices:

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

## A5. Responsibilities of Directors

<b>Code principle</b>	<ul style="list-style-type: none"> <li>Each director is required to keep abreast of responsibilities as a Director of the issuer and of the conduct, business activities and development of the issuer.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has formulated the "Rules of Proceedings of Board of Directors Meetings", "Detailed Rules for the Operation of Committees" and "Detailed Rules for the Operation of Independent Directors" to specify the responsibilities of all directors so as to ensure that all directors understand their roles and duties thoroughly.</li> <li>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.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>Each new director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper responsibilities under legal requirements and the regulatory policy</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> <li>All non-executive directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management.</li> <li>The Secretary to the Board is responsible for ensuring that all directors obtain the latest information on the Listing Rules and other statutory requirements.</li> </ul>
<ul style="list-style-type: none"> <li>Responsibilities of Non-executive directors</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Non-executive directors have actively participated in board meetings and served as committee members, reviewed the progressing of the Company's business objectives and provided independent opinions on the Board's decision making.</li> <li>Responsibilities of Non-executive directors include:                             <ul style="list-style-type: none"> <li>Independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings of the issuer;</li> <li>Take a leading and guiding role on potential conflicts of interests;</li> <li>Serve on the audit, remuneration, nomination and other governance committees, if invited, and;</li> <li>Scrutinize the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance of the Company.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Each director should ensure that he/she can give sufficient time to the affairs of the Company</li> </ul>	Yes	<ul style="list-style-type: none"> <li>All directors have worked hard and faithfully performed their duties. There was satisfactory attendance at board meetings and meetings of the various committees in 2010. For records of attendance of the meetings, please refer to the relevant section of this Chapter.</li> </ul>
<ul style="list-style-type: none"> <li>Directors must comply with the Model Code as set out in Appendix 10</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules in 2010. 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, no act of transacting the Company's shares happened among directors.</li> </ul>

# Corporate Governance Report

## Recommended best practices:

- All directors will have opportunities to receive professional training arranged by the Company for them during their terms of office. During the year, the Company has arranged Independent Directors Xu Chang Xin and Gao Bo to attend specialized training arranged by the Shanghai Stock Exchange.
- Each director regularly provides information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as directors or supervisors in listed companies in the previous three years) and other major commitments. Details of the position currently held and concurrently held by directors in other listed companies are disclosed in "Directors, Supervisors, Senior Management and Staff" of this Annual Report.
- All non-executive directors have attended board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. Most non-executive directors have attended the Shareholders' General Meetings of the Company.

## A6. Supply of and Access to Information

<b>Code principle</b>	<ul style="list-style-type: none"> <li>• Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to discharge their duties and responsibilities.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>• Meeting documents should be sent to directors at least three days before the date of a Board or committee meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The Company's meeting materials were sent to directors at least five 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 ad hoc board meeting.</li> </ul>
<ul style="list-style-type: none"> <li>• The management has the responsibility to provide sufficient information to the Board and its committees in a timely manner so that the Board can make informed decisions. Each director could have separate and independent access to the Company's senior management for making further enquiries</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The management provided sufficient information to the Board and its committees in a timely manner. Directors could have separate and independent access to the Company's senior management for obtaining necessary information. The Board and the committees would make arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.</li> </ul>
<ul style="list-style-type: none"> <li>• All directors are entitled to have access to Board papers and related information. Steps must be taken by the Issuer to respond as promptly and fully as possible to queries raised by directors</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• All Board papers and related information 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.</li> </ul>



## B. Remuneration of Directors and Senior Management

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

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Company should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his/her own remuneration.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has established the Nomination, Remuneration and Appraisal Committee, with its scope of duties including formulating and reviewing the remuneration policy and plan for the Company's directors and 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. Executive director has received management remuneration from the Company. During the year, no director participated in determining his/her own remuneration.</li> <li>During the year, the remuneration paid by the Company to two non-domestic independent directors amounted to HK\$300,000 each person. The remuneration paid to four domestic independent directors amounted to RMB56,667 each person. Other than remuneration, independent directors have not received other compensation from the Company.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The Issuer should establish the Remuneration Committee with a majority of members of the committee are independent non-executive directors</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board of the Company has established the Nomination, Remuneration and Appraisal Committee. For details please refer to the section A4 "Appointment, Re-election and Removal" in this Chapter.</li> </ul>
<ul style="list-style-type: none"> <li>The Remuneration Committee should consult the Chairman or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors</li> </ul>	No	<ul style="list-style-type: none"> <li>During the year, other than the General Manager who serves as executive director, the Company does not have other executive directors. The General Manager receives management remuneration but not directors' remuneration.</li> </ul>
<ul style="list-style-type: none"> <li>The responsibilities of the Remuneration Committee</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the "Detailed Rules for the Operation of the Nomination, Remuneration and Appraisal Committee" to specify the terms of reference and responsibilities of the Committee.</li> </ul>
<ul style="list-style-type: none"> <li>The Remuneration Committee should make available its terms of reference and be provided with sufficient resources to discharge its duties</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The terms of reference have been published on the Company website. The Company will provide sufficient resources for the Committee to discharge its duties.</li> </ul>

#### Recommended best practices:

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

# Corporate Governance Report

## C. Accountability and Audit

### C1. Financial Reporting

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Board should present a clear, comprehensive assessment of the Company's performance, position and prospects.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board has strived to provide comprehensive information in all regular financial reports issued to shareholders so as to comply with the regulatory requirements of the stock exchanges in both Hong Kong and Shanghai and continues to improve the management discussion and analysis, thereby disclosing comprehensive information on the Company's production and operation, finance and project development. Meanwhile, it will also take the initiative to increase the amount of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Group's operating management status and prospects.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The management will provide such explanation and information to enable the Board to make assessment of the relevant matters</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all directors to make assessment with merits on the financial and other information submitted to them for approval.</li> </ul>
<ul style="list-style-type: none"> <li>Directors should acknowledge their responsibilities for preparing the accounts; there should be a statement by the auditors about their reporting responsibilities in the report</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Directors have been responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year.</li> <li>The auditors' report stated the reporting responsibilities.</li> </ul>
<ul style="list-style-type: none"> <li>If directors are aware of material uncertain incidences or situations which may affect the issuer's ongoing operation capability seriously, directors should disclose and discuss such uncertainties in detail in the "Corporate Governance Report"</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company is not aware of any material uncertain incidence or situation which may affect the Company's ongoing operation capability.</li> </ul>
<ul style="list-style-type: none"> <li>The board should present a balanced, clear and comprehensible assessment of the Company's performance in regular reports, announcements on share price-sensitive information and other financial information required to be disclosed</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Board gave an objective, fair and clear presentation of the Group's position and prospects in all circulars issued to shareholders.</li> </ul>

**Recommended best practices:**

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

**C2. Internal Control**

<b>Code principle</b>	<ul style="list-style-type: none"> <li>• The Board should ensure that the issuer maintains sound and effective internal control to safeguard the shareholders' investment and the issuer's assets.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>• The Board has authorized the management of the Company to establish and implement the internal control system and conduct reviews on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. For details, please refer to the section "Self-evaluation Report on Internal Control" in this annual report.</li> <li>• 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 engages external audit institutions to regularly audit the financial reports of the Company pursuant to the PRC and Hong Kong accounting standards and to offer independent and objective assessments and suggestions in the form of audit reports.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>• Directors should conduct at least once a year a review of the effectiveness of the internal control system (including financial control, operating control, compliance control and risk management functions)</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• Currently, the Company has established the internal control system. For details, please refer to the section "Self-evaluation Report on Internal Control" in this Chapter.</li> </ul>

**Recommended best practices:**

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

# Corporate Governance Report

## C3. Audit Committee

<b>Code principle</b>	<ul style="list-style-type: none"><li>• The Audit Committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</li></ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"><li>• The Company has established the Audit Committee and Chen Dong Hua, Fan Cong Lai and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive directors, of whom Chen Dong Hua and Fan Cong Lai 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.</li><li>• The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The scope of responsibility is specified clearly in "Detailed Rules for the Operation of the Audit Committee".</li><li>• The Audit Committee held five meetings in 2010, including four meetings to review periodic reports and one meeting 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 control.</li><li>• During the year, the Audit Committee made two direct contacts with external auditors of the Company, before the preparation of the annual auditor's report and the interim review report, to understand the procedures and principles for the preparation of the auditors' report and to discuss the relevant issues with the auditors, so as to serve as a basis for evaluation.</li></ul>



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

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

### Recommended best practices:

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

## D. Delegation by the Board

### D1. Management Functions

<b>Code principle</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The Board may delegate part of its functions and duties to specialized committees, directors’ working teams and the management and specify matters requiring approval by the Board.</li> </ul>

# Corporate Governance Report

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>When the Board delegates aspects of its management and administration functions to the management, it must at the same time give clear directions as to the authorities of the management</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The management is accountable to the Board. Its main functions and duties include being in charge of the Company's production and operation management, organization and implementation of the annual operational plans and investment proposals approved by the Board, and implementation of the resolutions passed by the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings. The Board has issued clear guidelines on the rights and responsibilities of the management.</li> </ul>
<ul style="list-style-type: none"> <li>The issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company has specified the matters that required to be resolved at Board meetings in the "Detailed Rules for the Operation of General Manager" and reviewed the same regularly.</li> </ul>

### Recommended best practices:

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

## D2. Board Committees

<b>Code principle</b>	<ul style="list-style-type: none"> <li>Board committees should be formed with specific written terms of reference which deal clearly with the committees' authorities and duties.</li> </ul>																																																														
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board of the Company has established three specialized committees, including the Strategy Committee, the Audit Committee and the Nomination, Remuneration and Appraisal Committee. The Board selects and appoints members of each committee 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 and the Nomination, Remuneration and Appraisal Committee are independent non-executive directors.</li> <li>Each committee has defined rules for operation which deal clearly with the committee's authority and duties as well as the procedures for handling matters.</li> <li>Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in committee affairs. The Secretary to the Board offers comprehensive assistance to facilitate commencement of the work of all committees.</li> </ul> <p><b>Records of Attendance of Meetings of Specialized Committees in 2010 (Attendance/ Number of Meetings)</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Position</th> <th rowspan="2">Strategy Committee</th> <th colspan="2">Nomination, Remuneration and Appraisal Committee</th> </tr> <tr> <th>Audit Committee</th> <th>Appraisal Committee</th> </tr> </thead> <tbody> <tr> <td>Yang Gen Lin</td> <td>Chairman</td> <td>1/1</td> <td>–</td> <td>–</td> </tr> <tr> <td>Qian Yong Xiang</td> <td>Executive Director</td> <td>1/1</td> <td>–</td> <td>–</td> </tr> <tr> <td>Chen Xiang Hui</td> <td>Non-executive Director</td> <td>1/1</td> <td>–</td> <td>–</td> </tr> <tr> <td>Zhang Yang</td> <td>Non-executive Director</td> <td>–</td> <td>–</td> <td>2/2</td> </tr> <tr> <td>Du Wen Yi</td> <td>Non-executive Director</td> <td>–</td> <td>5/5</td> <td>–</td> </tr> <tr> <td>Cheng Chang Yung Tsung, Alice</td> <td>Non-executive Director</td> <td>1/1</td> <td>–</td> <td>2/2</td> </tr> <tr> <td>Fang Hung, Kenneth</td> <td>Non-executive Director</td> <td>–</td> <td>–</td> <td>2/2</td> </tr> <tr> <td>Fan Cong Lai</td> <td>Independent Director</td> <td>1/1</td> <td>5/5</td> <td>–</td> </tr> <tr> <td>Chen Dong Hua</td> <td>Independent Director</td> <td>–</td> <td>5/5</td> <td>–</td> </tr> <tr> <td>Xu Chang Xin</td> <td>Independent Director</td> <td>–</td> <td>–</td> <td>2/2</td> </tr> <tr> <td>Gao Bo</td> <td>Independent Director</td> <td>–</td> <td>–</td> <td>2/2</td> </tr> </tbody> </table> <p>For the 2010 work reports of the respective committee, please refer to this Chapter.</p>	Name	Position	Strategy Committee	Nomination, Remuneration and Appraisal Committee		Audit Committee	Appraisal Committee	Yang Gen Lin	Chairman	1/1	–	–	Qian Yong Xiang	Executive Director	1/1	–	–	Chen Xiang Hui	Non-executive Director	1/1	–	–	Zhang Yang	Non-executive Director	–	–	2/2	Du Wen Yi	Non-executive Director	–	5/5	–	Cheng Chang Yung Tsung, Alice	Non-executive Director	1/1	–	2/2	Fang Hung, Kenneth	Non-executive Director	–	–	2/2	Fan Cong Lai	Independent Director	1/1	5/5	–	Chen Dong Hua	Independent Director	–	5/5	–	Xu Chang Xin	Independent Director	–	–	2/2	Gao Bo	Independent Director	–	–	2/2
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# Corporate Governance Report

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The Board should specify clearly the terms of reference of the committees so that the committees can perform their duties properly</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The three committees established by the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".</li> </ul>
<ul style="list-style-type: none"> <li>The terms of reference of the committees should require them to report to the Board their decisions and recommendations</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

## E. Communication with Shareholders

### E1. Effective Communications

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The Board should endeavor to maintain on-going dialogues with shareholders and in particular, by means of annual general meetings or other general meetings to communicate with shareholders and encourage their participation.</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Board endeavored to maintain on-going communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. All shareholders holding shares of the Company are entitled to attend the annual general meeting.</li> <li>The Company issues shareholders' circular at least 21 days before a general meeting. The Company issues the notice and the attached annual report, which contain the matters for consideration at the meeting and the voting procedures in detail, at least 45 days before the annual general meeting.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of individual directors.</li> </ul>
<ul style="list-style-type: none"> <li>The chairman of the Board should attend the annual general meeting and arrange for chairmen or members of the committees to be available to answer questions at the meeting</li> <li>The chairman of the respective committees should also be available to answer questions at any general meeting which would approve a connected transaction or any other transaction that is subject to independent shareholder approval.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The chairman of the Board has attended and presided over the annual general meeting and has arranged for representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting.</li> <li>During the year, no connected transaction or transaction requiring independent shareholder approval was submitted to the general meeting for approval. Each year, Independent Directors to give their independent opinions and report to shareholders on matters that are subject to independent shareholder approval during the year, and answer questions raised by shareholders at the Annual General Meeting.</li> </ul>



## E2. Voting by Poll

<b>Code principle</b>	<ul style="list-style-type: none"> <li>The issuer should regularly inform shareholders of the procedures for voting by poll and ensure compliance with the requirements contained in the "Listing Rules" and the "Articles of Association".</li> </ul>
<b>The best corporate governance status</b>	<ul style="list-style-type: none"> <li>The Company has formulated the "Rules of Proceedings for General Meetings" specifying the voting format and the voting procedures of shareholders' general meetings and ensured that the procedures comply with the requirements contained in the "Listing Rules" and the "Articles of Association".</li> <li>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.</li> </ul>

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

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> <li>The procedures for voting by poll and the right of shareholders demanding voting by poll should be disclosed in the circular of the general meeting. The chairman of a meeting and/or directors who individually or collectively hold proxies should disclose the votes represented by all proxies held by directors at the meeting</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Ensure the votes cast are properly counted and recorded</li> </ul>	Yes	<ul style="list-style-type: none"> <li>The Company appointed external auditors and shareholder representatives as scrutineers to properly count and record the valid votes. The Company appointed lawyers to issue letters of legal opinions on the final voting results.</li> </ul>
<ul style="list-style-type: none"> <li>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</li> </ul>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

# Corporate Governance Report

## (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 be informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure. 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 enhances 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 requirements of the statutory disclosures, the Company published 32 announcements for major matters in the PRC and overseas simultaneously, including four periodic reports, 20 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 news of the shareholders' general meeting, the resolutions of Board and the Supervisory Committee. Announcements of the Company were published in China Securities Journal and Shanghai Securities News and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

## (V) Investor Relations and Communication

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

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



The core of investor relations is effective communication. With various platforms and channels, the Company has fully and effectively communicated with domestic and foreign investment funds and research institutions which followed on the Company. In so doing, the Company aims to convey information to the investors who are interested in such information and enhance their confidence in the future development of the Company on the one hand, and to enable the Company to collect extensive market feedback to improve corporate governance and operational management standards on the other hand. 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 are as follows:

- Investors' inquiries through the investor hotline, company website and e-mail; more than 100 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 visits to the Company or specific teleconferences by investors and analysts: 32 batches of visits to the Company by domestic and foreign investors (58 person-times in total) were received during the year.
- Various promotion activities including roadshows and press conferences for results announcement presentations, roadshows in Europe and the USA, various investor forums and face-to-face communications were conducted with investors. 12 major presentations were attended or organized in 2010 with details as follows:

<b>January</b>	– Participated in the "10th Greater China Conference" organized by UBS Warburg in Shanghai
<b>March</b>	– Held 2009 annual results presentation and roadshows in Hong Kong
<b>May</b>	– Participated in the Deutsche Bank Access Asia Conference in Singapore – Participated in the BOCI 2010 Investors Conference, Tsingtao – Participated in the UBS 2010 A-share Forum
<b>June</b>	– Participated in the "Investment Forum" organized by JP Morgan in Beijing
<b>August</b>	– Held 2010 interim results presentation and roadshows in Hong Kong
<b>November</b>	– Participated in the "China Investment Frontier Conference 2010" organized by Goldman Sachs Gao Hua in Beijing – Participated in the "China Investment Summit" organized by Merrill Lynch Securities in Beijing – Organised Europe roadshow for the management – Organised USA roadshow for the management
<b>December</b>	– Participated in the "Annual Investment Strategy Seminar" organized by Everbright Securities

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

# Corporate Governance Report

## (VI) Shareholder Return

Since its listing, the Company has been maintaining high return for the shareholders. The Company has been paying cash dividends for 14 consecutive years, with an aggregate of approximately RMB11.87 billion cash dividend distributed. For 2010, the Board recommended the distribution of a cash dividend of RMB0.36 per share, equivalent to approximately 82.06% of the distributable profit (subject to deduction of 10% Statutory Reserve) of the year, payout ratio reached 73.02%.

	2003	2004	2005**	2006	2007	2008	2009	2010
Earnings per share (RMB)*	0.189	0.164	0.133	0.233	0.318	0.308	0.399	<b>0.493</b>
Dividend per share (tax inclusive) (RMB)	0.145	0.145	0.145	0.19	0.27	0.27	0.31	<b>0.36</b>
Payout ratio %	76.72	88.41	109.02	81.55	84.90	87.66	77.69	<b>73.02</b>

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

\*\* 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. The Company will respect its investors' long-term interest and their interest of gaining on current returns, and will therefore maintain the policy of high dividend payout ratio in the coming years.

## (VII) Domestic and Overseas Auditors

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

At the 2009 annual general meeting of the Company, it was approved that Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu would continue to be appointed as the domestic accountants and overseas auditors, respectively of the Company for 2010. Auditing fees for the year amounted to RMB2.2 million. The Company did not pay any other fees and there were no charges that might have affected the auditors' independence.

The above-mentioned auditing firms have been providing audit services to the Company for eight consecutive years since 2003. In 2008, such auditing firms changed the partner responsible for the auditing work provided to the Company.



