



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

(Shanghai Stock Exchange Stock Code: 600377)



Jiangsu Expressway
The Caring Way

2011 Annual Report



Corporate Mission

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

Management Principle

Integrity, Responsible, Caring and Continuous Improvement.

Staff Spirit

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

IMPORTANT NOTICE

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

Deloitte Touche Tohmatsu CPA Ltd. presents the standard unqualified auditor's report for the Company in accordance with PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards").

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

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Company Profile

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

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

The Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the Shanghai Stock Exchange ("Shanghai Stock Exchange"). The Company established Sponsored Level I American Depositary Receipt Program ("ADR") which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31 December 2011, the total share capital of the Company was 5,037,747,500 shares with a nominal value of RMB1 each.

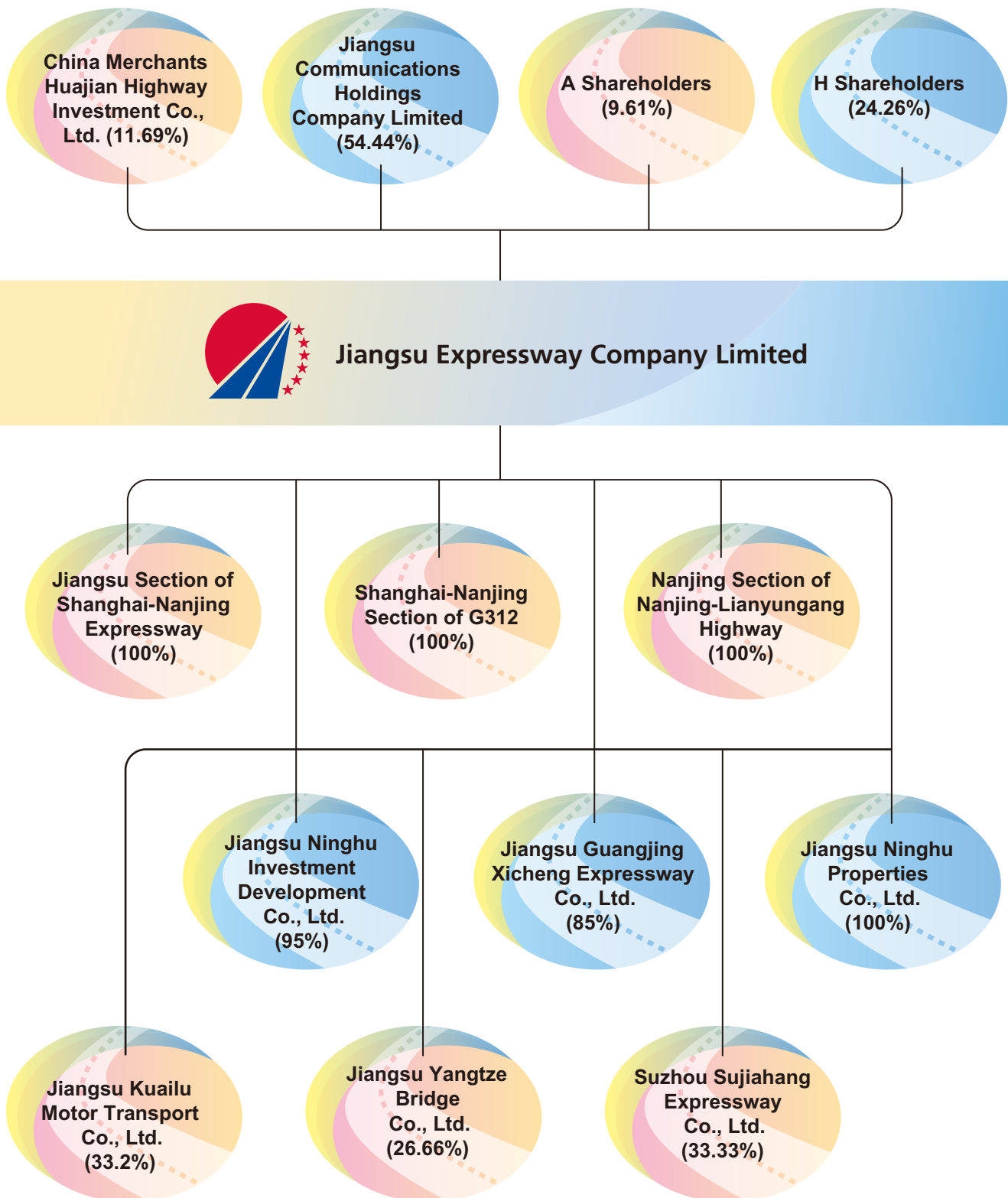
The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from the Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in the Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2011, the highway mileage managed by the Company exceeded 700 km, with total assets amounted to RMB25.375 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets.



The Company's operations are located in one of the most 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 the Jiangsu Province. Such an active economy leads to heavy flows of transportation. The Jiangsu Section of Nanjing-Shanghai Expressway, the Company's core asset, connects six major cities, including Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC.

The Company, 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



Financial and Operating Highlights

Financial statements for the year 2011 prepared by the Company in accordance with the PRC Accounting Standards were audited by Deloitte Touche Tohmatsu CPA Ltd. whose audited report expressed a standard unqualified opinion on the financial statements.

◇ Major financial data of the Group is as follows:

Item	Unit: RMB'000	
	2011	
Operating profit	3,270,727	
Total profit	3,263,227	
Net profit attributable to owners of the Company	2,429,750	
Net profit attributable to owners of the Company after non-recurring profit/loss	2,430,245	
Net cash flow from operating activities	3,835,414	

◇ Non-recurring profit/loss and amounts deducted:

Item	Unit: RMB'000		
	2011	2010	2009
Gain (loss) from disposal of non-current assets	-1,724	-5,765	-15,453
Gain (loss) from disposal of associates	-	127	-
Government subsidy	820	471	190
Gain from disposal of held-for-trading investment	7,093	10,045	950
Gain from change of fair value	-923	1,270	12,155
Reversal of impairment provisions made in prior years	586	80	500
Except for the above items, other non-operating income and expenses, net	-6,596	5,429	-1,377
Effects of income tax	186	-2,914	3,922
Effects of minority interests' profit/(loss)	63	-31	-310
Total	-495	8,712	577

◇ Major accounting data of the Group for the past five years:

Unit: RMB'000

Item	2011	2010	Increase/ decrease over the previous year (%)	2009	2008	2007
Operating income	7,401,310	6,756,244	9.55	5,741,346	5,277,139	5,309,835
Operating profit	3,270,727	3,332,055	-1.84	2,728,540	2,107,440	2,407,380
Total profit	3,263,227	3,332,191	-2.07	2,711,901	2,101,741	2,408,549
Net profit attributable to owners of the Company	2,429,750	2,484,404	-2.20	2,010,972	1,554,011	1,600,827
Net profit attributable to owners of the Company after non-recurring profit/loss	2,430,245	2,475,692	-1.84	2,010,395	1,556,241	1,592,160
Net cash flow from operating activities	3,835,414	3,391,632	13.08	1,797,660	2,765,104	3,157,808

	End of 2011	End of 2010	Increase/ decrease over the end of the previous year %	End of 2009	End of 2008	End of 2007
Total assets	25,375,439	24,897,493	1.92	25,496,204	24,775,429	25,937,848
Total liabilities	6,767,629	6,873,449	-1.54	8,289,407	8,367,693	9,800,129
Shareholders' equity attributable to equity holders of the Company	18,144,690	17,563,723	3.31	16,756,571	15,968,921	15,708,385
Total share capital	5,037,747,500	5,037,747,500	-	5,037,747,500	5,037,747,500	5,037,747,500

Financial and Operating Highlights

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

Unit: RMB

Principal financial indicator	2011	2010	Increase/decrease over the previous year %	2009	2008	2007
Basic earnings per share	0.482	0.493	-2.20	0.399	0.308	0.318
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A
Earning per share calculated based on the latest share capital	0.482	0.493	-2.20	0.399	0.308	0.318
Basic earnings per share after non-recurring profit/loss	0.482	0.491	-1.84	0.399	0.309	0.316
Weighted average return on net assets (%)	13.96	14.81	Decreased by 0.85 percentage point	12.55	10.03	10.45
Weighted average return on net assets after non-recurring profit/loss (%)	13.97	14.76	Decreased by 0.79 percentage point	12.55	10.04	10.39
Net cash flow per share from operating activities	0.76	0.67	13.08	0.36	0.55	0.63

	End of 2011	End of 2010	Increase/ decrease over the end of the previous year %	End of 2009	End of 2008	End of 2007
Net assets per share attributable to equity holders of the Company	3.60	3.49	3.31	3.33	3.17	3.12
Gearing ratio (%)	26.67	27.61	Decreased by 0.94 percentage point	32.51	33.77	37.78

◇ Items calculated on a fair value basis in 2011:

During the reporting period, financial assets calculated on a fair value basis held by the Group were the financial assets held-for-trading invested by Ninghu Investment, a subsidiary of the Company. Of the assets, the fair value of “fund investment” at the end of the year was RMB19,077,000. The market prices of the fund investment at the end of the year and related information were sourced from the public information relating to the net value of the relevant fund. During the reporting period, the Company did not hold any financial liabilities calculated on a fair value basis.

Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Changes	Amount affecting the profit of the reporting period
Investment in equity products held-for-trading	6	0	-6	2
Investment in spot gold	60,138	0	-60,138	7,093
Fund investment	0	19,077	19,077	-923
Total	60,144	19,077	-41,067	6,172

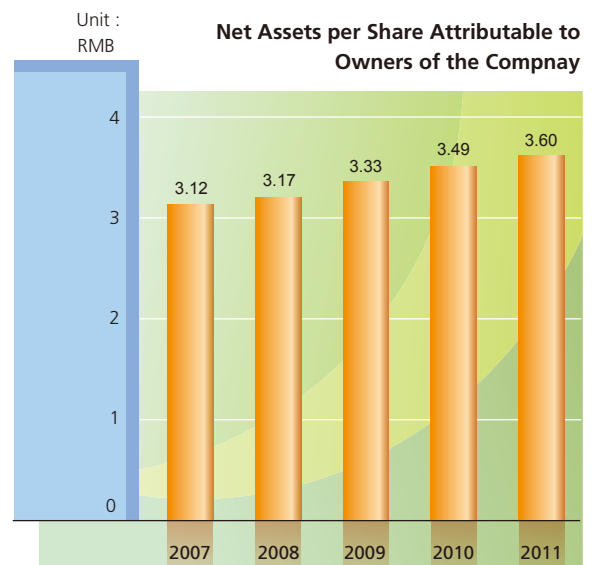
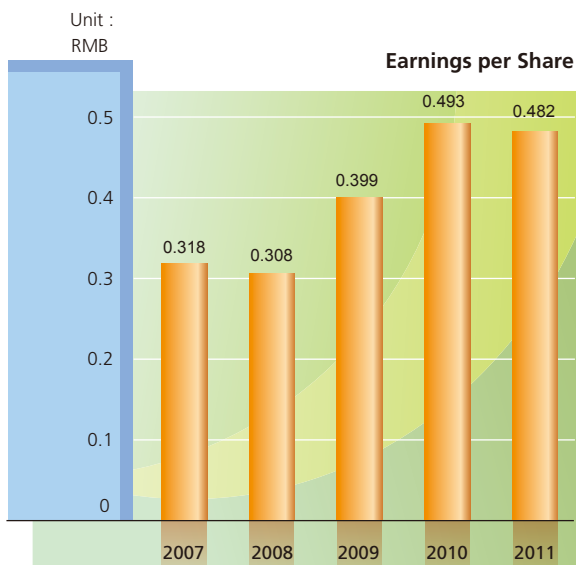
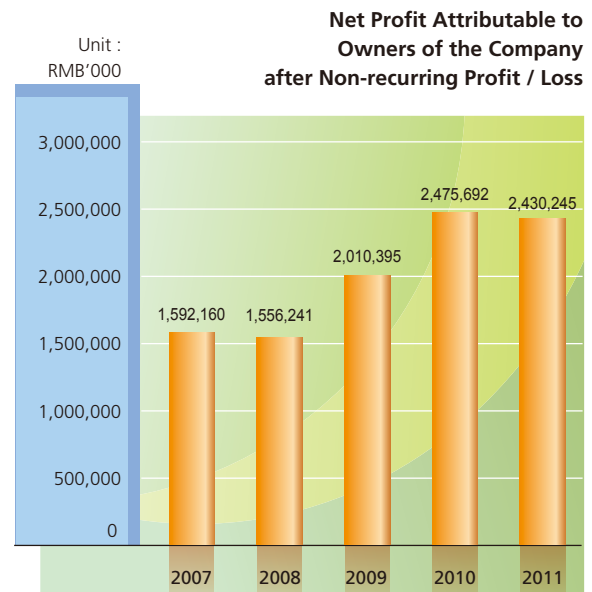
◇ Cash dividends for the past three years:

Unit: RMB'000

Item	2011	2010	2009
Cash dividends	1,813,589	1,813,589	1,561,702
Net profit attributable to owners of the Company	2,429,750	2,484,404	2,010,972
Cash dividend payout ratio	74.64%	73.00%	77.66%

Financial and Operating Highlights

Changes of major financial indicators during the past five years: (under PRC Accounting Standards)



Major Events in 2011

- The Company was named the “Model Organization in the Jiangsu Province” for the fourth consecutive year.

Feb

- The Company announced the 2010 annual results and conducted roadshows in Hong Kong.

Mar

- The Company was well-prepared for the inspection on the maintenance and management of the national trunk roads.
- The shares held by the largest and the second largest shareholders of the Company met the conditions for the release of selling restrictions, and were permitted to be listed and circulated.

May

- The investment in the new project for the construction of the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway was approved by the Board of the Company.

Jun

- The Company issued RMB1 billion one-year short-term commercial papers.

Jul

- The Company announced the 2011 interim results and conducted roadshows in Hong Kong.

Aug

- The Company issued RMB1 billion one-year short-term commercial papers.

Sep

- The Company was awarded the Gold Award in the “H-share Category” of the “2011 Best Corporate Governance Disclosure Awards”, organized by the Hong Kong Institute of Certified Public Accountants.

Nov

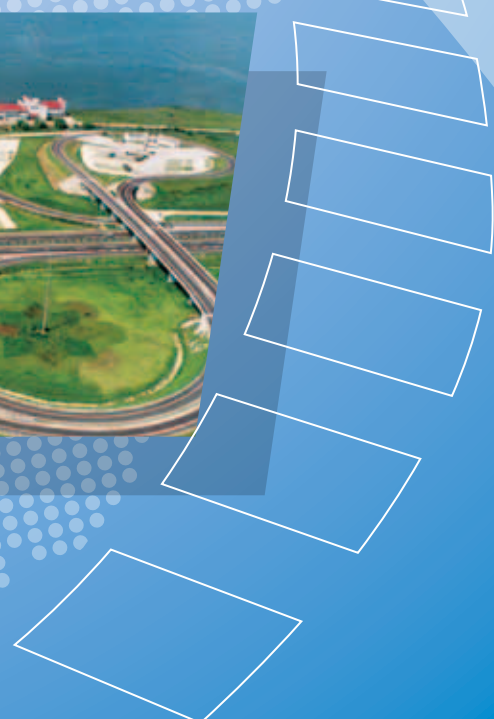
- The Company was awarded the “Gold Award for Social and Environmental Responsibility and Investor Relations” of “The Corporate Awards 2011” organized by The Asset magazine.
- The Company was named “National Model Organization” for the third consecutive year.

Dec



Report of the Directors

The “Twelfth Five-year” strategic plan has created a new blueprint for the development of the Company. As the new round of development has been unveiled, the Board, management and all employees of the Company have both the confidence and the capability to overcome all difficulties and challenges.



Report of the Directors

(I) Chairman's Statement

To the Shareholders:

2011 was a year in which the Company has pursued development and innovation in a complex economic and policy environment. Despite various obstacles and challenges faced, the Company has managed to make further progress in its various businesses under the direction of the management and with the joint efforts of all staff.

◇ 2011 Results and Dividends

I hereby report to the Shareholders on behalf of the Board that, in 2011, the Group realized a net profit attributable to owners of the Company of approximately RMB2,429,750,000 and earnings per share was approximately RMB0.482, a decrease of approximately 2.20% as compared to the same period in 2010. Despite a slight decline in the results, the Board still maintains a high payout-ratio dividend policy to ensure stable returns to its Shareholders. The Board proposed to distribute a 2011 final cash dividend of RMB0.36 per share (tax inclusive) to all Shareholders, representing approximately 83.96% of the profit available for distribution for the year. The proposal will be implemented after consideration and approval of the 2011 annual general meeting.



◇ Business Review

The business environment in 2011 was challenging. The continued volatility in the global economy and the decelerated rate of growth in the Chinese and regional economies brought pressures to the Company's principal business, leading to a decline in its toll revenue growth. Moreover, the nationwide special rectification project for toll roads launched by the Ministry of Transport in conjunction with other ministries and commissions during the year created uncertainties for the industry's development for the short term, while some of the corrective measures being enforced by the local governments would have a minimal impact on the Company's toll road operations. As for the changes in the business environment, the Company acted aggressively to confront and weather all difficulties. In effect, the Company devised an array of practical and specific management measures based on its strategic objectives to ensure that the Company is progressing steadily.

With respect to the business management of the Company, proactive preparation work for the inspection on the maintenance and management of national trunk roads conducted every five years was the priority among the Company's road management tasks in 2011. The inspection represented an assessment and examination of the Company's levels of operation, maintenance and management of roads over the years. Taking it as an opportunity, the Company improved road quality by strengthening its preventive maintenance; assured traffic safety and smoothness of the roads by enhancing traffic capacity, on-site management of operation, efficiency of hindrance clearance and other measures on the roads; and established a quality service mechanism and created a transport service brand by launching the "Caring Shanghai-Nanjing Expressway" standardized service campaign. All of these proactive measures contributed substantially to the Jiangsu Province's success in securing its Number One position across the country in the national inspection for the maintenance and management of highways and ordinary trunk roads.

Report of the Directors

As for strategic management, the changing economic and policy environment forced us to develop crisis awareness with a long-term perspective and the need to explore a development pattern in a scientific manner. Moreover, China's plan to form an international megalopolis in the Yangtze River Delta and to first carry out modernization in the southern Jiangsu during the period of the "Twelfth Five-year Plan" has provided a rare opportunity for the Company's development. Under this scenario, in 2011, the Company carried out a careful analysis of its strategic positioning in accordance with the needs and characteristics of its own development, with a focus on the theme of "Upgrading Management Services, Building a First-class Brand and Maintaining a Stable and Sustainable Development", and looked carefully into establishing its strategic development objectives and implementation plans for the next five years to seek new opportunities for achieving a long-term development. All of these were of great significance to the Company. Currently, the "Twelfth Five-Year" strategic development report" of the Company and of each of its two subsidiaries – Ninghu Properties and Ninghu Investment – has been completed, but further demonstration and optimization are needed to make the strategic objectives more appropriate and reasonable and to make the implementation plans more feasible.

◇ Development Strategies

Looking into the future, as the economic transformation and upgrade in the Yangtze River Delta region accelerate further, the increase in domestic demand and escalation of consumption will gradually become the economic growth drivers that will further enhance the development of the transport industry. This will provide a favourable external environment for us to explore opportunities for transformation and upgrade and to expand room for development. However, opportunities always come with challenges. At this stage, various factors such as the adjustment of the toll policy and the development of an integrated transportation system will pose uncertainties for the future development of the principal business and profit growth of the Company. Over-reliance on the toll business will no longer be sustainable. We must adjust our business strategies promptly and plan for our transformation and upgrade proactively in order to achieve a new round of sustainable development.



To this end, the Company commenced research on and preparation of the "Twelfth Five-year" strategic development plan and determined its strategic positioning based on its core competitiveness in 2011 in the upgrade of the industrial structure and sustainable development of the Company. The strategies form a blueprint for the Company's development and set a clear course of action. But only effective execution of these strategies can turn these targets into reality.

The year 2012 marks the first year of the Company's implementation of the "Twelfth Five-year Development Plan", a critical moment for the Company to achieve its long-term objectives. We need a good start. The Company should recognize that the establishment of a strategy system is not merely a task involving the decision makers and the management of the Company, but it is also a project that involves the participation of all employees to safeguard and accomplish together. Employees' roles are to execute and realize strategies in the end. The Company should step up its publicity campaigns for the strategies to ensure that all employees acquire a comprehensive and clear understanding of the strategic development plan, so that after having understood the situation and the difficult position of the development of the Company, a consensus can be formed at all levels of the Company, allowing employees to work together earnestly with the Company to cope with the difficulties and challenges during the development process.

The smooth implementation of strategies entails a good internal environment and effective measures as support and assurance. After more than a decade of development, the Company has accumulated extensive experience in the investment, construction, operation and management of large-scale transportation infrastructure; built up a professional and aggressive management team as well as staff members who have the audacity to accept challenges; and cultivated a service brand that signifies quality and efficiency and a good image in the domestic and overseas capital markets. These serve as the cornerstone for the Company's future development, and have proven that the Company has the foundation, requisites and capability to achieve a new leap forward. However, future development will not only be confined to transportation infrastructure. Instead, the Company must actually participate in market competition. Obviously, we still have deficiencies in various aspects such as organizational structure, management philosophy, human resources reserves, corporate culture as well as systems and mechanisms to adapt to a fully competitive market environment. We must carry out further optimization and upgrade our capabilities more specifically.

Therefore, the Company must modify its organizational structure according to the needs for strategic development by establishing a structural system that is more adaptive to the development of a modern enterprise such as defining departmental functions and strengths of the divisions of labour and coordination. A management philosophy must be developed to carry out ongoing improvements and innovation to enhance competitive advantages through management and technological and service innovations. A strategy-oriented human resources plan must be formulated so as to create a good human resources environment and to build up a team of qualified personnel with particular emphasis on cultivating a team of core qualified staff. The Company must strive to develop ideas and core values that are in line with the Company's path of future development, which will be used to govern and guide the conduct of each employee in contributing a strong intellectual impetus and cultural support to the Company's future development. Strengthening these divisions will lead to the Company's overall competitive strength. In respect of the management mechanism, the Company has to introduce new standards, smooth processes on an ongoing basis and improve job achievements. The effective implementation of these measures will further reinforce the foundation of the Company's management and have a positive and far-reaching impact on its long-term, healthy development.

Though we cannot achieve the objective in just one step, we must nevertheless take the first vital step. In 2012, the Company will break down the strategically critical performance indicators proposed under the "Twelfth Five-year Plan" to build a quantitative strategic indicator system which will be used as an essential tool to implement strategies. The Company will also establish a corresponding work mechanism, conduct diagnosis and evaluation on a regular basis and adjust strategic objectives and measures on a timely basis in line with any changes made to the policies for the sector, environment and related industries, so as to ensure the effective implementation of the strategic objectives.

The "Twelfth Five-year" strategic plan has created a new blueprint for the development of the Company. As the new round of development has been unveiled, the Board, the management and all employees of the Company have both the confidence and the capability to overcome all difficulties and challenges. Moreover, the Company also needs the support and trust of all Shareholders to walk together on the road to development.

Yang Gen Lin
Chairman

Nanjing, the PRC
23 March 2012

Report of the Directors

(II) 2011 Profit Distribution Scheme

In 2011, the Group realized an audited net profit attributable to the parent company of approximately RMB2,429,750,000 under the PRC Accounting Standards. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of the Company 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 2011 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 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).

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

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

The Company will finally withhold and arrange for the payment of the relevant tax pursuant to the above Stock Exchange Letter and other relevant laws and regulations, including the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled to Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] No.124) (the "Tax Treaties Notice"). The Company will determine the country of domicile of the individual H Shareholders based on their registered address as recorded in the registers of the members of the Company on the record date for the final dividend for the year ended 31 December 2011 (the "Registered Address"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Shareholders or any disputes over the withholding mechanism or arrangements.

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



Management Discussion and Analysis

In 2011, the Company's management adhered to the operations management objectives set by the Board, as well as the general requirements of "achieving management upgrade steadily and enhancing brand image in expressway management", embarked on achieving a transformational development, improved overall road quality and ability to ensure smooth traffic flow, improved the quality of service standards, optimized internal management by fully enforcing corporate internal control as an opportunity so that the Company would reap remarkable results from carrying out various tasks.



Management Discussion and Analysis

(I) Review of Operations Management

In 2011, the Company's management embarked on achieving a transformational development and commenced research on and preparation of its "Twelfth Five-Year Plan" according to the operations management objectives set by the Board, as well as the general requirements of "achieving management upgrade steadily and enhancing brand image in expressway management". The Company also improved overall road quality and its ability to ensure smooth traffic flow in preparation for the national inspection. We continued to improve the quality of our service standards by launching the "Caring Shanghai-Nanjing Expressway" standardization service campaign. Also, we optimized our internal management by fully enforcing corporate internal control as an opportunity so that the Company would reap remarkable results from carrying out various tasks. Key tasks and achievements included:



◇ Results Performance

During the reporting period, the Group realized accumulated total operating revenues of approximately RMB7,401,310,000, up by approximately 9.55% year-on-year, of which toll revenue amounted to approximately RMB5,170,306,000, representing an increase of approximately 3.42% year-on-year; revenue from ancillary services amounted to approximately RMB2,171,925,000, up by approximately 31.09% year-on-year; and revenue from other operations amounted to approximately RMB59,079,000, down by approximately 41.08% year-on-year. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB3,270,727,000 during the reporting period, a decrease of approximately 1.84% over the same period in 2010. Net profit attributable to owners of the Company was approximately RMB2,429,750,000 and earnings per share was approximately RMB0.482, a decrease of approximately 2.20% over the same period in 2010.

◇ Service Enhancement

(1) Launching the "Caring Shanghai-Nanjing Expressway" standardized service. Based on the "Caring Shanghai-Nanjing Expressway" standardized service campaign initially launched at toll collection points last year, the Company further promoted and perfected its standardized services at all levels. Placing emphasis on assuring traffic safety and the smoothness of roads, promoting quality service standards and fulfilling customers' diverse needs, a sense of quality in providing services was strengthened and a quality servicing mechanism was established. The Company realized the transformation in servicing work from management through experience to management through professionalism, and is proactively building up the transportation service brand as "Jiangsu Expressway – the Caring Way" and achieving a fine brand image for the Company.

(2) Preparations for major inspections on maintenance of nationwide highways. As the major inspection on the maintenance and management of national trunk highways, which occurs every five years, conducted this year, the Company was making arrangements in advance by carrying out special rectification works on the damaged sections of the Shanghai-Nanjing Expressway and G312, which are subject to the inspection, to ensure that the smoothness and damage indicators for the two roads achieve "Double Excellence" standards. Overall road quality was enhanced by stepping up special works such as greening, cleaning, the updating of markers and the prevention of rock slides on slopes on the sides of the roads so that the PCI and MQI indicators for the roads were maintained at the high levels of above 97 and 95, respectively, during the year. The Company received acclaim from the national inspection team for its preparations for the national inspection, resulting in the Jiangsu Province securing the Number One position across the country in terms of the maintenance and management of highways and ordinary trunk roads.

(3) Continuing to improve capability of ensuring traffic flow capacity on roads.

The Company further strengthened traffic flow capacity at toll stations during the year by adding 12 new ETC lanes along the entire expressway. The electronic toll collection system played a positive role in upgrading traffic flow capacity and efficiency. As for assuring smooth traffic flow on the expressway, the Company focused closely on various indicators such as “arrival timeliness” and “rate of smooth traffic flows” to improve hindrance clearance timeliness by means of various initiatives to increase the number of hindrance clearance points from 7 last year to 12 this year, with the average distance between hindrance clearance points shortened by 42%. More staff and equipment were provided in an attempt to carry out cross-regional coordination and operation. The speed of hindrance clearance and responsiveness towards achieving customer satisfaction were improved. The rate of arrivals within 30 minutes for hindrance clearance services reached 94%, while the rate of arrivals within 45 minutes rose to 99% from 97% for the same period in 2010.



(4) Building brand of integrity in the service area. The operation and management of the service areas were oriented towards promoting customer satisfaction, aiming at achieving the synchronized development of social benefits and economic benefits. For example, in the area of catering sales, the Company offers local specialties distinct to that particular district. In respect of petroleum products sales, the Company strived to fulfill demand despite the tight supply of petroleum products this year. In respect of products sales, the Company insisted on small profits, quick returns and operation with integrity by strengthening the management of vendors at the service areas. Moreover, the Company improved management and service quality through its quality management system and inspection management measures including “mystery shoppers”.

◇ **Management Enhancement**

(1) Research and preparation of the “Twelfth Five-year” strategic development plan. During the year, the Company pushed forward the preparation of the “Twelfth Five-year” strategic development plan with an innovative vision and creative ideas in the theme of development and transformation. The strategic positioning was determined on a basis of the Company’s core competitiveness in achieving innovation in line with the Company’s business model and transformation and upgrade with the aim of establishing clear strategic targets for the Company’s long-term sustainable development. Currently, the “Twelfth Five-year” strategic development report of the Company and its two subsidiaries has been completed. The preliminary ideas in the “Twelfth Five-year” strategic development plan will be implemented after prudent consideration by the Board.