# Changes in Share Capital and Shareholders

## (1) Changes in Share Capital

During the reporting period, there has been no change to the total number of shares of the Company. Starting from 16 May 2007, the Company's circulating shares with selling restrictions totalling 286,399,104 shares have been successively listed in batches after their selling restriction period had expired. 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					
1. State-owned shares	2,742,578,825	54.44	0	2,742,578,825	54.44
2. State-owned legal person shares	589,059,077	11.69	0	589,059,077	11.69
3. Other domestic shares	60,371,618	1.20	-8,918,873	51,452,745	1.02
Including: Domestic legal person shares	60,371,618	1.20	-8,918,873	51,452,745	1.02
Domestic natural person shares	-	-	-	-	-
4. Foreign shares	-	-	-	-	-
Including: Foreign legal person shares	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-
Total shares subject to selling restrictions	3,392,009,520	67.33	-8,918,873	3,383,090,647	67.15
II. Circulating shares not subject to selling restrictions					
1. RMB-denominated ordinary shares	423,737,980	8.41	+8,918,873	432,656,853	8.59
2. Domestic listed foreign shares	-	-	0	-	-
3. Foreign listed foreign shares	1,222,000,000	24.26	-	1,222,000,000	24.26
4. Others	-	-	0	-	-
Total circulating shares not subject to selling restrictions	1,645,737,980	32.67	+8,918,873	1,654,656,853	32.85
III. shares in total	5,037,747,500	100	0	5,037,747,500	100

# Changes in Share Capital and Shareholders

## 1. Approval status of changes in shares

On 16 May 2007, the selling restriction period of the Company's circulating shares with selling restrictions totalling 286,399,104 shares expired. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the consideration of such shares pre-paid by the major shareholder of the Company has been repaid. The repayment of consideration can take place in the form of the shares pre-paid for or an equivalent cash amount for such shares calculated at the average of the closing prices for the five trading days after the date of implementation of the Share Segregation Reform of Jiangsu Expressway. As at the end of the reporting period, the Company completed the listing and circulation procedures for 234,656,853 shares which have satisfied the conditions for circulation including the first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares, the fifth batch totalling 14,087,700 shares, the sixth batch totalling 2,851,900 shares, the seventh batch totalling 4,827,000 shares and the eighth batch totalling 4,091,873 shares. Upon the Company's submission of the relevant circulation applications to the State-owned Assets Supervision and Administration Commission of the Jiangsu Province, the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository & Clearing Corporation Limited and obtaining the relevant approvals, those batches were listed and circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008, 8 June 2009, 10 March 2010 and 17 December 2010, respectively.

## 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 restrictions 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 of selling restrictions	Date of releasing selling restrictions
Jiangsu Communications Holdings Company Limited	2,742,578,825	0	0	2,742,578,825	Selling restriction not expired	2011-5-16
Huajian Transportation Economic Development Centre	589,059,077	0	0	589,059,077	Selling restriction not expired	2011-5-16
Domestic legal person shareholder	60,371,618	8,918,873	0	51,452,745	The procedures of listing and circulation have not been completed	2007-5-16
Total	3,392,009,520	8,918,873	0	3,383,090,647	–	–

### 3. Reminder of circulation of shares with selling restriction

As at the end of the reporting period, the Company has not completed the listing and circulation procedures for 51,452,745 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 share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirement of the Shanghai Stock Exchange.

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

## (2) Share Issues and Listings

1. The Company issued 1,222 million H shares at HK\$3.11 per share which were listed on the Hong Kong Stock Exchange on 27 June 1997.
2. The Company issued 150 million domestic public shares (A shares) to domestic investors at the issue price of RMB4.20 per share. The issue of shares was launched from 22 December to 23 December 2000 by means of online pricing issue and placing to investors from the secondary market. The shares were listed on the Shanghai Stock Exchange on 16 January 2001.
3. The Company's Sponsored Level I ADR was effective on 23 December 2002 and the shares have been traded in the over-the-counter market in the United States.
4. The Company implemented the Share Segregation Reform on 16 May 2006. The non-circulating shareholders transferred consolidation of 48,000,000 shares to the circulating A shareholders at no price. As such, the number of circulating A shares was increased from 150,000,000 shares to 198,000,000 shares. The total number of the share capital has not been changed under the Share Segregation Reform.
5. Commencing on 16 May 2007, the selling restriction period of Company's circulating share with selling restrictions totalling 286,399,104 shares has expired and the shares were listed. The first batch totalling 103,260,554 shares, the second batch totalling 36,073,799 shares, the third batch totalling 11,819,527 shares, the fourth batch totalling 57,644,500 shares, the fifth batch totalling 14,087,700 shares, the sixth batch totalling 2,851,900 shares, the seventh batch totalling 4,827,000 shares and the eighth batch totalling 4,091,873 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 and 17 December 2010, respectively. As at the end of the reporting period, the number of circulating A shares was increased to 432,656,853 shares, representing 8.59% of the Company's total share capital. The total number of share capital has not been changed as a result of the circulation of shares.
6. The Company successfully issued RMB1.1 billion corporate bonds via on-line and off-line from 28 July 2008 to 30 July 2008. The corporate bonds bore a coupon rate of 5.40% p.a. with a term of three years. The corporate bonds were listed on the Shanghai Stock Exchange on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010".

Category of shares and their derivative securities	Issue date	Issue price	Quantity of issue	Listing date	Trading quantity with listing approval	Expiration date of trading
Corporate Bonds	28 July 2008	100 / copy	11,000,000 copies	12 August 2008	11,000,000 copies	28 July 2011

# Changes in Share Capital and Shareholders

## (3) Major Shareholders

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

As at 31 December 2010, there were a total of 48,871 shareholders in the registers of members of the Company, of whom 48,357 were domestic shareholders and 514 were foreign shareholders.

### 2. Shareholdings of Major Shareholders of the Company

(i) As at 31 December 2010, 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 Ltd.	0	2,742,578,825	54.44	2,742,578,825	0	State-owned legal person
Huajian Transportation Economic Development Centre	0	589,059,077	11.69	589,059,077	0	State-owned legal person
Mondrian Investment Partners Limited	-2,670,000	95,864,000	1.90	0	Unknown	Foreign legal person
Capital Research and Management Company	0	85,269,000	1.69	0	Unknown	Foreign legal person
Deutsche Bank Aktiengesellschaft	62,377,341	62,377,341	1.24	0	Unknown	Foreign legal person
Ameriprise Financial Inc	62,141,000	62,141,000	1.23	0	Unknown	Foreign legal person
Ping An Property & Casualty Insurance Company of China, Ltd (中國平安財產保險股份有限公司)	21,699,609	21,699,609	0.43	0	Unknown	Others
Ping An Life Insurance Company of China, Ltd (中國平安人壽保險股份有限公司)	13,877,848	13,877,848	0.28	0	Unknown	Others
Gao Hua – HSBC – GOLDMAN, SACHS & CO. (高華—滙豐—GOLDMAN, SACHS & CO.)	8,919,097	8,919,097	0.18	0	Unknown	Others
China AMC Income Fund (華夏收入股票型證券投資基金)	8,871,814	8,871,814	0.18	0	Unknown	Others

Notes: About shareholdings of the top ten shareholders:

- The Company is not aware of any of the above shareholders who are connected to each other or acting in concert;
- 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;
- The numbers of shares held by H-share holders were based on register required to be maintained under the Securities and Futures Ordinance of Hong Kong.



(ii) As at 31 December 2010, the shareholdings of the top ten 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
Mondrian Investment Partners Limited	95,864,000	Overseas listed foreign shares
Capital Research and Management Company	85,269,000	Overseas listed foreign shares
Deutsche Bank Aktiengesellschaft	62,377,341	Overseas listed foreign shares
Ameriprise Financial Inc	62,141,000	Overseas listed foreign shares
Ping An Property & Casualty Insurance Company of China, Ltd (中國平安財產保險股份有限公司)	21,699,609	RMB-denominated ordinary shares
Ping An Life Insurance Company of China, Ltd (中國平安人壽保險股份有限公司)	13,877,848	RMB-denominated ordinary share
Gao Hua – HSBC – GOLDMAN, SACHS & CO. (高華—滙豐—GOLDMAN, SACHS & CO.)	8,919,097	RMB-denominated ordinary share
Chnia AMC Income Fund (華夏收入股票型證券投資基金)	8,871,814	RMB-denominated ordinary share
Yulong Investment Fund (裕隆證券投資基金)	7,999,941	RMB-denominated ordinary share
Kunshan Municipal Land Development Centre (昆山市土地開發中心)	7,500,000	RMB-denominated ordinary shares

(iii) As at 31 December 2010, 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
Ping An Property & Casualty Insurance Company of China, Ltd (中國平安財產保險股份有限公司)	21,699,609	RMB-denominated ordinary shares
Ping An Life Insurance Company of China, Ltd (中國平安人壽保險股份有限公司)	13,877,848	RMB-denominated ordinary shares
Gao Hua – HSBC – GOLDMAN, SACHS & CO. (高華—滙豐—GOLDMAN, SACHS & CO.)	8,919,097	RMB-denominated ordinary shares
Chnia AMC Income Fund (華夏收入股票型證券投資基金)	8,871,814	RMB-denominated ordinary shares
Yulong Investment Fund (裕隆證券投資基金)	7,999,941	RMB-denominated ordinary shares
BILL & MELIDA GATES FOUNDATION TRUST	7,328,527	RMB-denominated ordinary shares
China AMC Dividend Fund (華夏紅利混合型開放式證券投資基金)	7,104,849	RMB-denominated ordinary shares
Jiangsu Electric Power Company (江蘇省電力公司)	6,534,627	RMB-denominated ordinary shares
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	6,475,000	RMB-denominated ordinary shares

# Changes in Share Capital and Shareholders

(iv) As at 31 December 2010, 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		Selling restrictions
			Listing and trading date	Number of additional listed and tradable shares	
1	Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	2,742,578,825	16 May 2011	0	Note 1
2	Huajian Transportation Economic Development Centre (華建交通經濟開發中心)	589,059,077	16 May 2011	0	Note 1
3	Domestic legal person shareholders	51,452,745	16 May 2007	51,452,745	Note 2

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

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

(v) As at 31 December 2010, 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 Ltd. (江蘇交通控股有限公司)	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited/ Huajian Transportation Economic Development Centre (招商局集團有限公司/華建交通經濟開發中心) (1)	Others	Yes	589,059,077(L)	(11.69%)
Mondrian Investment Partners Limited	Investment manager	Yes	95,864,000(L)	7.85% (1.90%)
Capital Research and Management Company (2)	Investment manager	Yes	85,269,000(L)	6.98% (1.69%)
Deutsche Bank Aktiengesellschaft (3)	Interest of controlled corporation	Yes	62,377,341(L)	5.10% (1.24%)
Ameriprise Financial Inc (4)	Interest of controlled corporation	Yes	62,141,000(L)	5.09% (1.23%)

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

- (1) China Merchants Group Limited was deemed to hold interests by virtue of its controlling interests in Huajian Transportation Economic Development Centre.
- (2) The Capital Group Companies Inc. was deemed to hold interests by virtue of its controlling interests in Capital Research and Management Company.
- (3) Deutsche Bank Aktiengesellschaft was deemed to hold interests by virtue of its direct controlling interests in Deutsche Asset Management International GmbH, DWS Investment GmbH, Deutsche Investment Management Americas Inc. and RoPro U.S. Holding, Inc and indirect controlling interests in DB Capital Markets (Deutschland) GmbH, DWS Holding & Service GmbH, Taunus Corporation and Deutsche Bank Americas Holding Corp.
- (4) Ameriprise Financial Inc was deemed to hold 55,846,696 shares and 6,294,304 shares by virtue of its controlling interests in Columbia Wanger Asset Management, L. P. and Columbia Management Investment, LLC., respectively,

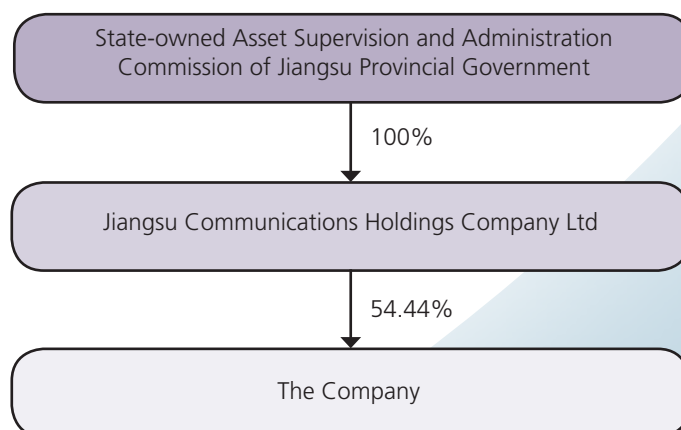
Save as disclosed above, to the Company’s best knowledge, as at 31 December 2010, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

### 3. Controlling shareholder of the Company

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

### 4. The De Facto Controller of the Company

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



# Changes in Share Capital and Shareholders

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

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

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

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

## (5) Pre-emption Rights

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

## (6) Public Float

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



# Directors, Supervisors, Senior Management and Staff

## (1) General Information

Names	Gender	Age	Position with the Company	Term of office
Yang Gen Lin	M	58	Chairman	From July 2010 to 2012
Qian Yong Xiang	M	47	Executive Director, General Manager	From June 2009 to 2012
Zhang Yang	F	47	Non-executive Director	From June 2009 to 2012
Chen Xiang Hui	M	48	Non-executive Director	From June 2009 to 2012
Du Wen Yi	M	48	Non-executive Director	From June 2009 to 2012
Cheng Chang Yung Tsung, Alice	F	79	Non-executive Director	From October 2009 to 2012
Fang Hung, Kenneth	M	73	Non-executive Director	From October 2009 to 2012
Fan Cong Lai	M	49	Independent Non-executive Director	From June 2009 to 2012
Chen Donghua	M	36	Independent Non-executive Director	From June 2009 to 2012
Xu Chang Xin	M	48	Independent Non-executive Director	From October 2009 to 2012
Gao Bo	M	49	Independent Non-executive Director	From October 2009 to 2012
Chang Qing	M	48	Chairman of the Supervisory Committee	From March 2011 to 2012
Sun Hong Ning	M	50	Supervisor	From October 2009 to 2012
Hu Yu	F	36	Supervisor	From June 2009 to 2012
Yan Shi Min	M	57	Supervisor	From June 2009 to 2012
Shao Li	F	33	Supervisor	From June 2009 to 2012
Liu Wei	F	55	Deputy General Manager, Financial Controller	From January 2010 to September 2011
Zhao Jia Jun	M	44	Deputy General Manager	From January 2010 to December 2012
Shang Hong	F	48	Deputy General Manager	From December 2010 to November 2013
Tian Yafei	M	45	Assistant to General Manager	From February 2010 to January 2013
Yao Yong Jia	M	47	Assistant to General Manager cum Secretary to the Board	From December 2010 to November 2013
Lee Wai Fun, Betty	F	50	Company Secretary (Hong Kong)	From June 2010 to May 2011

### Notes:

1. During the reporting period, the directors, supervisors and senior management (including their spouse or children and the company, trust holding 30% or more of shares) did not hold any shares, shares futures options and restricted shares of the Company.
2. The directors and senior management are not connected to each other.

# Directors, Supervisors, Senior Management and Staff

## (2) Changes in Directors, Supervisors and Senior Management

Ms. Cheng Chang Yung Tsung, Alice was appointed as a member of the Strategy Committee at the Eighth Meeting of the Sixth Session of the Board held on 18 March 2010 by the Company. Mr. Xu Chang Xin, Mr. Chen Donghua, Mr. Gao Bo, Mr. Fang Hung, Kenneth and Ms. Zhang Yang were appointed as members of the Nomination, Remuneration and Appraisal Committee and Mr. Xu Chang Xin was elected as the convener.

Ms. Liu Wei and Mr. Zhao Jiajun were re-appointed as Deputy General Managers of the Company at the Ninth Meeting of the Sixth Session of the Board held on 21 March 2010 by the Company. Mr. Tian Yafei was appointed as Assistant to General Manager of the Company.

The resignation of Mr. Yang Gen Lin from the office of Supervisor of the Company due to changes in work duties was approved at the Sixth Meeting of the Sixth Session of the Supervisory Committee held on 27 May 2010; and the election of Mr. Yang Gen Lin as Director of the Company was approved at the Eleventh Meeting of the Sixth Session of the Board held on the same day. The appointment of Mr. Yang Gen Lin as Director of the Company was approved at the Extraordinary General Meeting held on 16 July 2010; and Mr. Yang Gen Lin was elected as Chairman of the Company at the Twelfth Meeting of the Sixth Session of the Board held on the same day. Mr. Shen Chang Quan, former Chairman of the Company, resigned from all duties of the Company due to change in work duties.

In December 2010, the Company appointed Ms. Shang Hong, Assistant to General Manager, as Deputy General Manager, and Mr. Yao Yong Jia, Secretary to the Board of Directors, as Assistant to General Manager.

In January 2011, the Supervisory Committee nominated Mr. Chang Qing as Supervisor of the Company. The appointment of Mr. Chang Qing as Supervisor was considered and approved at the first Extraordinary General Meeting held on 18 March 2011 and Mr. Chang Qing was elected Chairman of the Supervisory Committee at the Eleventh Meeting of the Sixth Session of the Supervisory Committee on the same day.

## (3) Information on 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 Ltd.	Chairman	From August 2008 up to now	Yes
Chang Qing	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From December 2010 up to now	Yes
Sun Hong Ning	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Chen Xiang Hui	Jiangsu Communications Holdings Company Ltd.	Deputy General Manager	From May 2003 up to now	Yes
Du Wen Yi	Jiangsu Communications Holdings Company Ltd.	Director of Finance and Auditing	From November 2007 up to now	Yes
Zhang Yang	Huajian Transportation Economic Development Center	Deputy General Manager	From April 2007 up to now	Yes
Hu Yu	Huajian Transportation Economic Development Center	Deputy Manager of Finance Department	From April 2009 up to now	Yes

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

Name	Employer	Current Title	Emoluments Received (Yes or No)
Zhang Yang	Shenzhen Expressway Co., Ltd.	Director	No
	Zhejiang Expressway Co., Ltd.	Director	No
	Sichuan Expressway Co., Ltd.	Vice Chairman	Yes
	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 Yung Tsong, Alice	Daqing Oilfield Co. Ltd.,	Managing Director	Yes
	Yung Shing Enterprise Co.	President	Yes
	Nanjing Ericsson Panda Communications Company Ltd.	Director	Yes
Fang Hung, Kenneth	Fang Brothers Knitting Limited	Chairman	Yes
	Yeebo (International Holdings) Limited	Chairman	Yes
	USI Holdings Limited	Independent Director	Yes
Fan Cong Lai	Nanjing Xingang High-tech Co., Ltd.	Independent Director	Yes
	Wuxi Taiji Industry Co., Ltd.	Independent Director	Yes
	Nanjing Port Co., Ltd.	Independent Director	Yes
Chen Donghua	Nanjing Port Co., Ltd.	Independent Director	Yes
	Jiangsu Yue Da Investment Company Limited	Independent Director	Yes
	Suzhou Industrial Park New Sea Union Telecom Development Co., Ltd.	Independent Director	Yes
Hu Yu	Sichuan Expressway Co., Ltd.	Director	Yes
	Guangxi Wuzhou Communications Co., Ltd.	Supervisor	Yes

# Directors, Supervisors, Senior Management and Staff

## (5) Emoluments for the Year

The Nomination, 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 2010 amounted to HK\$300,000 (equivalent to approximately RMB255,000 after conversion was made at an exchange rate of HK\$1.00 against RMB0.85 at the end of the reporting period). The original annual emolument for each of the four independent directors in China was RMB50,000. The remuneration rate was revised to RMB60,000 annually after being approved at a shareholders' general meeting in 2010. After conversion was made, the emolument actually paid to each of the directors was RMB56,667 in 2010.
2. Based on the actual condition of China, 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 include various deputy general managers, assistants to general managers and secretary to the Board of the Company. They receive their management remunerations in line with their respective positions. Their total remuneration is composed of three parts which are salary for the position, performance bonus and Company's contribution to their pension scheme.