(2) Optimizing and upgrading internal controls management. In accordance with the Basic Standards for Enterprise Internal Control issued by the five ministries of the State, internal controls will be implemented in listed companies with A shares and H shares this year. The Company took this opportunity, based on its development strategies and operation and management needs, to operate a full-scale corporate internal control management system, adjust the functions of its departments and improve its management flows to further improve the internal control system and “certification system”. With professional support from intermediaries and based on the existing documentation management system, the Company will smoothen and diagnose various aspects such as organizational structure, management system and business processes and will proactively rectify relevant defects. The implementation of the various systems will be reinforced, while risk identification, assessment, supervision and evaluation mechanisms of the internal control systems will be strengthened with a view to enhancing management and governance.

Management Discussion and Analysis

(II) Analysis of Business Operations

1. Toll Road Business

(1) Business operating environment

◇ Impact of the macro-economic environment

In 2011, against the backdrop of the continued volatility in the global economy and the increased pressure from rising domestic commodity prices, China's economy sought a balance between price controls, maintaining steady growth and structural adjustments. The monetary tightening policy and stringent credit controls had caused the economic growth to begin to decelerate. Gross domestic product grew 9.2% year-on-year during the year, representing a decrease of 1.1 percentage points over the previous year. The overall economy still maintained a stable and relatively rapid development.

Under this situation, the aggregate GDP of the Yangtze River Delta region reached RMB8,202.3 billion in 2011, representing an average growth rate of 11.1%, down by 1.5 percentage points over the previous year. The aggregate economic volume accounted for 17.4% of the country's economic volume, similar to that of the previous year. As the eastern China's contact point to the outside world, the Yangtze River Delta region experienced a slight decline in growth after being hit by the global economic downturn, but still remains a major anchor of growth in China's economy.

As an economically important province in the region, Jiangsu Province's economy maintained a stable growth during the course of transformation and upgrade. Jiangsu Province realized a total GDP of RMB4,860.4 billion in 2011, representing 59.3% of the total GDP of the region, down by 1.6 percentage points over last year's growth of 11%. The economic growth of the five large and medium cities along the Shanghai-Nanjing Expressway showed a decline of a varying degree, but managed to remain higher than the average growth rates in the region.

GDP Growth Rate	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou	Shanghai
2011	12%	12.3%	12.2%	11.6%	12%	8.2%
2010	13.3%	13.3%	13.1%	13.1%	13.2%	9.9%

The development trend in both the Chinese and regional economies are the key factors affecting the change in traffic volume on the Group's road and bridge assets. The traffic volume of trucks, in particular, was even more volatile amid fluctuations in economic performance. In 2011, facing the pressure of slower economic growth and higher prices of commodity and petroleum, growth in the traffic volume of trucks on toll roads saw a significant slowdown. The traffic volume of trucks on the Group's road and bridge assets was basically at par with or slightly increased as compared to the corresponding period in the previous year. The proportion of trucks in the vehicle mix showed a significant decrease, resulting in a decrease in average daily revenue per vehicle and a slowdown in growth of toll revenue.

◇ Impact of traffic demand and growth

In 2011, the transportation industry in Jiangsu developed at a relatively fast pace. The passenger and cargo transportation volumes rose by 9.1% and 12.8%, respectively. Turnover of passengers and goods increased by 10.3% and 22.9%, respectively. Cargo throughput at ports amounted to 1.81 billion tons, representing an increase of 13.7%. Of this, cargo throughput due to foreign trade amounted to 280 million tons, up by 17.1%. Among various means of transportation, the absolute cargo transportation volume transported through highways represented 66.2% of the total cargo transportation volume while the absolute passenger transportation volume represented 95.2% of the total passenger transportation volume. Highways remained a leading position.

As at the end of 2011, vehicle ownership for civilian use in the Jiangsu Province totaled 6,884,000, representing an increase of 1,207,000 or a 21.3% year-on-year increase. Vehicle ownership for private use totaled 5,417,000, representing an increase of 1,071,000 or a 24.7% year-on-year increase. Of this, ownership of private cars totaled 3,697,000, representing an increase of 811,000 units or a 28.1% year-on-year increase. The growth in vehicle ownership of the cities in the areas in which the Company operates is shown in the table below:

Vehicle ownership ('000 vehicles)	Nanjing	Zhenjiang	Changzhou	Wuxi	Suzhou	Shanghai
End of 2011	991.7	242.6	560	874.2	1,506.2	1,949.6
End of 2010	881	189	454	735	1,250	1,695
Growth rate	12.57%	28.36%	23.35%	18.94%	20.50%	15.02%

Attributable to the significant growth in sales of automobile in the two previous years, the nation's vehicle ownership, of private car in particular, continued to show a growing momentum in 2011, and has been the main force driving the growth in the total traffic volume on highways for this year. The growth in the traffic volume of passenger vehicles was significantly higher than that of trucks, with a higher proportion of class 1 vehicles. While there was a slowdown in the growth in the traffic volume of trucks, the growth in toll revenue remained relatively stable thanks to the rapid growth in the traffic volume of passenger vehicles. Meanwhile, the continuous growth in vehicle ownership will have a prolonged positive impact on the development of the traffic volume on highways.

◇ Effect of changes in competition patterns within the transportation sector

During the reporting period, there was a stable development on the transportation infrastructure in the region. As at the end of 2011, total operating expressway mileage in the Jiangsu Province amounted to 4,122 kilometers. 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.

In respect of competition from railways, the inter-city high-speed railway between Shanghai and Nanjing and the high-speed railway between Beijing and Shanghai were put into operation in July 2010 and end of June 2011, respectively. As at the end of 2011, the railway operating mileage in the Jiangsu Province has reached 2,304 kilometers and the national railways trunk extensions has reached 3,720.7 kilometers. The inter-city high-speed railway between Shanghai and Nanjing has replaced the electric multiple unit trains, while the high-speed railway between Beijing and Shanghai competes with highways mainly in the trans-provincial long-distance passenger market. The traffic volume of the highways owned by the Company mainly comprises internal traffic volume within the region. Therefore, traffic volumes of our expressways to date have not suffered diversions as a result of the operation of the two railways. The pattern of competition between highway and railway passenger transportations (Shanghai-Nanjing) remained stable.

Management Discussion and Analysis

◇ Impact of the special rectification campaign for toll roads

In order to effectively solve prominent problems such as charges at toll roads after the expiration of concession period and the establishment of stations (points) across the country in violation of national regulations on toll roads, the Ministry of Transport and the National Development and Reform Commission as well as other departments jointly issued the "Notice Regarding the Commencement of a Special Rectification Project for Toll Roads" (the "Notice") on 14 June 2011. This rectification project, which dealt with the examination and approval authorities, toll periods, toll standards, the establishment of stations or points, the transfer of operating rights, etc., for toll roads, was implemented by the local governments in phases.

Pursuant to the requirements of the Notice, the government of the Jiangsu Province announced the first phase of rectification plan of the clean-up project on 10 and 17 September 2011 to adjust downwards the toll standards for individual expressways and for the three toll stations along the border with Shanghai, where the G312 Gunan Toll Station of the Company was located. The government of the Jiangsu Province announced the second phase of rectification plan on 6 January 2012 to adjust downwards the minimum toll standards for passenger vehicles using the inter-network toll highways across the province. The minimum toll standard for passenger cars with less than seven seats was adjusted from RMB15 to RMB5, while the minimum toll standards for other vehicle types were adjusted accordingly. The Company's expressways were subject to this toll adjustment. The current situation suggests that the two phases of the rectification plan would have a slight negative impact on the revenue and profitability of the Company.

◇ Effect of the toll-free policy on the Green Passage

During the year, the toll-free policy on the Green Passage for transportation of fresh and live stocks continued to take effect. Since 1 December 2010, according to the relevant requirements from the ministries of the State, Jiangsu Province has made another round of adjustments to the Green Passage policy. 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 adjustment, there was an increase in toll-free traffic volumes within the Company's road network. As shared by other expressway networks, the pressure on the Company's operating expressways was relieved. In 2011, total toll fees waived for vehicles using the Green Passage amounted to approximately RMB91.93 million, representing 1.78% of total toll revenue and a year-on-year decrease of approximately 29.3%.



(2) Operating Performance of Road and Bridge Project

Despite being affected by the major factors as mentioned above, the Group's toll road business managed to record a stable growth in 2011, though with a smaller increase than in the previous years. The realized toll revenue amounted to approximately RMB5,170,306,000, representing a year-on-year increase of approximately 3.42%. Toll revenue represented 69.86% of the Group's total operating revenue. The operating performance of each road and bridge project is as follows:

Comparison of average daily traffic volume and toll revenues

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	2011	2010	Change%	2011	2010	Change%
Shanghai-Nanjing Expressway	63,237	55,913	13.10	11,834.5	11,414.1	3.68
Shanghai-Nanjing Section of G312	19,756	21,094	-6.34	322.2	344.3	-6.43
Nanjing Section of Nanjing-Lianyungang Highway	4,666	5,828	-19.94	106.7	138.6	-23.05
Guangjing Expressway	44,111	37,500	17.63	676.2	645.6	4.74
Xicheng Expressway	46,864	39,325	19.17	1,225.7	1,153.6	6.25
Jiangyin Yangtze Bridge	52,064	44,009	18.30	2,269.6	2,148.7	5.63
Sujiahang Expressway	39,216	33,776	16.11	2,644.0	2,459.0	7.52

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

Road/Bridge	Ratio of traffic volume of passenger vehicles/ trucks		Ratio of toll revenue of passenger vehicles/ trucks		Average Daily Full-trip Revenue per vehicle (RMB/Vehicle)		
	2011	2010	2011	2010	2011	2010	Change%
Shanghai-Nanjing Expressway	70.5:29.5	67.5:32.5	45.4:54.6	45:55	187.1	204.1	-8.33
Shanghai-Nanjing Section of G312	57.3:42.7	55.7:44.3	34.2:65.8	35.7:64.3	16.3	16.3	-
Nanjing Section of Nanjing- Lianyungang Highway	47.9:52.1	42.5:57.5	27:73	23.3:76.7	22.9	23.8	-3.78
Guangjing Expressway	70.4:29.6	66.4:33.6	43.6:56.4	42.1:57.9	15.3	17.2	-11.05
Xicheng Expressway	72.5:27.5	68.8:31.2	47.5:52.5	47.2:52.8	26.2	29.3	-10.58
Jiangyin Yangtze Bridge	71.7:28.3	67.9:32.1	40.6:59.4	40.3:59.7	43.6	48.8	-10.66
Sujiahang Expressway	60.3:39.7	58:42	37.6:62.4	37:63	67.4	72.8	-7.42

Management Discussion and Analysis

Shanghai-Nanjing Expressway: under the pressures from the macro economic downturn and higher commodity and petroleum prices in 2011, the growth in the traffic volume of the Shanghai-Nanjing Expressway demonstrated a quarter-by-quarter decline, but the traffic volume picked up slightly in the fourth quarter. Although the average growth stood at approximately 13.10% during the year, the increase was primarily attributable to passenger vehicles. Of the traffic volume, the average daily traffic volume of passenger vehicles amounted to approximately 44,605 vehicles during the year, an increase of approximately 18.19% year-on-year, while the average daily traffic volume of trucks was 18,632 vehicles, an increase of only 2.53% year-on-year. The average number of trucks accounted for approximately 29.5% during the year, down by approximately 3 percentage points year-on-year. The decline in the growth in the number of trucks resulted in a slowed growth in the toll revenue, represented a fall of approximately 8.33% in revenue per vehicle year-on-year.



The promotion of the use of the ETC system was being carried out on a massive scale. The increase in the traffic volume of Shanghai-Nanjing Expressway in 2011 was primarily attributable to the increased use of the ETC system. The average daily revenue from the ETC system amounted to approximately RMB1,262,500 during the year, representing approximately 10.67% of the toll revenue. This trend will expand further in the future.

Shanghai-Nanjing Section of G312: the Shanghai-Nanjing Section of the G312 continued to underperform during the reporting period, with an average daily toll traffic volume and toll revenue falling by approximately 6.34% and 6.43%, respectively year-on-year. In September 2011, the government of the Jiangsu Province adjusted downwards the toll standards for three toll stations on an ordinary highway along the border with Shanghai, where the G312 Gunan Toll Station is located. Since the average daily revenue from these toll stations amounted to RMB25,000 in the first half of 2011, representing 7.8% of the average daily total revenue from the Shanghai-Nanjing Section of G312, this adjustment had a slight impact on G312, and the impact on the Company's total toll revenue was minor.

Nanjing Section of the Nanjing-Lianyungang Highway: following the implementation of the Green Passage toll-free policy for all toll highways in the Jiangsu Province since December 2010, vehicles carrying fresh and live agricultural products, which were initially using the Nanjing-Lianyungang Highway, switched back to the Nanjing-Lianyungang Expressway, which runs in parallel with the highway, resulting in a 19.94% year-on-year decrease in the traffic volume and a 23.05% fall in the toll revenue of Nanjing-Lianyungang Highway in 2011.

Guangjing Expressway, Xicheng Expressway, Jiangyin Yangtze Bridge and Sujiahang Expressway: driven by the growth in the traffic volume of passenger vehicles, all four of these projects achieved a double-digit growth in traffic volume in 2011. However, the slowed growth in the number of trucks resulted in a slight change in the vehicle mix and a decline in revenue per vehicle, and the growth rates of toll revenues being substantially lower than those of traffic volumes.

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 the Shanghai-Nanjing Expressway. The change in ancillary services revenue was mainly attributable to a change in customer flow volume at the service areas and this was closely related to the change in Shanghai-Nanjing Expressway's traffic volume.

In 2011, the Company realized a revenue of approximately RMB2,171,925,000 from the ancillary services, an increase of approximately 31.09% over the corresponding period in the previous year. Of this revenue, revenue from sales of petroleum products was approximately RMB1,976,883,000, an increase of approximately 34.32% over the corresponding period in the previous year, representing approximately 91.02% of the total ancillary services revenue. The increase in traffic and the lower prices of petroleum products in Jiangsu as compared to the surrounding regions have led to an increase in sales of petroleum products, with refueling volume at service areas increasing by 18.62% year-on-year. On the other hand, the price increases on the petroleum products was another factor causing a substantial revenue growth from sales of petroleum products. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services amounted to RMB195,042,000, an increase of approximately 5.39% over the corresponding period in 2010.

3. Property Development and Sales Business

Jiangsu Ninghu Properties Company Limited ("Ninghu Properties"), a wholly-owned subsidiary, is responsible for the Group's property development operation. The Group's real estate business was formally launched in 2009. During the reporting period, Ninghu Properties reached the project development and commencement stage. Pre-sale of some projects commenced. As the pre-sale projects have not been delivered and payments have not been settled, no profit contribution has yet been recognized.

The Chinese government continued to reinforce the real estate control policy in 2011 to curb excessively soaring housing prices in certain cities. The demand for real estate investment was checked to a certain extent, especially with the State Council's introduction of the "Eight New Regulatory Measures" for the real estate sector, the implementation of the pilot policy for property taxes and the enforcement of the measures to restrict home buying in more cities. Housing prices became eased and fell in some areas of first-tier cities, while the rise in housing prices began to moderate and the excessively soaring housing prices were initially contained in the second- and third-tier cities. Against this backdrop, the wait-and-see sentiment on the market grew further and the turnover volume of commercial buildings contracted sharply as well. In view of the policy environment of the property market, Ninghu Properties adhered to its established stable development strategy, and determined reasonable positioning for existing projects, adjusted the development strategies and progress for all projects from time to time and slowed down its pace to accommodate to changes in the market. While prices and sales of the property market in 2011 both decreased, the Company managed to achieve satisfactory results and developed projects with competitive edges. Details and progress of various projects were as follows:

◇ Land lots at Huaqiao International Business Services City in Kunshan

On 29 September 2009, by submitting bids at an auction, Ninghu Properties won seven lots of land at Huaqiao International Business Services City in Kunshan, with a total 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.



Management Discussion and Analysis

C4 “Hongqiao Mansion, One City” is a residential project. Construction has commenced in July 2010 and pre-sale officially began on 14 January 2011, offering a saleable area of approximately 42,300 square meters, of which 38,500 square meters are for residential purposes and 3,800 square meters are for retail purposes. As at the end of this reporting period, 93.7% of the residential flats have been sold, amounting to a pre-sale contract value of approximately RMB327,000,000. The C4 land lot, the first property project marketed by the Company, has laid a sound foundation for the future development of the entire Huaqiao land lot.

C7 “Pujiang Center, One City” is a commercial project. Construction has commenced in the first half of 2011, and the project is proceeding smoothly. In particular, Building No. 2, now named “Pujiang Center, MINI House”, will be renovated and marketed as luxurious apartments. A pre-sale permit has been obtained for Building No.2. The Company will adjust its sales strategy for other buildings based on the sales results of Building No. 2.

Lot C5 is a hotel project positioned as a five-star hotel. During the reporting period, the Company has basically confirmed the international hotel management company for this project. The project bears the tentative name of “Regal Royale” as the hotel brand. The construction planning and application proposal has been approved for the project, while the hotel’s interior design is being carried out.

The remaining land lots are commercial and residential projects currently at the planning and designing stage.

◇ Land lot on Xinshi Road, Canglang District, Suzhou

On 5 November 2009, by submitting a bid at an auction, Ninghu Properties won a lot of land on Xida Street, Xinshi Road, Canglang District, Suzhou, with a total 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 known as “Qingyuan”.

The Company strives to develop Project “Qingyuan”, located on a scarce piece of land in the ancient city of Suzhou, into a branded product for the real estate development. The principal structure of the project has been topped out, and interior and exterior works have begun. Preparations for preliminary sales have been completed, a pre-sale permit has been obtained and sales appointments have begun.

◇ 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.

During the reporting period, the construction planning and application proposal on the land lot in Jurong City has been approved and a construction permit has been obtained. The project is named “Shijia, One City” which reflects continuity in the brand of the Company’s real estate projects. The size of the first phase of the luxury residential development has been determined as well. The Company is currently working on the preparations for preliminary development, and seeks to begin pre-sale within 2012.

4. Other Business Operations

Other businesses of the Company mainly comprise project development and operations by its subsidiary, Ninghu Investment. Ninghu Investment is principally engaged in the distribution of advertising media along the Shanghai-Nanjing Expressway and in other investments. In 2011, the Company realized a revenue from other business operations of RMB59,079,000, down by 41.08% year-on-year.

During the reporting period, a major campaign staged by the government of the Jiangsu Province for rectifying advertising facilities along expressways has caused a substantial impact on the development of the Company's advertising business. Revenue from the advertising business for the year amounted to RMB44,581,000, down by approximately 14.08% year-on-year. In respect of other investments, the Kunshan real estate project developed by Ninghu Investment concluded sales on the remaining properties during the period, realizing a revenue from sales of approximately RMB13,773,000. Sales have basically been completed to date.



5. 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	3,145,137	3,019,347	326,273	13.16	-7.54
Jiangsu Ninghu Investment Development Co., Ltd.	Investment in various infrastructure, industrial and assets investment	95,000	95	292,158	259,644	20,067	0.81	-54.51
Jiangsu Ninghu Properties Co., Ltd.	Development and operation and consultancy of properties	200,000	100	1,948,963	190,341	-10,882	-	-

During the reporting period, Guangjing Xicheng realized an operating income of approximately RMB722,022,000, an increase of approximately 6.14% over the corresponding period in 2010. Due to the amortization of the increased costs during the current period incurred by the partial reconstruction of the road surface in 2011 and the increase in road maintenance costs in preparation of the inspection of national trunk roads, there was an increase in operating costs. In addition, the base of comparison of investment income in the previous year was higher due to the distribution of dividends by Jiangsu Leasing Co., Ltd., an associated company, which was accounted for via the cost method. Increased operating costs and decreased investment income have led to a year-on-year decline in net profit of approximately 7.54% at Guangjing Xicheng for the reporting period.

Please refer to the details in "Analysis of Business Operations" in this report for the operating status and change in results of Ninghu Investment and Ninghu Properties.

Management Discussion and Analysis

(III) Analysis of Operating Results and Financial Conditions

1. Analysis of Operating Results

◇ Change in operating revenue and costs

In 2011, the Group recognized an aggregate operating revenue of approximately RMB7,401,310,000, representing an increase of approximately 9.55% as compared to the corresponding period in 2010. Operating costs amounted to approximately RMB3,635,779,000 in aggregate, representing an increase of approximately 22.88% as compared to the corresponding period in 2010. The growth rate of revenue was lower than the growth rate of costs, leading to a decrease of 5.33 percentage points of the Group's consolidated gross profit margin. The structures of revenues and costs are set out below:

Item	Operating Revenue		Operating cost		Gross Profit Margin (%)	
	2011 (RMB'000)	Change over the previous year (%)	2011 (RMB'000)	Change over the previous year (%)	2011	Year-on-year increase/decrease
Toll road	5,170,306	3.42	1,494,890	14.02	71.09	Decreased by 2.68 percentage points
Shanghai-Nanjing Expressway	4,319,577	3.68	973,549	14.88	77.46	Decreased by 2.20 percentage points
Shanghai-Nanjing Section of G312	117,596	-6.43	264,431	3.51	-124.86	Decreased by 21.58 percentage points
Nanjing Section of Nanjing- Lianyungang Highway	38,930	-23.05	17,794	-21.36	54.29	Decreased by 0.99 percentage point
Guangjing Xicheng Expressway	694,203	5.71	239,116	28.86	65.56	Decreased by 6.18 percentage points
Ancillary Services	2,171,925	31.09	2,119,401	32.06	2.42	Decreased by 0.72 percentage point
Other Businesses	59,079	-41.08	21,488	-49.94	63.63	Increased by 6.44 percentage points
Property Sales	13,773	-71.51	7,012	-71.68	49.09	Increased by 0.30 percentage point
Advertising and others	45,306	-12.75	14,476	-20.31	68.05	Increased by 3.03 percentage points
Total	7,401,310	9.55	3,635,779	22.88	50.88	Decreased by 5.33 percentage points

* Due to the amortization of the increased costs during the current period incurred by the partial reconstruction of the road surface in 2011 and the increase in road maintenance costs in preparation of the inspection of national trunk roads, together with the increase in other costs including the amortization of operating rights of roads, there was a significant change in operating costs, namely an increase of 28.86% year-on-year.

* As sales of properties during the year decreased, both revenue and costs of other businesses decreased significantly. Meanwhile, since the revenue share of the high-profit-margin advertising business increased, the gross profit margin of other businesses increased by 6.44 percentage points year-on-year.

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 the traffic volume of the G312 and Nanjing Section of Nanjing-Lianyungang Highway, 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 amortization of operating rights of roads. Increase in labor costs and other costs resulted in an increase of RMB70,773,000 in the costs of businesses, up by 20.42%. 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 RMB29,588,000 or 24.04% in maintenance costs. In addition, during the year, system maintenance costs increased by 12.68% due to the increase in costs including the toll fee receipt system and the use of mechanical and electric spare parts.

Operating costs of toll road operation	2011 RMB'000	Percentage over total operating costs (%)	2010 RMB'000	Percentage over total operating costs (%)	Change over the previous year (%)
Depreciation and amortization	893,581	59.78	813,656	62.06	9.82
Costs on toll collection operation	417,390	27.92	346,617	26.44	20.42
Costs on roads and bridges maintenance	152,669	10.21	123,081	9.39	24.04
System maintenance	31,250	2.09	27,733	2.11	12.68
Total	1,494,890	100	1,311,087	100	14.02

Management Discussion and Analysis

◇ Investment Income

In 2011, the Group's investment income amounted to RMB201,464,000, down by 17.12% year-on-year. The main reason for the decrease was the drop in profit of associates in which the Group had equity interests and the decrease in dividends from associates as audited by cost method. Investment income contributed by associates, in which the Company had equity interests, amounted to approximately RMB190,114,000, representing a decrease of 11.07% as compared to 2010 and accounted for approximately 7.67% 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	268,685	89,503	3.61	-8.74
Jiangsu Kuailu Motor Transport Co., Ltd.	Road transportation, automobile repair and sales of automobiles and automobile parts and components	49,900	33.2	19,074	4,088	0.16	-42.90
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	361,840	96,466	3.89	-11.42

* Due to a slower growth in the toll revenue and an increase in cost expenses, investment income contributed by Sujiahang Co. decreased during the year.

* Due to a relatively large increase in operating results benefiting from the Shanghai World Expo in the previous year, investment income contributed by Kuailu Co. decreased during the year.

* Due to the amortization on income from new investment project, Xizhang Expressway, investment income contributed by Yangtze Bridge Co. decreased during the year.

◇ Administrative Expenses

During 2011, administrative expenses of the Group amounted to RMB183,773,000 in aggregate, up by 12.31% year-on-year, mainly arising from the increase in expenses including labor costs of the Group.

◇ Finance Costs

As at 31 December 2011, the total interest-bearing liabilities of the Group amounted to RMB5,531,539,000, representing a decrease of RMB735,566,000 as compared to the corresponding period in 2010. As interest-bearing liabilities 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 papers, finance costs of the Group during the reporting period were under effective control in general. Aggregate finance costs amounted to RMB316,953,000, representing a decrease of 12.54% year-on-year.

◇ Income Tax

The statutory tax rate of the Group was 25% while the operating tax rate of toll revenue from expressway vehicles was 3%. In 2011, income tax expense of the Group amounted to RMB783,533,000 in aggregate, representing a year-on-year decrease of 1.15%.

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 cash flow 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 the PRC Accounting Standards, the capital structure of the Group as at 31 December 2011 was as follows:

Item	As at 31 December 2011		As at 31 December 2010		Change over the previous year (%)
	RMB'000	%	RMB'000	%	
Current liabilities	4,302,651	16.96	3,795,237	15.24	13.37
Non-current liabilities	2,464,978	9.71	3,078,212	12.36	-19.92
Liabilities at fixed interest rates	2,891,539	11.40	3,017,105	12.12	-4.16
Liabilities at floating interest rates	2,640,000	10.40	3,250,000	13.05	-18.77
Interest-free liabilities	1,236,090	4.87	606,344	2.43	103.86
Shareholders' equity attributable to equity holders of the Company	18,144,690	71.50	17,563,723	70.55	3.31
Minority interests	463,120	1.83	460,321	1.85	0.61
Total assets	25,375,439	100.00	24,897,493	100.00	1.92
Gearing ratio:	-	26.67	-	27.61	Decreased by 0.94 percentage point

* Calculation basis for the gearing ratio: total liabilities/total assets

* During the reporting period, the Group repaid matured corporate loans of RMB1.1 billion, resulting in a significant decrease in liabilities at fixed interest rates at the end of the period. As the medium and long-term loans borrowed during the expansion period were expiring in turns, liabilities at floating interest rates also decreased significantly. Interest-free liabilities increased by RMB174,612,000 as a result of a subsidiary's payment for real estate construction; proceeds from residential sales received by the Company in advance increased by RMB325,627,000; and other items, including tax payable, increased due to year-on-year increases. As the Group had abundant cash flow during the financial year, it repaid interest-bearing liabilities of approximately RMB736 million. As a result, total liabilities decreased by 1.54% and the gearing ratio decreased by 0.94 percentage point year-on-year.

Management Discussion and Analysis

◇ 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 2011, cash inflow from the Group's operating activities amounted to approximately RMB8,123,549,000; net cash inflow from operating activities amounted to approximately RMB3,835,414,000. During 2011, the Company has obtained credit facilities from banks amounting to RMB10.44 billion. Of such amount, RMB3.295 billion has been utilized and the unutilized credit facilities from banks amounted to RMB7.145 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 2011 The Group (RMB'000)	As at 31 December 2010 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	240	270
Bank deposits	805,890	474,815
Total:	806,130	475,085
Loans		
Short-term bank loans	2,865,000	1,890,000
Long-term loans due within one year	201,561	1,299,210
Long-term bank loans	2,464,978	3,077,895
Bonds repayable	0	0
Total	5,531,539	6,267,105

◇ Major sources of cash and their applications

Unit: RMB'000

	2011	2010
Net cash flow from operating activities	3,835,414	3,391,632
Net cash flow from investment activities	-630,446	39,415
Net cash flow from financing activities	-2,873,923	-3,473,782
Net increase in cash and cash equivalents	331,045	-42,735

* During the reporting period, owing to an increase in income from principal business and cash inflow from a subsidiary's pre-sale property projects, net cash flow from operating activities increased by RMB443,782,000 year-on-year;

* During the reporting period, the Company purchased steady-profit banking financial products with idle funds in order to improve the utilization of funds. Guangjing Xicheng's capital enlargement in Financial Leasing and the relatively increased funds for capital acquisitions resulted in a year-on-year decrease of RMB669,861,000 in net cash flow from investment activities during the reporting period;

* During the reporting period, the Group increased its capital reserves as it considered the need for controlling borrowings risk so that the cash used for repayment of loans decreased accordingly. As a result, net cash flow from financing activities increased by RMB599,859,000 year-on-year.

◇ Capital expenditures

In 2011, the Group's planned capital expenditures actually incurred amounted to approximately RMB308,526,000, representing an increase of 160.26% or RMB189,981,000 from 2010. The capital expenditure of projects was mainly the increase in equity investment in Financial Leasing by Guangjing Xicheng and other project payments of the Group. As at the end of the reporting period, the balance payment of the expansion works of the Shanghai-Nanjing Expressway amounting RMB78,781,000 has not been paid.

In 2011, the implementation of Group's capital expenditure projects and amounts are as follows:

Capital Expenditure Project	RMB'000
Increase in equity investment in Financial Leasing	134,000
Balance payment of the expansion works of Shanghai-Nanjing Expressway	1,618
Renovation of the three major systems and traffic signals of Shanghai-Nanjing Expressway	36,710
Renovation of intersections and toll collection points of Shanghai-Nanjing Expressway	36,050
Partial renovation on surface of Guangjing Xicheng Expressway	35,655
Renovation of service areas of Guangjing Xicheng Expressway	5,405
Setting up of advertising signages	2,261
Other construction in progress and equipments	56,827
Total	308,526

◇ Financing activities and financial costs

During the reporting period, the State continued to implement tightened 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 managed to have all new and renew loans to be entitled to the prevailing bank basic rate, thereby enjoying lower financing costs. Meanwhile, the Company actively expanded its financing channels and adjusted its debt structure. 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 2011, due to the increase in the prevailing bank basic rate, the Company's consolidated borrowing cost of interest-bearing liabilities was approximately 5.15%. Though it was approximately 0.37 percentage point higher than the previous year, it managed to be 0.93 percentage point lower than the prevailing bank borrowing rate of the same period.

Management Discussion and Analysis

In 2011, 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 Papers (短期融資券)	2011-07-07	1 year	10	5	6.56	23.78
Short-term Commercial Papers (短期融資券)	2011-09-26	1 year	10	6.18	6.56	5.79

◇ 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 RMB26,539,000. 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	3,137	–	–	–	1,015
Financial liabilities	29,535	–	–	–	26,539

◇ Pledge of assets

As at 31 December 2011, the Company did not have any pledge of assets.

◇ Contingent liabilities

As at 31 December 2011, the Company did not have any contingent liabilities.

◇ Trust deposits

As at 31 December 2011, 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 by way of a trust loan of RMB540,000,000 from its subsidiary, Guangjing Xicheng, with a term of one year at an annual interest of 4% and RMB50,000,000 from its subsidiary Ninghu Investment 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 2011, the balance of trust loans with associate companies amounted to RMB800,000,000.

◇ Reserves

Unit: RMB'000

	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total shareholders' equity attributable to equity holders of the parent company
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
1 January 2011	5,037,748	7,576,723	2,022,082	2,927,170	17,563,723
Profit of the year	-	-	-	2,429,751	2,429,751
Other comprehensive income	-	-35,195	-	-	-35,195
Profit distributed	-	-	269,652	-269,652	0
Dividends distributed	-	-	-	-1,813,589	-1,813,589
31 December 2011	5,037,748	7,541,528	2,291,734	3,273,680	18,144,690

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.

Management Discussion and Analysis

(IV) Prospects and Plans

1. Analysis of Business Environment

◇ Developments in the Regional Economic Environment



In 2012, the global economy may continue to decline under the influence of the European debt crisis, while the target for China's economic growth has been set slightly lower, with the possibility of the decline in the macro economy. Socio-economic development is a key factor in determining the increase in traffic demand, while demand for passenger and cargo transport will continue to maintain a certain degree of growth, though the rate of such growth is likely to decelerate, thereby undermining the performance of traffic volume on roads.

Although traffic volume will be reduced by the economic downturn in the short run, China's economy will remain on a steady track of growth in the long run. Moreover, as China's road transport network improves further, compounded with increasing vehicle ownership among civilians and escalating consumer spending, the demand for passenger and cargo transport on roads will continue to grow steadily, thereby driving the sustainable development of the toll road sector.

With respect to the regional economic environment, there will be an increased tendency for Shanghai as the leading city to continue to radiate externally as a result of the rapid economic integration in the Yangtze River Delta. This will boost the traffic volume on radial transport lines from Shanghai to Jiangsu, Zhejiang and Anhui. Also, the industrial transfer in the central region in China, along with the role of Jiangsu acting as the corridor connecting the central region and the eastern coastal ports, provide an internal impetus for the growth in traffic volume in the long run.

◇ Developments in the Regional Transportation Environment

The expressway networks in the Jiangsu Province, particularly the southern Jiangsu road network, are relatively comprehensive. According to the second-stage plan for expressway construction for the Jiangsu Province, by 2015, the total mileage of the expressway networks will exceed 5,200 km, of which the mileage expressways to be added during the "Twelfth Five-Year" Plan period will be in total of approximately 1,150 km. The new portion of expressways will be concentrated in the northern Jiangsu region. Therefore, there will be limited diversionary pressure from the newly constructed roads in the operating region of the Group. In respect of railway transportation, since the inter-city high-speed railway between Shanghai and Nanjing and the high-speed railway between Beijing and Shanghai were put into operation, there has been no significant influence on the traffic volume of roads. The competition between highway and railway remained relatively stable. Therefore, the external environment of the business development of the Group's toll roads will be comparatively stable in the coming future.

◇ Toll road policies

The special rectification project for toll roads is in progress. According to the arrangement required by the Notice, the first phase of the project will be completed by the end of May 2012. The corrective measures to be introduced in the second phase by the government of the Jiangsu Province will have a slight impact on the Company's principal business. Whether or not there will be further corrective measures in the next phase remains uncertain at the moment. The Company will take measures to deal with any issues in a positive approach in line with any policy changes.

Although this special rectification project has brought a certain degree of policy risks to the development of the sector, toll roads will remain an integral part of the national transport network in the future considering the current level of socio-economic development in China. According to the plans of the Ministry of Transport, the government will look into the establishment of a "Two-road Network System" comprising an expressway-based, efficient "Toll Road System" of which the Ministry will be in charge of the coordination and development, and an ordinary road-based "Non-toll Road System" which reflects the provision of general public services by the government. This suggests that expressways will form a principal part of China's toll road network in the future, offering a stable space for development.

2. Direction and Measures of Business Development

◇ Revenue target

Based on the anticipation on the operating status and policy in 2012, the management believes that the Group's operations will face a certain amount of uncertainty. In view of this, the Group has set a target of achieving a total revenue of more than RMB7,700,000,000 for 2012. Taking into account of increases in labor costs and costs in ancillary businesses, the Group strives to incur operating costs and related costs of not more than RMB4,700,000,000 and to realize the net profit after tax of not less than RMB2,300,000,000.

◇ Plans and Measures

The Group will implement the following key measures in 2012, in line with the overall business environment in 2012 so as to ensure that the profit target for the year can be achieved and that good planning preparations can be made for the future strategic development:

(1) The "Twelfth Five-year" strategic development plan will be implemented thoroughly. The preparation of the "Twelfth Five-year" strategic development plan has been completed. Once it is considered and approved by the Board, the Company will immediately carry out a publicity campaign for the plan so that employees will have a comprehensive and clear understanding of it. Moreover, the Company will break down the strategically critical performance indicators proposed under the plan for building a quantitative strategic indicator system, which will be used as an essential tool for implementing the strategies. The Company will push forward its strategic development in a steady and orderly manner, and strategic planning in a positive approach to ensure that all strategic objectives will be achieved by 2015. The Company has to take the first yet strong step this year.

(2) A modernization programme for expressway operation and management will be carried out. The Company will look into establishing a scientific, systematic indicator system for the modernization in the operation and management of its expressways, which will be used as the criteria for measuring the modernized operation and management of expressways in the next two to three years. According to these criteria, the Company will aggressively explore management, technological and service innovations; deliver an "Intelligent", "Unimpeded" and "Caring" expressway service based on the needs of road users; and contribute to the community with the provision of cutting edge services of the highest quality.

Management Discussion and Analysis

(3) Development of information technology will be carried out for management and services. In 2012, the Company will take a closer look at setting up a specialized information technology office that would be in charge of the coordination and planning of information technology for the Company with the purpose of achieving an organic integration with production and management and the effective convergence with the internal control and implementation system. This would make the existing production and management subsystems function more efficiently, as would maximizing the sharing of resources so as to provide the most effective information for decision-making, commanding, production and services to improve the efficiency of operations management and production services.

(4) Capabilities will be enhanced in the management, maintenance, safety and smooth traffic flow of expressways. The Company will continue to enhance the modernization of the maintenance and management of expressways; further separate maintenance from management; improve the mechanism for preventive maintenance; strengthen the development and application of innovative technologies; enhance the capability to deal with emergencies and inclement weather; improve the traffic efficiency at toll crossings by launching more marketing activities to boost the number of ETC users; and improve the quality of services as an objective for transformation from a first-class project brand to a first-class service brand.

(5) The special rectification project for toll roads will be handled in a positive manner. As required by the Notice, the first phase of the special rectification project for toll roads across the country will be completed by the end of May 2012. The Company will not rule out the possibility of the introduction of any new policies or measures at this stage, which will likely create an impact on the Company's principal business. The Company will maintain full communication with the relevant governmental departments to assess viable solutions.

(6) The development and sale of property projects will be carried out in an orderly manner. The Company will further adjust the pace of development of its property segment in line with the national policies and market conditions, complete the development and sale of existing projects as scheduled and gradually build up the Company's product brand. The Company will closely monitor any changes in the policy; conduct an investment analysis and a careful assessment of market demand in the second- and third-tier cities along Shanghai-Nanjing Expressway; and provided that investment risks are under full control, capitalize on any suitable project investment opportunities by making use of its advantages to expand its land reserves appropriately.

Qian Yong Xiang

Director and General Manager

Nanjing, the PRC

23 March 2012



Corporate Governance Report

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



Corporate Governance Report

(I) Corporate Governance

◇ Improvement of governance during the year

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

To strengthen the management and disclosure of information handled by external parties, the Company established the “System Governing External Information Users” in 2010 in accordance with the requirements of the regulatory authorities and implemented the same after approval was granted by the Board. It strictly enforces various management requirements in respect of information handling by specific external information users, thereby strengthening the confidentiality obligations and preventing the leakage of significant and sensitive information. Through the actual implementation of the system, all significant or sensitive information handled by external parties went through the internal review procedures of the Company, and the information users were registered for record and a confidentiality agreement was entered into therewith.



With respect to the management of insider information, the Company placed emphasis on enhancing the awareness of the Directors, supervisors and senior management staff of the Company of legal compliance, and resolutely put an end to the trading in the shares of the Company with the use of insider information. To further regulate the management of insider information, the “Management System Governing Personnel Having Access to Insider Information” was established in 2011, under which relevant personnel are required to be registered for record and sign as confirmation the first time they have access to insider information to prevent them from abusing the right to information, leaking insider information or

conducting insider trading to safeguard the interests of the Company and the principle of fairness for information disclosure.

2011 marked the commencement of implementation of internal controls by listed companies. To thoroughly apply the “Basic Standards for Enterprise Internal Control” published by the five ministries and commissions as well as the requirements of related supporting guidelines, and to continue improving corporate operations management level and risk prevention capability, the Company established the “Implementation Scheme for Internal Control Principles” and implemented interim internal controls after the scheme was considered and approved by the Board.

To further systematize and deepen internal control, the Company, with the professional support of the intermediaries and based on the existing documentation management system, smoothed and diagnosed anew various aspects such as organizational structure, management system, business processes and control system, and conducted an audit simulation, detected critical defects in the design aspect of the internal control system of the Company, analyzed the causes of the problem and the potential impact on the Company, drew up a rectification plan and promptly carried out rectification and improvement specifically to the defects in the design aspect of the internal control system, and to the deviations from the “Basic Standards for Enterprise Internal Control” and the application guidelines.

Meanwhile, the Company modified internal control functions within the internal organizational structure by setting up an independent office of internal audit under the office of the Secretary to the Board, which directly reports to the Audit Committee and is manned by specialized personnel to carry out tasks related to internal audit. Upon completion of the modification, the internal audit department is independent of other business departments within the Company's organizational structure design, and maintains relative independence, conducive to the supervision of the fairness and objectivity of evaluation. Fundamental tasks such as the establishment of an internal control system and policies as well as process improvement are undertaken by the Corporate Management Department of the Company to meet the principle under which internal control inspection and supervision as well as evaluation as required in the internal control system are independent of the design and operation of internal controls.

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 "Code of Corporate Governance 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 "Code of Corporate Governance 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 CSRC. None of the Company, the Board, the Supervisory Committee and the Directors, the supervisors and the senior management members of the Company was subject to administrative penalty, criticisms through the circulation of a public notice or other public reprimand by the regulatory authorities.

The Company aims to pursue excellence and be an exemplary company, striving to become an enterprise with long-term investment value and a leader in the capital market. During the year, the Company won the "2011 Best Corporate Governance Disclosure Awards – Gold Award in the H-share Category" from the Hong Kong Institute of Certified Public Accountants and the "Corporate Awards 2011 – Gold Award for Social and Environmental Responsibility and Investor Relations" from "The Asset" magazine, which ranked the Company among the top of many listed companies in the Hong Kong stock market.

Corporate Governance Report

◇ Establishment and improvement of the internal control system of the Company

Master plan for the establishment of internal control	<p>Pursuant to the requirements of the “Basic Standards for Enterprise Internal Control” and other relevant national laws and regulations, and with reference to the “Application Guidelines on Corporate Internal Control”, 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 light of the Company’s industry characteristics and actual operating conditions, the Company has set up an internal control system covering procedures including organizational structure, development strategy, human resources, corporate culture, social responsibility, financing activities, procurement operations, asset management, sales, research and development, construction, guarantee, outsourcing, financial reporting, overall budget, contract management, internal information transmission and information system.</p>
Work plans and implementation work on the establishment of a sound internal control system	<p>At the beginning of 2011, the Company established a plan to set up internal control system with the professional support of the intermediaries: based on the existing documentation management system, the Company smoothed and diagnosed anew various aspects such as organizational structure, management system, business processes and control system of the entire Company (including major subsidiaries) and promptly carried out rectification and improvement specifically to the defects in the design aspect of the internal control system. The Company ensured that the internal control system was running effectively by checking on its improvement progress through continuous monitoring and self evaluation of the management members on an annual basis. The Company gradually integrated the internal control system into the daily operations and management activities to form a long-term internal control mechanism of the Company.</p> <p>At the end of 2011, the Company had established a more mature “Integrated Four-standard” internal control management system comprising the general system, business system, well-being system, maintenance system and operational system, as well as a quality management manual, all of which has gradually improved the establishment of the Company’s internal control system.</p>

The status of the setup of the internal control inspection and supervision department

The Company has set up a special authority responsible for the establishment of a sound internal control system and the supervision of the implementation of such system. The audit committee, as the leading supervising authority of internal control, is responsible for conducting an annual assessment of the establishment and implementation of internal control, and will compile an annual assessment report and report the same to the Board. Meanwhile, the internal audit department, as the executing authority of internal control, is responsible for conducting ongoing supervision and ongoing assessment of the internal control system.

The status on rolling out self-evaluation work on internal supervision and internal control

At the end of 2011, the Company has set up a self-evaluation team of internal control in the Company and appointed professional intermediaries as advisors, to conduct assessment and evaluation on effectiveness of the design and operation of the 20 procedures (about 510 articles) of important control pursuant to the requirements of the "Application Guidelines on Corporate Internal Control" and the "Guidelines on Evaluation of Corporate Internal Control" and in light of the actual operating situation of the Company. Such assessment and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection.

Board's arrangements for internal control work

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. The Board regularly listens to report from the audit committee on internal control of the Company and issues declaration on the self-evaluation report on internal control of the Company.

Establishment and operation of an internal control system pertaining to financial statements

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

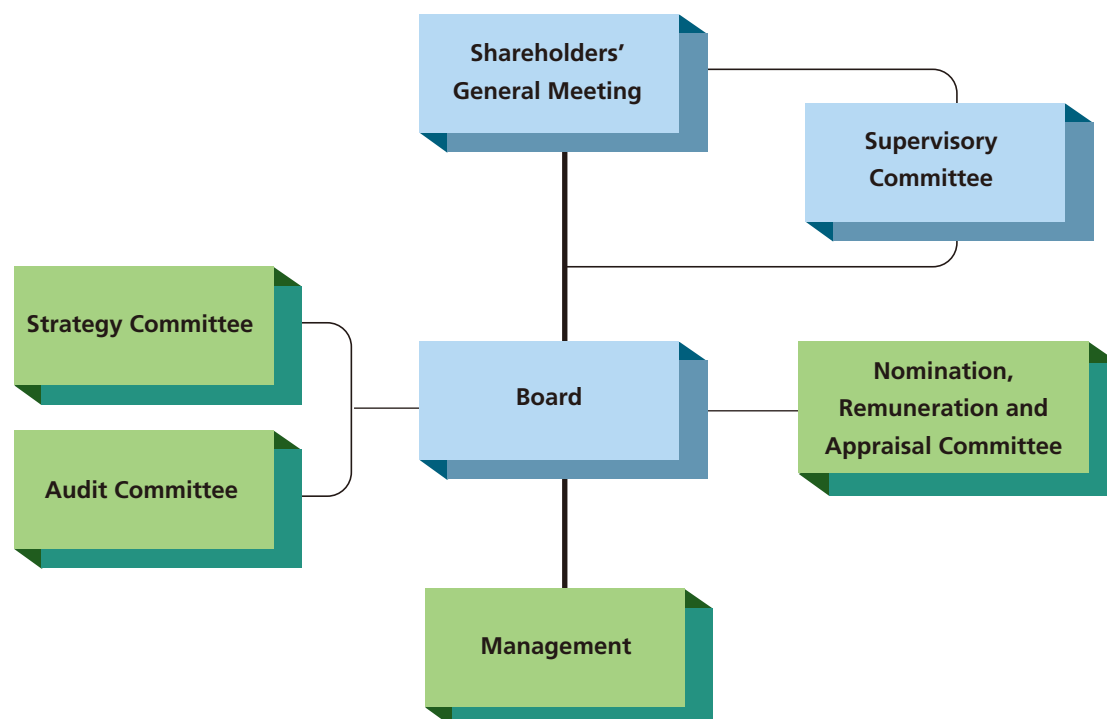
Defects in internal control, and rectifications of such defects

Through a self-evaluation of the internal control system conducted in 2011, 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 2012, the Company will make rectifications to existing defects on the internal control system, and update and improve the internal control system on an ongoing basis based on potential risk. Meanwhile, the Company will further effectively leverage the supervisory, check-and-balance and enhancement functions of the internal control system to ensure major objectives are set reasonably and executed effectively.

Corporate Governance Report

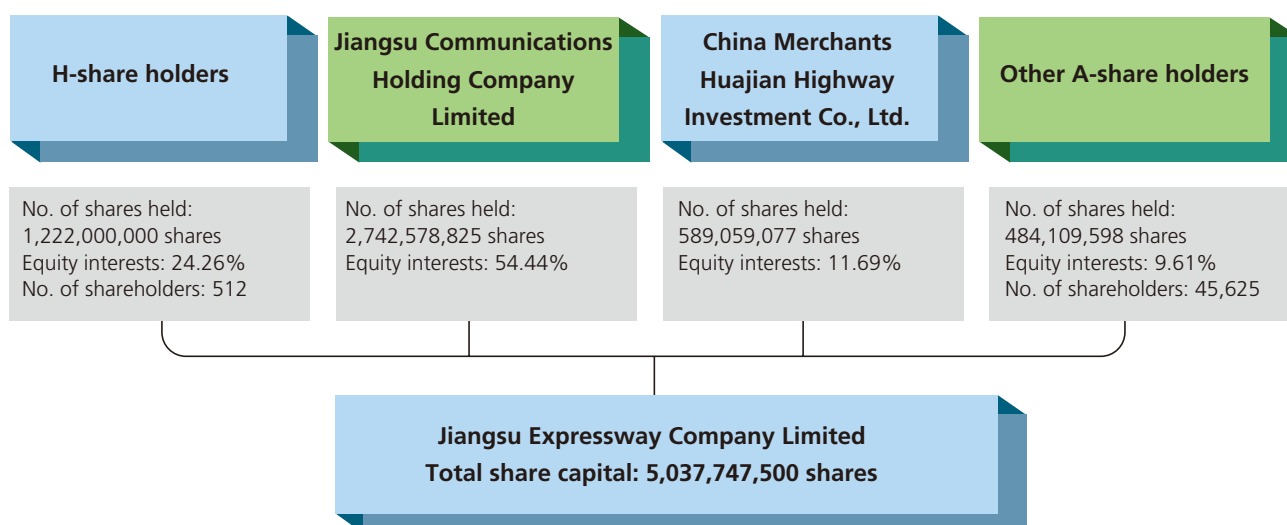
(II) Corporate Governance Structure



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 notices, authorization and deliberation of general meetings complied with the relevant procedures.

◇ Substantial Shareholders



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

◇ Independence from the Controlling Shareholder

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

◇ Shareholders' General Meeting

The 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. For details of the Annual General Meeting of this year, please refer to the chapter 9 on "Shareholders' General Meeting".

Corporate Governance Report

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 an 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 the General Manager of the Company. Four of the non-executive Directors were nominated by shareholders, and six of them were externally engaged by the Company, including four independent non-executive Directors. 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 2011, the Board held eight meetings, among which four were physical meetings and four were voting by way of correspondence. By way of holding regular meetings, extraordinary meetings, signing board resolutions or authorizations, the Board discussed and made decisions as to the operating and financial performance, financing plans, investment projects, connected transactions and governance structure of the Group. This has ensured the realization of the Company's best interests in its operation, management and development.

Meeting Session	Date Held	Resolution
15th meeting of the sixth session of the Board	18 March 2011	<ul style="list-style-type: none">– considered the 2010 annual report of the Company and relevant matters– proposed policies of the 2010 annual dividend distribution– proposed engagement of accounting firm for the year– considered the issue of short-term commercial papers with a total amount of not more than RMB2 billion and the issue of short-term trust product with the total amount of not more than RMB1.5 billion by the Company– considered the controlled amount over the gearing ratio of the Company– considered the connected transaction of the roads and bridges maintenance of the Company– considered the total staff remuneration of the Company for 2010– appointment of senior management staff of the Company
16th meeting of the sixth session of the Board	29 April 2011	<ul style="list-style-type: none">– considered the 2011 first quarterly report
17th meeting of the sixth session of the Board	27 May 2011	<ul style="list-style-type: none">– considered subsidiary, Guangjing Xicheng's capital enlargement in Jiangsu Financial Leasing Company, by way of correspondence
18th meeting of the sixth session of the Board	3 June 2011	<ul style="list-style-type: none">– considered the Company's investment in the new project for the construction of the Kunshan-Wujiang section of the Changshu-Jiaying Expressway by way of correspondence
19th meeting of the sixth session of the Board	19 August 2011	<ul style="list-style-type: none">– considered the 2011 interim report and the relevant matters– considered agreement of connected transactions regarding leasing of offices– considered the Management System on Users Having Access to Insiders Information– considered the impairment of assets– approved the setting up of charitable funds by the Company
20th meeting of the sixth session of the Board	20 September 2011	<ul style="list-style-type: none">– considered the Company's issuance of non-public directed debt instrument not exceeding RMB2 billion, by way of correspondence
21th meeting of the sixth session of the Board	28 October 2011	<ul style="list-style-type: none">– considered the 2011 third quarterly report– considered the short term use of the Company's idle funds– considered the connected transaction on the Company's entering into operation Technical Service agreements with the Network Company
22th meeting of the sixth session of the Board	25 November 2011	<ul style="list-style-type: none">– considered the co-investment of the subsidiary, Ninghu Investment, by way of correspondence

◇ 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, accounted 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. The independent non-executive Directors account for a majority in the Audit Committee and the Nomination, Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship at each of these committees.

The independent 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.

During the year, the independent Directors have further enhanced their independence and check-and-balance roles in the Board, played a good monitoring and balancing role in safeguarding the interests of the Company and the shareholders as a whole, aggressively pushed forward the Company with improving corporate governance and risk management standards on an ongoing basis, and also fully leveraged their expertise by providing professional guidance on the development and management of the Company.

The independent non-executive Directors 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 2011, 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 rules of procedures in order to define the scope of its work authority and procedures of performing duties. The rules of procedures have been approved by the Board.

Corporate Governance Report

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 Director

Duties

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

Major work during the year

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

The first meeting was the 2011 meeting of the strategy committee of the Board. The committee has discussed the overall debts and financing plan of the Company for 2011. According to the current debt structure and capital expenditure plan, it was suggested that the overall debt-to equity ratio would be controlled within 40% so as to control debt risks and ensure assets security of the Company. In respect of capital raising by way of debts, the committee has agreed to the financing plan on the issue of short-term commercial papers of not more than RMB2 billion and short-term trust products of not more than RMB1.5 billion by the Company, and such plan would be submitted to the Board for consideration.

The second meeting was the meeting of the Strategy Committee on the Company's investment in the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway. The meeting approved the investment in the new project for the construction of the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway. Pursuant to the "Feasibility Study Report on the Kunshan-Wujiang Section of the Changshu-Jiaxing Expressway Project" which is currently under preparation, the section starts from the Luzhi Junction established in the intersection of Suzhou-Kunshan-Taicang Expressway and Suzhou-Shanghai Expressway in the north, and passes southbound by Cheng Lake and the west of Zhouzhuang Town. After crossing the outer port lines of Baixian Lake and Su Shen, it runs through the western side of Shen Ta to connect to the Luxu Junction of the Shanghai-Jiangsu-Zhejiang Expressway, and passes by the reserved corridor of the Fenhu Development Zone. After crossing G318 and Taipu River from west to south in Fenhu, it will terminate at the junction of Jiangsu and Zhejiang near Yaolanwei. The entire route covers a length of 28.435 km (with three interchanges, two junctions and one service area) and offers dual 3 lanes, involving a total investment of approximately RMB3.894 billion. The project is scheduled for commencement of construction within 2011 and completion by 2014. 30% of the project capital will be contributed by the Company while 70% will be contributed by an investment company in the Suzhou Municipality. The total investment of the Company will not exceed RMB500 million. The resolution was submitted for approval to the Board.

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 2011 by the Audit Committee

In 2011, 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 preparation of annual results audit. All members attended the meetings. Major work during the year included:

The Audit Committee was responsible for the review and supervision of the quality and procedures of the Company's financial reporting. In 2011, the Audit Committee has reviewed the 2010 financial report, the 2011 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 schedule for the 2011 annual report, independence of the auditors, problems found during auditing, matters to be aware of during the annual auditing, taxation, risk management of enterprises and communications with regulatory departments. 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 2011 financial report audited by Deloitte, and considered that the 2011 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 for the approval by the Board.

In 2011, 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, way to evaluate internal control 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 appointment of the 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

23 March 2012

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 Director

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 2011 by the Nomination, Remuneration and Appraisal Committee

The Nomination, Remuneration and Appraisal Committee held one meeting in 2011 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 was truthful and accurate. Besides, none of the Directors, supervisors or senior management of the Company held any shares, share options or being granted restricted shares of the Company, and the Company 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 2011. The committee was of the view that all Directors have loyally fulfilled their obligations with integrity and diligence and have dutifully fulfilled and discharged their duties under their respective service contracts, and that they have devoted the necessary attention and adequate time to the Company's businesses and have brought their professional experience and expertise into full play, thus helping the management to make decisions in a scientific and efficient manner and assuring the realisation of the Company's best interests. The management of the Company has discharged its duty professionally and conscientiously and has satisfactorily achieved the Company's various operation and management objectives for the year which had been pre-set by the Board in early 2011.

Nomination, Remuneration and Appraisal Committee members:

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

23 March 2012

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, minimize 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 operations of the Supervisory Committee while facilitating communications among the Supervisory Committee and the Board and the management of the Company. In 2011, the Supervisory Committee held five meetings, and all supervisors 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 Chapter 10 on "Report of the Supervisory Committee" of this annual report.

4. The Management

The operating procedures of the Management are set out in detailed description of the compliance with the Code on Corporate Governance under section (III) "Report on Corporate Governance" in this Chapter.

(III) Report on Corporate Governance

In December 2011, the Hong Kong Stock Exchange published an announcement regarding the amendment on provisions of the Code on Corporate Governance. Such new provisions took effect on 1 January 2012 and 1 April 2012. As at the publishing date of this report, the Company has fully adopted all code provisions in the new Code on Corporate Governance and established the Rules for Shareholders Nominating Directors, and has conducted detailed assessment and description on the relevant compliance.