## Details of remunerations of the directors, supervisors and senior management during 2010

RMB: Yuan

Personnel	Remuneration of directors or supervisors	Management remuneration	Total	Received remuneration in shareholders' entities or other connected entities
<b>Directors</b>				
Yang Gen Lin	–	–	–	Yes
Qian Yong Xiang	–	420,833	420,833	No
Zhang Yang	–	–	–	Yes
Chen Xiang Hui	–	–	–	Yes
Du Wen Yi	–	–	–	Yes
Cheng Chang Yung Tsung, Alice	255,000	–	255,000	No
Fang Hung, Kenneth	255,000	–	255,000	No
<b>Independent Directors</b>				
Fan Cong Lai	56,667	–	56,667	No
Chen Donghua	56,667	–	56,667	No
Xu Chang Xin	56,667	–	56,667	No
Gao Bo	56,667	–	56,667	No
<b>Supervisors</b>				
Chang Qing	–	–	–	Yes
Sun Hong Ning	–	–	–	Yes
Hu Yu	–	–	–	Yes
Yan Shi Min	–	252,500	252,500	No
Shao Li	–	252,500	252,500	No
<b>Senior Management</b>				
Liu Wei	–	335,125	335,125	No
Zhao Jia Jun	–	314,083	314,083	No
Shang Hong	–	294,583	294,583	No
Tian Yafei	–	285,000	285,000	No
Yao Yong Jia	–	294,583	294,583	No
Lee Wai Fun, Betty	–	–	–	No
<b>Total</b>	<b>736,668</b>	<b>2,449,207</b>	<b>3,185,875</b>	–

# Directors, Supervisors, Senior Management and Staff

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

### Directors' and Supervisors' contracts

Apart from the service contract between the Company and executive director, each of the Directors and supervisors has entered into an engagement 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 2008 Annual General Meeting (or the appointment date) until the date of the annual general meeting to be held in 2011. The Company, the Directors or the supervisors can terminate the contracts by giving not less than three months prior notice in writing to the other party. Save as the above-mentioned, none of the Directors or supervisors have entered into or have proposed to enter into any service contracts with the Company expiring or determinable by the employer within one year with payment of compensation (other than statutory compensation). The Company was not required to pay compensation to any director for the reason that the Directors intended to be re-elected in the next annual general meeting but their service contracts have not expired.

### Interests of Directors and Supervisors in Contracts

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

### Representation and Undertaking of Directors, Supervisors and Senior Management

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

### 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.

### Model Code for Securities Transactions by Directors

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

### Dealings in Securities by Directors, Supervisors and Senior Management

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

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

## Training of Directors, Supervisors and Senior Management

To enhance the governance missions of Directors, supervisors and senior management, the Secretary to the Board of the Company continued to pay attention to the governance requirements of securities regulatory authorities and timely relayed such requirements to the Directors, supervisors and senior management. Meanwhile, the Secretary to the Board also arranged the relevant Directors, supervisors and senior management to participate in seminars and training programmes, including telephone conferences held by the CSRC and specific training programmes held by the local securities regulatory bureau, so as to facilitate their continuous professional development. In 2010, the Company arranged three Directors and senior management staff to attend specialized training courses organized by the Shanghai Stock Exchange and Jiangsu Securities Regulatory Bureau.

## (7) Biographies of Directors, Supervisors and Senior Management

### Directors

**Mr. Yang Gen Lin**, Chairman, Chairman of the Strategy Committee, born in 1953, aged 58, 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; member of the Standing Committee of Zhenjiang Municipal Communist Party Committee; and Deputy Department Head and Deputy Party Secretary of the Jiangsu Department of Communications. He is now serving as Secretary of the Company'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. Qian Yong Xiang**, Executive Director, General Manager, Member of the Strategy Committee, born in 1964, aged 47, 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, the Company's investment analysis and management, project construction and operational management. He has extensive experience in corporate management and operation of listed companies.

**Ms. Zhang Yang**, Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1964, aged 47, and with a post-graduate diploma. She commenced work in 1987. From 1988 to 1994, Ms. Zhang was a principal staff member of the political division of the Ministry of Aerospace. From 1994 to 2007, she was the manager of the securities management division and Assistant to General Manager of Huajian Transportation Economic Development Center, and she is now the deputy general manager of Huajian Transportation Economic Development Center. She is also a director of Shenzhen Expressway Company Limited and Zhejiang Expressway Company Limited as well as the Vice Chairman of Sichuan Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries and is rich in management experience.

**Mr. Chen Xiang Hui**, Non-executive Director, Member of the Strategy Committee, born in 1963, aged 48, with a Bachelor degree of Engineering and an MBA, post-graduate grade Senior Engineer. Mr. Chen has been involved in communication construction management and expressway operation management for a long time. Mr. Chen was a deputy director of the Project Quality Supervisory Section of Jiangsu Communications Department, a director of Jiangsu Ninglian Ningdong Road Management Office and a general manager of the Company. Mr. Chen is currently a director and a deputy general manager of Communications Holdings. He is the vice chairman of the Jiangsu Youth Chamber of Commerce, the deputy secretary general of the Chapter of Expressway Operations Management Association of China Highway and Transportation Society and a standing committee member of the Expressway Operations Committee of Jiangsu Highway and Transportation Society.

# Directors, Supervisors, Senior Management and Staff

**Mr. Du Wen Yi**, Non-executive Director, Member of the Audit Committee, born in 1963, aged 48, with an undergraduate diploma, Senior Economist. Mr. Du started working in the finance and accounting research office of Nanjing Communications School in 1983, and had been successively appointed as the deputy director and a director of the Planning and Finance Office of Jiangsu Communications Planning and Design Institute since 1987. He had been a deputy head of the Finance and Auditing Section of Jiangsu Communications Holdings Company Ltd. since 2000, and had been a director and successively a deputy head and head of the Finance and Auditing Section of Jiangsu Communications Industry Group Co., Ltd. from 2001 to 2004. He had been a deputy general manager of Jiangsu Expressway Company Limited since 2004, and became the head of the Finance Department of Communications Holdings in November 2007. Mr. Du has been engaged in transportation management and financial management for a long time and is a senior expert with extensive transportation management and financial management experience.

**Ms. Cheng Chang Yung Tsung, Alice**, Non-executive Director, Chairman of the Nomination, Remuneration and Appraisal Committee, born in 1932, aged 79. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region, a standing committee member of the National Committee of the Chinese People's Political Consultative Conference, an advisor to the Hong Kong & Macau Affairs Office and the Xinhua News Agency (Hong Kong Branch) and the chairperson of the Business Enterprise Management Centre of the Hong Kong Management Association. She is also the managing director of Daqing Oilfield Co. Ltd., the president of Yung Shing Enterprise Co., the China senior advisor to Telefonaktiebolaget LM Ericsson, the director of Nanjing Ericsson Panda Communications Co., Ltd., the director of Beijing SE Putian Mobile Communications Co., Ltd., the chairman of Shanghai Overseas Chinese Commercial Centre Co., Ltd., and the chairman of Jiangsu Hong Kong Aero Enterprise Ltd. Ms. Chang has decades of experience in business development and investment. Ms. Chang has been awarded the Insignia of the Commander of the Royal Order of the Polar Star bestowed by His Swedish Majesty King Carl Gustav XVI of the Kingdom of Sweden and the Gold Bauhinia Star of the Hong Kong Special Administrative Region.

**Mr. Fang Hung, Kenneth**, Non-executive Director, Member of the Nomination, Remuneration and Appraisal Committee, born in 1938, aged 73 and a native of Shanghai, 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, and independent non-executive director of USI Holdings Limited which is listed on the Main Board of the Hong Kong Stock Exchange. He is a member of the National Committee of the Chinese People's Political Consultative Conference. He also undertakes many other key positions in major industrial or commercial associations, including honorary chairman of the Textile Council of Hong Kong Limited and the Hong Kong Wollen & Synthetic Knitting Manufacturers' Association, Limited, as well as chairman of the board of directors of the Hong Kong Research Institute of Textiles and Apparel.

**Mr. Fan Cong Lai**, Independent Non-executive Director, Member of the Strategy Committee, Member of the Audit Committee, born in 1962, aged 49, is a tutor for doctoral candidates. Mr. Fan was a teaching assistant of the Economics Faculty of the School of Business at Nanjing University in 1983 and a lecturer in 1988. He has been a professor, the department head, Deputy Dean and secretary of the Communist Party Committee of the Economics Faculty of the School of Business at Nanjing University since 1996. Mr. Fan is currently the Director of Discipline of Nanjing University and Professor engaged by the Education Department. Mr. Fan has long been engaged in teaching and research of monetary finance, corporate finance and capital markets. He is knowledgeable in economic theories. He has received numerous national awards honouring his outstanding contribution as an expert.

**Mr. Chen Donghua**, Independent Non-executive Director, Chairman of the Audit Committee, born in 1975, aged 36, is a professor and an advisor for doctoral candidates. He is currently the Secretary of and an advisor for doctoral candidates at the Accounting Department of Nanjing University. From 2003 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 and an advisor for doctoral candidates 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 expert in financial theories and has extensive management experience.





**Mr. Xu Chang Xin**, Independent Non-executive Director, born in 1963, aged 48, Ph.D. in engineering, a professor in economics and an advisor for doctoral candidates. He is currently Deputy Dean of the School of Business, Director of the Research Centre 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. Gao Bo**, independent Non-executive Director, born in 1962, aged 49, a Ph.D, a professor in economics and an advisor for doctoral candidates. He is currently Director of the Real Estate Research Centre at Nanjing University; 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; a Vice-President of Jiangsu Real Estate and Economics Association; and Deputy Secretary-General of Jiangsu Economics Association. He has a number of published works and has issued over 110 pieces of papers in professional academic periodicals. He has led a number of research projects including the National Natural Science Foundation, the National Social Sciences Foundation (key projects), the Humanities and Social Sciences Research Planning Foundation of the Ministry of Education, the "Tenth Five-Year" Plan for Philosophy and Social Sciences Research Foundation, and the software science programme entitled "Research on the Operation Mechanism of Venture Capital in Jiangsu" of Jiangsu Science and Technology Department. He was the winner of a number of prizes for scientific research including the ministry-level First-Class Award for Advancement in Science and Technology and the Third-Class Award for Excellent Achievement in Social Sciences of Jiangsu Province.

## Supervisors

**Mr. Chang Qing**, Chairman of the Supervisory Committee, born in 1963, aged 48, 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.

**Mr. Sun Hong Ning**, Supervisor, born in 1961, aged 50, with an EMBA from China Europe International Business School in Shanghai. Mr. Sun had been a deputy division head at Jiangsu State Secrecy Bureau since 1994. He was secretary of general office at the Jiangsu Provincial Party Committee in 1995, secretary of general office of the Jiangsu Provincial Government in 2001; and a director and a deputy general manager of Communications Holdings in 2003. Mr. Sun is also the vice chairman of Suzhou Sujiahang Expressway Co., Ltd., a director of Huatai Securities Co. Ltd. and a director of Jinling Hotel Corporation. He has substantial experience in business and management.

# Directors, Supervisors, Senior Management and Staff

**Ms. Hu Yu**, Supervisor, born in 1975, aged 36, 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 Centre, 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 General Manager of the Planning and Finance Department of Huajian Transportation Economic Development Centre. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transport management.

**Mr. Yan Shi Min**, Supervisor, born in 1954, aged 57, university graduate, Senior Political Worker. Mr. Yan worked for Jiangsu Canal Shipping Company (江蘇省運河航運公司) from 1976 to 1978, and was successively an officer, deputy head and head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively a deputy director and a director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively a deputy head of G312 Management Office of the Company, a deputy director of Chinese Communist Party Committee Office and a deputy director of Disciplinary Inspection Office, deputy director of the General Office of the Company, the head of the Changzhou Management Office and currently the chairman of the Company's union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience.

**Ms. Shao Li**, Supervisor, born in 1978, aged 33, 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 an assistant to manager of the Human Resources Department of the Company, and is currently a 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.

## Senior Management

**Ms. Liu Wei**, Deputy General Manager, Financial Controller, born in 1956, aged 55, university graduate, Senior Accountant. Ms. Liu joined the Company in August 1992. She had been the deputy section chief of the Planning Division of the Communications Department of Jiangsu Province, the head of the Finance Department of the Jiangsu Roads & Bridges Construction Co. and the section chief of the Finance Division of the Jiangsu Expressways Command Office. Ms. Liu was also the deputy division chief and the manager of the Finance Department of the Company. She has been working in the economic and financial management for 20 years and has extensive experience in these areas.

**Mr. Zhao Jia Jun**, Deputy General Manager, born in 1967, aged 44, 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, aged 48, university graduate and Senior Engineer. Ms. Shang taught in the Civil Engineering Department of Nanjing Jinling Vocational University from July 1985 to May 1993. She joined the Company in June 1993 and has held various positions including deputy head and head of the Planning Division of the Managing Department of the Company; the deputy manager and manager of the Investment Development Department of the Company 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.

**Mr. Tian Yafei**, Assistant to General Manager, Manager of the Operation and Development Department, born in 1966, aged 45, 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. 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 operation management.

**Mr. Yao Yong Jia**, Assistant to General Manager cum Secretary to the Board, born in 1964, aged 47, with a master degree, Senior Engineer. Mr. Yao joined the Company in August 1992. He has been a section chief of the Jiangsu Provincial Communications Planning and Design Institute, the Jiangsu Expressways Command Office and the Securities Department, as well as the director of the secretariat to the Board of the Company. Mr. Yao has professional experience and has been engaging in project management, investment analysis, financing and securities.

**Ms. Lee Wai Fun, Betty**, Company Secretary of Hong Kong, born in 1961, aged 50. 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.

## (8) Human Resources

### 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.

### Staffing Situations

As at 31 December 2010, the Company had 3,666 staffs (excluding controlling and participating companies). The staff composition was as follows:

#### 1. Professional Composition

Type of profession	Number	Percentage
Administrative and management staff	215	5.86%
Toll operation staff	2,072	56.52%
Maintenance and repair staff	228	6.22%
Service area staff	1,151	31.40%

# Directors, Supervisors, Senior Management and Staff

## 2. Educational Background

Education level	Number	Percentage
University or above	326	8.89%
Post-secondary school	855	23.32%
Secondary/vocational schools or below	2,485	67.79%

## 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. In 2010, the Group has paid total staff salaries amounting to RMB315,636,000 in aggregate, representing an increase of 8.75 % year-on-year.

The Company enforced a stringent performance appraisal system. In this year, the Company enacted management methods and implementation rules for the Company's performance appraisal. Based on such methods and rules as appraisal standards, the Company conducted regular appraisals on the work 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 operation 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.

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

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, labour 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 caring relationships between the Company and its employees. The relevant premiums and corporate annuities have been paid up on time.

## Staff Education and Training

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources. The Company devises training programs each year based on the annual work plans and the needs for human resources development. The programs will set the direction of training for the current year, while reviews will be made at the end of the year.



During the year, a 2-day special training program in business management was conducted for middle and senior management members, which was attended by all management staff of middle level and above. The training program focused primarily on three aspects – the role of a manager, execution capability and management process – designed to enhance the management philosophy as well as the overall leadership and execution capability of the management team. The Company also embarked on staff development training to enable staff to experience team communication and collaboration in a relaxed, lively atmosphere and to inspire staff to utilize their personal abilities in a team environment, as well as experiencing the power of collective wisdom.



To tie in with the commencement of the “Caring Shanghai-Nanjing Expressway” standardized service campaign, the Company organized a number of training programs on standardized courteous service for front-line staff during the year. After on-the-job training was given on service concept guidance, image, etiquette and service practices, service standards were improved significantly - so much so that the staff took on an entirely new look, justified complaints dropped substantially, and more interactive responses and praises were seen among crews and passengers.

During 2010, the Company and all of its administrative departments conducted 249 staff training sessions according to the annual training plan. Of these sessions, approximately 64% were job skills training programs for production positions, and approximately 36% were comprehensive capability enhancement programs for management and professional technical staff. Total spending on these training sessions amounted to approximately RMB2,103,000, covering 10,709 person-times and involving staff of various levels from junior servicing staff to senior management members.

# Shareholders' General Meetings

## (1) Annual General Meeting

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2009 Annual General Meeting	19 May 2010	China Securities Journal and Shanghai Securities News	20 May 2010

The annual general meeting has considered, and approved as ordinary resolutions, the following significant matters:

- the report of the directors, the report of the supervisory committee, the audited accounts and auditors' report for the year 2009;
- 2009 profit distribution scheme;
- Reappointment of overseas and domestic auditors;
- Approval on salary adjustments of independent directors;
- Approval on the issue of short-term commercial paper program not exceeding RMB1.5 billion by the Company.

## (2) Extraordinary General Meetings

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2010 First Extraordinary General Meeting	16 July 2010	China Securities Journal and Shanghai Securities News	17 July 2010

The extraordinary general meeting has considered and approved the following significant matter as an ordinary resolution:

- The appointment of Mr. Yang Gen Lin as Director of the Company was approved.

## (3) The Implementation of the General Meeting Resolutions

- Profit distribution for year 2009

As approved at the 2009 annual general meeting, the Company distributed a cash dividend of RMB0.31 (tax inclusive) per share to all shareholders on the basis of a total of 5,037,747,500 shares in issue at the end of 2009. Such profit distribution scheme was implemented on 9 June 2010.

- Issue of short-term commercial paper

To improve financing structure and reduce financing cost, the Company's short-term commercial paper program was approved in the annual general meeting on 19 May 2010. The Company employed Industrial Bank Co., Ltd. as the lead-underwriter. As approved by the National Association of Financial Market Institutional Investors, commercial papers of RMB1 billion were issued at face value to domestic institutional investors participating in the national inter-bank debt market. The Company has completed the issue of the commercial paper on 16 August 2010 with a term of 365 days and a face value of RMB100 per unit, and was issued at an interest rate of 2.87%.

# Report of the Supervisory Committee

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

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 decisions and their implementation on material operational 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 Proceedings for Supervisory Committee Meetings" have set out the powers and authorities of the Supervisory Committee in detail.

In 2010, in accordance with the Company Law, the listing rules and other relevant regulations as well as the Articles of Association and the Rules of Proceedings for Supervisory Committee Meetings and by observance of the principle of integrity, all members of the Company's Supervisory Committee have faithfully discharged their duties in a proactive and conscientious manner during year 2009 for the purpose of safeguarding the interests of the shareholders, the Company and its staff.

The Supervisory Committee held five meetings in 2010. The convening, proceedings and resolutions of the meetings complied with legal procedures. Significant matters considered and examined by the Supervisory Committees were as follows:

Convening of the Supervisory Committee Meeting	Agenda of the Supervisory Committee Meeting
The Fifth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none"><li>– The 2009 annual report and its summary of the Company were considered</li><li>– The 2009 work report of the Supervisory Committee was considered</li><li>– The Self-evaluation Report on Internal Control of the Company was considered and approved</li></ul>
The Sixth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none"><li>– The 2010 first quarterly report of the Company was considered</li></ul>
The Seventh Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none"><li>– The resignation of Mr. Yang Gen Lin from the office of Supervisor due to changes in work duties was approved in the form of correspondence</li></ul>
The Eighth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none"><li>– The 2010 interim report and its summary of the Company were considered</li></ul>
The Ninth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none"><li>– The 2010 third quarterly report of the Company was considered</li></ul>

# Report of the Supervisory Committee

## (2) Independent Opinions of the Supervisory Committee

During the reporting period, the Supervisory Committee attended the on-site shareholders' meetings and Board meetings. It examined the signing of written resolutions by the Board. It exercised effective supervision on the procedures and legality of the decision-making process of the Company, the implementation of the resolutions passed at the shareholders' meetings by the Board, and the duties discharged by the Company's directors and management, and alerted the Board and the management of the Company of any potential risks.

Through the above supervision, the Supervisory Committee made independent opinions in relation to the relevant operations of the Company.

### 1. Compliance with the Company's Operations

During the reporting period, the Supervisory Committee has monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions passed thereat. It has also supervised the implementation of resolutions passed at the shareholders' general meetings by the Board and the implementation of resolutions passed at the Board meetings by the management. It considers that the Company has operated its business and made its decisions in strict compliance with the relevant laws and systems and in a regulated manner. The Company has improved continuously its internal control system, and its governance standards have been further enhanced, with the Company having received wide recognition from the domestic and foreign regulatory authorities and market investors as well as through various awards on corporate governance. In compliance with the requirements as stipulated under the relevant laws and regulations, the Company's directors and senior management have conscientiously discharged their duties, bearing in mind the best interests of shareholders and the Company. They have not violated the relevant laws and regulations, abused their authorities or caused damage to the interests of the Company, its shareholders and staff.