The Board and the management undertake to adhere to high standards of corporate governance. In addition to its compliance with the Code on Corporate Governance, 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", "Rules of Procedures 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.

A. Directors

A1. The Board

Code Principle	<ul style="list-style-type: none"> The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decision objectively in the best interests of the issuer. The Board should regularly review the contributions required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.
The best corporate governance status	<ul style="list-style-type: none"> 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. The Directors of the Company should take the initiative to understand the Company's operation and operating development, attend Board meetings and specialized committee meetings in a prudent, responsible, proactive and serious manner, adequately capitalize on their respective professional experience and expertise and produce proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

Code provision	Compliance	Corporate governance procedures
A1.1 Regular Board meetings to be held at least four times a year, approximately once every quarter. Directors should attend in person or actively getting involved though electronic means of communications. A regular Board meeting does not include obtaining Board consent through circulating written resolutions	Yes	<ul style="list-style-type: none"> In 2011, the Company held eight Board meetings, including four physical meetings where Directors attended in person and four extraordinary meetings where votes were casted by way of correspondence. Each of the regular Board meetings was actively participated by the majority of Directors who were entitled to attend, either voting in person or by proxy. The attendance complied with the provisions of the Articles of Association. Extraordinary meetings were approved by the Board by way of circulation of written resolutions. All Board meetings had 100% attendance. Details of attendance of 2011 Board meetings are listed in the table below.
A1.2 All directors are given an opportunity to include matters in the agenda for regular Board meetings	Yes	<ul style="list-style-type: none"> All Directors were given an opportunity to include matters in the agenda for regular Board meetings but such a right was not exercised the year.
A1.3 Notice of at least 14 days should be given for a regular Board Meeting	Yes	<ul style="list-style-type: none"> Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all Directors were given an opportunity to attend.
A1.4 Minutes of meetings should be kept by the Secretary to the Board and open for inspection by any director at any reasonable time	Yes	<ul style="list-style-type: none"> Secretary to the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were open for inspection by any Director at any reasonable time.
A1.5 Minutes of meetings should record in sufficient detail the matters considered by the directors and decision reached at meetings	Yes	<ul style="list-style-type: none"> The minutes of meetings reflected objectively the consideration, voting and opinions given by the Directors in detail and were duly signed by Directors attending the meetings.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
A1.6 Directors could seek independent advice under an agreed procedure at the Company's expense	Yes	<ul style="list-style-type: none"> In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of the Directors at the Company's expense. During the year, no Director has individually requested the Company to seek professional independent opinion on any relevant matter.
A1.7 If a substantial shareholder or a director has a conflict of interest in a material matter, the Company shall convene a Board meeting in due course and the relevant connected directors shall abstain from voting	Yes	<ul style="list-style-type: none"> The Company has made it clear that, if a substantial shareholder or a Director has a conflict of interest in any material matter, the connected Director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the reporting period, when the connected transactions were considered at the 15th meeting of the sixth session of the Board, the 17th meeting of the sixth session of the Board, the 19th meeting of the sixth session of the Board and the 21th meeting of the sixth session of the Board, all connected Directors have abstained from voting in respect of the relevant resolution at the meeting. Other non-connected Directors and independent non-executive Directors who had voted complied with the statutory quorum requirements.
A1.8 The issuer should make appropriate insurance cover in respect of legal actions against its directors	No	<ul style="list-style-type: none"> As at the date of publication of this report, the Company has not yet taken out any liability insurance for its Directors, supervisors and senior management staff but has taken practical actions to comply with this provision. The Company is currently negotiating with the relevant insurance company, and will comply with the requirements of the provision after completing the examination and approval procedures.

Meeting attendance of the Directors in 2011

Name of Director	Required attendance at the Board for the year	Attendance in person	Attendance by proxy	Voting by way of correspondence	Times of absence
Yang Gen Lin	8	4	0	4	0
Qian Yong Xiang	8	4	0	4	0
Chen Xiang Hui	8	4	0	4	0
Du Wen Yi	8	4	0	4	0
Zhang Yang	8	3	1	4	0
Cheng Chang Yung Tsung, Alice	8	2	2	4	0
Fang Hung, Kenneth	8	2	2	4	0
Fan Cong Lai	8	4	0	4	0
Chen Dong Hua	8	4	0	4	0
Xu Chang Xin	8	4	0	4	0
Gao Bo	8	4	0	4	0

A2. Chairman and Chief Executive Officer

Code principle	<ul style="list-style-type: none"> The management of the Board and the day-to-day management of business should be clearly separated, thereby ensuring a balance of power and authority so that power is not concentrated in any one individual.
The best corporate governance status	<ul style="list-style-type: none"> 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.

Code provision	Compliance	Corporate governance procedures
A2.1 The roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities should be clearly established and set out in writing	Yes	<ul style="list-style-type: none"> Mr. Yang Gen Lin assumed the position as the Chairman of the 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 of the Board and other senior management staff of the Company. The separation of the roles is explained in detail in the Company's Articles of Association, the "Rules of Proceedings for Board of Directors Meetings" and "Detailed Rules for the Operation of General Manager". There was no relationship existing between the Chairman and the General Manager, including financial, operational, family or other relevant relations.
A2.2 The Chairman should ensure that all directors are properly briefed on issues arising at Board meetings	Yes	<ul style="list-style-type: none"> The Board has established a reporting system in which at each regular meeting, the General Manager reports to each Director the most updated status of the Company, at least four times per year. The Chairman also tables, for decision making, any material matters of the Group to the Board for collective discussion by the Directors at the meeting.
A2.3 The Chairman should ensure that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable	Yes	<ul style="list-style-type: none"> The Chairman has appointed the Secretary to the Board to provide timely information regarding the performance of the Board's obligations, is committed to continuously improving the quality and timeliness of the information and has the obligations to ensure the accuracy and completeness of the information provided.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
A2.4 The Chairman should ensure that the Board works effectively, and be primarily responsible for drawing up the agenda for and any matters to be considered at each Board meeting	Yes	<ul style="list-style-type: none"> The agenda of Board meetings were discussed by the Chairman, the executive Director and the Secretary to the Board and were determined after all matters motioned by non-executive Directors were taken into account.
A2.5 The Chairman should ensure the Company has established good corporate governance practices and procedures	Yes	<ul style="list-style-type: none"> The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary to the Board to establish a good corporate governance system and procedures, and supervised the management to faithfully implement various systems to ensure the Company operated in a regulated manner.
A2.6 The Chairman should encourage all directors to make a full and active contribution to the Board's affairs and to conduct adequate discussions of the matters under consideration and should encourage directors to express different opinions	Yes	<ul style="list-style-type: none"> The Chairman encouraged all Directors to make a full and active contribution to the Board's affairs and to make valuable contributions to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company. At Board meetings, all Directors had ample opportunities to voice their respective views and to discuss the matters under consideration. The results of voting at Board meetings also fairly reflected the consensus of the Directors.
A2.7 The Chairman should hold a meeting once every year with non-executive directors, without the executive director presents	No	<ul style="list-style-type: none"> The Board has 11 members, of whom one is an executive Director and ten are non-executive Directors. Six Directors are engaged externally. This has ensured adequate independence of the Board and safeguarded the Board's decisions from being prejudiced by the implementation of the opinions of executive Director.
A2.8 The Chairman should ensure effective communications with shareholders and that the views of shareholders are communicated to the Board	Yes	<ul style="list-style-type: none"> The Chairman placed emphasis on the effective communications between the Company and its shareholders and enhanced investor relations continuously so as to realize the best returns for shareholders. All shareholders are entitled to attend shareholders' meetings and express their opinions. The Secretary to the Board will also report to the Board the important views of shareholders collected on a day-to-day basis.
A2.9 The Chairman should promote a culture of openness and debate by ensuring constructive relations among the directors	Yes	<ul style="list-style-type: none"> The Board had a good atmosphere for discussions. The Chairman also valued the contributions made by the Directors to the Board so as to ensure that there were constructive relations between the executive Director and the non-executive Directors.

A3. Board Composition

Code principle	<ul style="list-style-type: none">• The Board should have a balance of skills and experience appropriate for the requirements of the issuer's business. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgment can be exercised effectively. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The best corporate governance status	<ul style="list-style-type: none">• The election of the new session of Board was approved at the annual general meeting held on 17 June 2009, forming the sixth session of the Board of the Company which comprised 11 Directors, of whom one was an 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 to analyze and discuss issues from different perspectives.• The Directors were elected or replaced by shareholders' general meetings. The Company adopts cumulative voting in the election process for Directors. The term of appointment of a Director is usually three years. The appointment of all Directors was determined by shareholders' general meeting. Directors can be re-elected when their terms of appointment expire. A re-elected independent Director shall not serve for more than 6 years consecutively.• 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.• There exists no relationship among the Board members, including financial, operational, family or other relevant material relations.

Corporate Governance Report

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

A4. Appointment, Re-election and Removal

Code principle	<ul style="list-style-type: none"> There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The best corporate governance status	<ul style="list-style-type: none"> The Board of the Company has established the Nomination, 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 committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote and his/her concern about relevant affairs, and so forth. For changes in directors for the year, please refer to Chapter 8 "(II) Changes in Directors, Supervisors and Senior Management" of this Report.

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

A5. Nomination Committee

Code provision	Compliance	Corporate governance procedures
A5.1 The Company should establish a nomination committee, which is chaired by the Chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors	Yes	<ul style="list-style-type: none"> A Nomination, Remuneration and Appraisal Committee has been established under the Board of the Company. Xu Chang Xin, Fang Hung, Kenneth, Chen Dong Hua, Gao Bo and Zhang Yang are members of the committees, of whom three are independent non-executive Directors. The Chairman of the committee is Xu Chang Xin.
A5.2 The Company should establish with specific written terms of reference of the nomination committee	Yes	<ul style="list-style-type: none"> The Company has formulated the "Rules of Procedures of the Nomination Committee" and specified the terms of reference and responsibilities of the committees. The main responsibilities of the committee are set out in "Specialized Committees of the Board" of this Chapter.
A5.3 The nomination committee should make available its terms of reference on the websites of the Company and the Hong Kong Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has made available the terms of reference of the Nomination Committee on its website, and preparations are being made for publishing the relevant details on the website of the stock exchange to meet the requirements of the provision before 1 April 2012.
A5.4 The issuer should provide sufficient resources for the committee to perform its duties. When necessary, it should seek independent professional advice	Yes	<ul style="list-style-type: none"> The Company provided sufficient resources for the committee to perform its duties. In respect of matters that require advice to be sought from professional institutions, the Company engaged professional institutions including accountants, lawyers, valuation firms and so forth to issue written reports for perusal by Directors at the Company's expense. During the year, the committee had not requested the Company to seek professional independent advice on any relevant matter.
A5.5 In the election of an independent director, the Board shall include the reasons for the election and the independence in the circular to the shareholders	Yes	<ul style="list-style-type: none"> As far as the election of an independent non-executive Director is concerned, the Company included the reasons for appointing such person and the independence statement in the notice of the general meeting and the circular to the shareholders.

A6. Responsibilities of Directors

Code principle	<ul style="list-style-type: none"> Every director must always know his responsibilities as a Director of an issuer and its conduct, business activities and development. Non-executive Directors have the same duties of care and skill and fiduciary duties as executive directors.
The best corporate governance status	<ul style="list-style-type: none"> The Company has formulated the "Rules of Proceedings of Board of Directors Meetings", "Detailed Rules for the Operation of Committees" and "Detailed Rules for the Operation of Independent Directors" to specify the responsibilities of all directors so as to ensure that all directors understand their roles and duties thoroughly. The Secretary to the Board is responsible for ensuring that all Directors obtain the Company's latest business development and updated statutory information on the Company's latest business development.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
<p>A6.1 Every newly appointed director should receive an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the issuer's operations and business and his/her responsibilities under legal requirements and the regulatory policy</p>	<p>Yes</p>	<ul style="list-style-type: none"> • A comprehensive information package and relevant training which comprises an introduction to the Group's operations, a brief introduction to directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. • All non-executive Directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management. • The Secretary to the Board is responsible for ensuring that all Directors obtain the latest information on the Listing Rules and other statutory requirements.
<p>A6.2 Functions of non-executive directors</p>	<p>Yes</p>	<ul style="list-style-type: none"> • Non-executive Directors have actively participated in Board meetings and served as committee members, reviewed the progress of the Company's business objectives and provided independent opinions on the Board's decision making. • Functions of non-executive Directors include: <ul style="list-style-type: none"> – Participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; – taking the lead where potential conflicts of interests arise; – serving on the audit, remuneration, nomination and other governance committees, if invited, and – scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting of the Company.
<p>A6.3 Directors should ensure that they can give sufficient time to the Company's affairs</p>	<p>Yes</p>	<ul style="list-style-type: none"> • All Directors have worked hard and faithfully performed their duties. There was satisfactory attendance at board meetings and meetings of the various committees in 2011. For records of attendance of the meetings, please refer to the relevant section of this Chapter.
<p>A6.4 The Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the Company's securities</p>	<p>Yes</p>	<ul style="list-style-type: none"> • The Directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Hong Kong Listing Rules in 2011. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees. The model code's standards on securities transactions by directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers". During the reporting period, there were no transactions involving the Company's shares by the Directors.

Code provision	Compliance	Corporate governance procedures
A6.5 All directors should participate in continuous professional development. The issuer should be responsible for arranging and funding suitable training in development plans	Yes	<ul style="list-style-type: none"> All Directors will have opportunities to receive professional training arranged by the Company for them during their terms of office. The Company will arrange the Directors, supervisors and senior management staff to attend specialized training organized by the stock exchange(s) and securities regulatory bureau at the right time, or deliver the information on the latest regulatory requirements to them by the means of communication to help them update their knowledge and improve their functions and responsibilities.
A6.6 Each director should, disclose to the issuer at the time of his appointment, and in a timely manner for any change, (and shall make such disclosure regularly thereafter) the number and nature of offices held in public companies or organizations, and other significant commitments	Yes	<ul style="list-style-type: none"> Each Director regularly provided information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as directors or supervisors in listed companies in the previous three years) and other major commitments. Details of the positions currently held and concurrently held by such Directors in other listed companies are disclosed in Chapter 8 of this annual report.
A6.7 Independent non-executive directors should regularly attend Board meetings, meetings of committees and shareholders' general meetings, and develop a balanced understanding of the views of the shareholders of the Company	Yes	<ul style="list-style-type: none"> All independent non-executive Directors have attended Board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. Most independent non-executive Directors have attended the Shareholders' General Meetings of the Company.
A6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments	Yes	<ul style="list-style-type: none"> All Directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner, offering their respective professional experience and expertise, and giving their independent judgement, knowledge and experience in the matters discussed so that the Board could conduct productive discussions and made decisions in a speedy and prudent manner.

A7. Supply of and Access to Information

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

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
A7.1 Meeting documents should be sent to directors at least three days before the date of a Board or committee meeting	Yes	<ul style="list-style-type: none"> The Company's meeting materials were sent to the Directors at least five business days before the date of each regular Board or committee meeting and at least three days by courier, mail or electronic mail before the date of each extraordinary Board meeting
A7.2 Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. Each director could have separate and independent access to the Company's senior management for making further enquiries	Yes	<ul style="list-style-type: none"> The management provided adequate information to the Board and its committees in a timely manner. Directors could have separate and independent access to the Company's senior management for obtaining the necessary information. The Board and the committees would make arrangements for the relevant members of the senior management to attend their meetings and report the latest situation about the operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.
A7.3 All directors are entitled to have access to Board papers and related materials. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	<ul style="list-style-type: none"> All Board documents and related materials have been kept by the Secretary to the Board for inspection by Directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations and respond to queries.

B. Remuneration of Directors and Senior Management

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

Code principle	<ul style="list-style-type: none"> An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. No director should be involved in deciding his/her own remuneration.
The best corporate governance status	<ul style="list-style-type: none"> 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. The executive Director has received management remuneration from the Company. During the year, no Director participated in determining his/her own remuneration. During the year, the remuneration paid by the Company to two non-domestic independent Directors amounted to HK\$300,000 per person. The remuneration paid to four domestic independent Directors amounted to RMB60,000 per person. Other than remuneration, the independent Directors have not received other compensation from the Company.

Code provision	Compliance	Corporate governance procedures
B1.1 The remuneration committee should consult the Chairman or the Chief Executive Officer about their remuneration proposals for other executive directors, should have access to professional advice if necessary	No	<ul style="list-style-type: none"> During the year, other than the General Manager who serves as the executive Director, the Company does not have other executive Directors. The General Manager receives a management remuneration but not Directors' remuneration.
B1.2 Responsibilities of the Remuneration Committee	Yes	<ul style="list-style-type: none"> The Company has adopted "Rules of Procedures for the Remuneration and Appraisal Committee" and specified the powers and duties of such committees, with their terms of reference being not limited to the Code provisions. The Remuneration Committee acted as an advisor to the Board, while the Board retained the ultimate power of approving the remuneration for executive Director and senior management staff.
B1.3 The remuneration committee should make available its terms of reference on the websites of the Company and the Hong Kong Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has made available the terms of reference of the Remuneration Committee on its website, and preparations are being made for making available the relevant details on the website of the Hong Kong Stock Exchange to meet the requirements of the provision before 1 April 2012.
B1.4 Should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> The Company will provide sufficient resources for the committee to perform its duties.
B1.5 The issuer should disclose details of any remuneration payable to members of senior management by band in their annual reports	Yes	<ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the annual report and accounts. For details, please refer to "Directors, Supervisors, Senior Management and Staff" in Chapter 8 of this Annual Report.
B1.6 Details about any objection of the remuneration committee to the Board's resolution on remuneration shall be disclosed in the Corporate Governance Report	Yes	<ul style="list-style-type: none"> The Board and the Remuneration Committee did not see such matter as referred to in the provision occur to the remuneration arrangements for the Directors and senior management during the year.
B1.7 A significant proportion of the executive Directors remuneration should be link rewards to corporate and individual performance	Yes	<ul style="list-style-type: none"> The total remuneration of the executive Director and senior management staff comprises three parts, which is salary for the position, performance bonus and the Company's contribution to their pension scheme. The remuneration has been generally linked with the Company's and individual performance.
B1.8 Issuer should disclose details of any remuneration payable to the members of senior management, on a named basis in the annual report	Yes	<ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the annual report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" in Chapter 8 of this Annual Report.
B1.9 The Board should conduct a regular evaluation of its performance	Yes	<ul style="list-style-type: none"> The Board and the Remuneration Committee are responsible for the appraisal of the Company's management members, and the performance objectives set for them including operating revenue, operations costs, profit indicators and objectives for the respective operations. The Board will evaluate the management's performance based on the completion of various objectives every year.

Corporate Governance Report

C. Accountability and Audit

C1. Financial Reporting

Code principle	<ul style="list-style-type: none"> The Board should present a clear, comprehensible assessment of the Company's performance, position and prospects.
The best corporate governance status	<ul style="list-style-type: none"> 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.

Code provision	Compliance	Corporate governance procedures
C1.1 Management will provide sufficient explanation and information to enable the Board to make an informed assessment of the relevant matters	Yes	<ul style="list-style-type: none"> The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all Directors to make assessment with merits on the financial and other information submitted to them for approval.
C1.2 Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance	Yes	<ul style="list-style-type: none"> According to the requirements of the new Code provisions, the Company has been submitting to each Director "Operations Bulletin" or other information that needs to be reviewed by Directors on a monthly basis from year 2012, sufficient enough to allow the Directors to acquire details about the Company's interim operations management.
C1.3 Directors should acknowledge their responsibility for preparing the accounts; there shall be a statement by the auditors about their reporting responsibilities in the report. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern they should be clearly and prominently disclosed and discussed at length in the "Corporate Governance Report"	Yes	<ul style="list-style-type: none"> Directors are responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. The auditors' report also stated the reporting responsibilities of Directors. The Company was not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company ability to continue as a going concern.

Code provision	Compliance	Corporate governance procedures
C1.4 The directors should include in the separate statement containing a discussion and analysis of the Group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	<ul style="list-style-type: none"> The Company's annual report contained the management discussion and analysis of the business. In addition to this, it contained the Report of the Directors which consisted of a separate account of the Group's performance and development strategy. For details, please refer to the Report of the Directors section in Chapter 4 of the Annual Report.
C1.5 The Board should present a balanced, clear and understandable assessment of the Company's performance in periodic reports, price-sensitive announcements and other financial disclosures	Yes	<ul style="list-style-type: none"> The Board gave an objective, fair and clear presentation of the Group's position and prospects in all announcements issued to shareholders.

Recommended best practices:

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

C2. Internal Control

Code principle	<ul style="list-style-type: none"> The Board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.
The best corporate governance status	<ul style="list-style-type: none"> 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 "2011 Self-evaluation Report on Internal Control" in this Annual Report. The Company has established the internal audit department within the organization framework to conduct regular review, supervision and assessment on the financial position, operating and internal control activities according to different businesses and flow. It also engages external audit institutions to regularly audit the financial reports and effectiveness of internal control of the Company and to offer independent and objective assessments and suggestions in the form of audit reports.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
C2.1 Directors should at least annually conduct a review of the effectiveness of the internal control systems (including financial control, operating control, compliance control and risk management functions)	Yes	<ul style="list-style-type: none"> Currently, the Company has established the internal control system. During the year, the Company's internal control department and external independent auditing firm have conducted preliminary review, rectification, audit and evaluation of the effectiveness of internal control respectively. For details about internal control, please refer to the section "2011 Self Evaluation Report on Internal Control" in this Annual Report.
C2.2 The Board's review should, in particular, consider the adequacy of resources, staff qualifications and experience of the issuer's financial reporting function	Yes	<ul style="list-style-type: none"> The Company has sufficient resources to support the launch of the financial reporting functions. The relevant employees also possess the qualifications and experiences required for the positions, and have the opportunity to receive professional training in this area each year.
Recommended best practices:		

- During the year, the Company conducted an inspection and a self-evaluation of the rationality of the internal control policy as well as the comprehensiveness, effectiveness, operation and implementation of the internal control system in five aspects covering control environment, risk identification and assessment, control measures, information and communication as well as supervision and inspection. The review covered but was not limited to those items in Code provision C.2.3 and C.2.4. For the findings of the review, please refer to the section "2011 Self Evaluation Report on Internal Control" in this Annual Report.
- The Company has ensured that the information disclosed in all announcements issued to shareholders are meaningful information and that the information do not contain misrepresentations, misleading statements or major omissions and all Directors are jointly and severally responsible for the truthfulness, accuracy and completeness of the statements contained therein.

C3. Audit Committee

Code principle	<ul style="list-style-type: none">• The Audit Committee should have clear terms of reference, including the establishment of arrangements for considering how it will apply the financial reporting and internal control principles and maintain an appropriate relationship with the Company's auditors.
The best corporate governance status	<ul style="list-style-type: none">• 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.• 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 "Rules of Procedures of the Audit Committee".• The Audit Committee held five meetings in 2011, 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 controls.• 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.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
C3.1 Full minutes of the audit committee meetings should be kept by a duly appointed secretary of the meeting and should be confirmed by all members of the Committee	Yes	<ul style="list-style-type: none"> The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the committee. The minutes reflected the consideration and voting situations of the meetings in an objective and detailed manner and were signed by all Directors attending the meetings for confirmation.
C3.2 A former partner of the existing auditors should be prohibited from acting as a member of the Audit Committee	Yes	<ul style="list-style-type: none"> None of the Audit Committee members is a former partner of the external auditors.
C3.3 Responsibilities of the Audit Committee	Yes	<ul style="list-style-type: none"> The Company has formulated the "Rules of Procedures 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.
C3.4 The Audit Committee should make available its terms of reference on the websites of the Company and the Hong Kong Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has made available the terms of reference of the committee on its website, and preparations are being made for making available the relevant details on the website of the Hong Kong Stock Exchange to meet the requirements of the provision before 1 April 2012.
C3.5 The Board should obtain opinions from the Audit Committee on the selection appointment or removal of external auditors	Yes	<ul style="list-style-type: none"> The Audit Committee makes recommendations on the selection, appointment or removal of external auditors to the Board, subject to approval at the general meeting after consideration by the Board.
C3.6 The Audit Committee should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> The Audit Committee may seek necessary independent professional advices pursuant to the established procedures at the expense of the Company. No such event took place during the year.
C3.7 The Audit Committee should act as a key representative body for overseeing the issuer's relations with the external auditor	Yes	<ul style="list-style-type: none"> The Audit Committee played a functional role in coordinating the Company with the external auditors by having adequate communications with the auditors over audit-related matters, and was responsible for overseeing the relationship between the Company and the auditors to ensure the independence of the auditors.

Recommended best practices:

- The Company is currently drawing up the "Measures Governing Anti-frauds" to define the relevant responsibilities and terms of reference of the Audit Committee and the internal discipline inspection and supervision department, establish a reporting mechanism, set up and publish a dedicated reporting telephone line and e-mail to provide employees and other stakeholders of the Company with confidential channels to report inappropriate matters to the Audit Committee and the internal discipline inspection and supervision department.

D. Delegation by the Board

D1. Management Functions

Code principle	<ul style="list-style-type: none"> The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.
The best corporate governance status	<ul style="list-style-type: none"> The main functions and duties of the Board include convening the shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders' general meetings. The Articles of Association and the Rules of Proceedings for Board of Directors Meetings explicitly state the matters that required to be considered and approved by the Board. 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.

Code provision	Compliance	Corporate governance procedures
D1.1 When the Board delegates aspects of its management and administration functions to the management, it must, at the same time, give clear directions as to the management's power	Yes	<ul style="list-style-type: none"> The management is accountable to the Board. Its main functions and duties include being in charge of the Company's production and operations 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.
D1.2 An issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis	Yes	<ul style="list-style-type: none"> The Company has specified responsibilities of the management and 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.
D1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the Board and management	Yes	<ul style="list-style-type: none"> The Company has specified the separate functions and duties between the Board and the management in the "Articles of Association", the "Rules of Proceedings for Board of Directors Meetings" and the "Rules of Work for General Manager" which have been made available on the Company's website. The Company also reviews the performance of the Board and the management in its annual report every year.
D1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors	Yes	<ul style="list-style-type: none"> Each newly appointed director has received a formal letter of appointment specifying the major terms and conditions of the appointment. Meanwhile, the Board has followed the relevant authorization procedures when delegating the relevant powers.

Corporate Governance Report

D2. Board Committees

Code principle	<ul style="list-style-type: none"> Board committees should be formed with specific written terms of reference which deal clearly with their authorities and duties. 																																																												
The best corporate governance status	<ul style="list-style-type: none"> 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. Considering the reasonableness of the responsibilities of committees and to fulfill the requirement of governance, the Company currently plans to reorganize the Nomination, Remuneration and Appraisal Committee into two committees, which are the Nomination Committee and the Remuneration and Appraisal Committee. Such establishment of committees will be completed after the re-election of directors in the 2011 Annual General Meeting. Each committee has defined rules for operation which deal clearly with the committee's authority and duties as well as the procedures for handling matters. Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in the committee's affairs. The Secretary to the Board offers a comprehensive assistance to facilitate the commencement of work of all committees. <p>Records of Attendance of Meetings of Specialized Committees in 2011 (Attendance/ Number of Meetings)</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Position</th> <th>Strategy Committee</th> <th>Audit Committee</th> <th>Nomination, Remuneration and Appraisal Committee</th> </tr> </thead> <tbody> <tr> <td>Yang Gen Lin</td> <td>Chairman</td> <td>2/2</td> <td>–</td> <td>–</td> </tr> <tr> <td>Qian Yong Xiang</td> <td>Executive Director</td> <td>2/2</td> <td>–</td> <td>–</td> </tr> <tr> <td>Chen Xiang Hui</td> <td>Non-executive Director</td> <td>2/2</td> <td>–</td> <td>–</td> </tr> <tr> <td>Zhang Yang</td> <td>Non-executive Director</td> <td>–</td> <td>–</td> <td>1/1</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>2/2</td> <td>–</td> <td>1/1</td> </tr> <tr> <td>Fang Hung, Kenneth</td> <td>Non-executive Director</td> <td>–</td> <td>–</td> <td>1/1</td> </tr> <tr> <td>Fan Cong Lai</td> <td>Independent Director</td> <td>2/2</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>1/1</td> </tr> <tr> <td>Gao Bo</td> <td>Independent Director</td> <td>–</td> <td>–</td> <td>1/1</td> </tr> </tbody> </table> <p>For the 2011 work reports of the respective committee, please refer to this Chapter.</p>	Name	Position	Strategy Committee	Audit Committee	Nomination, Remuneration and Appraisal Committee	Yang Gen Lin	Chairman	2/2	–	–	Qian Yong Xiang	Executive Director	2/2	–	–	Chen Xiang Hui	Non-executive Director	2/2	–	–	Zhang Yang	Non-executive Director	–	–	1/1	Du Wen Yi	Non-executive Director	–	5/5	–	Cheng Chang Yung Tsung, Alice	Non-executive Director	2/2	–	1/1	Fang Hung, Kenneth	Non-executive Director	–	–	1/1	Fan Cong Lai	Independent Director	2/2	5/5	–	Chen Dong Hua	Independent Director	–	5/5	–	Xu Chang Xin	Independent Director	–	–	1/1	Gao Bo	Independent Director	–	–	1/1
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Code provision	Compliance	Corporate governance procedures
D2.1 The Board should give sufficiently clear terms of reference to enable the committees to perform their functions properly	Yes	<ul style="list-style-type: none"> 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".
D2.2 The terms of reference of the committees should require them to report to the Board on their decisions and recommendations	Yes	<ul style="list-style-type: none"> The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.

D3. Corporate Governance Function

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

E. Communication with Shareholders

E1. Effective Communications

Code principle	<ul style="list-style-type: none"> The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.
The best corporate governance status	<ul style="list-style-type: none"> The Board endeavoured to maintain on-going communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. 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. All shareholders holding shares of the Company are entitled to attend the annual general meeting.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
E1.1 In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting	Yes	<ul style="list-style-type: none"> Separate resolutions were proposed at the general meeting on each substantially separate issue, including the election of individual directors. No resolutions were proposed in "a bundle".
E1.2 The Chairman of the Board should attend the annual general meeting and arrange for the Chairmen or members of the committees to be available to answer questions raised by shareholders at the meeting. The management should ensure the external auditors to attend the Annual General Meeting	Yes	<ul style="list-style-type: none"> The Chairman of the Board has attended and presided over the Annual General Meeting and has arranged for the representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting. Each year, independent Directors give their independent opinions and report to shareholders on matters that are subject to independent shareholder approval during the year, and answer questions raised by shareholders at general meeting. The Company also arranged for the representatives of the external auditors to attend the Annual General Meeting to answer relevant questions if necessary or to act as a scrutineer at the meeting.
E1.3 The issuer should give notice of at least 20 business day prior to an annual general meeting and at least 10 business days prior to an extraordinary general meeting	Yes	<ul style="list-style-type: none"> Pursuant to other relevant requirements, the Company gave notice of at least 45 days prior to any general meeting, which was in full compliance with the requirements of Code provisions.
E1.4 The Board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	<ul style="list-style-type: none"> The office of the Secretary to the Board is specifically responsible for the day-to-day communications with shareholders. The Company has published the relevant communication methods on the website and in the relevant announcements. Shareholders have had smooth channels to provide advice to the Company, and the Company has also arranged for specially-assigned personnel to promptly respond to such advice.

E2. Voting by Poll

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

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

F. Company Secretary

Code principle	<ul style="list-style-type: none"> The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and the Board policy and procedures are followed. The company secretary is responsible for advising the Board through the Chairman and/or Chief Executive Officer on governance matters and should also facilitate induction and professional development of directors.
The corporate governance best status	<ul style="list-style-type: none"> The Company assigned a member of the senior management as the Secretary to the Board to assume the role of Company Secretary at Board meetings, and set up a specialized office of the Secretary to the Board in order to ensure the availability of resources for its smooth operation. The Company established the Rules of Work for the Secretary to the Board, setting out its terms of reference and job responsibilities. The Secretary to the Board takes a major role in the operation of the Board and various specialized committees as well as in corporate governance.

Corporate Governance Report

Code provision	Compliance	Corporate governance procedures
F1.1 The company secretary should be an employee of the issuer	No	<ul style="list-style-type: none"> The Secretary to the Board is concurrently served by a member of the Company's senior management. The Company engaged an external professional to provide professional company secretarial services in Hong Kong.
F1.2 The Board should approve the selection, appointment or dismissal of the company secretary	Yes	<ul style="list-style-type: none"> The selection and appointment of the Secretary to the Board and the Company Secretary were in compliance with the relevant rules of the Code provision.
F1.3 The Company Secretary should report to the Chairman of the Board or the Chief Executive	Yes	<ul style="list-style-type: none"> The Secretary to the Board and the Company Secretary are responsible for regularly providing all information to the Directors and Supervisors, including the documents on each meeting of the Board, specialized committees and supervisory committee, providing Company's business progress report, financial objectives, development plans and strategic programs as well as the latest information on the Listing Rules and other statutory requirements, and continuously improving the quality and timeliness of the information to ensure that directors, supervisors and senior management staff are able to make decisions and fulfil the duties and responsibilities with the availability of such information.
F1.4 All directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations are followed.	Yes	<ul style="list-style-type: none"> The Secretary to the Board maintained close communications with all Directors and provided timely material information about the Company and the relevant updated rules, as well as contributed advice to the Directors on matters regarding corporate governance and rules compliance to ensure the Board's operation was in compliance with the procedures.

(IV) Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders are informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure. Since listing, the Company has been striving to comply with the relevant laws and listing rules on the principles of fairness, equality and openness to dutifully perform its statutory disclosure obligations. On top of this, the Company has actively gained understanding of the key concerns of investors and 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 49 announcements for major matters in the PRC and overseas simultaneously, including four periodic reports, 28 ad hoc announcements and relevant information to disclose in details on important corporate information and progress of major matters, including: operating results, financial information, dividend payment, daily operations, project investments, financing activities, connected transactions, change in directors and supervisors for the new session, and news of the shareholders’ general meeting, the resolutions of Board and the Supervisory Committee. Announcements of the Company were published in the 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 Communications

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.

Corporate Governance Report

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 doing so, 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 operations 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 were as follows:

- ◇ Investors' inquiries through the investor hotline, company website and e-mail; more than 130 telephone calls and e-mail communications with investors were handled during the year and prompt responses were made on a day-to-day basis.
- ◇ Field trips to the Company or specific teleconferences by investors and analysts: 42 batches of visits to the Company by domestic and foreign investors (64 persons in total) were received during the year.
- ◇ Various promotion activities including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face communications were conducted with investors. 11 major presentations were attended or organized in 2011 with details as follows:

January	– Participated in the “10th Greater China Conference” organized by UBS Warburg in Shanghai
March	– Held 2010 annual results presentation and roadshows in Hong Kong
April	– Participated in the “A-Share Investment Conference” organized by Nomura in Hangzhou
May	– Participated in the Deutsche Bank Access Asia Conference in Singapore – Participated in the “Annual Great China Conference” organized by Macquarie in Hong Kong
June	– Participated in the “Investment Forum” organized by JP Morgan in Beijing
August	– Held 2011 interim results presentation and roadshows in Hong Kong
September	– The Company conducted an online interim results presentation – The management conducted investor roadshow in Australia – The management conducted investor roadshow in Japan and Korea
November	– Participated in the “China Investment Summit” organized by Merrill Lynch Securities in Beijing

The Company, through active investor relations programs, aims at increasing its transparency, enhancing communications, and increasing investors' understanding of and trust in the Company's businesses. It also aims at building investors' confidence in the Company's 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.

(VI) Shareholder Return

Since its listing, the Company has been maintaining high return for the shareholders. The Company has been paying cash dividends for 15 consecutive years, with an aggregate of approximately RMB13.684 billion cash dividend distributed. For 2011, the Board recommended the distribution of a cash dividend of RMB0.36 per share, equivalent to approximately 83.96% of the distributable profit (subject to deduction of 10% Statutory Reserve) of the year, the payout ratio reached 74.64%.

	2004	2005*	2006	2007	2008	2009	2010	2011
Earnings per share (RMB)*	0.164	0.133	0.233	0.318	0.308	0.399	0.493	0.482
Dividend per share (tax inclusive) (RMB)	0.145	0.145	0.19	0.27	0.27	0.31	0.36	0.36
Payout ratio (%)	88.41	109.02	81.55	84.90	87.66	77.66	73.0	74.64

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

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

Ensuring a long-term and stable return for shareholders remains the top priority of the Company. 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.

Corporate Governance Report

(VII) Domestic and Overseas Auditors

Pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published in December 2010 and the revised Listing Rules of Hong Kong, Mainland incorporated issuers listed in Hong Kong are permitted to prepare their financial statements using Chinese accounting standards, while Mainland auditing firms approved by in the Chinese Ministry of Finance and the China Securities Regulatory Commission are permitted to provide services to such issuers using Chinese auditing standards.

In view of Hong Kong Stock Exchange’s acceptance of Chinese accounting and auditing standards and Mainland auditing firms, the Board of the Company will prepare one set of financial statements only under the PRC Accounting Standards and arrange for a Mainland auditing firm approved by the Ministry of Finance and the China Securities Regulatory Commission to audit such financial statements for the fiscal year starting from 1 January 2011 in order to improve efficiency and reduce disclosure costs.

The reappointment of Deloitte Touche Tohmatsu CPA Ltd. as the domestic auditors of the Company for 2011 was approved at the Company’s 2010 Annual General Meeting to audit the financial statements prepared under the PRC Accounting Standards for the fiscal year ended 31 December 2011 and to undertake the duties of an international auditors in accordance with Hong Kong Listing Rules. The audit fees amounted to RMB1,970,000 for the year. Deloitte Touche Tohmatsu CPA Ltd. is a practicing certified public accountants firm approved by the Ministry of Finance and the China Securities Regulatory Commission to act as a reporting accountant and/or an auditor for Mainland incorporated companies listed in Hong Kong.

The above-mentioned auditing firms have been providing audit services to the Company for nine consecutive years since 2003. In 2008 and 2010, such auditing firms changed the partner responsible for the auditing work provided to the Company.

Deloitte Touche Tohmatsu was no long appointed as the Hong Kong auditors of the Company for the fiscal year starting 1 January 2011 at a shareholders’ meeting.

Deloitte Touche Tohmatsu CPA Ltd. was also appointed as the internal control auditor of the Company for 2011 at the shareholders’ meeting. The audit fee was RMB680,000.

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. The circulating shares with selling restrictions were listed and circulated in batches after the share segregation reform and after the conditions for selling restrictions had been fulfilled and the relevant formalities had been completed. Therefore, the Company's share capital structure has been changed.

Unit: Shares

	Prior to movement		Current Movement (+,-)	After movement	
	Number of shares	Proportion (%)	The circulation of shares subject to selling restrictions	Number of shares	Proportion (%)
I. Shares subject to selling restrictions	3,383,090,647	67.15%	-3,332,887,902	50,202,745	1%
1. State-owned shares	2,742,578,825	54.44%	-2,742,578,825	0	-
2. State-owned legal person shares	589,059,077	11.69%	-589,059,077	0	-
3. Other domestic shares	51,452,745	1.02%	-1,250,000	50,202,745	1%
Including: Domestic legal person shares	51,452,745	1.02%	-1,250,000	50,202,745	1%
Domestic natural person shares	-	-	-	-	-
4. Foreign shares	-	-	-	-	-
Including: Foreign legal person shares	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-
II. Circulating shares not subject to selling restrictions	1,654,656,853	32.85%	3,332,887,902	4,987,544,755	99%
1. RMB-denominated ordinary shares	432,656,853	8.59%	3,332,887,902	3,765,544,755	74.74%
2. Domestic listed foreign shares	-	-	-	-	-
3. Foreign listed foreign shares	1,222,000,000	24.26%	0	1,222,000,000	24.26%
4. Others	-	-	-	-	-
III. Total shares	5,037,747,500	100%	0	5,037,747,500	100%

Changes in Share Capital and Shareholders

1. Approval of changes in status of shares

During the reporting period, the 60-month selling restriction period for a total of 3,331,637,902 shares of the Company held by Jiangsu Communications Holdings Company Limited and China Merchants Huajian Highway Investment Co., Ltd. (formerly "Huajian Transportation Economic Development Center"), the two substantial shareholders of the Company, had expired. The Company completed the formalities for the release of the restriction on circulation pursuant to the relevant requirements. The restriction was lifted and the right to trade and circulate the shares was granted on 20 May 2011 after an application for circulation was submitted by the Company to the State-owned Assets Supervision and Administration Commission of the Jiangsu Province, the Shanghai Stock Exchange and the China Securities Depository and Clearing Corporation Limited Shanghai Branch for examination and approval.

A total of 1,250,000 other circulating shares with selling restrictions were listed and circulated on 29 July 2011 after the relevant circulation formalities were completed.

2. Changes in shares with selling restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares with released selling restrictions of the year	Increased number of shares with selling restrictions of the year	Balance of shares with selling restrictions at the end of the year	Reason of selling restrictions	Date of releasing selling restrictions
Jiangsu Communications Holdings Company Limited	2,742,578,825	2,742,578,825	0	0	Major shareholder fulfilled undertakings in the share segregation reform	2011-5-20
China Merchants Huajian Highway Investment Co., Ltd	589,059,077	589,059,077	0	0	Major shareholder fulfilled undertakings in the share segregation reform	2011-5-20
Domestic legal person shareholder	51,452,745	1,250,000	0	50,202,745	The procedures of listing and circulation have not been completed	2011-7-29
Total	3,383,090,647	3,332,887,902	0	50,202,745	-	-

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 50,202,745 shares which have satisfied the conditions for circulation. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the completion of the share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make the listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirements of the 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 shares has not been changed under the Share Segregation Reform.
5. Since 16 May 2007, the circulating shares with selling restrictions were listed and circulated in batches after the conditions for selling restrictions had been satisfied and the relevant formalities had been completed. The first batch 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 totaling 4,827,000 shares, the eighth batch totalling 4,091,873 shares, the ninth batch totaling 3,331,637,902 shares, and the tenth batch totaling 1,250,000 shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011 and 29 July 2011, respectively. As at the end of the reporting period, the number of circulating A shares was increased to 3,765,544,755 shares, representing 74.74% of the Company's total share capital. The total number of shares 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/per 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

	At the end of 2011	At the end of the latest month before publication of the annual report
Total number of shareholders	46,137	44,881

2. Shareholdings of Major Shareholders of the Company

(i) As at 31 December 2011, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Change during the reporting Period	Number of shares held at the end of the reporting period (shares)	Shareholding percentage(%)	Number of share held subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder
Jiangsu Communications Holdings Company Limited	0	2,742,578,825	54.44	0	0	State-owned legal person
China Merchants Huajian Highway Investment Co., Ltd	0	589,059,077	11.69	0	0	State-owned legal person
Mondrian Investment Partners Limited	-10,044,000	85,820,000	1.70	0	Unknown	Foreign legal person
Blackrock, Inc.	74,678,278	74,678,278	1.48	0	Unknown	Foreign legal person
Columbia Wanger Asset Management, L.P.	63,878,000	63,878,000	1.27		Unknown	Foreign legal person
Macquarie Group Limited	61,290,430	61,290,430	1.22	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)	27,940,789	49,640,398	0.99	0	Unknown	Others
China Pacific Life Insurance Co., Ltd (中國太平洋人壽保險股份有限公司)	25,822,458	25,822,458	0.51	0	Unknown	Others
Guotai Junan Securities Co., Ltd (國泰君安證券股份有限公司)	18,198,391	18,198,391	0.36	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)	3,915,913	17,793,761	0.35	0	Unknown	Others

Notes: About shareholdings of the top ten shareholders:

- a. The Company is not aware of any of the above shareholders who are connected to each other or acting in concert;
- b. During the reporting period, no connected persons, strategic investors or general legal persons became one of the top ten shareholders of the Company as a result of the placement of new shares;
- c. The numbers of shares held by 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 2011, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares as at the end of the reporting period (shares)	Type of shares
Jiangsu Communications Holdings Company Limited	2,742,578,825	RMB-denominated ordinary shares
China Merchants Huajian Highway Investment Co., Ltd	589,059,077	RMB-denominated ordinary shares
Ping An Property & Casualty Insurance Company of China, Ltd (中國平安財產保險股份有限公司)	49,640,398	RMB-denominated ordinary shares
China Pacific Life Insurance Co., Ltd (中國太平洋人壽保險股份有限公司)	25,822,458	RMB-denominated ordinary shares
Guotai Junan Securities Co., Ltd (國泰君安證券股份有限公司)	18,198,391	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)	17,793,761	RMB-denominated ordinary shares
Yulong Investment Fund (裕隆證券投資基金)	10,850,000	RMB-denominated ordinary shares
ICBC – Hua An Mid-cap and Small-cap Growth Stock Fund (中國工商銀行－華安中小盤成長股票型證券投資基金)	9,936,895	RMB-denominated ordinary shares
Kunshan Municipal Land Development Center (昆山市土地開發中心)	7,500,000	RMB-denominated ordinary shares
BILL & MELIDA GATES FOUNDATION TRUST	7,328,527	RMB-denominated ordinary shares

Changes in Share Capital and Shareholders

(iii) As at 31 December 2011, 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	Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司)	21,410,000	16 May 2007	0	Note 1
2	Other public legal person shares	28,802,745	16 May 2007	0	Note 1

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

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

Name	Capacity	Direct interests	Number of H shares held	Percentage of H shares (total shares)
Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited/ China Merchants Huajian Highway Investment Co., Ltd (招商局集團有限公司/ 招商局華建公路投資有限公司)(1)	Others	Yes	589,059,077(L)	(11.69%)
Mondrian Investment Partners Limited	Investment manager	Yes	85,820,000 (L)	7.02% (1.70%)
Blackrock, Inc.	Interest of controlled corporation	Yes	74,678,278 (L) 754,906 (S)	6.11% (1.48%) 0.06%
Columbia Wanger Asset Management, L.P.	Investment manager	Yes	63,878,000 (L)	5.23% (1.27%)
Macquarie Group Limited	Interest of controlled corporation	Yes	61,290,430 (L)	5.02% (1.22%)

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

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

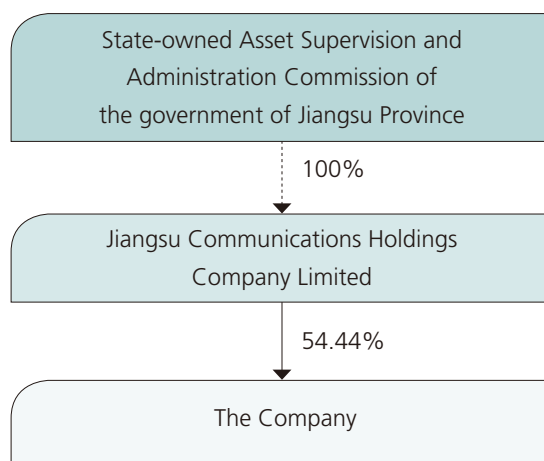
Save as disclosed above, to the Company's best knowledge, as at 31 December 2011, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

3. Controlling shareholder of the Company

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

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. Changes in Major Shareholders

During the reporting period, Huajian Transportation Economic Development Center, the second largest shareholder of the Company (accounting for 11.69% of the Company's shares) completed its change of name as follows:

Changing Item	Before	After
Company Name	Huajian Transportation Economic Development Center	China Merchants Huajian Highway Investment Co., Ltd.
Type of company	An enterprise owned by the people	One-man company with limited liability (legal person solely owned)
Legal representative	Fu Yu Ning	Li Jian Hong
Registered capital	RMB500 million	RMB1,500 million
Date of establishment	18 December 1993	18 December 1993
Principal Business	Its principal businesses were investment in and management of roads, bridges, 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.	Its principle businesses investment in and development, construction, operation and management of infrastructures including roads, bridges, docks, ports and passages; management of investment; research and development of new technologies, new products and new materials related to transport infrastructure; the sale of products; the sale of building materials, electrical machinery and equipment, automobile and auto accessories, metals and electronics and groceries; economic information consultation.

(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.

(7) Shareholders' Waiver or Agreement on Dividend Arrangement

During the reporting period, there was no arrangement for shareholder to waive any dividend.

Directors, Supervisors, Senior Management and Staff

(1) General Information

Names	Gender	Age	Position with the Company	Term of office
Yang Gen Lin	M	59	Chairman	From July 2010 to 2012
Qian Yong Xiang	M	48	Executive Director, General Manager	From June 2009 to 2012
Zhang Yang	F	48	Non-executive Director	From June 2009 to 2012
Chen Xiang Hui	M	49	Non-executive Director	From June 2009 to 2012
Du Wen Yi	M	49	Non-executive Director	From June 2009 to 2012
Cheng Chang Yung Tsung, Alice	F	80	Non-executive Director	From October 2009 to 2012
Fang Hung, Kenneth	M	74	Non-executive Director	From October 2009 to 2012
Fan Cong Lai	M	50	Independent Non-executive Director	From June 2009 to 2012
Chen Dong Hua	M	37	Independent Non-executive Director	From June 2009 to 2012
Xu Chang Xin	M	49	Independent Non-executive Director	From October 2009 to 2012
Gao Bo	M	50	Independent Non-executive Director	From October 2009 to 2012
Chang Qing	M	49	Chairman of the Supervisory Committee	From March 2011 to 2012
Sun Hong Ning	M	51	Supervisor	From October 2009 to 2012
Hu Yu	F	37	Supervisor	From June 2009 to 2012
Yan Shi Min	M	58	Supervisor	From June 2009 to 2012
Shao Li	F	34	Supervisor	From June 2009 to 2012
Liu Wei	F	56	Deputy General Manager, Financial Controller	From January 2010 to September 2011
Zhao Jia Jun	M	45	Deputy General Manager	From January 2010 to December 2012
Shang Hong	F	49	Deputy General Manager	From December 2010 to November 2013
Tian Yafei	M	46	Assistant to General Manager	From February 2010 to January 2013
Yao Yong Jia	M	48	Assistant to General Manager cum Secretary to the Board	From December 2010 to November 2013
Lee Wai Fun, Betty	F	51	Company Secretary (Hong Kong)	From June 2011 to May 2012

Notes:

1. During the reporting period, the Directors, supervisors and senior management of the Company (including their spouse or children and the company or trust holding 30% or more of shares) did not hold any shares, shares futures options and restricted shares of the Company.
2. The Directors and senior management are not connected to each other.
3. Ms. Lee Wai Fun, Betty, who is not an employee of the Company, provides professional company secretarial services in Hong Kong for the Company.

(2) Changes in Directors, Supervisors and Senior Management

Mr. Chang Qing was elected Supervisor of the Company at the Tenth Meeting of the Sixth Session of the Supervisory Committee held on 27 January 2011. The relevant resolution was considered and approved at the Extraordinary General Meeting held on 18 March 2011. Mr. Chang Qing was elected Chairman of the Supervisory Committee at the Eleventh Meeting of the Sixth Session of the Supervisory Committee on 18 March 2011.

Ms. Shang Hong was appointed as Deputy General Manager of the Company and Mr. Yao Yong Jia was appointed as Assistant to General Manager of the Company at the Fifteenth Meeting of the Sixth Session of the Board held on 18 March 2011.

In September 2011, Ms. Liu Wei, former Deputy General Manager cum Financial Controller of the Company, resigned from all duties of the Company due to attaining the mandatory age for retirement.

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

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

Directors, Supervisors, Senior Management and Staff

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

Name	Employer	Current Title	Emoluments Received (Yes or No)
Zhang Yang	Sichuan Expressway Co., Ltd.	Vice Chairman	Yes
	Henan Zhongyuan Expressway Co., Ltd.	Director	No
	Jilin Expressway Co., Ltd.	Vice Chairman	Yes
Sun Hong Ning	Jinling Hotel Corporation	Director	No
	Huatai Securities Co., Ltd.	Director	No
Fang Hung, Kenneth	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 Dong Hua	Nanjing Port Co., Ltd.	Independent Director	Yes
	Jiangsu Yue Da Investment Company Limited	Independent Director	Yes
Hu Yu	Sichuan Expressway Co., Ltd.	Director	Yes
	Guangxi Wuzhou Communications Co., Ltd.	Supervisor	Yes

(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:

- 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 2011 amounted to HK\$300,000 (equivalent to approximately RMB249,000 after conversion was made at an exchange rate of HK\$1.00 against RMB0.83 at the end of the reporting period). The annual emolument for each of the four independent Directors in the Mainland was RMB60,000.
- 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 includes various deputy general managers, assistants to general managers and secretary to the Board of the Company. They received their management remunerations in line with their respective positions. Their total remuneration comprised of three parts which were salary for the position, performance bonus and Company's contribution to their pension scheme.

Details of remunerations of the Directors, supervisors and senior management during 2011

RMB: Yuan

Personnel	Remuneration of Directors or supervisors	Management remuneration	Total	Received remuneration in shareholders' entities or other connected entities
Directors				
Yang Gen Lin	–	–	–	Yes
Qian Yong Xiang	–	435,748	435,748	No
Zhang Yang	–	–	–	Yes
Chen Xiang Hui	–	–	–	Yes
Du Wen Yi	–	–	–	Yes
Cheng Chang Yung Tsung, Alice	249,000	–	249,000	No
Fang Hung, Kenneth	249,000	–	249,000	No
Independent Directors				
Fan Cong Lai	60,000	–	60,000	No
Chen Donghua	60,000	–	60,000	No
Xu Chang Xin	60,000	–	60,000	No
Gao Bo	60,000	–	60,000	No
Supervisors				
Chang Qing	–	–	–	Yes
Sun Hong Ning	–	–	–	Yes
Hu Yu	–	–	–	Yes
Yan Shi Min	–	261,456	261,456	No
Shao Li	–	261,456	261,456	No
Senior Management				
Liu Wei (1)	–	215,261	215,261	No
Zhao Jia Jun	–	346,808	346,808	No
Shang Hong	–	325,032	325,032	No
Tian Yafei	–	304,432	304,432	No
Yao Yong Jia	–	305,032	305,032	No
Lee Wai Fun, Betty	–	–	–	No
Total	738,000	2,455,225	3,193,225	–

Note 1: Ms. Liu Wei, a member of the Senior Management, resigned from all duties of the Company due to her retirement in September 2011. The remuneration received in the year is the salary received during her term of office.

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

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

Directors' and supervisors' contracts

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

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 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 connected parties held any interests in the registered capital of the Company and its subsidiaries or associates being disclosable under the Securities and Futures Ordinance or the Model Code.

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

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.

(7) Biographies of Directors, Supervisors and Senior Management

Directors

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

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

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

Born in 1964, with a Master of Engineering degree and an MBA. He taught at Southeast University from 1987 to 1992. He joined the Company in 1992 and has been Head of the Planning Section, Deputy Manager and Manager of the Investment and Securities Department and Deputy General Manager of the Company. Mr. Qian has long been involved in strategies studies of the transport industry, the Company's investment analysis and management, project construction and operations 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, with a post-graduate diploma. She commenced work in 1987. From 1988 to 1994, Ms. Zhang was a principal staff member of the political division of the Ministry of Aerospace. From 1994 to 2007, she was the Manager of the securities management division and the Assistant to General Manager of Huajian Transportation Economic Development Center, and she is now Deputy General Manager of Huajian Transportation Economic Development Center. She is also Director of Shenzhen Expressway Company Limited, Zhejiang Expressway Company Limited and Xiamen Port Development Co., Ltd. as well as the Vice Chairman of Sichuan Expressway Company Limited. Ms. Zhang has extensive knowledge in the transportation and securities industries and is rich in management experience.

Directors, Supervisors, Senior Management and Staff

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

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

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

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

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

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

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

Born in 1938, graduated from the Massachusetts Institute of Technology in the USA with a master degree in 1960s. He is Chairman of Fang Brothers Knitting Ltd., Chairman of Yeebo (International Holdings) Limited which is listed on the Main Board of the Hong Kong Stock Exchange, 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, is a tutor for doctoral candidates and a renowned economist nationwide. Mr. Fan was a teaching assistant of the Economics Faculty of the School of Business at Nanjing University since 1983 and a lecturer in 1988. He has been a professor and Department Head of the Economics Faculty of the School of Business at Nanjing University since 1996. Mr. Fan is currently Secretary of the Communist Party Committee of the Business School at Nanjing University, Vice Chairman of Jiangsu Finance Association and Vice Chairman of the Jiangsu Investment Association. Mr. Fan has long been engaged in teaching and research of monetary finance, corporate finance and capital markets. He is knowledgeable in economic theories. He has received numerous national awards honouring his outstanding contribution as an expert.

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

Born in 1975, is a professor and advisor for doctoral candidates. He is currently Secretary of and 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 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, Chairman of the Nomination, Remuneration and Appraisal Committee.

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

Directors, Supervisors, Senior Management and Staff

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

Born in 1962, a professor in economics and an advisor for doctoral candidates. He is currently Director of the Real Estate Research Center 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; Vice-President of Jiangsu Real Estate and Economics Association; and Deputy Secretary-General of Jiangsu Economics Association. He has published more than 10 books and has issued over 130 pieces of papers in professional academic periodicals including Economic Research Journal and Management World (Monthly). He has completed over 10 research projects including the National Social Sciences Foundation (key projects), the National Natural Science Foundation and the Humanities and Social Sciences Research Planning Foundation of the Ministry of Education. He is leading key research subjects of Philosophy and Social Sciences under Ministry of Education. He was the winner of over 10 prizes for scientific research including the ministry-level First-Class Award for Advancement in Science and Technology and the Second-Class Award for Excellent Achievement in Social Sciences of Jiangsu Province.