### 2. Financial Conditions of the Company

The Supervisory Committee has duly examined the financial statements, the profit distribution scheme and other accounting information for year 2010, and is of the view that the financial income and expenditure accounts are clear and that the accounting, auditing and financial management have complied with the relevant requirements without any problems identified. The domestic and overseas auditors of the Company have audited the 2010 financial statements of the Company in accordance with the HKFRS and the PRC Accounting Standards, respectively, and have issued auditors' reports with standard unqualified audit opinions accordingly. The Supervisory Committee is of the view that the financial income and expenditure and the operating results of the Company are fairly and correctly reflected by the auditors' reports. The operating results achieved are truthful.

### 3. Application of Fund Raised

In 2008, the Company issued corporate bonds of RMB1.1 billion with a term of three years. The fund raised was used to adjust the Company's liability structure. As reviewed and inspected by the Securities Commission, the application of the fund raised was in consistent with the undertaking made in the fund raising prospectus without any deviation. Meanwhile, dividends for the year were paid on time, and the gains of the investors were ensured.



#### **4. Connected Transactions of the Company**

During the reporting period, the Company has entered into the maintenance service contracts of connected transactions with Jiangsu Sundian, and continued to perform the contracts of connected transactions, which were entered into in previous years, between associated parties including Network Operation Company, Jiangsu Expressway Petroleum and Jiangsu Sundian. The Supervisory Committee has examined all connected transactions of the Company during the year. It is of the view that all contracts, agreements and other documents relating to connected transactions during the year are in compliance with the relevant legal requirements. The connected directors have abstained from voting and the review and consideration procedures were lawful. The terms of the transactions are fair and reasonable to the Company and all of its shareholders. The connected transactions have been entered into in strict compliance with the principles of "fairness, justice and openness". No insider dealing has been identified, nor has the Board been found to have breached the principle of fiduciary duty when making decision, signing agreements or carrying out information disclosure.

#### **5. Self-evaluation on Internal Control of the Company**

The Supervisory Committee has reviewed the Self-evaluation Report on Internal Control of the Company and no material defect was found in the design and implementation of the internal control system. With basic evaluations on various core components in the internal control system as well as inspection, supervision and evaluation implemented during the year, the Supervisory Committee was of the view that the Company's internal control system and its implementation were basically sound and effective between 1 January this year and 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 operation management risks of the Company.

The Supervisory Committee conducted an assessment on the performance of duties of the Directors for year 2010. It was not aware of any situation in which the Directors violated the rules and regulations or the Articles of Association, impaired the Company's interests or failed to perform their duties properly. During the reporting period, no representations or litigations were made or initiated by any supervisor against any director of the Company.

By Order of the Supervisory Committee

**Chang Qing**

*Chairman of the Supervisory Committee*

Nanjing, the PRC

18 March 2011

# Significant Matters

## (1) Principal Business, Customers and Suppliers

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

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

## (2) Material Litigation or Arbitration

The Company or its subsidiary neither involved in any material litigation or arbitration during the reporting period, nor did the Company or its subsidiary involve in any material litigation or arbitration before and until the reporting period.

## (3) Bankruptcy and Restructure

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

## (4) Shares Held in Other Listed Companies

The equity interests which the Group held in other listed companies were mainly activities involved in the acquisition of shares initially offered in the stock market by Ninghu Investment using idle funds. During the reporting period, investment income from acquisition of shares initially offered amounted to RMB33,000.

## (5) Assets Transfer

During the reporting period, the Company was not involved in any asset transfer.

## (6) Implementation of Share Incentive Scheme

The Company does not implement any share incentive scheme at the moment. Through careful studies and in compliance with the relevant regulatory requirements and guidelines that have been promulgated, the Company will actively explore the share incentive scheme and implement it at an opportune time.

## (7) Material Connected Transactions

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

Connected party	Sale of products or provision of service to connected party		Purchase of products or receipt of service from connected party	
	Transaction amount RMB'000	Percentage on transaction amount of the same type (%)	Transaction amount RMB'000	Percentage on transaction amount of the same type (%)
Jiangsu Sundian	1,690	17.3	79,428	87.7
Network Operation Company	4,460	45.8	11,118	12.3
Jiangsu Expressway Petroleum Company	3,596	36.9	–	–
Total	9,746	100	90,546	100

## 1. Road Maintenance Service Contracts with Jiangsu Sundian

On 19 March 2010, the Company and its subsidiary, Guangjing Xicheng, entered into maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd. ("Jiangsu Sundian") in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 1 April 2010 and ending on 31 December 2010. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB20 million and RMB60 million, respectively.

The transaction constituted a connected transaction under the Hong Kong Listing Rules and Shanghai Listing Rules because Jiangsu Communications Holdings Company Limited, the Company's controlling shareholder, holds 40% equity interests in Jiangsu Sundian while the Company and Guangjing Xicheng directly hold 7.5% equity interests in Jiangsu Sundian respectively. Jiangsu Sundian has provided repairs and maintenances services to the specified repair and medium-large repair projects of the expressway projects under the Company and Guangjing Xicheng since its establishment in 2003. The transaction was conducted in normal business contract of the Company and Guangjing Xicheng and has no adverse impact to the Company.

The maintenance service fees are determined by the following principles: the tender prices so accepted will serve as the fee basis for projects to be awarded through public tenders whereas the fee basis for other projects will be determined after arm's length negotiation and with reference to the prevailing market prices reviewed by an independent and qualified cost consultation institute, with principle of not higher than the market price of the relevant projects. Jiangsu Sundian will be given such project. The cap of the maintenance service fees was set according to the estimated works in 2010. The maintenance service fees are to be paid out of the Company and Guangjing Xicheng's own funds. As at the end of the reporting period, the actual amounts of the two contracts were RMB19,475,000 and RMB59,953,000 respectively.

## 2. Technical Services Provided by Network Operation Company

During the reporting period, the Company continued to perform the technical services agreement with Jiangsu Expressway Network Operation and Management Co., Ltd. (the "Network Operation Company"). Pursuant to the agreement, the Network Operation Company provides relevant data audit, statistical and analytical services on relevant data pertaining to inter-network tolling, as well as consultation services on inter-network tolling technology upgrade, for the road and bridge projects of the Company. The term of the agreement starts on 1 January 2009 and ends on 31 December 2011. The 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 holding 24.87% equity interests, while the Company and Guangjing Xicheng holds 4.42% equity interests, respectively. In accordance with Chapter 10 of the listing rules of the Shanghai Stock Exchange and Chapter 14A of the Hong Kong Listing Rules, the Network Operation Company is a connected company of the Company. Such transaction constituted a continuing connected transaction relating to the day-to-day operations of the Company.

The fee standards on which the Network Operation Company provided services to the Company were examined by the Jiangsu Price Administration. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to on non-cash income. During the reporting period, the Company has paid service fees to Toll-network Company amounting to RMB11,118,000 in aggregate.

# Significant Matters

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

During the reporting period, Guangjing Xicheng, the Company's subsidiary, continued to perform the leasing agreement in respect of its petroleum products sales business at the petrol station in the Yanqiao Service Area with Jiangsu Expressway Petroleum Company ("Jiangsu Petroleum Company") for a period of three years from 1 January 2009 to 31 December 2011. Under the agreement between both parties, the leasing fee will be calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee paid to Guangjing Xicheng by Jiangsu Petroleum Company amounted to RMB500,000 per annum. Jiangsu Petroleum Company is a connected company which is held 51.17% equity interests by the Company's controlling shareholder. Such transaction constituted a continuing connected transaction relating to day-to-day operating activities.

During the reporting period, Jiangsu Petroleum Company paid leasing fees to Guangjing Xicheng amounting to RMB3,596,000 in aggregate which was below reporting and disclosure requirements.

## 4. Leasing of Offices

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

### – Capital Dealings with Connected Parties

Unit: RMB'000

Connected Parties	Provide funding to connected parties		Connected parties provide funding to the Company	
	Amount	Balance	Amount	Balance
Guangjing Xicheng Company	0	0	600,000	600,000
Far East Shipping	0	0	210,000	210,000
Total	0	0	810,000	810,000

During the reporting period, the Company secured a loan of RMB600,000,000 from its subsidiary Guangjing Xicheng by way of a trust loan with a term of one year at an annual interest rate of 4%, and secured a loan of RMB210,000,000 from its associate Far East Shipping by way of a trust loan with a term of one year at the prevailing bank interest rate. As of 31 December 2010, the balance of the trust loans in the associates of the Company amounted to RMB 810,000,000.



### **Independent Opinion by Independent Directors on Appropriation of Funds by Connected Parties and External Guarantees of Jiangsu Expressway Company Limited**

Pursuant to the requirement "Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Connected Parties and Listed Companies' Provision of Guaranty to External Parties" (Zheng Jiang Fa (2003) No.56 promulgated jointly by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council and the Shanghai Stock Exchange's relevant requirements on the preparation of annual reports by listed companies, the Company prepared the "2010 Summarized Table of Appropriation of Funds by the Controlling Shareholder and Other Connected Parties" (the "Summarized Table").

Upon reviewing the appropriation of funds by the Company's connected parties, the independent directors confirm that the information contained in the Summarized Table is consistent with the content of the 2010 auditors' report issued by Deloitte Touche Tohmatsu Certified Public Accountants Co., Ltd., the Company's auditors for the year. The relevant information and data listed in the Summarized Table are truthful, accurate and complete; and that the Company's auditors for the year have issued an unqualified auditors' report.

Upon reviewing the Company's external guarantees, the independent directors confirm that during 2010, the Company did not provide any guarantee to its substantial shareholders, subsidiaries, associates or other connected parties.

#### **Independent Directors:**

**Fan Cong Lai, Chen Donghua, Xu Chang Xin and Gao Bo**

**18 March 2011**

#### **– Confirmation Opinion by Independent Directors on Connected Transactions**

The independent directors of the Company have reviewed the connected transactions and confirmed that:

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

# Significant Matters

## (8) 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 Expressway Petroleum Company, and the leasing of offices to Jiangsu Sudian and Network Operation Company. For details, please refer to "Material Connected Transactions" of this Chapter.

### 2. Material Guarantees and Pledge of Assets

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

### 3. Entrusted Financial Management

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

### 4. Other Material Contracts

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

## (9) Undertakings and Fulfillment of Undertakings

Undertakings	Details of undertakings	Fulfillment of undertakings
Undertakings regarding the share reform	<p>Jiangsu Communications Holding Company Limited and Huajian Transportation Economic Development Center, holding over 5% of the shares in the Company, made the following undertakings during the share reform:</p> <ol style="list-style-type: none"><li>1. Within 60 months from the day on which the listing status is granted, the original non-circulating shares of the Company held by the two companies will not be traded on the Shanghai Stock Exchange.</li><li>2. The two companies will propose a motion and vote for a proposal at each of the 2005-2008 annual general meetings of the Company regarding a cash dividend payment of not less than 85% of the distributable profit of the Company realized in the relevant year.</li></ol>	Such shareholders were not in breach of the relevant undertakings during the reporting period.

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, no unfulfilled undertaking in respect of asset injection and asset integration exists.

## (10) Appointment of Auditors

For details of appointment of auditors and their remuneration, please refer to "Domestic and Overseas Auditors" of the "Corporate Governance Report" of this annual report.

## (11) Regulatory Sanctions by CSRC

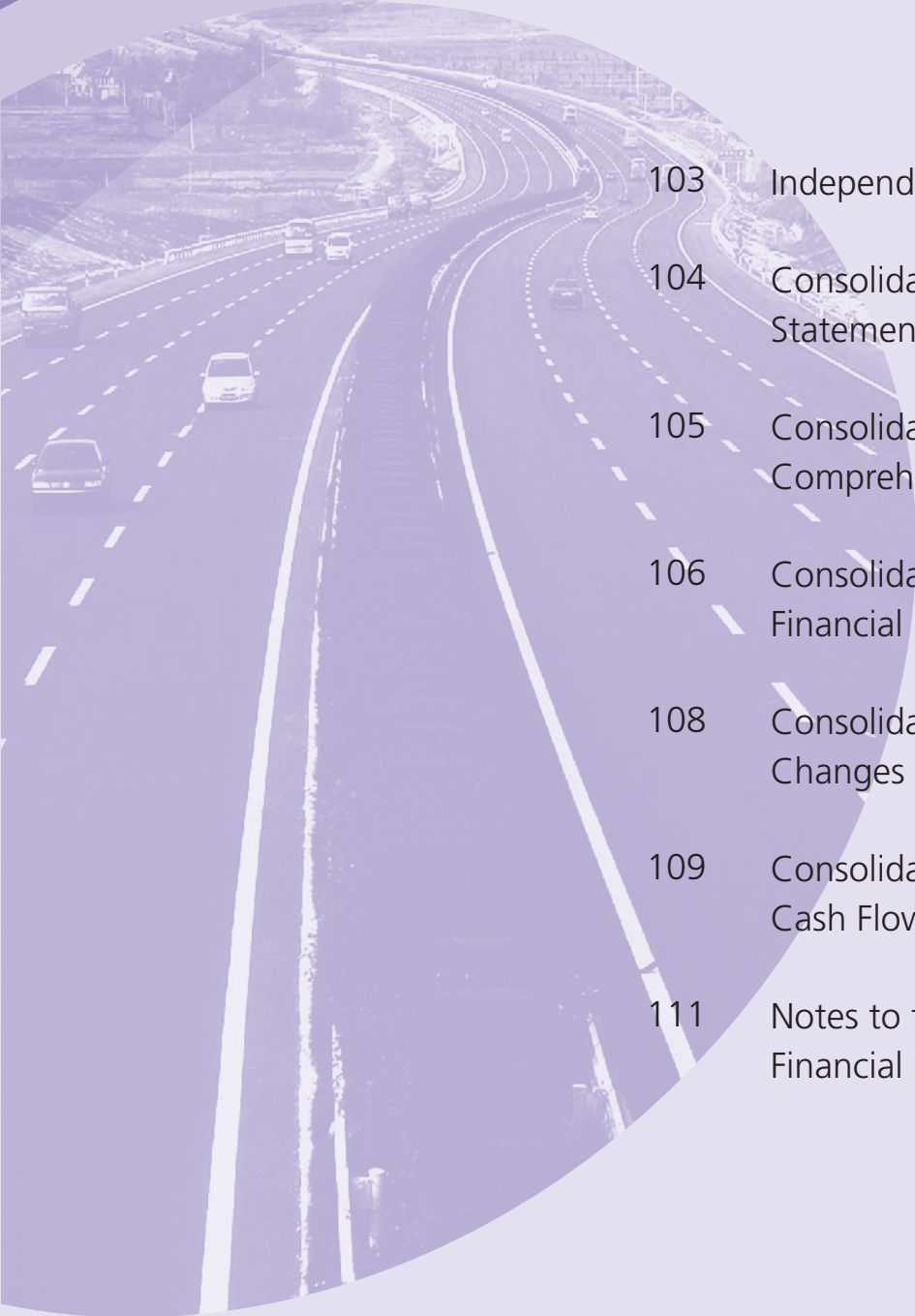
During the reporting period, there was no major administrative punishment, reprimand or other public condemnation imposed against the Company or any of its directors, supervisors, senior management members and de facto controllers by CSRC.

## (12) Other Information Index

The Company published its announcements in the China Securities Journal, the Shanghai Securities News, the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.jsexpressway.com](http://www.jsexpressway.com)).

Shanghai Stock Exchange Announcement code	Publication Date	Particulars
臨2010-001	2010-1-21	Announcement on the Interest Payment of Corporate Bonds
臨2010-002	2010-3-5	Announcement on the Listing of the Seventh Batch of Circulating Shares with Selling Restriction
臨2010-003	2010-3-18	Announcement on the Eighth Meeting of the Sixth Session of the Board of Directors
臨2010-004	2010-3-19	Announcement on the Ninth Meeting of the Sixth Session of the Board of Directors
臨2010-005	2010-3-19	Announcement on the Fourth Meeting of the Sixth Session of the Supervisory Committee
臨2010-006	2010-3-19	Continuing Connected Transaction Announcement on Road Maintenance Service Contract with Jiangsu Sundian Engineering Co., Ltd.
臨2010-007	2010-3-19	Announcement on Change of Representative of the Sponsor for the Share Segregation Reform
臨2010-008	2010-3-30	Notice of 2009 Annual General Meeting and Circular
臨2010-010	2010-5-19	Announcement of the Resolutions of 2009 Annual General Meeting
臨2010-011	2010-5-26	Announcement on Implementation of 2009 Profit Distribution
臨2010-012	2010-5-27	Announcement on the Eleventh Meeting of the Sixth Session of the Board of Directors
臨2010-013	2010-5-27	Announcement on the Sixth Meeting of the Sixth Session of the Supervisory Committee
臨2010-014	2010-5-27	Announcement on Changes in Director and Supervisor
臨2010-015	2010-5-28	Notice of 2010 First Extraordinary General Meeting
臨2010-016	2010-7-16	Announcement of the Resolutions of the 2010 First Extraordinary General Meeting
臨2010-017	2010-7-16	Announcement on the Twelfth Meeting of the Sixth Session of the Board of Directors
臨2010-018	2010-7-21	Announcement on the Interest Payment of Corporate Bonds
臨2010-019	2010-8-16	Announcement on the Issue of RMB1 Billion Short-term Commercial Paper
臨2010-020	2010-12-14	Announcement on the Listing of the Eighth Batch of Circulating Shares with Selling Restriction

# Financial Report



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# Independent Auditor's Report



**TO THE MEMBERS OF JIANGSU EXPRESSWAY COMPANY LIMITED**  
**(incorporated in the People's Republic of China as a joint-stock limited Company)**

We have audited the consolidated financial statements of Jiangsu Expressway Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 104 to 154, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
18 March 2011

# Consolidated Income Statement

(For the year ended 31 December 2010)

	Notes	2010 RMB'000	2009 RMB'000
Revenue	5	6,577,616	5,586,887
Cost of sales and other direct operating costs		(2,977,290)	(2,515,978)
Gross profit		3,600,326	3,070,909
Other income	7	51,388	23,763
Administrative expenses		(133,012)	(136,498)
Finance costs	8	(366,610)	(392,379)
Share of profits of associates		213,787	174,212
Gain on disposal of an associate		127	–
Changes in fair value of held-for-trading investments		11,315	13,105
Profit before tax		3,377,321	2,753,112
Income tax expense	9	(792,652)	(650,477)
Profit for the year	10	2,584,669	2,102,635
Profit for the year attributable to:			
Owners of the Company		2,529,534	2,052,184
Non-controlling interests		55,135	50,451
		2,584,669	2,102,635
Earnings per share - Basic	14	RMB0.50	RMB0.41

# Consolidated Statement of Comprehensive Income

(For the year ended 31 December 2010)

	2010 RMB'000	2009 RMB'000
Profit for the year	2,584,669	2,102,635
Other comprehensive income		
Share of other comprehensive income of associates	(115,550)	136,869
Other comprehensive income for the year	(115,550)	136,869
Total comprehensive income attributable to:		
Owners of the Company	2,413,984	2,189,053
Non-controlling interests	55,135	50,451
	2,469,119	2,239,504

# Consolidated Statement of Financial Position

(At 31 December 2010)

	Notes	2010 RMB'000	2009 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	1,233,208	1,340,271
Concession intangible assets	16	17,104,625	17,678,759
Prepaid lease payments	17	964,702	1,029,982
Investment properties	18	16,172	14,804
Interests in associates	19	1,885,159	1,916,820
Available-for-sale financial assets	20	150,566	150,566
Deferred tax assets	22	4,696	5,211
		<b>21,359,128</b>	22,136,413
<b>Current assets</b>			
Inventories	23	13,275	14,118
Properties under development	24	842,940	36,992
Properties for sale	25	16,437	38,047
Prepayments and other receivables	26	817,971	1,343,072
Prepaid lease payments	17	65,280	65,280
Held-for-trading investments	21	60,144	52,100
Bank balances and cash	27	475,085	517,820
		<b>2,291,132</b>	2,067,429
<b>Current liabilities</b>			
Other payables	28	172,357	209,110
Construction costs payable		152,658	129,067
Tax liabilities		218,700	108,581
Dividend payable		62,312	47,064
Long-term borrowings - due within one year	29	1,299,210	201,692
Short-term borrowings	30	1,890,000	3,075,850
		<b>3,795,237</b>	3,771,364
Net current liabilities		<b>(1,504,105)</b>	(1,703,935)
Total assets less current liabilities		<b>19,855,023</b>	20,432,478