Supervisors

Mr. Chang Qing, Chairman of the Supervisory Committee.

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

Mr. Sun Hong Ning, Supervisor.

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

Ms. Hu Yu, Supervisor.

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

Mr. Yan Shi Min, Supervisor from Staff Representative.

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

Ms. Shao Li, Supervisor from Staff Representative.

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

Senior Management

Ms. Liu Wei, Deputy General Manager, Financial Controller.

Born in 1956, university graduate, Senior Accountant. Ms. Liu joined the Company in August 1992. She had been Deputy Section Chief of the Planning Division of the Transport Department of Jiangsu Province, Head of the Finance Department of the Jiangsu Roads & Bridges Construction Co. and Section Chief of the Finance Division of the Jiangsu Expressways Command Office. Ms. Liu was also Deputy Division Chief and Manager of the Finance Department of the Company. She has been working in the economic and financial management for 20 years and has extensive experience in these areas.

Mr. Zhao Jia Jun, Deputy General Manager.

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

Ms. Shang Hong, Deputy General Manager.

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

Directors, Supervisors, Senior Management and Staff

Mr. Tian Yafei, Assistant to General Manager, Manager of the Operation and Development Department.

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

Mr. Yao Yong Jia, Assistant to General Manager cum Secretary to the Board, Secretary of the Company.

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

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

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

(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 2011, the Company had 3,759 staffs (excluding controlling and participating companies). The staff composition was as follows:

1. Professional Composition

Type of profession	Number	Percentage
Administrative and management staff	374	9.95%
Toll operation staff	2,073	55.15%
Maintenance and repair staff	215	5.72%
Service area staff	1,097	29.18%

2. Educational Background

Education level	Number	Percentage
University or above	380	10.11%
Post-secondary school	900	23.94%
Secondary/vocational schools or below	2,479	65.95%

Educational background of administrative and management staff is as follows

Education level	Number	Percentage
Master's degree or above	27	7.22%
Bachelor's degree	179	47.86%
Post-secondary school or below	168	44.92%

Staff Salary and Performance Appraisal

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

The Company enforced a stringent performance appraisal system. Based on the Company's management methods and implementation rules for the Company's performance appraisal, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisals according to the objectives for performance management while it imposed corresponding punishments and gave warning to those who failed to achieve the appraisal standards, thereby raising staff's sense of responsibility toward their respective duties and ensuring the realization of respective operations management objectives. Every year, the Company selects a group of outstanding staff, exemplary toll collection staff and exemplary service staff. Spiritual and material rewards are granted to commend such staff for their excellence and to motivate the work passion of other staff.

To fully mobilize the proactiveness and enthusiasm of first-line toll collectors, the Company further improved the dose-response appraisal and incentive mechanism for toll collectors and employees of relevant positions during the year by incorporating a piecemeal appraisal method of performance-based bonuses for toll collectors. This fully reflects the bonus distribution mechanism under which employees are rewarded based on their performance, which cultivates a positive atmosphere in which employees are encouraged to take more initiative.

Directors, Supervisors, Senior Management and 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, labor injury insurance, maternity insurance and unemployment insurance through the social insurance authority. Meanwhile, in order to provide better protection for its employees, the Company has also obtained supplementary medical insurance and accident insurance from commercial insurance companies for its employees. The Company also established the corporate annuity scheme, aiming at improving the living standards of its employees after retirement and built long-term caring relationships between the Company and its employees. The relevant premiums and corporate annuities have been paid up on time. The Company received the title of "Model Enterprise for Labor Protection and Integrity" in Jiangsu Province in 2011 as a result of the implementation of its proactive measures for the protection of its employees.

Staff Education, Training and Career Development

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources. Each year, the Company devises training programs based on the annual work plans and the Company's human resources development needs so that training schemes are in line with the Company's operating status and management needs, while conclusions and reviews will be made at the end of the year. In 2011, the Company has established the Internal Part-time Lecturer Training System under which our own business training team was built up gradually through the professional training of senior management and professional technical staff.

During 2011, the Company and all of its administrative departments conducted 309 staff training sessions (2010: 249) according to the annual training plan. Of these sessions, approximately 63% were job skills training programs for production positions, and approximately 37% were comprehensive capability enhancement programs for management and professional technical staff. Total spending on these training programs amounted to approximately RMB2,836,000 (2010: RMB2,103,000), covering 11,297 persons (2010: 10,709 persons) and involving all staff of various levels, from junior first-line staff to senior management members.

The Company also places emphasis on career planning for its employees by setting a strategy of building up a team of management staff, establishing promotion channels for employees that features open and fair competition for jobs, and progressively unifying the assessment of and scoring standards for job competition at all levels. In 2011, six competitions were organized for various positions and 32 employees were repositioned to other positions, promoted or recruited for the training and selection of key business and backup management staff to ensure the availability of human resources for the sustainable development of the Company.

Shareholders' General Meetings

(1) Annual General Meeting

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2010 Annual General Meeting	11 May 2011	China Securities Journal Shanghai Securities News	12 May 2011

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 2010;
- ◇ 2010 profit distribution scheme;
- ◇ Appointment of auditors for the year;
- ◇ Approval on the issue of short-term commercial paper program not exceeding RMB2 billion by the Company.

(2) Extraordinary General Meetings

Session	Convening date	Newspapers for disclosing the resolutions passed at the meeting	Disclosure date
2011 First Extraordinary General Meeting	18 March 2011	China Securities Journal Shanghai Securities News	18 March 2011
2011 Second Extraordinary General Meeting	9 November 2011	China Securities Journal Shanghai Securities News	9 November 2011

The extraordinary general meetings have considered and approved the following significant matter as ordinary resolutions:

- ◇ The appointment of Mr. Chang Qing as Supervisor of the Company was approved.
- ◇ Approval on the issue of non-public directed debt instrument not exceeding RMB2 billion by the Company.

Shareholders' General Meetings

(3) The Implementation of the General Meeting Resolutions

◇ Profit distribution for year 2010

As approved at the 2010 annual general meeting, the Company distributed a cash dividend of RMB0.36 (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 2010. Such profit distribution scheme was implemented on 10 June 2011.

◇ Fundraising and financing plans

To optimize the debt structure, reduce financial costs and replenish working capital, a scheme to issue no more than RMB2 billion in short-term commercial papers, was considered and approved by the Company at the 2010 Annual General Meeting on 11 May 2011. The short-term commercial papers were issued in two tranches as according to the Company's plan for the use of funds. The first tranche, involving an issue amount of RMB1 billion for a term of 366 days with a nominal value of RMB100 per unit at an offer rate of 5%, was completed on 6 July 2011; the second tranche, involving an issue amount of RMB1 billion for a term of 366 days with a nominal value of RMB100 per unit at an offer rate of 6.18%, was completed on 26 September 2011.

The issue of not more than RMB2 billion in a non-public directed debt instrument for a maturity of not more than three years was approved at the Company's 2011 Second Extraordinary General Meeting. The funds raised from the issue will be used for the replacement of medium and long-term debts and the replenishment of working capital. At present, Minsheng Bank has been engaged as the lead underwriter for the fund-raising plan, and is carrying out the reporting procedures for the first tranche of the issue.

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 2011, 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 for the purpose of safeguarding the interests of the shareholders, the Company and its staff.

The Supervisory Committee held five meetings in 2011. The convening, proceedings and resolutions of the meetings complied with legal procedures. Significant matters were considered and examined by the Supervisory Committees as follows:

Convening of the Supervisory Committee Meeting	Agenda of the Supervisory Committee Meeting
The Tenth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none">– Election of Mr. Chang Qing as Supervisor of the Company was conducted in the form of correspondence.
The Eleventh Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none">– Mr. Chang Qing was elected Chairman of Supervisory Committee of the Company– The 2010 annual report and its summary of the Company were considered– The 2010 work report of Supervisory Committee was considered– The 2010 Self-evaluation Report on Internal Control of the Company was considered and approved
The Twelfth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none">– The 2011 first quarterly report of the Company was considered
The Thirteenth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none">– The 2011 interim report and its summary of the Company were considered
The Fourteenth Meeting of the Sixth Session of the Supervisory Committee	<ul style="list-style-type: none">– The 2011 third quarterly report of the Company was considered

Report of the Supervisory Committee

(2) Independent Opinions of the Supervisory Committee

During the reporting period, the Supervisory Committee attended the physical shareholders' general 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 the following independent opinions in relations to the relevant matters of the Company for year 2011.

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 2011, 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 Company has employed Deloitte Touche Tohmatsu CPA Ltd. to audit the 2011 financial statements of the Company in accordance with the PRC Accounting Standards and to issue auditors' reports with standard unqualified audit opinions. 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 consistent with the undertaking made in the fund raising prospectus without any deviation. Meanwhile, the principal and the interest incurred were paid on time, and the gains of the investors were ensured during the year.

4. Asset Transfer of the Company

During the reporting period, the Board of the Company decided to invest no more than RMB500 million in a new project for the construction of the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway, and approved its subsidiary Guangjing Xicheng to participate in the registered capital enlargement in Financial Leasing. The Supervisory Committee participated in the decision process of these asset transfers, and believed that the relevant investment decisions were in the long-term interests of the Company and its shareholders. The decision process was in compliance with all legal requirements and no insider transactions were found.

5. Connected Transactions of the Company

During the reporting period, the Company entered into the maintenance service connected transaction contracts with Jiangsu Sundian, and renewed the relevant service and leasing agreements with other connected parties including Network Operation Company, Jiangsu Expressway Petroleum and Jiangsu Sundian. The Company's subsidiary Guangjing Xicheng participated in the connected transaction in relation to the registered capital enlargement in Financial Leasing. 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.

6. 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 operations management risks of the Company.

The Supervisory Committee conducted an assessment on the performance of duties of the Directors for year 2011. It was not aware of any situation in which the Directors have 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
23 March 2012

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 the Jiangsu Province. During the reporting period, there was no significant change in 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 its day-to-day operation in general. As such, the Group is not required to further disclose information relating to its major customers or suppliers.

(2) Material Litigation or Arbitration

The Company or its subsidiary had 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 Group did not hold equity interests in other listed companies, nor did it hold equity interests of other non-listed financial enterprises.

(5) Assets Transfer

◇ Increase in capital contribution to Financial Leasing

During the reporting period, Jiangsu Financial Leasing Co., Ltd. ("Financial Leasing"), an associate in which the Company's subsidiary Guangjing Xicheng held an equity interest, carried out registered capital enlargement due to business expansion needs. After its capital enlargement, the registered capital of Financial Leasing increased from RMB854,700,000 to RMB2,000,000,000. Guangjing Xicheng, which originally held a 11.7% shareholding in Financial Leasing, contributed RMB134,000,000 in cash in proportion to its shareholding in the original registered capital during the course of capital enlargement. Upon the completion of the registered capital enlargement, its shareholding in Financial Leasing remained unchanged. For details of the registered capital enlargement, please refer to the relevant announcement published by the Company on 28 May 2011.

Upon the completion of the registered capital enlargement, the working capital owned by Financial Leasing was expected to increase and the business scope of Financial Leasing would be expanded with a strengthened scale effect as a result of enlarged funds held by Financial Leasing. Registered capital enlargement of Financial Leasing was significant for achieving the goal of continuous development and the improvement of overall competitiveness for Financial Leasing, which in turn was in the long-term interest of Guangjing Xicheng and the Company.

◇ Investment in new project for expressway construction

To further expand its principal business, the Company considered and approved an investment in a new project for the construction of the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway (the "Project") at the Eighteenth Meeting of the Sixth Session of the Board on 3 June 2011. The Project pertains to a dual 3 lane expressway of a length of 28.435 km (with three interchanges, two junctions and one service area). Construction was scheduled for commencement within 2011 and completion by 2014. According to the feasibility report on the Project, total investment of the Project amounted to RMB3.894 billion. 30% of the project capital will be contributed by the Company, involving a total investment of no more than RMB500 million, while 70% would be contributed by an investment company under the Suzhou Municipality. The remaining project capital will be funded by loans from domestic banks with the project company as the principal party, and the Company is not required to provide any guarantee or security for such loans. According to the financial evaluation in the feasibility report, the internal rate of return on the Project's own funds was preliminarily estimated at approximately 9.14% which was a relatively high investment return compared to the current expressway projects under construction or proposed expressway projects in the province.

Located on the most convenient and efficient route connecting Sutong Yangtze River Bridge and Hangzhou Bay Sea-Crossing Bridge, the Project is a major north-south bound passage on the eastern side of Tai Lake, Jiangsu Province. Upon completion of the Project, the road section will run 20-30 km shorter than the passage that the national coastal corridor (G15 Shenyang-Haikou Expressway) needs to run in the region. The Project offers distinct geographical advantages with good investment value.

Meanwhile, the Project runs in parallel with the southern section of Sujiahang Expressway. Since Sujiahang Expressway has increasingly been subjected to saturated traffic after nearly ten years in operation. The Project, upon its completion, will be able to relieve the traffic congestion on the southern section of Sujiahang Expressway. While the Company may suffer from reduced investment income because of its 33.33% equity interest in Sujiahang Co., an investment participation in the Project will enable the Company, to a certain extent, to make up the loss due to traffic diversions from the Sujiahang Expressway.

(6) Implementation of Share Incentive Scheme

The Company has yet to 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.

Significant Matters

(7) Material Connected Transactions

◇ Major connected transactions relating to day-to-day operations

During the reporting period, the major 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 services to connected party		Purchase of products or receipt of services 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	16.2	51,381	72.2
Network Operation Company	4,460	42.8	19,791	27.8
Jiangsu Expressway Petroleum Company	4,267	41.0	–	–
Total	10,417	100	71,172	100

1. Road Maintenance Service Contracts with Jiangsu Sundian

On 18 March 2011, the Company and its subsidiary, Guangjing Xicheng, entered into separate maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd. (“Jiangsu Sundian”) respectively, in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway, for a term commencing on 18 March 2011 and ending on 31 December 2011. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB30 million and RMB60 million, respectively.

The maintenance service fees are determined by the following principles: the tender prices so accepted will serve as the fee basis for the 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, under the principle of not exceeding the market price of the relevant projects. Jiangsu Sundian will be given such a project. The cap of the maintenance service fees was set according to the estimated works in 2011. The maintenance service fees were to be paid out of the Company and Guangjing Xicheng’s own funds. As at the end of the reporting period, the actual amount incurred by the two contracts was RMB18,560,000 and RMB32,821,000 respectively.

As Jiangsu Communications Holdings Company Limited (“Communications Holdings”) and its associates hold 30% equity interests in Jiangsu Sundian, Jiangsu Sundian is a connected party of the Company. The relevant transaction constituted a continuing connected transaction of the Company.

2. Technical Services Provided by Network Operation Company

During the reporting period, the technical services agreement with Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company") was performed. 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 Company and its road and bridge projects. The term of the agreement started on 1 January 2009 and ended on 31 December 2011. Network Operation Company was jointly established by the Company's controlling shareholder, Communications Holdings, and its road and bridge subsidiaries. Communications Holdings is the largest shareholder directly and indirectly holding 30% equity interests, while the Company and Guangjing Xicheng holds approximately 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, Network Operation Company is a connected party 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 Network Operation Company provided services to the Company were examined by the Jiangsu Price Bureau. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to non-cash income. During the reporting period, the Company has paid service fees to Network Operation Company amounting to RMB19,791,000 in aggregate.

Upon expiration of the agreement, the Company and Guangjing Xicheng renewed the service agreement. The agreement was effective from 1 January 2012 to 31 December 2014, and the service fees of Network Operation Company will be chargeable in accordance with the rates on service fees for expressway operation-network as determined by the Jiangsu Price Bureau. Based on the fees paid for 2011 and the estimated toll revenues and their compositions of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway in the coming three years, the maximum annual technical service fees for 2012, 2013 and 2014 are expected to be not more than RMB34,000,000, RMB46,000,000 and RMB64,000,000 respectively.

3. Leasing of Operation of Petroleum Products Sales Business

During the reporting period, Guangjing Xicheng, the Company's subsidiary, performed 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 a 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 RMB4,267,000 in aggregate which was below reporting and disclosure requirements.

Significant Matters

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 applicable taxes if the properties were resumed for investment.

Upon expiration of the leasing contracts, given that there are certain restrictions on the use of the two office spaces and the services provided by Jiangsu Sundian and the Network Operation Company for the Company on a long-term basis, the Company entered into a leasing contract after friendly negotiations with the two parties stipulating the renewal of the lease for a term commencing 1 September 2012 and ending on 31 August 2014, with the annual rent remaining unchanged.

During the reporting period, the Group has included the relevant office rentals from Jiangsu Sundian and Network Operation Company, respectively, in its operating revenue.

◇ Connected Transactions Relating to Asset Acquisition and Disposal

During the course of the registered capital enlargement from subsidiary Guangjing Xicheng to Financial Leasing (please refer to "Assets Transfer" in this report for details of the transaction), since other transaction parties including Jiangsu Communications Holdings Company Ltd., Yangtze Bridge and Financial Leasing are connected persons of the Company, the capital enlargement constituted a connected transaction of the Company under the Hong Kong Listing Rules and Listing Rules of Shanghai Stock Exchange. All shareholders involved in this transaction contributed to the registered capital of Financial Leasing at the same price, which was fair and reasonable. As each of the applicable percentage ratios (as defined under rule 14.07 of Hong Kong Listing Rules) in relation of the registered capital enlargement represented less than 5% but the consideration ratio exceeded 0.1%, the transaction was exempt from the independent shareholders' approval. The Company has fulfilled the obligations of reporting and announcement in accordance with relevant requirements.

◇ 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
Far East Shipping	0	0	210,000	210,000
Total	0	0	210,000	210,000

During the reporting period, the Company 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 an annual interest rate of 6.31%-6.56%.

◇ Confirmation Opinion by Independent Directors on Connected Transactions

The independent Directors of the Company have reviewed all 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.

(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, Ninghu Properties, a Company's subsidiary, provided guarantees with liabilities for mortgage loans extended to its flat buyers by banks. The liabilities began from the date on which the guarantee contracts came into effect and will end on the date when the buyers obtain the housing ownership certificates of the purchased properties, complete the registration of the mortgages and the housing charge certificates of the properties are passed to the banks. As at 31 December 2011, outstanding amount of guarantee was RMB34,620,000.

Apart from the above, 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.

Significant Matters

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.

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

Pursuant to the requirement of "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 "2011 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 confirmed that the information contained in the Summarized Table is consistent with the content of the 2011 auditors' report issued by Deloitte Touche Tohmatsu CPA 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 confirmed that during 2011, the Company did not provide any guarantee to its substantial shareholders, subsidiaries, associates or other connected parties.

Independent Directors:

FAN Cong Lai, CHEN Dong Hua, XU Chang Xin and GAO Bo

23 March 2012

(9) Undertakings and Fulfillment of Undertakings

Undertakings	Details of undertakings	Fulfillment of undertakings
Undertakings regarding the share reform	<p>Jiangsu Communications Holdings Company Limited and China Merchants Huajian Highways Investment Co., Ltd. (formerly known as Huajian Transportation Economic Development Center), holding over 5% of the shares in the Company, made the following undertakings during the share reform:</p> <p>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.</p>	The two major shareholders have completely fulfilled the relevant undertakings during the undertaking 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 Regulatory Authorities

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 regulatory authorities.

Significant Matters

(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), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jsexpressway.com).

Shanghai Stock Exchange Announcement Code	Publication Date	Particulars
臨2011-001	2011-1-20	Announcement on the Interest Payment of Corporate Bonds
臨2011-002	2011-1-28	Announcement on Change in Supervisor
臨2011-003	2011-1-28	Announcement on the Tenth Meeting of the Sixth Session of the Supervisory Committee
臨2011-004	2011-1-28	Notice of 2011 First Extraordinary General Meeting
臨2011-005	2011-3-18	Announcement on the Resolution of the 2011 First Extraordinary General Meeting
臨2011-006	2011-3-18	Announcement on the Fifteenth Meeting of the Sixth Session of the Board of Directors
臨2011-007	2011-3-18	Announcement on the Eleventh Meeting of the Sixth Session of the Supervisory Committee
臨2011-008	2011-3-18	Connected Transaction Announcement on Road Maintenance Service Contract with Jiangsu Sundian Engineering Co., Ltd.
臨2011-009	2011-3-18	Notice of 2010 Annual General Meeting
臨2011-010	2011-5-11	Announcement on the Resolutions of the 2010 Annual General Meeting
臨2011-011	2011-5-13	Announcement on the Listing of the Ninth Batch of Circulating Shares with Selling Restriction
臨2011-012	2011-5-27	Connected Transaction Announcement on Increase in Capital Contribution to Jiangsu Financial Leasing Co., Ltd. by Jiangsu Guangjing Xicheng Expressway Company Limited, a Subsidiary of the Company
臨2011-013	2011-5-30	Announcement on Implementation of 2010 Profit Distribution
臨2011-014	2011-6-3	Announcement on the Eighteenth Meeting of the Sixth Session of the Board of Directors
臨2011-015	2011-7-12	Announcement on the Issue of RMB1 Billion Short-term Commercial Papers
臨2011-016	2011-7-12	Announcement on Change in Name of the Second Largest Shareholder
臨2011-017	2011-7-18	Announcement on the Payment of Principal and Interest of 2008 Corporate Bonds of the Company
臨2011-018	2011-7-20	Reminder Announcement on the Payment of Principal and Interest of 2008 Corporate Bonds of the Company

Shanghai Stock Exchange Announcement Code	Publication Date	Particulars
臨2011-019	2011-7-25	Announcement on the Listing of the Tenth Batch of Circulating Shares with Selling Restriction
臨2011-020	2011-8-20	Continuing Connected Transaction Announcement
臨2011-021	2011-9-1	Announcement on Conducting an Online Results Presentation on the 2011 Interim Report
臨2011-022	2011-9-19	Announcement on the Adjustments of Toll Standards to the G312 Gunan Toll Station
臨2011-023	2011-9-20	Announcement on the Twentieth Meeting of the Sixth Session of the Board of Directors
臨2011-024	2011-9-20	Notice of 2011 Second Extraordinary General Meeting
臨2011-025	2011-9-27	Announcement on the Issue of RMB1 Billion Short-term Commercial Papers
臨2011-026	2011-10-14	Supplemental Announcement on the Provision of Operation Technical Services by Jiangsu Expressway Network Operation & Management Co., Ltd.
臨2011-027	2011-10-28	Announcement on the Twenty-first Meeting of the Sixth Session of the Board of Directors
臨2011-028	2011-11-9	Announcement on the Resolution of the 2011 Second Extraordinary General Meeting
臨2011-029	2011-12-5	Announcement on Change in Sponsoring Institution
臨2011-030	2011-12-30	Continuing Connected Transaction Announcement on Provision of Operation Technical Services by Network Operation Company

Financial Report



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Independent Auditor's Report

Deloitte.

德勤

De Shi Bao (Shen) Zi (12) No.
P0350

TO THE MEMBERS OF JIANGSU EXPRESSWAY COMPANY LIMITED

We have audited the accompanying financial statements of Jiangsu Expressway Company Limited (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2011, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2011, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.

Chinese Certified Public Accountant:

Zhu Shao Fang

Yang Bei

Shanghai, China

23 March 2012

Consolidated Balance Sheet

(31 December 2011)

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current assets				Current liabilities:			
Cash and bank balances	(VI)1	806,129,927	475,084,741	Short-term borrowings	(VI)18	2,865,000,000	1,890,000,000
Held-for-trading financial assets	(VI)2	19,077,428	60,143,990	Accounts payable	(VI)19	307,411,924	108,382,469
Accountants receivable	(VI)4	47,367,781	76,671,935	Receipts in advance	(VI)20	346,683,735	28,495,707
Prepayments	(VI)6	11,614,720	692,761,080	Employee benefits payable	(VI)21	6,523,653	8,484,315
Dividends receivable	(VI)3	2,494,980	1,475,051	Taxes payable	(VI)22	321,399,122	252,738,736
Other receivables	(VI)5	37,116,199	47,202,093	Interest payable	(VI)23	47,683,000	42,265,134
Inventories	(VI)7	1,919,255,292	872,654,415	Dividends payable	(VI)24	104,896,262	62,312,486
Other current assets	(VI)8	560,390,281	0	Other payables	(VI)25	101,492,233	103,347,837
				Non-current liabilities due within one year	(VI)26	201,561,117	1,299,210,230
Total Current Assets		3,403,446,608	2,225,993,305	Total Current liabilities		4,302,651,046	3,795,236,914
Non-current Assets:				Non-current Liabilities			
Long-term equity investment	(VI)9.10	2,190,631,308	2,035,725,267	Long-term borrowings	(VI)27	2,464,977,879	3,077,894,398
Investment properties	(VI)11	17,807,135	16,172,451	Deferred tax liabilities	(VI)16	0	317,393
Fixed assets	(VI)12	1,154,827,314	1,235,365,834				
Construction in progress	(VI)13	26,032,412	13,764,384				
Intangible assets	(VI)14	18,573,651,716	19,364,946,719				
Long-term prepaid expenses	(VI)15	652,950	828,681				
Deferred tax assets	(VI)16	8,389,453	4,696,492	Total Non-current liabilities		2,464,977,879	3,078,211,791
Total Non-current Assets		21,971,992,288	22,671,499,828	TOTAL LIABILITIES		6,767,628,925	6,873,448,705
				Shareholders' Equity			
				Share capital	(VI)28	5,037,747,500	5,037,747,500
				Capital reserve	(VI)29	7,541,527,674	7,576,722,435
				Surplus reserve	(VI)30	2,291,733,894	2,022,082,235
				Retained profits	(VI)31	3,273,680,481	2,927,171,033
				Total shareholders' equity attributable to equity holders of the Company		18,144,689,549	17,563,723,203
				Minority interests		463,120,422	460,321,225
				TOTAL SHAREHOLDERS' EQUITY		18,607,809,971	18,024,044,428
TOTAL ASSETS		25,375,438,896	24,897,493,133	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,375,438,896	24,897,493,133

The accompanying notes form part of the financial statements.

The financial statements on pages 116 to 247 were signed by the following:

Legal Representative
Yang Gen Lin

Person in Charge of the Accounting Body
Qian Yong Xiang

Chief Accountant
Yu Lan Ying

Balance Sheet of the Company

(31 December 2011)

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
				Unit: RMB			
Current assets				Current liabilities:			
Cash and bank balances	(XII)1	452,126,965	171,257,578	Short-term borrowings	(XII)13	3,455,000,000	2,490,000,000
Accounts receivable	(XII)2	37,927,174	65,475,479	Accounts payable	(XII)14	105,026,669	95,760,231
Prepayments	(XII)4	6,069,781	1,582,171	Receipts in advance		5,736,715	3,987,714
Dividends receivable		2,494,980	0	Employee benefits payable	(XII)15	5,496,846	8,192,758
Other receivables	(XII)3	1,259,171,286	1,346,323,803	Taxes payable	(XII)16	254,010,835	181,695,793
Inventories	(XII)5	14,250,110	12,095,632	Interest payable		48,398,600	42,957,734
Other current assets		501,253,333	0	Dividends payable		80,871,474	62,312,486
				Other payables	(XII)17	72,885,125	68,580,048
				Non-current liabilities due within one year		201,561,117	1,299,210,230
Total Current Assets		2,273,293,629	1,596,734,663	Total Current Liabilities		4,228,987,381	4,252,696,994
Non-current Assets:				Non-current Liabilities			
Long-term equity investment	(XII)6.7	4,160,072,389	4,139,223,226	Long-term borrowings		2,464,977,879	3,077,894,398
Fixed assets	(XII)8	973,841,001	1,062,649,121				
Construction in progress	(XII)9	19,443,164	13,234,685				
Intangible assets	(XII)10	16,831,384,332	17,519,423,854	Total Non-current liabilities		2,464,977,879	3,077,894,398
Deferred tax assets	(XII)11	4,298,559	4,558,784				
Total Non-current Assets		21,989,039,445	22,739,089,670	TOTAL LIABILITIES		6,693,965,260	7,330,591,392
				Shareholders' Equity			
				Share capital		5,037,747,500	5,037,747,500
				Capital reserve		7,523,102,442	7,558,297,203
				Surplus reserve	(XII)18	2,002,886,733	1,761,694,860
				Retained profits	(XII)19	3,004,631,139	2,647,493,378
				Total Shareholders' Equity		17,568,367,814	17,005,232,941
TOTAL ASSETS		24,262,333,074	24,335,824,333	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,262,333,074	24,335,824,333

The accompanying notes form part of the financial statements.

Consolidated Income Statement

(For the year ended 31 December 2011)

Item	Notes	Amount for the current period	Unit: RMB
			Amount for the prior period
I. Total operating income	(VI)32	7,401,310,221	6,756,244,112
Including: Operating income		7,401,310,221	6,756,244,112
II. Total operating costs		4,331,124,736	3,668,539,923
Including: Operating costs	(VI)32	3,635,778,535	2,958,850,331
Business taxes and levies	(VI)33	186,635,646	178,628,022
Selling expenses	(VI)34	8,569,902	5,122,187
Administrative expenses	(VI)35	183,773,114	163,628,525
Financial expenses	(VI)36	316,953,136	362,390,858
Impairment losses of assets	(VI)37	-585,597	-80,000
Add: Gains from changes in fair values	(VI)38	-922,572	1,269,570
Investment income (Loss is indicated by “-”)	(VI)39	201,464,314	243,081,651
Including: Income from investments in associates and joint ventures		190,114,061	213,787,396
III. Operating profit		3,270,727,227	3,332,055,410
Add: Non-operating income	(VI)40	33,448,015	27,541,056
Less: Non-operating expenses	(VI)41	40,947,911	27,405,424
Including: Losses from disposal of non-current assets		24,085,345	10,499,321
IV. Total profit		3,263,227,331	3,332,191,042
Less: Income tax expenses	(VI)42	783,532,809	792,651,947
V. Net profit		2,479,694,522	2,539,539,095
Net profit attributable to owners of the Company		2,429,750,207	2,484,404,028
Profit or loss attributable to minority interests		49,944,315	55,135,067
VI. Earnings per share:	(VI)43		
(I) Basic earnings per share		0.4823	0.4932
(II) Diluted earnings per share		N/A	N/A
VII. Other comprehensive income (loss)	(VI)44	-35,194,761	-115,550,005
VIII. Total comprehensive income		2,444,499,761	2,423,989,090
Total comprehensive income attributable to owners of the Company		2,394,555,446	2,368,854,023
Total comprehensive income attributable to minority interests		49,944,315	55,135,067

The accompanying notes form part of the financial statements.

Income Statement of the Company

(For the year ended 31 December 2011)

Item	Notes	Amount for the current period	Unit: RMB
			Amount for the prior period
I. Total operating income	(XII)20	3,623,621,411	5,978,909,545
Less: Operating costs	(XII)20	3,345,087,841	2,702,758,166
Business taxes and levies	(XII)21	162,164,765	155,796,815
Administrative expenses	(XII)22	139,805,409	136,542,877
Financial expenses		346,719,981	385,069,243
Impairment loss of assets	(XII)24	-585,597	0
Add: Investment income	(XII)23	460,705,763	469,359,133
Including: Income from investments in associates and joint ventures		190,057,183	214,133,017
II. Operating profit		3,091,134,775	3,068,101,577
Add: Non-operating income	(XII)25	31,327,562	15,372,926
Less: Non-operating expenses	(XII)26	34,778,085	22,343,712
Including: Losses from disposal of non-current assets		20,858,295	8,245,877
III. Total profit		3,087,684,252	3,061,130,791
Less: Income tax expenses	(XII)27	675,765,518	662,638,465
IV. Net profit		2,411,918,734	2,398,492,326
V. Earnings per share:			
(I) Basic earnings per share		0.4788	0.4761
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income	(XII)28	-35,194,761	-115,550,005
VII. Total comprehensive income		2,376,723,973	2,282,942,321

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement

(For the year ended 31 December 2011)

Item	Notes	Amount for the current period	Unit: RMB Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		8,093,644,846	6,997,107,081
Other cash receipts relating to operating activities	(VI)45(1)	29,904,464	29,548,418
Sub-total of cash inflows from operating activities		8,123,549,310	7,026,655,499
Cash payments for goods purchased and services received		2,818,544,631	2,283,029,599
Cash payments to and on behalf of employees		435,530,028	382,355,450
Payments of various types of taxes		962,304,564	908,192,834
Other cash payments relating to operating activities	(VI)45(2)	71,755,866	61,445,265
Sub-total of cash outflows from operating activities		4,288,135,089	3,635,023,148
Net Cash Flow from Operating Activities		3,835,414,221	3,391,632,351
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,730,519,864	52,883,213
Cash receipts from investment income		132,993,330	157,589,880
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		29,845,690	7,017,054
Net cash receipts from disposals of subsidiaries and other business units		0	127,182
Other cash receipts relating to investing activities	(VI)45(3)	0	0
Sub-total of cash inflows from investing activities		1,893,358,884	217,617,329
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		174,526,166	118,545,124
Cash payments to acquire investments		2,349,278,954	59,657,170
Other cash payments relating to investing activities	(VI)45(4)	0	0
Sub-total of cash outflows from investing activities		2,523,805,120	178,202,294
Net Cash Flow from Investing Activities		-630,446,236	39,415,035

Item	Notes	Amount for the current period	Unit: RMB Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		3,010,000,000	3,870,000,000
Cash receipts from issue of bonds		2,000,000,000	1,000,000,000
Other cash receipts relating to financing activities	(VI)45(5)	0	0
Sub-total of cash inflows from financing activities		5,010,000,000	4,870,000,000
Cash repayments of borrowings		5,744,193,222	6,397,534,874
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,131,538,142	1,940,091,002
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		23,120,330	45,039,903
Other cash payments relating to financing activities	(VI)45(6)	8,191,435	6,156,920
Sub-total of cash outflows from financing activities		7,883,922,799	8,343,782,796
Net Cash Flow from Financing Activities		-2,873,922,799	-3,473,782,796
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		0	0
V. Net Increase (decrease) in Cash and Cash Equivalents		331,045,186	-42,735,410
Add: Opening balance of Cash and Cash Equivalents		475,084,741	517,820,151
VI. Closing Balance of Cash and Cash Equivalents		806,129,927	475,084,741

The accompanying notes form part of the financial statements.

Cash Flow Statement of the Company

(For the year ended 31 December 2011)

Item	Notes	Amount for the current period	Unit: RMB Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		6,997,044,742	6,216,194,715
Other cash receipts relating to operating activities	(XII)29	20,043,402	10,383,775
Sub-total of cash inflows from operating activities		7,017,088,144	6,226,578,490
Cash payments for goods purchased and services received		2,568,177,084	1,918,774,085
Cash payments to and on behalf of employees		365,229,462	318,092,147
Payments of various types of taxes		794,643,839	746,969,397
Other cash payments relating to operating activities	(XII)29	39,350,845	40,893,331
Sub-total of cash outflows from operating activities		3,767,401,230	3,024,728,960
Net Cash Flow from Operating Activities		3,249,686,914	3,201,849,530
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,202,239,577	0
Cash receipts from investment income		398,673,949	383,786,657
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		27,555,854	6,894,295
Net cash receipts from disposals of subsidiaries and other business units	(XII)29	120,000,000	0
Other cash receipts relating to investing activities		1,748,469,380	390,680,952
Sub-total of cash inflows from investing activities		91,532,857	55,240,337
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,700,000,000	0
Cash payments to acquire investments	(XII)29	40,000,000	260,000,000
Other cash payments relating to investing activities		1,831,532,857	315,240,337
Sub-total of cash outflows from investing activities		-83,063,477	75,440,615

Item	Notes	Amount for the current period	Unit: RMB Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		3,760,000,000	4,470,000,000
Cash receipts from issue of bonds		2,000,000,000	1,000,000,000
Sub-total of cash inflows from financing activities		5,760,000,000	5,470,000,000
Cash repayments of borrowings		6,504,193,222	6,897,585,789
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,133,369,393	1,915,268,105
Other cash payments relating to financing activities	(XII)29	8,191,435	6,156,920
Sub-total of cash outflows from financing activities		8,645,754,050	8,819,010,814
Net Cash Flow from Financing Activities		-2,885,754,050	-3,349,010,814
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-	0
V. Net Increase (decrease) in Cash and Cash Equivalents		280,869,387	-71,720,669
Add: Opening balance of Cash and Cash Equivalents		171,257,578	242,978,247
VI. Closing Balance of Cash and Cash Equivalents		452,126,965	171,257,578

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Owners' Equity

(For the year ended 31 December 2011)

Unit: RMB

Item	Amount for the current period										Amount for the same period of last year											
	Attributable to owners of the Company					Less: Treasury shares	Capital reserve	Share capital	Total owners' equity	Attributable to owners of the Company					Less: Treasury shares	Capital reserve	Share capital	Total owners' equity				
	Share capital	Capital reserve	Special reserve	Surplus reserve	General reserve					Retained profits	Others	Minority interest	Total owners' equity	Share capital					Capital reserve	Special reserve	Surplus reserve	General reserve
I. Closing balance of the preceding year	5,037,747,500	7,516,722,435	0	2,022,082,235	0	2,927,171,033		5,037,747,500	18,024,044,428	460,331,225					7,692,272,440	0	1,747,725,629	0	2,270,825,336	0	450,226,061	17,206,796,966
II. Changes for the year																						
(i) Net profit					2,429,750,207				2,429,750,207	49,944,315									2,484,494,028		55,135,067	2,539,529,095
(ii) Other comprehensive income/(loss)		-35,194,761							-35,194,761						-115,500,005							-115,500,005
Subtotal of (i) and (ii)		-35,194,761			2,429,750,207				2,429,750,207	49,944,315					-115,500,005				2,484,494,028		55,135,067	2,423,989,090
(iii) Owners' contributions and reduction in capital																						
1. Capital contribution from owners																						
2. Share-based payment recognised in owners' equity																						
3. Others																						
(iv) Profit distribution																						
1. Transfer to surplus reserve				269,651,659		-269,651,659											274,356,606		-274,356,606			0
2. Transfer to general reserve																						
3. Distributions to shareholders						-1,813,589,100			-1,813,589,100	-47,145,118									-1,561,701,725		-45,039,903	-1,606,741,628
4. Others																						
(v) Transfers within owners' equity																						
1. Capitalisation of capital reserve																						
2. Capitalisation of surplus reserve																						
3. Loss offset by surplus reserve																						
4. Others																						
(vi) Special reserve																						
1. Transfer to special reserve in the period																						
2. Amount utilised in the period																						
III. Closing balance of the current year	5,037,747,500	7,541,527,674		2,291,733,894		3,273,680,481		5,037,747,500	18,607,809,971	463,100,422				7,516,722,435	0	2,022,082,235		2,927,171,033		460,331,225	18,024,044,428	

Statement of Changes in Owners' Equity of the Company

(For the year ended 31 December 2011)

Unit: RMB

Item	Amount for the current period						Amount for the same period of last year									
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Total owners' equity	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Total owners' equity
I. Closing balance of the preceding year	5,037,747,500	7,558,297,203		1,761,694,860			2,647,493,378	17,005,232,941	5,037,747,500	7,673,847,208	0	0	1,521,845,627	0	2,050,552,010	16,283,992,345
II. Changes for the year																
(I) Net profit							2,411,918,734	2,411,918,734							2,398,492,326	2,398,492,326
(II) Other comprehensive income/(loss)		-35,194,761					-35,194,761	-35,194,761		-115,550,005						-115,550,005
Subtotal of (I) and (II)		-35,194,761					2,411,918,734	2,376,723,973		-115,550,005					2,398,492,326	2,282,942,321
(III) Owners' contributions and reduction in capital																
1. Capital contribution from owners																
2. Share-based payment recognised in owners' equity																
3. Others																
(IV) Profit distribution																
1. Transfer to surplus reserve				241,191,873			-241,191,873	0					239,849,233		-239,849,233	
2. Transfer to general reserve																
3. Distributions to shareholders							-1,813,589,100	-1,813,589,100							-1,561,701,725	-1,561,701,725
4. Others																
(V) Transfers within owners' equity																
1. Capitalisation of capital reserve																
2. Capitalisation of surplus reserve																
3. Loss offset by surplus reserve																
4. Others																
(VI) Special reserve																
1. Transfer to special reserve in the period																
2. Amount utilised in the period																
III. Closing balance of the current year	5,037,747,500	7,523,102,442		2,002,886,733			3,004,631,139	17,568,367,814	5,037,747,500	7,558,297,203			1,761,694,860		2,647,493,378	17,005,232,941

Notes to the Financial Statements

(For the year ended 31 December 2011)

I. BASIC INFORMATION ABOUT THE COMPANY

Jiangsu Expressway Company Limited (the “Company”) is a joint-stock limited company incorporated in Nanjing, Jiangsu Province on 1 August 1992. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly include: construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (the “Shanghai-Nanjing Expressway”), the Shanghai-Nanjing section of 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 the Jiangsu Province, PRC, and the provision of passenger transport services and other supporting services along the toll roads.

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

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

II. THE COMPANY’S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS

1. Basis of preparation of financial statements

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

Basis of accounting and principle of measurement

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

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2011, and the Company’s and consolidated results of operations and cash flows for the year then ended.

3. Accounting period

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

4. Functional currency

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

The Group adopts RMB to prepare its financial statements.

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

5. Preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

6. Recognition criteria of cash and cash equivalents

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

7. Translation of transactions denominated in foreign currencies

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

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

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

8. Financial instruments

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

8.1. Determination of fair value

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

8.2. Effective interest method

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

8. Financial instruments – *continued*

8.2. Effective interest method – *continued*

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

8.3. Classification, recognition and measurement of financial assets

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

The Group has no held-to-maturity investments and available-for-sale financial asset.

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

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

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

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

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

8.3.2. *Loans and receivables*

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

8. Financial instruments – *continued*

8.4. Impairment of financial assets

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

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.
 - Impairment of financial assets measured at amortised cost

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

8. Financial instruments – *continued*

8.4. Impairment of financial assets – *continued*

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

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

8.5. Transfer of financial assets

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

8. Financial instruments – *continued*

8.6. Classification, recognition and measurement of financial liabilities

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

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

8.6.1. *Other financial liabilities*

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

8.7. Derecognition of Financial Liabilities

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

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

8.8. Offsetting financial assets and financial liabilities

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

8.9. Equity instruments

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

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

9. Receivables

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

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

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

9. Receivables – continued

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

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

10. Inventories

10.1. Categories of inventories

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

10.2. Valuation method of inventories upon delivery

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

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

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

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

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

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

10.4. Inventory count system

The perpetual inventory system is maintained for stock system.

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

11. Long-term equity investments

11.1. Determination of investment cost

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

11.2. Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

11. Long-term equity investments – *continued*

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

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

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

11.2.3. Disposal of long-term equity investments

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

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

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

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

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

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

12. Investment properties

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

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

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

12. Investment properties – continued

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

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

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

13. Fixed assets

13.1. Recognition criteria for fixed assets

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

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

13.2. Depreciation of each category of fixed assets

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

13. Fixed assets – continued

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

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

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

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

13.4. Other explanations

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

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

14. Construction in progress

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

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

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

15. Borrowing Costs

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

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

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

16. Intangible assets

16.1. Intangible assets

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

16. Intangible assets – continued

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

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

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

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

17. Long-term prepaid expenses

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

18. Revenue

18.1. Toll revenue

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

18.2. Revenue from rendering of services

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

18.3. Revenue from sale of goods

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

18.4. Revenue from sales of properties

When the buyer of real estate has limited ability on the design (i.e. is able to make minor change on the design), the Group recognise relevant revenue according *with No. 14 Revenue – Accounting Standards for Business Enterprises* and relevant situation of the real estate business of the Group.

18.5. Interest income

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

19. Government grants

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

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

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

20. Deferred tax assets/deferred tax liabilities

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

20.1. Current income tax

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

20.2. Deferred tax assets and deferred tax liabilities

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

20. Deferred tax assets/deferred tax liabilities – continued

20.2. Deferred tax assets and deferred tax liabilities – continued

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

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

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

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

21. Operating leases and finance leases

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

21.1. The Group as lessee under operating leases

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

21.2. The Group as lessor under operating leases

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

II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – *continued*

22. Other Significant Accounting Policies, Accounting Estimates and Preparation Method of Financial Statements

22.1. Employee benefits

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

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

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

III. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

– Key sources of estimation uncertainty

Amortisation of toll road operation rights

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

III. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment of toll road operation rights

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

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

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

IV. TAXES

Major categories of taxes and tax rates

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

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Subsidiaries established or acquired through investments

Unit: RMB

Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Business scope	Actual capital contribution at the end of the period	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests	The balance after the amount of minority's share of current loss which is deducted from parent company's shareholders' equity exceeds the amount that the minority share the subsidiary's opening shareholders equity.
Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng")	Limited liability company	Nanjing	Service	850,000,000	Construction and operation of expressway	2,125,000,000	0	85	85	Yes	450,138,235	48,940,980	0
Wuxi Jingcheng Advertising Co., Ltd. (note 1)	Limited liability company	Wuxi	Service	1,000,000	Management and operation of advertising services	1,000,000	0	85	85	Yes	0	0	0
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Limited liability company	Nanjing	Investment and Service	100,000,000	Investment on toll roads	95,000,000	0	95	95	Yes	12,982,187	1,003,335	0
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan") (note 2)	Limited liability company	Kunshan	Real estate development	42,000,000	Real estate development	42,000,000	0	95	95	Yes	0	0	0
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	Nanjing	Real estate development	200,000,000	Real estate development and operation	200,000,000	0	100	100	Yes	0	0	0
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties") (note 3)	Limited liability company	Nanjing	Real estate development	200,000,000	Real estate development	200,000,000	0	100	100	Yes	0	0	0

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

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

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

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			240,125			269,782
Bank balances:						
RMB			770,168,280			463,392,708
USD	1,369	6.3009	8,627	314,201	6.6227	2,080,859
HKD	1,241,133	0.8107	1,006,186	1,241,289	0.8509	1,056,250
Other currency funds:						
RMB			34,706,709			8,285,142
Total			806,129,927			475,084,741

2. Held-for-trading financial assets

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

Unit: RMB

Item	Closing fair value	Opening fair value
Held-for-trading investments in equity instruments	0	5,990
Gold bullion	0	60,138,000
Fund investments	19,077,428	0
Total	19,077,428	60,143,990

	Closing balance	Opening balance
Held-for-trading investments listed in		
– Hong Kong	0	0
– outside Hong Kong	19,077,428	5,990
Gold bullion	0	60,138,000
Total	19,077,428	60,143,990

The cost of fund investment is RMB 20,000,000, the closing fair value is RMB 19,077,428. The above information of closing market price was quoted by relevant open sourced information of the fund.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

3. Dividends Receivable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons for uncollected amounts	Whether the amount is impaired
Dividends receivable aged within 1 year	1,475,051	0	1,475,051	0	N/A	No
Including: Jiangsu Leasing Co., Ltd.	1,475,051	0	1,475,051	0	N/A	No
Jiangsu Yangtze Bridge Co., Ltd.	0	68,380,279	68,380,279	0	N/A	No
Suzhou Sujiahang Expressway Co., Ltd.	0	63,138,000	63,138,000	0	N/A	No
Jiangsu Kuailu Motor Transport Co., Ltd.	0	2,494,980	0	2,494,980	Declared at year end, not distributed yet	No
Dividends receivable aged over 1 year	0	0	0	0	N/A	No
Total	1,475,051	134,013,259	132,993,330	2,494,980		

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	28,411,496	59	0	0	59,720,300	77	0	0
Accounts receivable for which bad debt provision has been assessed by portfolios	18,956,285	40	0	0	16,951,635	22	0	0
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	550,000	1	550,000	100	1,090,898	1	1,090,898	100
Total	47,917,781	100	550,000	100	77,762,833	100	1,090,898	100

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

4. Accounts receivable – continued

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

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

Explanations of categories of accounts receivable:

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

Aging analysis of accounts receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Amount	Amount	Proportion (%)	Bad debt provision	Amount
Within 1 year	47,367,781	99	0	47,367,781	76,671,935	99	0	76,671,935
More than 1 year but not exceeding 2 years	0	0	0	0	0	0	0	0
More than 2 years but not exceeding 3 years	0	0	0	0	0	0	0	0
More than 3 years	550,000	1	550,000	0	1,090,898	1	1,090,898	0
Total	47,917,781	100	550,000	47,367,781	77,762,833	100	1,090,898	76,671,935

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

Name of portfolio	Carrying amount	Proportion of provision (%)	Bad debt provision
Accounts receivable portfolios	18,956,285	0	0
Total	18,956,285	0	0

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

4. Accounts receivable – continued

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

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

Unit: RMB

Content of accounts receivable	Carrying amount	Amount of bad debt	Proportion of provision (%)	Reasons for the provision
Nanjing South East Advertisement Co., Ltd.	300,000	300,000	100	Aged over 3 years and no record of any collection
Wuxi Tianwen Advertisement Co., Ltd.	200,000	200,000	100	Aged over 3 years and no record of any collection
Wansheng Advertisement Co., Ltd.	50,000	50,000	100	Aged over 3 years and no record of any collection
Total	550,000	550,000		

(2) Reversals and collections during the current period

Unit: RMB

Content of accounts receivable	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversals or collections
Trade balance	Amount received	Aged over 3 years, no amount collected after several times of negotiations. The management assumed the possibility of collection is minor, so provided bad debt provision.	85,597	85,597

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

4. Accounts receivable – continued

(3) Accounts receivable written off in the reporting period

Unit: RMB

Name of entity	Nature of accountants receivable	Write-off amounts	Reasons for write-off	Whether it arises from related party transactions
Zhenjiang Xindongfang Exhibition Co., Ltd.	Advertisement service	308,000	Aged over 3 years and no collection after several times of negotiations. The management assumed the possibility of collection is very low and therefore provided bad debt provision	No
Jiangsu Shengpin Information Media Co.	Advertisement service	130,000		No
Others	Trade balance	17,301		No
Total		455,301		

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

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total accounts receivable (%)
Suzhou Sujiahang Expressway Co., Ltd.	Associate	7,396,536	Within 1 year	15
Jiangsu Expressway Network Operation and Management Co., Ltd.	Same ultimate shareholder	6,938,433	Within 1 year	14
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	6,877,444	Within 1 year	14
Jiangsu Runyang Bridge Co., Ltd.	Same ultimate shareholder	4,385,091	Within 1 year	9
Suzhou Raocheng Expressway Co., Ltd.	Same ultimate shareholder	2,813,992	Within 1 year	6
Total		28,411,496		58

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

4. Accounts receivable – continued

(6) Receivables due from related parties

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accountants receivable (%)
Suzhou Sujiahang Expressway Co., Ltd.	Associate	7,396,536	15
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	6,877,444	14
Jiangsu Expressway Petroleum Development Co., Ltd.	Same ultimate shareholder	2,286,300	5
Jiangsu Yangtze Bridge Co., Ltd.	Associate	2,033,060	4
Jiangsu Sundian Engineering Co., Ltd.	Same ultimate shareholder	336,194	1
Total		18,929,534	39

5. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	45,678,368	84	16,812,140	98	53,977,818	83	17,312,140	98
Other receivables for which bad debt provision has been assessed by portfolios	8,632,900	16	382,929	2	10,919,344	17	382,929	2
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	0	0	0	0	0	0	0	0
Total	54,311,268	100	17,195,069	100	64,897,162	100	17,695,069	100

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

5. Other receivables – continued

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

Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Amount (%)	Amount	Proportion (%)	Bad debt provision	Amount (%)
Within 1 year	10,769,914	20	188,440	10,581,474	17,198,717	27	292,910	16,905,807
More than 1 year but not exceeding 2 years	1,662,730	3	193,765	1,468,965	28,356,102	44	87,471	28,268,631
More than 2 years but not exceeding 3 years	25,053,355	46	724	25,052,631	126,185	0	2,548	123,637
More than 3 years	16,825,269	31	16,812,140	13,129	19,216,158	29	17,312,140	1,904,018
Total	54,311,268	100	17,195,069	37,116,199	64,897,162	100	17,695,069	47,202,093

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

Name of portfolio	Carrying amount	Proportion of provision (%)	Bad debt provision
Other receivables portfolios	8,632,900	4	382,929

(3) Reversals and collections during the current period:

Unit: RMB

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

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

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

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

5. Other receivables – continued

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total other receivables (%)
Changzhou Expressway Construction Headquarter	Non related party	25,000,000	2-3 years	46
Yixing Road Management Office	Non related party	16,812,140	Over 3 years	31
Expressway Road Administration Division	Non related party	2,793,270	1-2 years	5
POS Settlement Center	Non related party	1,072,958	Within 1 year	2
Kunshan Huaqiao Economic Development Zone Administrative Office	Non related party	264,000	Within 1 year	1
Total		45,942,368		85

(7) Receivables due from related parties

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total other receivables (%)
Jiangsu Sundian Engineering Co., Ltd.	Same ultimate shareholder	34,827	0

6. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	11,510,280	99	171,019,080	25
1-2 year	104,440	1	521,742,000	75
Total	11,614,720	100	692,761,080	100

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(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

6. Prepayments – continued

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Reasons for unsettlement
Sinopec Group Jiangsu Petrol Co.	Non related party	2,326,328	Within 1 year	Transaction not completed
Zhenglu's People's Government of Wujin, Changzhou	Non related party	1,250,929	Within 1 year	Transaction not completed
Suzhou Yuhu Villa Co., Ltd.	Non related party	833,333	Within 1 year	Transaction not completed
Kunshan Litong Natural Gas Co., Ltd.	Non related party	752,500	Within 1 year	Transaction not completed
Wuxi Wenye Decoration Co., Ltd.	Non related party	610,000	Within 1 year	Transaction not completed
Total		5,773,090		

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

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Category	Closing balance	Opening balance
Individually significant prepayments	5,163,090	689,948,669
Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics	0	0
Other insignificant prepayments	6,451,630	2,812,411
Total	11,614,720	692,761,080

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

7. Inventories

Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Gross carrying amount	Provision for decline in value of inventories	Gross carrying amount	Provision for decline in value of inventories
Properties under development	1,898,029,663	0	1,898,029,663	842,939,582	0	842,939,582
Properties for sale	5,520,301	0	5,520,301	16,437,430	0	16,437,430
Spare parts for repair and maintenance	8,817,981	0	8,817,981	7,639,251	0	7,639,251
Petrol	6,887,347	0	6,887,347	5,638,152	0	5,638,152
Total	1,919,255,292	0	1,919,255,292	872,654,415	0	872,654,415

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Huaqiao Project	July 2010	January 2016	2,162,000,000	303,961,980	588,603,438
Qingyuan	December 2010	October 2012	650,000,000	474,735,066	550,579,527
Baohua Hongyan Project	August 2011	February 2016	2,123,000,000	29,139,541	723,682,986
Huaqiao B3 Project	October 2011	May 2014	200,000,000	35,102,995	35,163,712
Total			5,135,000,000	842,939,582	1,898,029,663

Details of properties for sale are as follows:

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Kunshan Huijiejayuan Project	April 2009	16,437,430	464,399	11,381,528	5,520,301

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

Unit: RMB

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	1,432,220,876	745,720,876

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Financial management product	35,000,000	0
Structured bank deposits	501,253,333	0
Business taxes and levies related to real estate sales paid in advance	24,136,948	0
Total	560,390,281	0

Financial management product represents “節節高升之點貸成金62102號” issued by China Merchants Bank GoFortune Co., carrying max annual rate of return of 5.4%, for a term of 40 days.

Structured bank deposits represent profit guaranteed structured bank deposits placed in Shanghai Pudong Development Bank, carrying interest rate from 3.9% to 4.0%, from 18 November 2011 to 20 February 2012.

9. Investments in joint ventures and associates

Unit: RMB

Name of investee	Proportion of ownership interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Investee's total assets at the end of the period	Investee's total liabilities at the end of the period	Total net assets at the end of the period	Total operating income for the period	Net profit for the period
I. Joint ventures							
None							
II. Associates							
Jiangsu Kuailu Motor Transport Co., Ltd. (“Kuailu Co., Ltd.”)	33.20	33.20	323,036,012	62,242,509	260,793,503	248,582,889	19,073,784
Jiangsu Yangtze Bridge Co., Ltd. (“Yangtze Bridge”)	26.66	26.66	9,620,213,975	6,242,829,224	3,377,384,751	966,118,975	361,839,541
Suzhou Sujiahang Expressway Co., Ltd. (“Sujiahang”)	33.33	33.33	4,298,916,502	2,261,364,649	2,037,551,853	1,000,102,594	268,684,714
Suzhou							
Nanlin Hotel Co., Ltd. (“Nanlin Hotel”)	34.91	34.91	322,357,636	16,033,590	306,324,046	61,390,498	162,927

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

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

10. Long-term equity investments

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

Unit: RMB

Investee	Accounting method	Investment cost	Opening balance	Changes	Closing balance	Proportion of ownership interest in the investee (%)	Proportion of voting power in the investee (%)	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power	Provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Associates:											
Kuaili Co., Ltd.	Equity method	49,899,600	71,871,134	1,593,161	73,464,295	33.20	33.20	No	0	0	2,494,980
Yangtze Bridge	Equity method	631,159,243	960,707,430	-7,108,618	953,598,812	26.66	26.66	No	0	0	68,380,279
Sujahang	Equity method	526,090,677	680,809,162	26,364,620	707,173,782	33.33	33.33	No	0	0	63,138,000
Nanlin Hotel	Equity method	160,000,000	171,771,585	56,878	171,828,463	34.91	34.91	No	0	0	0
Shenzhen Ruijin Co., Ltd. ("Shenzhen Ruijin")	Cost method	2,000,000	2,000,000	0	2,000,000	17.24	17.24	No	0	0	0
Jiangsu Leasing Co., Ltd. ("Jiangsu Leasing")	Cost method	234,000,000	136,898,456	134,000,000	270,898,456	11.7	11.7	No	0	0	0
Jiangsu Sundian Engineering Co., Ltd. ("Sundian")	Cost method	35,000,000	7,367,500	0	7,367,500	15	15	No	0	0	0
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	Cost method	3,500,000	4,300,000	0	4,300,000	8.84	8.84	No	0	0	0
Total		1,641,649,520	2,035,725,267	154,906,041	2,190,631,308						134,013,259
Less: provision for impairment losses		0	0	0	0						0
Net book value of long-term equity investments		1,641,649,520	2,035,725,267	154,906,041	2,190,631,308						134,013,259

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

11. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount				
1. Buildings	16,735,064	2,258,544	0	18,993,608
2. Land use rights	0	0	0	0
II. Total accumulated depreciation and amortisation				
1. Buildings	562,613	623,860	0	1,186,473
2. Land use rights	0	0	0	0
III. Total net book value of investment properties				
1. Buildings	16,172,451	1,634,684	0	17,807,135
2. Land use rights	0	0	0	0
IV. Total accumulated provision for impairment losses of investment properties				
1. Buildings	0	0	0	0
2. Land use rights	0	0	0	0
V. Total carrying amounts of investment properties				
1. Buildings	16,172,451	1,634,684	0	17,807,135
2. Land use rights	0	0	0	0

Depreciation and amortisation for the current period is RMB 623,860.