	Notes	2010 RMB'000	2009 RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	317	4,013
Long-term borrowings - due after one year	29	3,077,894	4,514,031
		<b>3,078,211</b>	4,518,044
<b>Net assets</b>		<b>16,776,812</b>	15,914,434
<b>Capital and reserves</b>			
Share capital	31	5,037,748	5,037,748
Share premium and reserves	32	11,278,743	10,426,460
Equity attributable to owners of the Company		<b>16,316,491</b>	15,464,208
Non-controlling interests		460,321	450,226
<b>Total equity</b>		<b>16,776,812</b>	15,914,434

The consolidated financial statements on pages 104 to 154 were approved and authorised for issue by the Board of Directors on 18 March 2011 and are signed on its behalf by:

**Yang Gen Lin**

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DIRECTOR

**Qian Yong Xiang**

\_\_\_\_\_  
DIRECTOR

# Consolidated Statement of Changes In Equity

(For the year ended 31 December 2010)

	Attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital	Share premium	Statutory surplus reserve	Investment revaluation reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2009	5,037,748	5,730,454	1,524,823	66,716	2,275,606	14,635,347	438,816	15,074,163
Profit for the year	-	-	-	-	2,052,184	2,052,184	50,451	2,102,635
Other comprehensive income for the year	-	-	-	136,869	-	136,869	-	136,869
Total comprehensive income for the year	-	-	-	136,869	2,052,184	2,189,053	50,451	2,239,504
Appropriations	-	-	222,903	-	(222,903)	-	-	-
Dividends	-	-	-	-	(1,360,192)	(1,360,192)	-	(1,360,192)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(39,041)	(39,041)
At 31 December 2009	5,037,748	5,730,454	1,747,726	203,585	2,744,695	15,464,208	450,226	15,914,434
At 1 January 2010	5,037,748	5,730,454	1,747,726	203,585	2,744,695	15,464,208	450,226	15,914,434
Profit for the year	-	-	-	-	2,529,534	2,529,534	55,135	2,584,669
Other comprehensive income for the year	-	-	-	(115,550)	-	(115,550)	-	(115,550)
Total comprehensive income for the year	-	-	-	(115,550)	2,529,534	2,413,984	55,135	2,469,119
Appropriations	-	-	274,357	-	(274,357)	-	-	-
Dividends	-	-	-	-	(1,561,701)	(1,561,701)	-	(1,561,701)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(45,040)	(45,040)
At 31 December 2010	5,037,748	5,730,454	2,022,083	88,035	3,438,171	16,316,491	460,321	16,776,812

# Consolidated Statement of Cash Flows

(For the year ended 31 December 2010)

	2010 RMB'000	2009 RMB'000
<b>Operating activities</b>		
Profit before tax	3,377,321	2,753,112
Adjustments for:		
Finance costs	366,610	392,379
Change in fair value of held-for-trading investments	(1,270)	(13,105)
Dividend from available-for-sale financial assets	(19,122)	(200)
Share of profits of associates	(213,787)	(174,212)
Gain on disposal of an associate	(127)	–
Depreciation and amortisation	809,181	759,843
Operating lease rental in respect of land use rights	65,280	65,280
Impairment loss reversed in respect of other receivables	(80)	(500)
Exchange gain in respect of long term bank loans	(873)	(30)
Loss on disposal of property, plant and equipment	5,765	15,454
Operating cash flows before movements in working capital	4,388,898	3,798,021
Decrease (increase) in inventories	843	(4,167)
(Increase) decrease in properties under development	(805,948)	69,958
Decrease (increase) in properties for sale	21,610	(38,047)
Decrease (increase) in prepayments and other receivables	526,657	(1,259,682)
(Increase) decrease in held-for-trading investments	(6,774)	972
(Decrease) increase in other payables	(44,668)	(72,935)
Cash generated from operations	4,080,618	2,494,120
PRC income tax paid	(685,714)	(695,488)
Net cash generated from operating activities	3,394,904	1,798,632
<b>Investing activities</b>		
Dividend received from associates	128,561	131,127
Dividend received from available-for-sale financial assets	17,646	200
Proceeds on disposals of an associate	1,464	–
Proceeds on disposals of property, plant and equipment	7,016	3,759
Purchase of property, plant and equipment and toll roads infrastructures	(116,691)	(259,930)
Purchase of investment properties	(1,851)	(14,884)
<b>Net cash used in investing activities</b>	<b>36,145</b>	<b>(139,728)</b>

# Consolidated Statement of Cash Flows

(For the year ended 31 December 2010)

	2010 RMB'000	2009 RMB'000
<b>Financing activities</b>		
Interest paid	(348,599)	(438,516)
Dividends paid	(1,546,453)	(1,345,863)
Dividends paid to non-controlling interests	(45,040)	(39,041)
Repayment of long-term borrowings	(341,685)	(201,694)
Proceeds from short-term borrowings	4,870,000	7,355,850
Repayment of short-term borrowings	(6,055,850)	(6,930,000)
Payment for bond issue cost	(6,157)	(2,413)
<b>Net cash used in financing activities</b>	<b>(3,473,784)</b>	<b>(1,601,677)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(42,735)</b>	<b>57,227</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>517,820</b>	<b>460,593</b>
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>	<b>475,085</b>	<b>517,820</b>

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 1. GENERAL

The Company was incorporated in the People's Republic of China (the "PRC") on 1 August 1992 as a joint stock limited company and its H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, respectively. Its parent is Jiangsu Communications Holding Company Limited 江蘇交通控股有限公司 ("Jiangsu Communications Holding"), a state-owned enterprise incorporated in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the annual report.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The principal activities of the Group are the investment, construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway ("Ninghu Expressway"), the Jiangsu section of the 312 National Highway (the "312 National Highway"), the Guangjing Xicheng Expressway, Nanjing-Lianyungang Class 1 Highway-Nanjing Section ("Nanjing-Lianyungang Highway") and other toll roads in Jiangsu Province PRC, and the provision of passenger transport services and other supporting services along the toll roads.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.



# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - *continued*

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>3</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets <sup>5</sup>
HKAS 24 (as revised in 2009)	Related Party Disclosures <sup>6</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>7</sup>
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods ending on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for transfers on or after 1 February 2010

The directors of the Company anticipate that the application of the new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain held-for-trading investments which are measured at fair value as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

### 3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

The principle accounting policies are as below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

#### **Business combinations that took place on or after 1 January 2010**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

#### **Business combinations that took place prior to 1 January 2010**

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

#### **Interests in associates**

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

### **Interests in associates** - *continued*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Toll revenue, net of business tax, is recognised on a receipt basis.

Sale of petrol is recognised when delivery has taken place.

Sale of food and beverages are recognised when goods and services are provided.

Emergency assistance income and advertising income are recognised when services are rendered.

### **3. SIGNIFICANT ACCOUNTING POLICIES** - *continued*

#### **Revenue recognition** - *continued*

Income from sales of properties is recognised upon the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits received from pre-sale activities of properties are recognised as pre-sale deposits and included as other payables.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the bank deposits to their net carrying amount.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

#### **Property, plant and equipment**

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are stated at cost less any accumulated impairment losses.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Leasing

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

#### The Group as lessor

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

#### The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

### Land use right

Land use right are accounted for as prepaid lease payments and are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



### 3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Retirement benefit costs**

The employees of the Company and its subsidiaries are members of state-managed retirement pension schemes, under which the Group's obligations are equivalent to those arising in a defined contribution retirement pension plan. Payments made to the state-managed retirement pension schemes are charged as expenses when employees have rendered service entitling them to the contributions.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Intangible assets

#### Service concession arrangements

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

Amortisation of the toll road operation rights are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants.

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

### Properties under development

Properties under development, representing properties located in PRC under development for future sale in ordinary course of business, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs and other direct development expenditure. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

### Properties for sale

Properties held for sale are completed properties held for sale in the ordinary course of business and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses.

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

At each end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

#### *Financial assets at fair value through profit or loss*

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- it is a derivative that is not designated and effective as a hedging instrument

At the end of the reporting period subsequent to initial recognition, financial assets held-for-trading is measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial instruments - continued

#### Financial assets - continued

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables including bank balances and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any other categories.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

##### *Impairment of financial assets*

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

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

### **3. SIGNIFICANT ACCOUNTING POLICIES** - *continued*

#### **Financial instruments** - *continued*

##### **Financial assets** - *continued*

###### *Impairment of financial assets - continued*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

##### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

###### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

###### *Financial liabilities*

Financial liabilities including bank and other borrowings, construction costs payable and other payables are subsequently measured at amortised cost, using the effective interest method.

###### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.



# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

### Financial instruments - *continued*

#### Derecognition

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management had made the following estimation that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Amortisation of toll road operation rights

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

The management exercises their judgment in estimating the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads.

#### Estimated impairment of toll road operation rights

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

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

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

## 5. REVENUE

Revenue represents revenue arising on toll revenue and ancillary service supplies, sales of real estate and others for the year. An analysis of the Group's revenue for the year is as follows:

	2010 RMB'000	2009 RMB'000
Turnover comprises:		
Toll revenue	4,829,869	4,160,300
Ancillary Services	1,647,484	1,203,574
Sale of properties	48,338	175,629
Others (note)	51,925	47,384
	6,577,616	5,586,887

Note: Other represent revenue from provision of advertisement services.

## 6. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the respective toll roads.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

### Toll roads

- Ninghu Expressway
- 312 National Highway
- Nanjing-Lianyungang Highway
- Guangjing Xicheng Expressway

### Ancillary services

#### *Other operations*

Ancillary services include the sale of petrol, food and beverage and other goods in service zones along the highways.

Other operations include the Group's provision of advertisement services and real estate development.

Information regarding the Group's reportable segments is presented below.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 6. SEGMENT INFORMATION - continued

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments for the years under review:

	2010			2009		
	Segment Revenue RMB'000	Sales tax RMB'000	Reported Revenue RMB'000	Segment Revenue RMB'000	Sales tax RMB'000	Reported Revenue RMB'000
<b>Revenue</b>						
Toll roads						
– Ninghu Expressway	<b>4,166,149</b>	<b>(138,733)</b>	<b>4,027,416</b>	3,552,245	(118,289)	3,433,956
– 312 National Highway	<b>125,673</b>	<b>(6,975)</b>	<b>118,698</b>	133,644	(7,417)	126,227
– Nanjing-Lianyungang Highway	<b>50,592</b>	<b>(1,684)</b>	<b>48,908</b>	40,788	(1,359)	39,429
– Guangjing Xicheng Expressway	<b>656,716</b>	<b>(21,869)</b>	<b>634,847</b>	580,002	(19,314)	560,688
Ancillary Services	<b>1,656,851</b>	<b>(9,367)</b>	<b>1,647,484</b>	1,211,654	(8,080)	1,203,574
Other operations	<b>100,263</b>	–	<b>100,263</b>	223,013	–	223,013
<b>Total</b>	<b>6,756,244</b>	<b>(178,628)</b>	<b>6,577,616</b>	5,741,346	(154,459)	5,586,887

## 6. SEGMENT INFORMATION - continued

### Segment revenues and results - continued

	2010			2009		
	Segment profit RMB'000	Adjustment RMB'000 (note)	Reported profit RMB'000	Segment profit RMB'000	Adjustment RMB'000 (note)	Reported profit RMB'000
<b>Segment profit</b>						
Toll roads						
– Ninghu Expressway	3,116,418	45,130	3,161,548	2,605,457	41,211	2,646,668
– 312 National Highway	(136,775)	–	(136,775)	(126,799)	–	(126,799)
– Nanjing-Lianyungang Highway	26,282	–	26,282	20,092	–	20,092
– Guangjing Xicheng Expressway	449,287	–	449,287	414,973	–	414,973
Ancillary Services	42,641	–	42,641	37,026	–	37,026
Other operations	57,343	–	57,343	78,949	–	78,949
<b>Total</b>	<b>3,555,196</b>	<b>45,130</b>	<b>3,600,326</b>	<b>3,029,698</b>	<b>41,211</b>	<b>3,070,909</b>
Other income			51,388			23,763
Administrative expenses			(133,012)			(136,498)
Finance costs			(366,610)			(392,379)
Share of profits of associates			213,787			174,212
Gain on disposal of an associate			127			–
Changes in fair value of held-for-trading investments			11,315			13,105
Profit before tax			3,377,321			2,753,112
Income tax expense			(792,652)			(650,477)
Profit for the year			2,584,669			2,102,635

Segment profit represents the gross profit earned by each segment prepared in accordance with accounting principles and regulations applicable to enterprises established in the People's Republic of China ("PRC GAAP") without allocation of other income, central administrative expenses, finance costs, share of profits of associates 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.

Note: The adjustment represents depreciation and amortisation charge on the property, plant and equipment and operating right of toll roads which have been recognised at revalued amounts in the PRC GAAP financial statements.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 6. SEGMENT INFORMATION - continued

### Segment assets and liabilities

The following is an analysis of the Group's assets by reportable segments:

#### Segment assets

	2010			2009		
	Segment assets RMB'000	Adjustment RMB'000 (note)	Reported amount RMB'000	Segment assets RMB'000	Adjustment RMB'000 (note)	Reported amount RMB'000
Toll roads						
– Ninghu Expressway	15,217,955	(1,247,232)	13,970,723	15,765,914	(1,292,362)	14,473,552
– 312 National Highway	2,654,374	–	2,654,374	2,830,085	–	2,830,085
– Nanjing-Lianyungang Highway	349,900	–	349,900	363,925	–	363,925
– Guangjing Xicheng Expressway	1,847,391	–	1,847,391	1,937,520	–	1,937,520
Ancillary Services	401,606	–	401,606	416,539	–	416,539
Other operations	1,826,904	–	1,826,904	1,544,840	–	1,544,840
<b>Total</b>	<b>22,298,130</b>	<b>(1,247,232)</b>	<b>21,050,898</b>	<b>22,858,823</b>	<b>(1,292,362)</b>	<b>21,566,461</b>
Unallocated assets	2,599,362	–	2,599,362	2,637,381	–	2,637,381
<b>Consolidated assets</b>	<b>24,897,492</b>	<b>(1,247,232)</b>	<b>23,650,260</b>	<b>25,496,204</b>	<b>(1,292,362)</b>	<b>24,203,842</b>
Unallocated assets include:						
Interest in associates			1,885,159			1,916,820
Bank balances and cash			475,085			517,820
Held for trading investments			60,144			52,100
Others			178,974			150,641
<b>Total unallocated assets</b>			<b>2,599,362</b>			<b>2,637,381</b>

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to reportable segments other than interest in associates, held for trading investments, bank balances and cash and other corporate assets.

Segment assets are reported to the Group's Chief Operating Decision Maker based on amounts reported under the PRC GAAP financial statements.

Note: The adjustment represents the revaluation of the property, plant and equipment and operating right of toll roads (less accumulated depreciation and amortisation) which have been recognised in the PRC GAAP financial statements.



## 6. SEGMENT INFORMATION - continued

### Segment assets and liabilities - continued

#### Segment liabilities

No segment liability is reported to the Group's Chief Operating Decision Maker.

#### Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

#### 2010

	Ninghu Expressway RMB'000	312 National Highway RMB'000	Nanjing- Lianyungang Highway RMB'000	Guangjing Xicheng Expressway RMB'000	Ancillary Services RMB'000	Other operations RMB'000
Addition to non-current assets (note1)	20,139	–	–	69,150	–	–
Segment depreciation and amortisation	574,498	175,876	14,025	72,120	19,859	10,961
Adjustment (note2)	(45,130)	–	–	–	–	–
Reported depreciation and amortisation	529,368	175,876	14,025	72,120	19,859	10,961

#### 2009

	Ninghu Expressway RMB'000	312 National Highway RMB'000	Nanjing- Lianyungang Highway RMB'000	Guangjing Xicheng Expressway RMB'000	Ancillary Services RMB'000	Other operations RMB'000
Addition to non-current assets (note1)	25,788	90,000	–	53,962	–	–
Segment depreciation and amortisation	539,824	177,713	12,405	61,259	15,498	9,858
Adjustment (note2)	(41,211)	–	–	–	–	–
Reported depreciation and amortisation	498,613	177,713	12,405	61,259	15,498	9,858

Note 1: Non-current assets excluded financial instruments and deferred tax assets.

Note 2: The adjustment represents depreciation and amortization charge of the property, plant and equipment and operating right of toll roads which have been recognised at revalued amounts in the PRC GAAP financial statements.

### Geographical information

All the Group's operations are located and carried out in Jiangsu Province, PRC. Accordingly, no segment information by geographical is presented.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 6. SEGMENT INFORMATION - continued

### Information about major customers

The Group's major operations are public infrastructure service and there is no single customer which contributes more than 10% of the group's revenue.

## 7. OTHER INCOME

	2010 RMB'000	2009 RMB'000
Compensation income	22,335	13,428
Dividend received from available-for-sale financial assets	19,122	200
Interest income	3,948	6,113
Net foreign exchange gains	777	416
Others	5,206	3,606
	<b>51,388</b>	<b>23,763</b>

## 8. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank and other borrowings wholly repayable:		
Within five years	359,845	389,642
Over five years	608	324
	<b>360,453</b>	<b>389,966</b>
Bond issue cost	6,157	2,413
Total borrowing costs	<b>366,610</b>	<b>392,379</b>

## 9. INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000
The charge comprises:		
PRC income tax	793,751	641,002
Under provision of prior years' tax	2,082	6,311
	<b>795,833</b>	<b>647,313</b>
Deferred tax charge (note 22)	(3,181)	3,164
	<b>792,652</b>	<b>650,477</b>

## 9. INCOME TAX EXPENSE - continued

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

PRC income tax is calculated based on the statutory income tax rate of 25% (2009: 25%) of taxable income of the Company and subsidiaries based on the relevant PRC tax rules and regulations.

The tax charge for the year ended 31 December 2010 can be reconciled to the profit before tax as follows:

	2010		2009	
	RMB'000	%	RMB'000	%
Profit before tax	<b>3,377,221</b>		2,753,112	
Tax at the domestic tax rate of 25% (2009: 25%)	<b>844,305</b>	<b>25</b>	688,278	25
Tax effect of expenses not deductible for tax purpose	<b>5,093</b>	<b>0.2</b>	5,695	0.2
Tax effect of income not taxable for tax purpose	<b>(5,381)</b>	<b>(0.2)</b>	(6,254)	(0.2)
Tax effect of share of profits of associates	<b>(53,447)</b>	<b>(1.6)</b>	(43,553)	(1.6)
Under provision of prior years' tax	<b>2,082</b>	<b>0.1</b>	6,311	0.2
Tax charge and effective tax rate for the year	<b>792,652</b>	<b>23.5</b>	650,477	23.6

## 10. PROFIT FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit for the year has been arrived at after charging:		
Staff costs including directors' emoluments	<b>321,289</b>	295,573
Retirement benefits scheme contributions	<b>57,347</b>	54,082
Total staff costs	<b>378,636</b>	349,655
Auditor's remuneration	<b>2,200</b>	2,100
Depreciation and amortisation (included in cost of sales and other direct operating costs)	<b>809,181</b>	759,843
Loss on disposal of property, plant and equipment	<b>5,765</b>	15,454
Operating lease rental in respect of land use rights (included in cost of sales and other direct operating costs)	<b>65,280</b>	65,280
Cost of inventories recognised as an expense	<b>1,463,819</b>	1,169,101
Share of tax of associates (included in share of profits of associates)	<b>55,450</b>	55,020

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to the Company's directors and supervisors were as follows:

	Yang Gen lin RMB'000	Qian Yong Xiang RMB'000	Zhang Wensheng RMB'000	Sun Hong Ning RMB'000	Chen Xiang Hui RMB'000	Cui Xiao Long RMB'000	Fang* Hung RMB'000	Cheng Chang Yung Tsung* RMB'000	Xu* Chang Xin RMB'000	Fan* Cong Lai RMB'000	Chen* Dong Hua RMB'000	Gao Bo* RMB'000	Yan Shi Min# RMB'000	Shao Li# RMB'000	Total RMB'000	
2010																
Fees	-	-	-	-	-	-	258	258	57	57	57	57	-	-	744	
Other emoluments:																
Salaries and other benefits	-	390	-	-	-	-	-	-	-	-	-	-	234	234	858	
Contributions to retirement benefits/ pension schemes	-	31	-	-	-	-	-	-	-	-	-	-	19	19	69	
Total emoluments	-	421	-	-	-	-	258	258	57	57	57	57	253	253	1,671	

	Shen Chang Qian RMB'000	Qian Yong Xiang RMB'000	Zhang Wen Sheng RMB'000	Sun Hong Ning RMB'000	Chen Xiang Hui RMB'000	Cui Xiao Long RMB'000	Fang* Hung RMB'000	Cheng Chang Yung Tsung* RMB'000	Xiong Sheng RMB'000	Yang* Cong Lai RMB'000	Fan* Dong Hua RMB'000	Chen* Shi min# RMB'000	Yan RMB'000	Shao Li# RMB'000	Total RMB'000
2009															
Fees	-	-	-	-	-	-	264	264	25	50	25	25	-	-	628
Other emoluments:															
Salaries and other benefits	-	370	-	-	-	-	-	-	-	-	-	222	200	200	792
Contributions to retirement benefits/ pension schemes	-	24	-	-	-	-	-	-	-	-	-	-	18	16	58
Total emoluments	-	394	-	-	-	-	264	264	25	50	25	240	216	216	1,478

\* Independent non-executive directors

# Supervisors

## 12. EMPLOYEES' EMOLUMENTS

One (2009: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note 11. The emoluments of the remaining four (2009: four) individuals were as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	1,151	1,055
Contributions to retirement benefits schemes	88	84
	<b>1,239</b>	1,139

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
Nil to HKD 1,000,000	4	4

## 13. DIVIDEND

	2010 RMB'000	2009 RMB'000
Dividend recognised as distribution during the year: Final – RMB 0.31 (2009: RMB 0.27) per share	1,561,701	1,360,192

Pursuant to a directors' meeting dated 18 March 2011, a final dividend of RMB 0.36 (2009: directors' meeting dated 19 March 2010 for a final dividend of RMB 0.31) per share for the year ended 31 December 2010, totaling RMB 1,813,589,100 (2009: 1,561,701,725) has been proposed by the directors and is subject to approval by the shareholders in the next general meeting.

## 14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year attributable to the owners of the Company of RMB2,529,535,000 (2009: RMB2,052,184,000) and 5,037,747,500 (2009: 5,037,747,500) ordinary shares in issue during the year.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the two years ended 31 December 2010.



# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Safety equipment RMB'000	Communication and signalling equipment RMB'000	Toll stations and ancillary equipment RMB'000	Motor vehicles RMB'000	Other machinery and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>								
At 1 January 2009	837,597	642,445	347,837	316,727	165,988	403,843	42,913	2,757,350
Additions	4,042	–	8,934	2,749	8,770	10,503	20,853	55,851
Transfers	18,624	–	–	6,100	–	867	(25,591)	–
Reclassification	(3,008)	138	(52,443)	1,708	839	52,766	–	–
Disposals	(3,538)	(243,939)	(167,482)	(41,467)	(5,754)	(22,415)	(28,000)	(512,595)
At 31 December 2009	853,717	398,644	136,846	285,817	169,843	445,564	10,175	2,300,606
Additions	3,828	3,534	3,460	5,540	9,575	8,983	43,582	78,502
Transfer to other items of property, plant and equipment	15,294	–	–	13,125	42	9,682	(38,143)	–
Transfer to investment properties	–	–	–	–	–	–	(1,851)	(1,851)
Reclassification	(8,587)	944	47,177	(60,356)	11,806	9,016	–	–
Disposals	(15,147)	(2,964)	(15,363)	(17,543)	(18,900)	(5,312)	–	(75,229)
At 31 December 2010	849,105	400,158	172,120	226,583	172,366	467,933	13,763	2,302,028
<b>DEPRECIATION AND AMORTISATION</b>								
At 1 January 2009	199,175	413,570	169,195	196,659	88,037	188,762	–	1,255,398
Provided for the year	33,036	35,535	17,129	26,195	8,714	49,710	–	170,319
Reclassification	(25,145)	(10,662)	1,874	1,681	9,142	23,110	–	–
Eliminated on disposals	(927)	(236,564)	(162,458)	(39,712)	(4,668)	(21,053)	–	(465,382)
At 31 December 2009	206,139	201,879	25,740	184,823	101,225	240,529	–	960,335
Provided for the year	34,538	30,773	17,934	24,824	12,547	50,317	–	170,933
Reclassification	355	–	45,957	(61,037)	11,452	3,273	–	–
Eliminated on disposals	(5,910)	(2,875)	(14,896)	(16,599)	(17,400)	(4,768)	–	(62,448)
At 31 December 2010	235,122	229,777	74,735	132,011	107,824	289,351	–	1,068,820
<b>CARRYING VALUES</b>								
At 31 December 2010	613,983	170,381	97,385	94,572	64,542	178,582	13,763	1,233,208
At 31 December 2009	647,578	196,765	111,106	100,994	68,618	205,035	10,175	1,340,271

## 15. PROPERTY, PLANT AND EQUIPMENT - *continued*

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

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

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

## 16. CONCESSION INTANGIBLE ASSETS

	Toll road operation rights RMB'000
<b>COST</b>	
At 1 January 2009	21,648,999
Additions	53,962
At 31 December 2009	21,702,961
Additions	63,631
At 31 December 2010	21,766,592
<b>AMORTISATION</b>	
At 1 January 2009	3,434,758
Provided for the year	589,444
At 31 December 2009	4,024,202
Provided for the year	637,765
At 31 December 2010	4,661,967
<b>CARRYING VALUES</b>	
At 31 December 2010	17,104,625
At 31 December 2009	17,678,759

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 16. CONCESSION INTANGIBLE ASSETS - continued

The toll roads infrastructures are all located in the PRC. The Group has been granted by the relevant local government authorities the rights to operate the respective toll roads for periods ranging from 27 to 36 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment and it is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected during the operating periods is attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any payments to be made to the Group.

## 17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2010 RMB'000	2009 RMB'000
Medium-term lease in the PRC	<b>1,029,982</b>	1,095,262
Analysed for reporting purposes as:		
Non-current asset	<b>964,702</b>	1,029,982
Current asset	<b>65,280</b>	65,280
	<b>1,029,982</b>	1,095,262

## 18. INVESTMENT PROPERTIES

	RMB'000
<b>COST</b>	
At 1 January 2009	–
Additions	14,884
At 31 December 2009	14,884
Additions	1,851
At 31 December 2010	16,735
<b>DEPRECIATION</b>	
At 1 January 2009	–
Provided for the year	80
31 December 2009	80
Provided for the year	483
At 31 December 2010	563
<b>CARRYING VALUES</b>	
At 31 December 2010	16,172
At 31 December 2009	14,804

The directors of the Company anticipate the fair value of the Group's investment properties at 31 December 2010 approximates to the carrying values. The fair value was determined by reference to recent market prices for similar properties in the same location and conditions.

The above investment properties are held under medium-term lease in the PRC and are depreciated on a straight-line basis at 3.2% per annum.

## 19. INTERESTS IN ASSOCIATES

	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	<b>1,448,964</b>	1,450,164
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>436,195</b>	466,656
	<b>1,885,159</b>	1,916,820

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 19. INTERESTS IN ASSOCIATES - continued

At 31 December 2010, the Group had interests in the following associates, all of which are limited liability companies:

Name of entity	Place of registration and operations	Proportion of registered capital held by the Group		Principal activity
		Directly	Indirectly by subsidiaries	
Jiangsu Kuailu Motor Transport Co., Ltd.	PRC	33.20%	–	Provision of passenger transportation service
Jiangsu Yangtze Bridge Co., Ltd.	PRC	26.66%	–	Investment, construction, operation and management of Jiangyin Yangtze River Bridge
Suzhou Sujiahang Expressway Co., Ltd.	PRC	33.33%	–	Investment, construction, operation and management of Sujiahang Expressway
Suzhou Nanlin Hotel	PRC	–	34.91%	Operation of a hotel

Included in the cost of investment in associates is goodwill of RMB81,815,000 (2009: RMB81,815,000) arising on acquisitions of associates in prior years. The carrying amounts of goodwill at 31 December 2010 are related to the following associates:

	2010 RMB'000	2009 RMB'000
Jiangsu Yangtze Bridge Co., Ltd.	53,207	53,207
Suzhou Sujiahang Expressway Co., Ltd.	28,608	28,608
	81,815	81,815



## 19. INTERESTS IN ASSOCIATES - continued

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

	2010 RMB'000	2009 RMB'000
Total assets	18,248,196	13,069,383
Total liabilities	(11,149,402)	(6,243,478)
Net assets	7,098,794	6,825,905
Group's share of net assets of associates	1,885,159	1,835,005
Revenue	2,015,003	1,788,116
Profit for the year	718,903	586,225
Group's share of result of associates for the year	213,787	174,212

Note: In current year, the Group disposed of 20.69% equity interest in Jiangsu SEU Intelligent System Technology Co., Ltd.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets at 31 December 2010 comprise:

	2010 RMB'000	2009 RMB'000
Unlisted equity securities, at cost	150,566	150,566

The above unlisted investments represent investments in unlisted equity securities. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

## 21. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2010 RMB'000	2009 RMB'000
Equity securities listed in PRC	6	–
Gold bullion	60,138	52,100
	60,144	52,100

The held-for-trading investments are stated at fair value which derived from quoted prices in active markets for identical assets.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 22. DEFERRED TAXATION

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

	Change of fair value of investments RMB'000	Impairment loss on other receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	(974)	5,288	48	4,362
(Charge) credit to consolidated income statement for the year	(3,039)	(125)	–	(3,164)
At 31 December 2009	(4,013)	5,163	48	1,198
(Charge) credit to consolidated income statement for the year	3,696	(467)	(48)	3,181
At 31 December 2010	(317)	4,696	–	4,379

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

	2010 RMB'000	2009 RMB'000
Deferred tax assets	4,696	5,211
Deferred tax liabilities	(317)	(4,013)
	4,379	1,198

## 23. INVENTORIES

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

## 24. PROPERTIES UNDER DEVELOPMENT

	2010 RMB'000	2009 RMB'000
Medium-term land use rights	745,721	–
Construction and other direct costs	97,219	36,992
	842,940	36,992

## 25. PROPERTIES FOR SALE

	2010 RMB'000	2009 RMB'000
Medium-term land use rights	1,236	2,861
Construction and other direct costs	15,201	35,186
	<b>16,437</b>	38,047

## 26. PREPAYMENTS AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Dividend receivable from an associate	1,476	–
Receivable from liquidation of a former joint venture	17,312	17,312
Receivable from disposal of property, plant and equipment	28,000	28,000
Prepayments (note)	692,761	1,241,573
Toll road fee	74,022	41,369
Others	23,186	35,468
	<b>836,757</b>	1,363,722
Less: accumulated impairment losses	(18,786)	(20,650)
	<b>817,971</b>	1,343,072

Note: At 31 December 2010, included in prepayments is RMB686,500,000 (2009: RMB1,227,953,123) which represents payments made for the acquisition of land use rights for the purpose of properties development in the PRC.

Included in the accumulated impairment losses are individually impaired receivables with an aggregate balance of approximately RMB 18,786,000 (31 December 2009: RMB 20,650,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances. During the year, the Group write off approximately RMB 1,864,000.

## 27. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at prevailing market rate at 0.36% (2009: 0.36%) per annum.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 28. OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Interest payable	42,265	34,350
Other taxes payable	34,039	29,160
Payroll and welfare payable	8,484	12,204
Advance from customers	28,496	24,306
Pre-sale deposit	–	1,250
Toll road fee	16,650	17,229
Others	42,423	90,611
	<b>172,357</b>	209,110

## 29. LONG-TERM BORROWINGS

	Maturity date		Effective interest rate		Carrying amount	
	2010	2009	2010	2009	2010 RMB'000	2009 RMB'000
Variable-rate unsecured bank loans	<b>2010-2015</b>	2009-2014	<b>5.15%</b>	5.67%	<b>3,250,000</b>	3,590,000
Fixed-rate						
USD denominated Spanish government loans (Note1)	<b>2009-2026</b>	2009-2026	<b>2.00%</b>	2.00%	<b>29,535</b>	32,143
long-term bond (Note 2)	<b>2008-2011</b>	2008-2011	<b>5.79%</b>	5.79%	<b>1,097,569</b>	1,093,580
					<b>4,377,104</b>	4,715,723

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

Note 2: In the year of 2008, the Group issued long-term bond of RMB 1,100,000,000 with mature period of three years, carrying fixed interest rate at 5.40% per annum.

## 29. LONG-TERM BORROWINGS - continued

The maturity of the above loans is as follows:

	2010 RMB'000	2009 RMB'000
Within one year	1,299,210	201,692
More than one year but not exceeding two years	401,641	241,692
More than two years but not exceeding three years	2,101,641	1,595,271
More than three years but not exceeding four years	551,641	2,101,695
More than four years but not exceeding five years	1,641	551,692
More than five years	21,330	23,681
	<b>4,377,104</b>	4,715,723
Less: Amount due within one year included in current liabilities	<b>(1,299,210)</b>	(201,692)
Amount due after one year	<b>3,077,894</b>	4,514,031

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

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are US\$4,459,698, equivalent to approximately RMB29,535,245 (2009: US\$4,707,460, equivalent to approximately RMB 32,143,000).

At the end of the reporting period, the Group has the following undrawn long-term borrowings facilities:

	2010 RMB'000	2009 RMB'000
Variable rate		
– expiring within one year	200,000	1,510,000



# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 30. SHORT-TERM BORROWINGS

	2010 RMB'000	2009 RMB'000
Unsecured bank loans	680,000	1,890,000
Unsecured other loans	210,000	1,185,850
Short-term bond	1,000,000	–
	<b>1,890,000</b>	3,075,850

The loans are unsecured and repayable within one year and arranged at fixed interest rates in the range of 4.73% to 5.31% (2009: range of 4.08% to 5.31%)

During the year of 2010, the Company issued short-term bond of RMB 1,000,000,000 which is unsecured, bears interest at 2.87% per annum.

At the end of the reporting period, the Group has the following undrawn short-term borrowings facilities:

	2010 RMB'000	2009 RMB'000
Fixed rate		
– expiring within one year	3,720,000	6,167,000
– expiring beyond one year	1,600,000	–
	<b>5,320,000</b>	6,167,000

## 31. SHARE CAPITAL

	31.12.2008		Transfer		31.12.2009	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Restricted tradable shares	3,394,861,420	3,394,862	(2,851,900)	(2,852)	3,392,009,520	3,392,010
2. Tradable shares						
H shares	1,222,000,000	1,222,000	–	–	1,222,000,000	1,222,000
A shares	420,886,080	420,886	2,851,900	2,852	423,737,980	423,738
Total	5,037,747,500	5,037,748	–	–	5,037,747,500	5,037,748

	31.12.2009		Transfer		31.12.2010	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
1. Restricted tradable shares	3,392,009,520	3,392,010	(8,918,873)	(8,919)	<b>3,383,090,647</b>	<b>3,383,091</b>
2. Tradable shares						
H shares	1,222,000,000	1,222,000	–	–	<b>1,222,000,000</b>	<b>1,222,000</b>
A shares	423,737,980	423,738	8,918,873	8,919	<b>432,656,853</b>	<b>432,657</b>
Total	5,037,747,500	5,037,748	–	–	<b>5,037,747,500</b>	<b>5,037,748</b>

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, all the remaining 3,617,747,500 formerly non-tradable shares were all converted into restricted tradable shares which are subject to certain restrictions in their sale and will be transferred to the category of tradable A share upon the granting of trading status in accordance with the terms of the Share Reform Proposal. In current year, an aggregate of 8,918,873 (2009: 2,851,900) restricted tradable shares are granted trading status and included in the balance of tradable A shares at 31 December 2010.

Since the adoption of the Share Reform Proposal in 2006 and up to 31 December 2010, an aggregate of 234,656,853 (2009: 225,737,980) restricted tradable shares out of the total 3,617,747,500 restricted tradable shares were granted trading status and reclassified into and included as tradable A shares at 31 December 2010.

The restricted tradable shares, H shares and A shares have a par value of RMB 1 each and rank pari passu in all respects, except that ownership of restricted tradable shares are restricted to PRC legal persons, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 32. RESERVE

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

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

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

## 33. CAPITAL RISK MANAGEMENT

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

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

## 34. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	60,144	52,100
Loans and receivables (including cash and cash equivalents)	598,819	619,319
Available-for-sale financial assets, at cost	150,566	150,566
	809,529	821,985
Financial liabilities	6,521,100	8,062,830

## 34. FINANCIAL INSTRUMENTS - continued

### Financial risk management objectives and policies

The Group's major financial instruments include equity investments, held-for-trading investments, borrowings, other receivables, bank balances and cash, other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (a) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. Certain of the Group's bank balances and long-term borrowings are denominated in Hong Kong dollar ("HKD") or United States dollar ("USD") which exposes the Group to foreign currency risk attributable to the fluctuations in the exchange rates between USD/HKD and RMB, the functional currency of the respective group entities. The proportion to the Group's total assets is insignificant. Further the Group carries out majority of its transactions in RMB and accordingly, the Group is not exposed to any significant foreign currency risk.

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

	Liabilities		Assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
USD	29,535	32,143	2,081	4,421
HKD	–	–	1,056	1,055

##### Foreign currency risk - 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.

	USD Impact		HKD Impact	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Increase (decrease) in profit for the year				
if RMB weakens against foreign currency	(1,030)	(1,040)	40	40
if RMB strengthens against foreign currency	1,030	1,040	(40)	(40)

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 34. FINANCIAL INSTRUMENTS - continued

### Financial risk management objectives and policies - continued

#### Market risk - continued

##### (b) Interest rate risk

Interest bearing financial assets are mainly bank balances which are all short-term in nature and is therefore not exposed to significant fair value interest rate risk. The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank and long-term borrowings (refer to note 29 and 30 for details of these borrowings). In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is significantly reduced. The Group currently does not have an interest rate hedging policy.

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

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate long-term bank borrowings (refer to note 29 for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the 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 profit for the year ended 31 December 2010 would decrease/increase by RMB12,188,000 (2009: decrease/increase by RMB 13,463,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

##### (c) Other price risk

The Group's held-for-trading investments comprise gold bullion and listed equity shares, and are measured at fair value at 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 is assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

#### *Sensitivity analysis*

As at 31 December 2010, if the price of the held-for-trading investments the Group holds had increased/decreased by 50%, profit for the year would have been increased/decreased by approximately RMB22,554,000 (2009: RMB19,538,000).

#### *Credit risk*

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.



## 34. FINANCIAL INSTRUMENTS - *continued*

### Financial risk management objectives and policies - *continued*

#### Market risk - *continued*

##### (c) Other price risk - *continued*

###### *Credit risk - continued*

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.

###### *Liquidity risk*

The Group continues to raise long-term borrowings, including bonds and bank loans due after one year, to replace those short-term borrowings. As at 31 December 2010, the Group's long-term borrowings were approximately RMB3,078,000,000 (2009: RMB 4,514,000,000).

The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn long-term and short-term borrowing facilities at 31 December 2010 of approximately RMB5,520,000,000 (2009: RMB7,677,000,000) (refer to notes 29 and 30) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB1,504,105,000 (2009: RMB 1,703,935,000) at the end of the reporting period, the Group has well managed the liquidity risk.

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

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 34. FINANCIAL INSTRUMENTS - continued

### Financial risk management objectives and policies - continued

#### Market risk - continued

#### (c) Other price risk - continued

##### Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	5+ years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2010 RMB'000
2010								
Other payables	-	101,338	-	-	-	-	101,338	101,338
Construction cost payable	-	152,658	-	-	-	-	152,658	152,658
Long-term bonds payable	5.40	-	29,700	1,129,700	-	-	1,159,400	1,097,569
Bank loans								
- fixed rate	4.20	51,011	171,600	1,703,630	8,414	28,647	1,963,302	1,919,535
- variable rate	5.53	-	-	167,003	3,327,150	-	3,494,153	3,250,000
		305,007	201,300	3,000,333	3,335,564	28,647	6,870,851	6,521,100
2009								
Other payables	-	142,190	-	-	-	-	142,190	142,190
Construction cost payable	-	129,067	-	-	-	-	129,067	129,067
Long-term bonds payable	5.40	-	29,700	29,700	1,159,400	-	1,218,800	1,093,580
Bank loans								
- fixed rate	4.36	250,509	504,362	2,367,550	-	-	3,122,421	3,075,850
- variable rate	5.91	847	-	211,510	4,103,381	32,295	4,348,033	3,622,143
		522,613	534,062	2,608,760	5,262,781	32,295	8,960,511	8,062,830

### Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid and ask prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 34. FINANCIAL INSTRUMENTS - continued

### Fair value - continued

The following table 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.

## 35. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Commitments for:		
– acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	398,347	48,720

## 36. OPERATING LEASES

### The Group as lessee

	2010 RMB'000	2009 RMB'000
Minimum lease payment paid under operating leases during the year	3,247	390

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 RMB'000	2009 RMB'000
Within one year	3,247	390
In the second to fifth years inclusive	7,824	195
	11,071	585

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## **36. OPERATING LEASES** - *continued*

### **The Group as lessor**

Property rental income earned during the year was approximately RMB 9,746,000 (2009: RMB 9,151,000). All of the properties held have committed tenants for the next 1 year.

## **37. OTHER COMMITMENTS**

As at 31 December 2010, the Group is committed to pay in the following year to Ninglian Ningtong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000. During the year, management service charge amounted to RMB 8,600,694 (2009: RMB 6,933,886).

## **38. RETIREMENT BENEFITS SCHEME**

The Group participates in the Jiangsu Provincial Retirement Scheme managed by Jiangsu Social Security Bureau (the "Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 21% (2009: 21%) of the monthly salary in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

The total cost charged to the consolidated income statement of RMB57,346,658 (2009: RMB54,081,642) 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 2010.

### 39. RELATED PARTY TRANSACTIONS

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

Name	Relationship	Nature of transactions	2010 RMB'000	2009 RMB'000
Jiangsu Kuailu Motor transport Co., Ltd.	Associate	Toll fee received Sales of petrol	<b>6,000</b> <b>22,960</b>	9,600 22,946
Jiangsu Yangtze Bridge Co., Ltd.	Associate	Toll service expenses	<b>1,658</b>	1,026
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	Rental income received	<b>3,596</b>	3,001
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the company	Rental income received	<b>4,460</b>	4,460
		Technology advisory fee expenses	<b>11,118</b>	9,795
Jiangsu Sundian Engineering Co., Ltd.	Investee of the company	Rental income received	<b>1,690</b>	1,690
		Maintenance fee expenses	<b>79,428</b>	54,826
Suzhou Nanlin Hotel	Associate	Food and beverage expenses	<b>194</b>	128
Jiangsu Far East Shipping Co., Ltd.	Same parent company	Interest expense	<b>12,281</b>	12,943



# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 39. RELATED PARTY TRANSACTIONS - continued

(b) At the end of the reporting period, the Group have current accounts with the following related companies:

Name	Relationship	2010 RMB'000	2009 RMB'000
<b>Amounts owned to related parties:</b>			
<i>Prepayments and other receivables:</i>			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	28,762	5,601
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	2,957	7,909
Jiangsu Yangtze Bridge Co., Ltd.	Associate	2,299	1,315
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	2,795	6,161
Jiangsu Expressway Petroleum Development Co., Ltd.	Same parent company	1,640	1,586
Jiangsu Leasing Co., Ltd.	Investee of the Company	1,475	–
		<b>39,928</b>	22,572
<b>Amounts owned by related parties:</b>			
<i>Other payables:</i>			
Suzhou Sujiahang Expressway Co., Ltd.	Associate	1,207	1,267
Jiangsu Yangtze Bridge Co., Ltd.	Associate	1,664	1,493
Jiangsu Sundian Engineering Co., Ltd.	Investee of the Company	8,797	6,217
Jiangsu Expressway Toll-network Technology Service Co., Ltd.	Investee of the Company	1,237	950
Jiangsu Far East Shipping Co., Ltd.	Same parent company	345	425
		<b>13,250</b>	10,352
<b>Short term borrowings</b>			
Jiangsu Far East Shipping Co., Ltd.	Same parent company	210,000	270,000

The balances mainly represent dividend receivable, rental receivable, receipts of toll fees collected, the deposit of petrol, expenses paid on behalf of the Group and short term borrowings. Except for short term borrowings, the other balances are unsecured, interest free and repayable within one year. The above current accounts were included in other receivables, other payables and short term borrowings on the consolidated statement of financial position.

### 39. RELATED PARTY TRANSACTIONS - *continued*

(c) Compensation of key management personnel

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

	2010 RMB'000	2009 RMB'000
Short-term benefits	1,540	1,424
Post-employment benefits	119	108
	<b>1,659</b>	1,532

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

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

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

In view of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

# Notes to the Consolidated Financial Statements

(For the year ended 31 December 2010)

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries, all of which are limited liability companies, as at 31 December 2010 and 2009 are as follows:

Name	Place of registration and operations	Paid up registered capital RMB	Proportion of registered capital held by the Company		Principal activities
			Directly	Indirectly	
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	PRC	850,000,000	85.00%	–	Construction, management and operation of expressway
Jiangsu Ninghu Investment Development Co., Ltd.	PRC	100,000,000	95.00%	–	Infrastructure and industrial investments
Kunshan Feng Yuan Real Estate Development Co., Ltd.	PRC	37,000,000	–	95%	Real estate development
Jiangsu Ninghu Properties Co., Ltd.	PRC	200,000,000	100%	–	Real estate development

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

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

# Company Information

## (1) 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
Date of the Company's Initial Registration	1 August 1992
Initial Registration Address of the Company	Shengzhou Road, Nanjing, Jiangsu Province, the PRC
Date of Last Time's Change of the Company's Registration	14 August 2009
SAIC Registration Number of the Company	320000000004194
Tax Registration Number of the Company	320003134762764
Company Organization Code	13476276-4
Registered Office and Office Address	6 Maqun Road, Nanjing, the PRC
Postcode	210049
Website of the Company	<a href="http://www.jsexpressway.com">http://www.jsexpressway.com</a>
E-mail Address of the Company	<a href="mailto:nhgs@public1.ptt.js.cn">nhgs@public1.ptt.js.cn</a>
Legal Representative of the Company	Yang Gen Lin
Secretary to the Board	Yao Yong Jia
Telephone	8625-8446 9332
Securities Officers	Jiang Tao, Lou Qing
Telephone	8625-8436 2700-301835, 301836
Fax	8625-8446 6643
Email Address	<a href="mailto:nhgs@jsexpressway.com">nhgs@jsexpressway.com</a>
Company Secretary in Hong Kong and Authorized Representative under Hong Kong Company Ordinance	Lee Wai Fun, Betty
Telephone	852-2801 8008
Office Address	20/F, Alexandra House, 18 Chater Road, Central, Hong Kong

# Company Information

Stock Exchanges Where the  
Company's Shares are Listed

A Share Shanghai Stock Exchange  
Stock Name of A shares: 寧滬高速  
Stock Code of A shares: 600377

H Share The Stock Exchange of  
Hong Kong Limited  
Stock Name of H Shares:  
Jiangsu Expressway  
Stock Code of H Shares: 00177

ADR The United States of America  
Stock Name of ADR: JEXWW  
Security United Code: 477373104

Newspapers Designated for Regular Announcements

Shanghai Securities News, China Securities Journal

Website Designated for Information Disclosure

[www.sse.com.cn](http://www.sse.com.cn)  
[www.hkex.com.hk](http://www.hkex.com.hk)  
[www.jsexpressway.com](http://www.jsexpressway.com)

Regular Reports Available at

Jiangsu Expressway Company Limited  
6 Maqun Road, Nanjing, Jiangsu Province, the PRC

Reed Smith Richards Butler  
20/F, Alexandra House, 18 Chater Road, Central,  
Hong Kong

Domestic Auditors

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222 Yan An Road East, Shanghai, the PRC

Hong Kong Auditors

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88 Queensway, Hong Kong

Domestic Legal Advisors

C & T Partners Law Firm Office  
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Nanjing, the PRC

Hong Kong Legal Advisors

Reed Smith Richards Butler  
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18 Chater Road, Central, Hong Kong

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Domestic Share Registrar and Transfer Office

China Securities Depository and  
Clearing Corporation Limited, Shanghai Branch  
36/F, China Insurance Building,  
166 Lujiazui Road East  
Pudong New District, Shanghai, the PRC

Overseas Share Registrar and Transfer Office

Hong Kong Registrars Limited  
Shop 1712-1716, 17th Floor,  
Hopewell Centre, 183 Queen's Road East,  
Wan Chai, Hong Kong



# Documents Available for Inspection

The following documents were included:

- (1) Copies of the annual report signed by the Chairman;
- (2) Financial statements signed and sealed by the legal representative, the chief accounting officer and the person-in-charge of an accounting institution;
- (3) Original of the auditors' report sealed by the CPA firm, 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 in other stock exchanges.

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

**Yang Gen Lin**

*Chairman of the Board*

**Jiangsu Expressway Company Limited**

Nanjing, the PRC

18 March 2011

# Appendix I – Self-evaluation Report on Internal Control

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

## ◇ Objectives of Internal Control

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

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

## ◇ Principles of Internal Control

The Company’s internal control complies with the following principles:

- 1. Principle of Completeness:** Internal control should run through the entire decision-making, implementation and monitoring processes, and cover the respective businesses and matters of an enterprise and its subsidiaries.
- 2. Principle of Materiality:** Internal control should focus on material business issues and high-risk areas on a total control basis.
- 3. Principle of Check and Balance:** Internal control should exercise mutual check and balance and mutual supervision over various areas such as governance structure, office set-up, allocation of powers and duties and business processes without compromising operational efficiency.
- 4. Principle of Adaptiveness:** Internal control should be adaptive in respect of scale of operation, scope of business, competitive situation and risk level of an enterprise, and be modified promptly in line with changes in the circumstances.
- 5. Principle of Cost Effectiveness:** Internal control should exercise an effective control at the right costs to achieve a balance between the costs of implementation and expected benefits.



◇ **Framework of the Internal Control System**

The Company's internal control system was established based on five major components: control environment, risk assessment, control activities, information and communication, and internal supervision. Accordingly, six sub-systems were developed, namely the internal control environment system, the risk assessment system, the financial control system, the operation control system, the internal control support system and the control system for branches, subsidiaries and investees.

At present, the Company sets up an internal control system which have 39 first-tier systems, 170 second-tier systems, 365 management forms and 17 flowcharts, covering risks control points for various aspects of the Company. The Company also amends and enhances the system in accordance with production and management needs every year in order to achieve effective control over risks.

◇ **Inspection and Supervision of Internal Control**

The Company performs regular and irregular inspections over the implementation of the internal control system. The relevant information in respect of on-going supervision and inspection is disclosed through monthly assessments. All business units and staff commit self-improvements on failed items in a timely manner. All business departments of the Company participate in the yearly self-evaluation, conduct systematic and comprehensive reviews on the implementation of internal control, and issue written evaluation reports upon review conclusion.

Upon identifying internal control defects through the process of on-going supervision and inspection, the Company reports in a timely manner through channels of writing and conference. Upon identifying problems during the annual internal control inspection, the Company reports to the management through self-evaluation reports. Upon identifying material defects or material risks during the process of supervision and inspection, the Company reports to the Board and the Audit Committee.

Through inspection and supervision, the Company conducts objective analysis on defects in the internal control system. Rectification proposals against the defects are proposed and implemented, aiming at improving the internal control system and procedures on a continuous basis.

The Audit Committee conducts evaluation on the effectiveness of the internal control system at the end of the year, and report to the Board by preparing an annual evaluation report.

◇ **Evaluation and improvement of internal control**

In 2010, the Company conducted a self-evaluation of five aspects: control environment, risk identification and assessment, control measures, information and communication and supervision pursuant to the requirements of the "Basic Principles on Corporate Internal Control" and the relevant application guidelines. Defects were identified and improvements were needed in major aspects covering:

**1. Internal audit:**

As at the end of 2010, the Company still has not set up a separate internal audit department such that all internal audit functions were undertaken by the finance department. This deviated from the requirements of the "Basic Principles on Corporate Internal Control" and the "Application Guidelines on Corporate Internal Control". In 2011, the Company will strive to improve the internal audit functions and the internal audit organization set-up, define job responsibilities, deploy adequate internal audit-related staff, establish a sound system for internal control inspection and evaluation, and fully execute the supervisory functions of internal audit in respect of internal control.

# Appendix I – Self-evaluation Report on Internal Control

**2. Corporate development strategy:** The Company has not formulated any development strategy in 2010. In 2011, the Company will, on the basis of its own development needs and characteristics, conduct a careful analysis of its strategic positioning, and will carry out a careful study in order to formulate its “12th Five-year” strategic planning that will map out the Company’s overall development objectives and annual implementation plans in the next five years, providing a clear direction for its long-term and stable development.

◇ **The Company Board’s self-evaluation of the effectiveness of internal control**

The Board of the Company believes that the Company has basically established a complete and rational internal control system, based on the actual situation and management needs, and that the internal control system so established ran through every level and aspect of the Company’s business activities, and was effectively implemented. Pursuant to the “Basic Principles on Corporate Internal Control”, the Company maintained effective internal control pertaining to the financial statements in all material aspects for the year ended 31 December 2010.

The Board of the Company conducted self-evaluation on all the above-said aspects of the Company’s internal control for the year and no material defect was found in the design and implementation of the internal control system. With basic assessments on various core components in the internal control system and various implementation work on inspection, supervision and evaluation during the year, the Board was of the view that the Company’s internal control system and its implementation were basically sound and effective between 1 January and the end of this reporting period. The Company also believes that it has fulfilled the requirements of various aspects including corporate governance, operation, management, finance, investment and administration and human resources management, effectively controlling various operation management risks of the Company.

No accounting firm was retained for the verification and evaluation of the Company’s internal control for the year.

*The Board*

**Jiangsu Expressway Company Limited**

18 March 2011

# Appendix II – 2010 Corporate Social Responsibility Report

The Board of Directors 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 content contained herein.



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 has committed to its mission and social responsibilities since its establishment: to enhance the efficiency of public transportation; to provide the public with a safe, speedy and comfortable traffic environment; to contribute to the economic development of the society; and to maintain harmonious development between the corporation and the society. In the course of development and growth, the Company has realised that corporate wealth originates from the recognition of the public on our products and services. Hence, apart from making profits and protecting shareholders' interests, we also assume a wide range of social responsibilities, including the responsibilities toward stakeholders such as employees and consumers, as well as the community and the environment. The continuous support of the society, customers, shareholders and employees ensure the sustainable development of the Company's operations. In return, the Company honors its social responsibilities and obligations on the principles of integrity and trust, repaying the society and serving the general public.

## I. Social Responsibility

### ◇ The Company's Understanding of Social Responsibility

By corporate social responsibility, a company should undertake responsibilities towards the society, employees and customers while creating profits and undertaking legal responsibilities towards shareholders. In undertaking its social responsibilities, a corporation should attempt to do beyond the traditional concept in which profit-making is the sole objective. It emphasizes the care on human value and contribution to customers, the environment and the society during the course of production. As the economy develops and the society progresses, there is a growing concern on the social responsibilities of a corporation, which has become a significant yardstick in measuring the quality of a corporation.



# Appendix II – 2010 Corporate Social Responsibility Report

## ◇ **The Company's View on Social Responsibilities**

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 deems ensuring safe and smooth road conditions and providing customers with a safe, comfortable and convenient traffic environment as its own duty, and is committed to contributing to social and economic developments for maintaining a harmonious development between the corporation and the society. As the Company continued to develop and grow, it gradually realized that while pursuing economic returns and protecting shareholders' interests, the Company must treat and protect other stakeholders in a practical and trustworthy manner; promote environmental protection and energy conservation; and participate in and donate to community services and other charitable causes, so as to influence and help to promote local economic prosperity with its own development and to promote a synchronized and harmonious development between the Company and the society, customers and nature.

## ◇ **The Company's Responsibilities towards Stakeholders**

The Company cares and respects the interests of all stakeholders. We incorporate the values in sustainable development and social responsibilities into our daily operation and corporate culture, and undertake the responsibilities towards our stakeholders in an active way. We seek to maintain good relationships with all stakeholders, including government departments, shareholders and customers, as well as employees and the public, while striking a balance of interests among them.

**Government:** The guidance and supervision from the government act as the standard and starting point of the operating activities of the Company. We are in strict compliance with the law, rules and regulations and observe the regulatory requirements of the government. We regulate our business and pay taxes in accordance with the law and endeavor to create a sound external environment for corporate development.

**Shareholders:** The Company cares about shareholders' return. We endeavor to enhance corporate values, provide shareholders with timely, truthful, accurate and complete information and maintain a stable and high dividend payout ratio.

**Customers:** The Company cares about customer needs by providing road users with a safe, convenient and comfortable transportation environment and high-quality services in order to continuously raise the level of customer satisfaction.

**Employees:** Employees are the cornerstone of the continued development of the Company. We provide them with stable and reasonable remuneration packages, a good working environment and room for career development.

**Environment:** The Company deploys resources in a reasonable manner in the course of conducting its business activities and emphasizes environmental protection. We also serve the underprivileged by participating in community services to promote harmonious social development.



## II. Providing Efficient Service to the Public

### ◇ **Promoting the Economy and Serving the Society**

As vital components of the modern transportation system, the network of expressways is an indispensable infrastructure in the modern society. Compared to other transportation means, 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 2010, the highway network owned or invested by the Company exceeded 700km, including 433km of expressways, representing approximately 11% of the total mileage of expressways in the province. 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 has 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 2006 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 RMB6.85 billion and has contributed significantly to the finances of the local governments.

### ◇ **Safe, Smooth, Comfortable and Convenient**

Proving society with safe and smooth expressway services is the most basic social responsibility of the Company. For years, the Company has been enhancing its road quality through standardized, systematized and computerized quality control and road management mechanisms.

The Company attaches importance to maintaining excellent road quality. Efforts in assemblance, organization and application of new technology, new equipment, new materials and new techniques with respect to road maintenance were reinforced. Emphasis was put in launching studies on maintenance technology focusing on roads and bridges, while the capabilities in dynamic management and defects detection and analysis of roads and bridges were enhanced, laying an important foundation for the provision of safe, convenient, efficient and comfortable road conditions.

Enhancing the contingency response capability for dealing with road abnormalities and unexpected incidents, as well as improving the response mechanism to cope with severe weather conditions such as cleaning up snow accumulated on roads before daybreak to ensure smooth traffic conditions, were key tasks in road management of the Company in 2010. For this purpose, in 2010, the Company initiated the second phase of extension works on the monitoring system on Shanghai-Nanjing Expressway. Full coverage on monitoring road conditions was basically achieved, in which real-time electronic patrolling was conducted through a full utilization of the monitoring system and the contingency response capability for unexpected road incidents was enhanced. Meanwhile, drills relating to bad weathers and unexpected incidents were particularly strengthened; implementation procedures on snow and ice clearance were improved; and mechanical equipment was strengthened, thereby solidly enhancing the contingency response capability to ensure smooth road conditions in snow disasters.

# Appendix II – 2010 Corporate Social Responsibility Report

In respect of improvements of traffic control on expressways, in 2010, the Company worked actively in line with the Provincial Public Security Department and the Provincial Communications Department in launching a special rectification campaign against traffic offences. It also strengthened on-site management of major cross-border projects so as to reduce disturbance to traffic flows arising from construction works. Excellent road conditions of Shanghai-Nanjing Expressway were further safeguarded.

## ◇ **Contribution to the World Expo with Quality Service**

While bringing new opportunities to the development of the Company, the Shanghai World Expo 2010 also brought difficult challenges for the road operation management of the Company. The Shanghai World Expo was in effect a practical drill for proof-testing the Company's traffic organization capability and its capability of ensuring smooth traffic conditions. Shanghai-Nanjing Expressway was the major passage to Shanghai from Jiangsu Province. During the World Expo, leaders of various ranks and domestic and foreign visitors assembled. There was a greater demand for smooth traffic conditions on roads and quality and civilized services. Therefore, in 2010, it was the top priority of the Company's operations management to ensure road safety and smooth traffic conditions amidst high traffic volume and to provide quality services for traveling vehicles and people. Meanwhile, as an important section of the security project "Moat Around Shanghai" of the World Expo, Shanghai-Nanjing Expressway also undertook a significant security responsibility serving as a solid protective barrier for the Shanghai World Expo.

For that reason, based on the mission of "Assuring Safety, Smoothness, Supply and Service", the Company undertook a high degree of social responsibility and devoted a strong sense of commitment in performing its security responsibility and in ensuring smooth traffic conditions for the World Expo. Lanes with security check device, traffic directing signs and temporary stations were set up and toll collection equipment was upgraded and renewed. While strengthening hardware construction, the Company further improved its mode of on-site management, in which coordination with traffic administrations and traffic police was reinforced; traffic security check stations and contingency measures for diverting traffic into Shanghai were adjusted in a timely manner; and capacity for fast traffic flow at station areas was enhanced, thereby mitigating the traffic pressure at peak periods. Every level at the Company deemed contributing services to the World Expo a duty and an honor. The Jiangsu Expressway spirit for "Being a Part of World Expo with Dedicated Service and Contribution" was fully demonstrated in our work on ensuring smooth traffic conditions for the World Expo. After 184 days of hard work by the entire staff, we completed successfully our mission on ensuring security and smooth traffic flow for the World Expo with our quality courteous services.

## ◇ **Toll-free Traffic on Green Passage**

In line with the government's policy on stabilizing commodity prices and its launch of a "Green Passage" for the transportation of fresh agricultural products and live stock, the Company's Shanghai-Nanjing Expressway has offered free toll services for all vehicles meeting the requirements of the "Green Passage" policy since March 2008. Special lanes for "Green Passage" have been set up at all toll stations of the Company. In 2010, the Company's total toll fees waived for vehicles using "Green Passage" amounted to approximately RMB130 million and the Company has fulfilled its social responsibilities.

## **III. Providing Caring Customer Service**

The Company adheres to its "Human-oriented" service values, in which customer needs serve as the direction of service. Service quality has been improved consistently to raise the level of customer satisfaction continuously. In 2010, public traveling services and on-site road management were key tasks of the Company. Aspects including quality service, contingency response and rescue, hindrance-free passages and trustworthy services were further enhanced, thereby building up the Shanghai-Nanjing Expressway service brand.



◇ **Caring Service with Smiles on Shanghai-Nanjing Expressway**

The Shanghai World Expo offered exceptional opportunities for the Company to demonstrate its overall image and enhance its service and management standards. In 2010, the “Caring Shanghai-Nanjing Expressway” standardized service campaign was first launched at all toll collection counters of the Company with a new look to prepare for the World Expo and for the “Major Inspection on National Trunk Highway Maintenance and Management”. The “Caring Shanghai-Nanjing Expressway” standardized service campaign is another reform of the Company after the “How Are You Project” for meeting social development needs, preparing for the Shanghai World Expo, displaying corporate image and enhancing service content. As the world develops and progresses, the public has higher and newer requirements on our service quality and level. Meanwhile, the development of service content and enhancement of service level within the industry pushes us to reposition our service standard, which involves the penetration of the concepts of customer respect and sincere service into the entire process of customer service.

Our service quality was fully enhanced with respect to the concept, approach and style. The standard covered nine areas, namely service with smiles, service with gestures, staff image, civilized use of language, telephone service, reception etiquette, business handling, smooth operation and service to provide convenience. Through launching the standardized service, a positive work attitude has been cultivated among staff. The staff’s neat and tidy appearance, warm smiles and greetings and courteous gestures demonstrated the optimistic and positive spirit and the sincere and courteous service quality of Jiangsu Expressway people, significantly improving the image of the Company. The standardized service campaign represents a service concept, a set of service criteria and a courtesy carrier. We actualized our friendliness and integrity and our sense of responsibility, care and obligation to the society and customers, and stimulated interaction and responsiveness among customers through our sincere service. A warm and harmonious social environment has thus been created.

◇ **Fast Contingency Response and Rescue**

Actively exploring normalization management under heavy traffic volume and enhancing the capacity to ensure smooth traffic conditions are service commitments to the society undertaken by the Company based on actual situations. To this end, the Company continues to innovate in road management model and management approaches. In 2010, the Company carried out rationalized allocation of facilities and staff based on the principle of focusing on key points and balanced distribution. Fast response and fast hindrance clearance for unexpected incidents were regarded as the cut-in points for service enhancement. Hindrance clearance stations and standby stations were increased. Full cooperation mechanism among road sections were strengthened while the linked-response mechanism among traffic police and road administration authorities was improved, thereby continuously accelerating the contingency response and rescue speed. The mode of operation was also improved through a flexible dispatch of operating vehicles via GPS and a partial implementation of cross-district operation. The hindrance clearance capability was largely enhanced with a satisfaction rate of 99.82% from customers’ feedback.

In response to the growing traffic volume and to reduce the queue-up time for paying toll, the Company has actively promoted the electronic toll collection (ETC) system to enhance the traffic flow capacity at toll stations. As at the end of 2010, Shanghai-Nanjing Expressway was the first within the Jiangsu expressway network to achieve 100% coverage of the ETC system, which offered great convenience to drivers.



# Appendix II – 2010 Corporate Social Responsibility Report

## ◇ **Brand Service and Trustworthy Operation**

During its course of development, the Company has been adhering to its management principle of “Integrity, Responsible, Caring and Continuous Improvement”. It has been continuously cultivating staff’s values with honesty and trustworthiness as the core; establishing courtesy and integrity as operation values and an awareness about the risk on lack of trustworthiness; incorporating trustworthy service into the Company’s internal control system as an important index; and regulating each aspect of the operating and management activities of the Company through systems. In 2010, the Company required its service areas to continue to adhere to the principle in which social benefit is a priority in its operation and to create a caring and comfortable service environment. Through adjusting product operating strategies and deferring gain to the society, a win-win situation involving social benefit and economic benefit was achieved. The Company enjoys competitive advantages with respect to market recognition and sound trustworthiness record due to its strong value in integrity, its complete and effective integrity management system and its proactive performance in social responsibility. It received the “National Courtesy and Integrity Model Company” award in 2009, representing the only national expressway transportation service enterprise being granted such award. For three consecutive years, the “Zhou Enlai Group” and the “Smiling Angels” of the Nanjing toll station and the “Pearl in the Water Village” of the Yangchenghu service area have received the awards of “Top Ten Service Brands in the Transportation Industry of Jiangsu” respectively. The Yangchenghu service area was named the “Courtesy Model Unit in the Transportation Industry” by the Ministry of Transport of the PRC.

## ◇ **Listening to Feedback and Continuous Improvement**

Through a multi-level communication platform, the Company improves the complaint channels for customers and listens to their comments patiently for building up an effective communication mechanism with the customers, thereby continuously raising the level of customer satisfaction.

In the construction of the communication platform, the Company emphasized the strengthening of information communication with the public. Road network traffic conditions are announced to the public via changeable message signboards, broadcast stations and networks, which provides effective support to the public with respect to choosing the traveling routes, thereby achieving better traffic instructions and enhancing traffic efficiency. Besides, the Company understands the potential demands of the customers in a timely manner and collects customers opinions and suggestions to the Company by means of the above platform. The Company has published its complaint hotline number on the media, notice boards at each toll stations and the website of the Company, with dedicated personnel on duty 24 hours a day throughout the year. A comprehensive “Complaint Processing Flow” was formulated on the principle of “Guaranteed Replies to Complaints and Immediate Rectifications to Mistakes”. Based on different cases of complaints, the relevant departments are required to make replies via telephone, letters or the internet or conduct visits according to actual situations, giving feedback to the complainants with investigation results while specifying the requirements for improvement to the departments and business units concerned.

For years, the Company has been carrying out research on the level of customer satisfaction by employing trade ethos inspectors and “secret customers”. 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 has 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.



## IV. Growing together with Investors

### ◇ **Continuously Enhancing Shareholder Returns**

The Company's business objective is to maintain stable long-term returns for our shareholders. The Company enhances its corporate value and maximizes shareholder returns through continued development. The Company has been distributing cash dividends for 14 consecutive years since its listing. As at the end of 2010, total cumulative cash dividends of RMB11.87 billion, or RMB2.3617 per share, was paid. The average annual dividend payout ratio reached approximately 75%. Shareholders are awarded with satisfactory returns from the development of the Company. Having considered the long-term interests of investors and the current level of income, the Company will maintain a high dividend payout ratio in the coming years.

### ◇ **Fair Disclosure with Regulated Transparency**

While being fair to all investors, the Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders be informed in an equal and comprehensive manner, the Company truthfully, accurately and comprehensively 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 its 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 to increase transparency of the Company. The Company has been recognized by the market for its sound corporate governance and its regulated and transparent information disclosure. The Company has received a number of best corporate governance disclosure awards for listed companies in Hong Kong.

### ◇ **Smooth Communication for Interaction and Win-win**

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

The core of investor relations is effective communication. With various platforms and channels, the Company has fully and effectively carried out two-way communication with domestic and foreign investment funds and research institutions which followed on the Company. Investors are provided with information they are interested in to enhance their confidence in the future development of the Company. Besides, it facilitates market feedback to be collected broadly so as to enhance the Company's corporate governance standards and operating positions. 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 roadshows, regular meetings with visiting investors and analysts, teleconferences and so forth.

# Appendix II – 2010 Corporate Social Responsibility Report

## V. Growing with Staff

The Company appreciates the efforts and value contributed by its employees. The Company is committed to creating a safe and healthy work environment and offering comprehensive medical and retirement benefits to its employees. We value and protect the legal interests of our employees.

### ◇ **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. In 2010, the Company has paid total staff salaries amounting to RMB315,636,000 in aggregate, representing an increase of 8.75% year-on-year.

The Company enforced a stringent performance appraisal system. In this year, the Company enacted management methods and implementation rules for the Company’s performance appraisal. Based on such methods and rules as appraisal standards, the Company conducted regular appraisals on the work 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 operation management objectives. 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.

### ◇ **Job Training and Talent Retention**

Staff and talents are the foundation of corporate development. The Company has been implementing the strategy of “Talents make an enterprise strong” in which a talent recruitment and deployment mechanism featuring “openness, fairness, competition and selection of the best” was established and improved. Through talent selection and cultivation, professional talents are cultivated and reserved for the sustainable development of the Company and a sound development platform is created for staff, thereby achieving a win-win situation for the interests of both the staff and the Company.

The Company has been regarding training as the driver of sustainable development. The “Staff Education and Training System” and “Staff Education and Training Plan” were established and improved. The training is concerned with various major segments of business of the Company, including operations management, integrated management and engineering and technology, and covers all levels of staff from toll collectors to the senior management. 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. The Company formulates a training plan every year in accordance with the annual work plans and the needs for human resources development. The training plan serves as the direction of training for the year, and reviews will be made at the end of the year.

During 2010, the Company and all of its administrative departments conducted 249 staff training sessions according to the annual training plan. Of these sessions, approximately 64% were job skills training programs for production positions, and approximately 36% were comprehensive capability enhancement programs for management and professional technical staff. Total spending on these training sessions amounted to approximately RMB2,103,000, covering 10,709 person-times and involving staff of various levels from junior servicing staff to senior management members.

◇ **Interests Protection and Benefits Enhancement**

The Company cares for its employees with affection and protects the statutory interests of the employees. In accordance with the relevant State regulations, the Company provides its current employees with a number of social insurance schemes such as basic old-age insurance, medical insurance, 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 supplemental medical insurance and labor injury 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 caring relationships between the Company and its employees. The relevant premiums and corporate annuities have been paid up on time.

◇ **Safety Measures and Labor Protection**

The Company implements comprehensive safe production measures in its daily operation to safeguard its employees. The Company has established OHSAS18001 Occupational Health and Safety System in accordance with the Production Safety Law and other relevant laws and regulations of the State. Staff are equipped with necessary labor protection equipment and protection facilities on a regular basis, which are operated in strict accordance with the 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.

◇ **Care for Staff and Harmony**

The Company cares for its staff. We adopt active measures to provide employees with a healthy and comfortable work and living environment. The Company also operates a paid-leave system and an annual program of "Complimentary Re-energizing Trip for Excellent Employees". The Company has enhanced the establishment of cultural recreation facilities for front-line toll stations and actively provided enriched and colorful cultural activities, creating an enjoyable work environment. Front-line work units have deployed multi-functional rooms, reading rooms, outdoor playgrounds, ball games rooms and so forth, satisfying front-line staff's after-office-hours learning and entertainment needs. The Company values the opinions of employees. We promptly respond to their views and appeals by actively coordinating the relationships and resolving conflicts between different parties to build harmonious work relations. The Company cares about the employees' health and arranges annual health checks for staff. High temperature allowances are paid and cooling measures are adopted in hot seasons. It also voluntarily extends prompt concern and assistance to staff in difficulties through offering grant-in-aid or arranging fund-raising. Such care and consolation intensify the employees' sense of belonging toward the Company.

## **VI. Environment Protection – Sustainable Development for the Corporation and the Society**

◇ **Environment Protection and "Green" Operation**

The environment and resources are the basic conditions for the survival of human beings. While further implementing the Scientific Development Outlook and creating a harmonious society, the Company requires the corporation and staff to cherish and improve the environment, in order to cultivate a nice work and living environment together. 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.

## Appendix II – 2010 Corporate Social Responsibility Report

Requirements for environmental protection are included in our tenders and contracts for road construction and maintenance projects. Bidders and contractors are required to demonstrate their devotion to environment protection in terms of organization, personnel and funds allocation. The Company also strengthens protection to land resources by limiting the use of agricultural lands for landfill and the removal of plantation. 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 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.

The Company adopts measures to reduce noise from the operation of its expressways. Noise barriers of approximately 14km were constructed in 45 places along Shanghai-Nanjing Expressway which have high-level noise pollution, thereby having effectively alleviated the impact of noise pollution to local residents. In addition, the Company regularly monitors the noise of certain sections of its expressways which are sensitive to noise pollutions and noise reduction measures will be implemented when necessary. The Company is aware of the management of vehicles carrying toxic and hazardous chemicals on the roads. 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. The Company has also installed effective sewage treatment devices in all management offices, service areas and tollgates along Shanghai-Nanjing Expressway so that sewage can be properly treated before discharge and the living environment of surrounding residents can be assured.

### ◇ **Cherishing Resources, Saving Energy and Reducing Wastage**

The Company has also gone to great lengths to establish itself as an energy-saving entity by adopting energy conservation measures. In 2009, the Company endeavored to protect the environment, improve management quality and enhance work efficiency. In connection with the operation of toll collection, the Company devised its energy-saving objectives and formulated the Plan for Energy-saving and Consumption Reduction (節能降耗工作方案). Quantitative medium-to-long term energy-saving targets have been incorporated in its economic and management plans.

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, thereby facilitating the establishment of an energy-saving society. With operation running by systems, paper consumption, communication costs and postal costs are reduced to a great extent.

The Company also continues to enhance the environmental protection awareness among the corporation and the staff. Each of our staff is encouraged to take the initiative to protect the environment and save energy in every operation procedure, covering even the slightest details: reduce energy and materials wastage in operation and office consumables; participate in environmental protection and sustainable development; and eventually achieve the goal of energy saving, cost reduction and effectiveness enhancement. In 2010, the Company effectively controlled the consumption of energy in the use of water, electricity, gas, oil, vehicles and maintenance and hindrance clearance facilities. Total consumption decreased by more than the target of achieving an annual reduction of 5%. The "Energy-saving in Lighting QC Task" of Nanjing toll station was awarded Grade 1 Award of "Energy Conservation and Consumption Reduction QC Outcome" in Jiangsu Province.





## VII. Community Services – Extension of Social Responsibility

Committed to running business in a legal manner with integrity, the Company cares about community services and charitable causes in a proactive manner, takes the initiative to assume social responsibilities and actively contributes to the society. The Company has been actively participating in various community activities to contribute to our society. In 2010, the Company donated an aggregate of approximately RMB1.25 million to various community services including various poverty alleviation funds, education funds, charitable funds and funds for acts of justice and courage.

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 actively participated in various volunteer activities and social services to give a helping hand to the needy in their community, including the elderly and the disabled, thereby contributing to the harmonious development of the community.

## VIII. Conclusion

The Company believes that discharging its social responsibilities is an actual action for a corporation to implement the Scientific Development Outlook in depth and is a definite choice for a corporation to realize sustainable development. The Company is committed to being a responsible corporate citizen with integrity and fully integrates the requirement of fulfilling social responsibilities into the developing strategies and daily operation management of the Company. 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, restraints and trends of the society.

In the future, the Company will further sharpen its mission in social responsibilities and improve the Company's implementation mechanism with respect to social responsibilities. The Company will create greater value for its shareholders, staff, customers and the society through running a law-abiding, trustworthy, steady and sustainable operation to meet the expectations of various stakeholders. It will also push forward the sustainable development of the economic society and pursue high-quality development outcome through practicing the Scientific Development Outlook with concrete actions.

The Company also welcomes supervision from the society. It will continue to honor its social responsibilities and obligations on the principles of integrity and trust, repaying the society and serving the general public.

**This report was considered and approved at the fifteenth meeting of the sixth session of the Board on 18 March 2011. The Board of Directors of the Company and all members of the Board of Directors severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content contained herein.**

*The Board*

**Jiangsu Expressway Company Limited**

18 March 2011



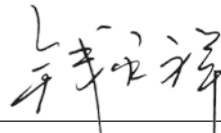
# Confirmation Opinion to 2010 Annual Report by Directors and Senior Management

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

## Directors



Yang Gen Lin



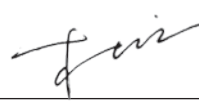
Qian Yong Xiang



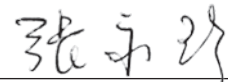
Zhang Yang



Chen Xiang Hui



Du Wen Yi



Cheng Chang Yung Tsung, Alice



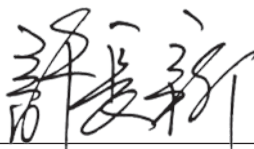
Fang Hung, Kenneth



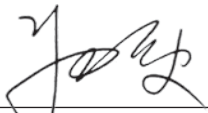
Fan Cong Lai



Chen Dong Hua

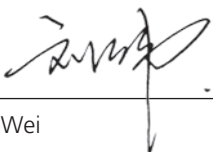


Xu Chang Xin

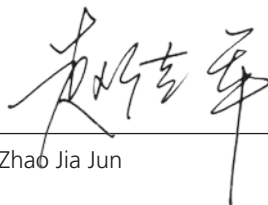


Gao Bo

## Senior Management Members



Liu Wei




Zhao Jia Jun



Shang Hong



Tian Yafei



Yao Yong Jia

Jiangsu Expressway Company Limited

18 March 2011

# The Group's Highway Network