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

The investment properties represent the Zhongshan Meilu villa and Kunshan Huijieyuan business shop held by the Group.

During the addition in current period, investment properties held for rent with an aggregate amount of RMB 2,258,544 is transferred from inventory.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

12. Fixed assets

Unit: RMB

Item	Opening carrying amount	Increase in the current period		Decrease in the current period	Closing carrying amount
I. Total original carrying amount	2,345,789,150		112,041,972	109,308,494	2,348,522,628
Including: Buildings	876,560,583		21,795,822	29,459,681	868,896,724
Safety equipment	384,590,617		11,973,421	199,793	396,364,245
Communication and surveillance equipment	220,820,031		28,472,715	1,346,528	247,946,218
Toll stations and ancillary equipment	228,685,718		17,267,979	722,693	245,231,004
Motor vehicles	197,240,415		12,906,149	32,058,784	178,087,780
Other machinery and equipment	437,891,786		19,625,886	45,521,015	411,996,657
		Additions for the period	Provisions for the period		
II. Total accumulated depreciation	1,110,423,316	0	164,068,847	80,796,849	1,193,695,314
Including: Buildings	253,765,524	0	29,545,584	12,358,581	270,952,527
Safety equipment	219,961,915	0	31,829,573	79,131	251,712,357
Communication and surveillance equipment	130,278,562	0	19,387,156	1,268,976	148,396,742
Toll stations and ancillary equipment	134,556,078	0	28,228,866	705,726	162,079,218
Motor vehicles	134,387,870	0	9,721,745	27,200,235	116,909,380
Other machinery and equipment	237,473,367	0	45,355,923	39,184,200	243,645,090
III. Total net book value of fixed assets	1,235,365,834		192,838,821	273,377,341	1,154,827,314
Including: Buildings	622,795,059		34,154,403	59,005,265	597,944,197
Safety equipment	164,628,702		12,052,552	32,029,366	144,651,888
Communication and surveillance equipment	90,541,469		29,741,691	20,733,684	99,549,476
Toll stations and ancillary equipment	94,129,640		17,973,705	28,951,559	83,151,786
Motor vehicles	62,852,545		40,106,384	41,780,529	61,178,400
Other machinery and equipment	200,418,419		58,810,086	90,876,938	168,351,567
IV. Total provision for impairment losses					
Including: Buildings	0		0	0	0
Safety equipment	0		0	0	0
Communication and surveillance equipment	0		0	0	0
Toll stations and ancillary equipment	0		0	0	0
Motor vehicles	0		0	0	0
Other machinery and equipment	0		0	0	0
V. Total carrying amount of fixed assets	1,235,365,834		192,838,821	273,377,341	1,154,827,314
Including: Buildings	622,795,059		34,154,403	59,005,265	597,944,197
Safety equipment	164,628,702		12,052,552	32,029,366	144,651,888
Communication and surveillance equipment	90,541,469		29,741,691	20,733,684	99,549,476
Toll stations and ancillary equipment	94,129,640		17,973,705	28,951,559	83,151,786
Motor vehicles	62,852,545		40,106,384	41,780,529	61,178,400
Other machinery and equipment	200,418,419		58,810,086	90,876,938	168,351,567

The depreciation for the current period is RMB 164,068,847.

As at 31 December 2011, no fixed assets were restricted.

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

12. Fixed assets

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	58,111,324	30,967,432

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

Unit: RMB

Item	Amount	Reasons why certificates of title have not been obtained	Expected timing of obtaining certificates of title
Ninghu expressway Lujia toll station	5,548,126	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Xuejia toll station	2,231,243	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Wuxi airport toll station	1,016,948	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Heyang toll station	3,027,553	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Suzhou management offices	14,407,863	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Changzhou Luoshuwan buildings	3,945,846	Completed during current year, not obtained certification yet.	uncertain
Service zone office buildings	1,383,703	Completed during current year, not obtained certification yet.	uncertain
Buildings in Guangjingxicheng expressway service zone	77,176,446	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Total	108,737,728		

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

12. Fixed assets – continued

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

Description of fixed assets:

- (1) The increase in the original carrying amount for the current period consists of acquisitions of RMB70,294,357, an increase of RMB 41,747,615 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current period consists of a decrease of RMB 109,308,494 on disposals.
- (3) The increase in accumulated depreciation for the current period consists of charge for the current period of RMB164,068,847.
- (4) The decrease in accumulated depreciation for the current period consists of a decrease of RMB 80,796,849 on disposals.

13. Construction in progress

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

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Expansion project of expressway toll station	11,832,170	0	11,832,170	0	0	0
Guanglin dormitory	5,404,666	0	5,404,666	0	0	0
Expansion project of Jiangyin north toll station	891,000	0	891,000	0	0	0
ETC system project	439,880	0	439,880	0	0	0
Buildings of management office	396,680	0	396,680	0	0	0
Updating project of traffic signs	0	0	0	7,376,569	0	7,376,569
Phase II of expansion project of Surveillance System	0	0	0	3,704,223	0	3,704,223
Others	7,068,016	0	7,068,016	2,683,592	0	2,683,592
Total	26,032,412	0	26,032,412	13,764,384	0	13,764,384

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

13. Construction in progress – continued

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount ('0,000)	Opening balance	Increase in current period	Transfer to fixed assets	Other decreases	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalised interest	Including: capitalised interest for the period	Interest capitalisation rate for the period (%)	Source of funds	Closing balance
Buildings of management office	282	0	2,811,273	2,414,593		100	In progress	0	0	0	Own funds	396,680
ETC system project	1,200	0	8,095,980	7,656,100		67	In progress	0	0	0	Own funds	439,880
Updating project of traffic signs	1,100	7,376,569	4,596,852	11,973,421		109	Completed	0	0	0	Own funds	0
Phase II of expansion project of Surveillance System	1,176	3,704,223	8,350,460	12,054,683		103	Completed	0	0	0	Own funds	0
Expansion project of expressway toll station	2,271	0	11,832,170	0		52	In progress	0	0	0	Own funds	11,832,170
Guanglin dormitory	650	0	5,404,666	0		83	In progress	0	0	0	Own funds	5,404,666
Expansion project of Jiangyin north toll station	2,900	0	891,000	0		3	In progress	0	0	0	Own funds	891,000
Lujia conjunction reconstruct and expansion	1,765	0	17,762,081	17,762,081		101	Completed	0	0	0	Own funds	0
Others	N/A	2,683,592	12,033,242	7,648,818			In progress	0	0	0	Own funds	7,068,016
Total		13,764,384	71,777,724	59,509,696				0	0	0		26,032,412

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

(4) Construction progress of significant construction in progress

Unit: RMB

Item	Amount	Construction progress	Remarks
Expansion project of expressway toll station	11,832,170	In progress	
Guanglin dormitory	5,404,666	In progress	

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

14. Intangible assets

(1) Intangible assets

Item	Unit: RMB			
	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount	25,263,923,909	44,593,601	5,566,099	25,302,951,411
Toll road operation rights	23,508,909,010	44,593,601	0	23,553,502,611
Land use right of Shanghai-Nanjing Expressway	1,716,087,945	0	5,566,099	1,710,521,846
Other land use rights	38,926,954	0	0	38,926,954
II. Total accumulated amortisation	5,898,977,190	832,830,435	2,507,930	6,729,299,695
Toll road operation rights	5,173,942,649	767,567,129	0	5,941,509,778
Land use right of Shanghai-Nanjing Expressway	714,949,955	63,551,980	2,507,930	775,994,005
Other land use rights	10,084,586	1,711,326	0	11,795,912
III. Total net book value of intangible assets	19,364,946,719	47,101,531	838,396,534	18,573,651,716
Toll road operation rights	18,334,966,361	44,593,601	767,567,129	17,611,992,833
Land use right of Shanghai-Nanjing Expressway	1,001,137,990	2,507,930	69,118,079	934,527,841
Other land use rights	28,842,368	0	1,711,326	27,131,042
IV. Total provision for impairment	0	0	0	0
Toll road operation rights	0	0	0	0
Land use right of Shanghai-Nanjing Expressway	0	0	0	0
Other land use rights	0	0	0	0
Total carrying amount of intangible assets	19,364,946,719	47,101,531	838,396,534	18,573,651,716

The amortisation for the current period is RMB 832,830,435.

Description of intangible assets:

- (1) The increase in the original carrying amount for the current period consists of acquisition by construction of RMB26,831,520, an increase of RMB17,762,081 transferred from construction in progress.
- (2) The increase in accumulated amortisation for the current period consists of charge for the current period of RMB832,830,435.

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

14. Intangible assets – continued

(1) Intangible assets – continued

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

Located in PRC	Closing balance	Unit: RMB
		Opening balance
Medium-term land use rights (10-50 years)	961,658,883	1,029,980,358

15. Long-term prepaid expenses

Item	Opening balance	Increase in the period	Amortisation for the period	Other reductions	Closing balance	Unit: RMB
						Reasons for other reductions
Decorations for buildings	828,681	311,168	486,899	0	652,950	無

16. Deferred tax assets/deferred tax liabilities

Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset.

(1) Recognised deferred tax assets and deferred tax liabilities

Item	Closing balance	Unit: RMB
		Opening balance
Deferred tax assets:	961,658,883	1,029,980,358
Deductible losses	3,722,543	0
Provision for impairment losses of assets	4,436,267	4,696,492
Valuation of financial instruments held for trading and derivatives	230,643	0
Others	0	0
Subtotal	8,389,453	4,696,492
Deferred tax liabilities:		
Valuation of financial instruments held for trading and derivatives	0	317,393
Subtotal	0	317,393

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

16. Deferred tax assets/deferred tax liabilities – continued

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

Item	Unit: RMB	
	Amount	
Closing balance:		
Deductible losses		14,890,172
Provision for impairment losses of assets		17,745,069
Valuation of financial instruments held for trading and derivatives		922,572
Subtotal		33,557,813
Taxable temporary differences:		
Valuation of financial assets held for trading and derivatives		0
Subtotal		0
Opening balance:		
Deductible temporary differences and deductible losses:		0
Provision for impairment losses of assets		18,785,967
Others		0
Subtotal		18,785,967
Taxable temporary differences:		
Valuation of financial assets held for trading and derivatives		1,269,570
Subtotal		1,269,570

17. Details of provision for impairment losses of assets

Item	Opening carrying amount	Increase in the current period	Decrease in the current period		Closing carrying amount
			Reversals	Write-off	
Bad debt provision	18,785,967	0	585,597	455,301	17,745,069

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

18. Short-term borrowings

(1) Categories of short-term borrowings:

Item	Closing balance	Unit: RMB
		Opening balance
Unsecured loans	865,000,000	890,000,000
Including: Bank loans	655,000,000	680,000,000
Trust loans	0	0
Entrusted loans	210,000,000	210,000,000
Short-term bonds	2,000,000,000	1,000,000,000
Total	2,865,000,000	1,890,000,000

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

19. Accounts payable

(1) Details of accounts payable are as follows:

Item	Closing balance	Unit: RMB
		Opening balance
Construction payable	79,376,103	82,056,229
Construction for real estate project	180,412,200	5,800,455
Toll road fee payable	9,167,840	16,649,513
Daily purchase payable for service zones	23,072,861	3,425,353
Others	15,382,920	450,919
Total	307,411,924	108,382,469

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

Description of significant accounts payable aged more than one year:

As at 31 December 2011, the accounts payable aged over 1 year of the Group mainly represented the construction payable amounted to approximately RMB78,781,095. The amount was unpaid because the construction settlement procedure is long.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

19. Accounts payable – continued

(1) Details of accounts payable are as follows: – continued

Aging analysis of accounts payable is as follows:

Item	Closing balance	Unit: RMB	
		Opening balance	
Within 1 year	215,494,589	27,692,999	
1-2 years	13,136,240	289,971	
2-3 years	0	80,399,499	
Over 3 years	78,781,095	0	
Total	307,411,924	108,382,469	

20. Receipts in advance

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

Item	Closing balance	Unit: RMB	
		Opening balance	
Rental deposit received in advance	5,656,715	3,907,714	
Advertising service fee received in advance	14,093,245	23,329,743	
Income from properties for sales received in advance	326,745,495	1,118,250	
Others	188,280	140,000	
Total	346,683,735	28,495,707	

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

The aging analysis of receipts in advance is as follows:

Aging	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	346,603,735	100	24,036,217	84
1-2 year	0	0	4,459,490	16
2-3 years	80,000	0	0	0
Total	346,683,735	100	28,495,707	100

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

20. Receipts in advance – continued

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

Project name	Opening balance	Closing balance	Completion date	Unit: RMB Proportion of advance sale
Kunshan Huijieyayuan project	1,118,250	0	April 2009	98%
Huaqiao Nodal Region – One City Hongqiao Mansion	0	326,745,495	December 2012	89%

21. Employee benefits payable

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Unit: RMB Closing carrying amount
I. Wages or salaries, bonuses, allowances and subsidies	0	277,461,620	276,652,778	808,842
II. Staff welfare	0	17,130,969	17,130,969	0
III. Social security contributions	0	90,173,624	90,173,624	0
Including: Medical insurance	0	27,535,481	27,535,481	0
Basic pension insurance	0	37,571,706	37,571,706	0
Supplemental pension	0	18,409,442	18,409,442	0
Unemployment insurance	0	3,660,200	3,660,200	0
Compo insurance	0	1,438,807	1,438,807	0
Bearing insurance	0	1,557,988	1,557,988	0
IV. Housing funds	0	24,185,672	24,185,672	0
V. Termination benefits	0	35,834	35,834	0
VI. Others	8,484,315	24,581,647	27,351,151	5,714,811
Outlay for Labour union and employees education	8,484,315	5,098,622	7,878,576	5,704,361
Non-monetary welfare	0	17,869,819	17,869,819	0
Others	0	1,613,206	1,602,756	10,450
Total	8,484,315	433,569,366	435,530,028	6,523,653

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB5,098,622, compensations to employees for termination of employment relationship are RMB35,834. Non-monetary benefits are RMB17,869,819, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

22. Taxes payable

Item	Closing balance	Unit: RMB
		Opening balance
Enterprise income tax	299,367,384	218,700,185
Business tax	15,005,918	23,726,558
Land appreciation tax	0	-32,048
VAT	843,659	1,480,180
Property tax	473,326	1,281,450
Individual income tax	1,555,024	1,737,309
Others	4,153,811	5,845,102
Total	321,399,122	252,738,736

23. Interest payable

Item	Closing balance	Unit: RMB
		Opening balance
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	4,592,800	5,165,767
Interest payable of enterprise bond	0	24,750,000
Interest payable of short-term borrowings	1,716,100	1,347,700
	41,374,100	11,001,667
Total	47,683,000	42,265,134

24. Dividends payable

Name of entity	Closing balance	Opening balance	Unit: RMB
			Reasons dividends payable aged more than one year
Part of domestic shareholders	80,871,474	62,312,486	Some shareholders did not draw out the dividends
Unpaid dividend which was declared in current year	24,024,788	0	
Total	104,896,262	62,312,486	

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

25. Other payables

(1) Details of other payables are as follows:

Item	Closing balance	Unit: RMB
		Opening balance
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Construction quality warrantee fee payable	57,969,174	60,600,445
Others	33,523,059	32,747,392
Total	101,492,233	103,347,837

(2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note VII (6)(2).

(3) Description of significant other payables aged more than one year:

As at 31 December 2011, other payables aged more than one year mainly included 312 toll road operation right acquisition costs payable.

26. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Item	Closing balance	Unit: RMB
		Opening balance
Long-term borrowings due within one year	201,561,117	1,299,210,230

(2) Long-term borrowings due within one year

(a) Long-term borrowings due within one year

Item	Closing balance	Unit: RMB
		Opening balance
Guaranteed loans	1,561,117	1,640,847
Non-guaranteed loans	200,000,000	200,000,000
Bonds payable	0	1,097,569,383
Total	201,561,117	1,299,210,230

The bonds payable was matured on 27 July 2011.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

26. Non-current liabilities due within one year – continued

(b) Top 5 Long-term borrowings due within one year

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (%)	Closing balance		Opening balance	
					Amount in foreign currency	Amount in domestic currency	Amount in foreign currency	Amount in domestic currency
					Unit: RMB		Unit: RMB	
Bank of China	15/10/1998	18/07/2027	USD	2	247,761	1,561,117	247,761	1,640,847
Shanghai Pudong Development Bank	28/06/2005	28/06/2011	RMB	5.346		0		100,000,000
Shanghai Pudong Development Bank	10/08/2005	10/08/2011	RMB	5.346		0		100,000,000
Bonds payable	28/07/2008	27/07/2011	RMB	5.40		0		1,097,569,383
Agricultural Bank Of China	15/03/2005	30/01/2012	RMB	6.345		100,000,000		0
Bank of China	18/07/2005	30/12/2012	RMB	6.345		100,000,000		0
Total						201,561,117		1,299,210,230

27. Long-term borrowings

(1) Categories of long-term borrowings

Item	Unit: RMB	
	Closing balance	Opening balance
Guaranteed loans (note 1)	24,977,879	27,894,398
Non-guaranteed loans (note 2)	2,440,000,000	3,050,000,000
Total	2,464,977,879	3,077,894,398

Description of categories of long-term borrowings:

Note 1: The Company obtained bank credit limit of RMB 9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Jiangsu Communications Holdings Company Limited. The credit limits include buyer's credit loan of USD 4,900,000 and Spanish government loan of USD 4,900,000. The buyer's credit loan has been paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 with an annum interest rate of 2%. The USD denominated Spanish government loans were guaranteed by the Company's parent, Jiangsu Communications Holdings Company Limited, which is a state-owned enterprise incorporated in the PRC.

Note 2: At the balance sheet date, the Company obtained loans of RMB 2,440,000,000 from commercial banks with floating annum interest rate from 5.52% to 6.6355%, which is calculated with the benchmark interest rate declared by the People's Bank of China.

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

27. Long-term borrowings – continued

(2) Top five long-term borrowings

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate(%)	Closing balance		Opening balance		Unit: RMB
					Amount in foreign currency	Amount in domestic currency	Amount in foreign currency	Amount in domestic currency	
Postal Savings Bank of China	20/06/2008	04/09/2013	RMB	5.52	0	2,000,000,000	0	2,000,000,000	
China Construction Bank	27/10/2004	26/10/2014	RMB	6.6355	0	240,000,000	0	350,000,000	
Industrial and Commercial Bank of China	28/04/2005	28/11/2014	RMB	6.345	0	200,000,000	0	200,000,000	
Bank of China	18/07/2005	30/12/2012	RMB	6.345	0	0	0	200,000,000	
Agricultural Bank Of China	15/03/2005	30/01/2012	RMB	6.345	0	0	0	200,000,000	
Bank of China	15/10/1998	18/07/2027	USD	2	3,964,176	24,977,879	*	*	
Total					0	2,464,977,879	0	2,950,000,000	

* Amount not reaches the level of top five.

Analysis of maturity for long-term borrowings over 1 year is as follows:

Item	Current year	Prior year
1-2 years	2,001,387,660	401,549,689
2-5 years	444,162,980	2,654,649,066
Over 5 years	19,427,239	21,695,643
Total	2,464,977,879	3,077,894,398

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

28. Share capital

	Opening balance	Change for the period					Unit: RMB
		New issue of shares	New issue of shares	New issue of shares	New issue of shares	New issue of shares	Change for the period
2010:							
I. Restricted tradable shares							
1. State-owned shares	2,742,578,825	0	0	0	0	0	2,742,578,825
2. State-owned legal person shares	589,059,077	0	0	0	0	0	589,059,077
3. Other domestic-owned shares	60,371,618	0	0	0	-8,918,873	-8,918,873	51,452,745
4. Other foreign-owned shares	0	0	0	0	0	0	0
Total restricted tradable shares	3,392,009,520	0	0	0	-8,918,873	-8,918,873	3,383,090,647
II. Tradable shares							
1. Ordinary shares denominated in RMB	423,737,980	0	0	0	8,918,873	8,918,873	432,656,853
2. Foreign-owned shares listed domestically	0	0	0	0	0	0	0
3. Foreign-owned shares listed overseas	1,222,000,000	0	0	0	0	0	1,222,000,000
4. Others	0	0	0	0	0	0	0
Total tradable shares	1,645,737,980	0	0	0	8,918,873	8,918,873	1,654,656,853
III. Total shares	5,037,747,500	0	0	0	0	0	5,037,747,500
2011:							
IV. Restricted tradable shares							
1. State-owned shares	2,742,578,825	0	0	0	-2,742,578,825	-2,742,578,825	0
2. State-owned legal person shares	589,059,077	0	0	0	-589,059,077	-589,059,077	0
3. Other domestic-owned shares	51,452,745	0	0	0	-1,250,000	-1,250,000	50,202,745
4. Other foreign-owned shares	0	0	0	0	0	0	0
Total restricted tradable shares	3,383,090,647	0	0	0	-3,332,887,902	-3,332,887,902	50,202,745
V. Tradable shares							
1. Ordinary shares denominated in RMB	432,656,853	0	0	0	3,332,887,902	3,332,887,902	3,765,544,755
2. Foreign-owned shares listed domestically	0	0	0	0	0	0	0
3. Foreign-owned shares listed overseas	1,222,000,000	0	0	0	0	0	1,222,000,000
4. Others	0	0	0	0	0	0	0
Total tradable shares	1,654,656,853	0	0	0	3,332,887,902	3,332,887,902	4,987,544,755
VI. Total shares	5,037,747,500	0	0	0	0	0	5,037,747,500

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VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

28. Share capital – continued

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the then shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as A shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, part of them have been transferred to the category of tradable A share upon the granting of trading status on 16 May 2007, 14 June 2007, 27 July 2007, 28 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011 and 29 July 2011 separately. During the period, totaling 3,332,887,902 shares satisfied the conditions for circulation and completed the procedure.

During current year, the Group and the subsidiaries did not purchase, sell or redeem the listed shares of the Company.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

29. Capital reserve

Item	Opening balance	Increase in the period	Decrease in the period	Unit: RMB
				Closing balance
2011:				
Capital premium	4,801,561,763	0	0	4,801,561,763
Including: Capital contributed by investors	4,801,561,763	0	0	4,801,561,763
Other comprehensive income	92,183,437	0	35,194,761	56,988,676
Other capital reserve	2,682,977,235	0	0	2,682,977,235
Including: Equity component split from convertible corporate bonds	0	0	0	0
Fair value of equity-settled share-based equity instrument	0	0	0	0
Surplus of compensation granted by government for relocation in the public interests	0	0	0	0
Transfer from capital reserve under the previous accounting system	2,682,977,235	0	0	2,682,977,235
Total	7,576,722,435	0	35,194,761	7,541,527,674
2010:				
Capital premium	4,801,561,763	0	0	4,801,561,763
Including: Capital contributed by investors	4,801,561,763	0	0	4,801,561,763
Other comprehensive income	207,733,442	0	115,550,005	92,183,437
Other capital reserve	2,682,977,235	0	0	2,682,977,235
Including: Equity component split from convertible corporate bonds	0	0	0	0
Fair value of equity-settled share-based equity instrument	0	0	0	0
Surplus of compensation granted by government for relocation in the public interests	0	0	0	0
Transfer from capital reserve under the previous accounting system	2,682,977,235	0	0	2,682,977,235
Total	7,692,272,440	0	115,550,005	7,576,722,435

Description of capital reserve:

During the period, other comprehensive income decreased from the fair value adjustment of the available for sale financial assets of Yangtze Bridge, one of the associates of the Group. The Group adjusted capital reserve at the share proportion.

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VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

30. Surplus reserves

Item	Opening balance	Increase in the period	Decrease in the period	Unit: RMB Closing balance
2011:				
Statutory surplus reserve	2,022,082,235	269,651,659	0	2,291,733,894
Discretionary surplus reserve	0	0	0	0
Others	0	0	0	0
Total	2,022,082,235	269,651,659	0	2,291,733,894
2010:				
Statutory surplus reserve	1,747,725,629	274,356,606	0	2,022,082,235
Discretionary surplus reserve	0	0	0	0
Others	0	0	0	0
Total	1,747,725,629	274,356,606	0	2,022,082,235

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

31. Unappropriated profits

Item	Amount	Unit: RMB Proportion of appropriation
2011:		
Before adjustment: Unappropriated profits at the end of prior year	2,927,171,033	
Adjustment: Total unappropriated profits at beginning of year (increase "+", decrease "-")		
After adjustment: Unappropriated profits at beginning of year	2,927,171,033	
Add: Net profit attributable to owners of the Company for the year	2,429,750,207	
Less: Appropriation to statutory surplus reserve	269,651,659	10%
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 3.6 for every 10 shares
Conversion of ordinary shares' dividends into share capital		
Unappropriated profits at the end of the year	3,273,680,481	
2010:		
Before adjustment: Unappropriated profits at the end of prior year	2,278,825,336	
Adjustment: Total unappropriated profits at beginning of year (increase "+", decrease "-")	0	
After adjustment: Unappropriated profits at beginning of year	2,278,825,336	
Add: Net profit attributable to owners of the Company for the year	2,484,404,028	
Less: Appropriation to statutory surplus reserve	274,356,606	10%
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares	1,561,701,725	Cash dividends of RMB 3.1 for every 10 shares
Conversion of ordinary shares' dividends into share capital		
Unappropriated profits at the end of the year	2,927,171,033	

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VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

31. Unappropriated profits – continued

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

Note 2: Cash dividends approved in shareholders' meeting during the year

In 2011, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 3.6 for every 10 shares were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 23 March 2012, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2012, cash dividends of RMB 3.6 for every 10 share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

32. Operating income and operating costs

(1) Operating income

Item	Amount recognised in the current period		Amount recognised in the prior period	
				Unit: RMB
Principal operating income	7,342,231,355	3,614,290,814	6,655,980,813	2,915,929,668
Including:				
Shanghai-Nanjing Expressway	4,319,576,539	973,548,775	4,166,148,571	847,428,757
312 National Highway	117,596,664	264,430,458	125,673,175	255,471,672
Guangjing Xicheng Expressway	694,203,025	239,116,457	656,715,803	185,560,627
Nanjing-Lianyungang Highway	38,930,257	17,793,783	50,592,320	22,625,982
Ancillary services	2,171,924,870	2,119,401,341	1,656,850,944	1,604,842,630
Others	59,078,866	21,487,721	100,263,299	42,920,663
Total	7,401,310,221	3,635,778,535	6,756,244,112	2,958,850,331

(2) Principal operating activities (classified by geographical areas): The principal operation activities of the Group are held in Jiangsu Province.

(3) Operating income from the Company's top five customers: the operating income principally include the toll road income, ancillary services, advertisement and real estate business. The Group is unable to present top five customers because of the nature of the business.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

33. Business taxes and levies

Item	Amount incurred in the current period	Amount incurred in the prior period	Unit: RMB Basis of calculation
Business tax	164,908,463	159,408,960	3% of toll revenue
			5% of maintenance revenue
			5% of advertisement revenue
City Construction and maintenance tax	12,715,037	12,182,827	7% of actual paid turnover taxes
Education surcharge	9,012,146	7,036,235	7% of actual paid turnover taxes
Total	186,635,646	178,628,022	

34. Selling expenses

	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Salaries	279,496	1,801,111
Commission fee for agent of real estate sales	4,237,002	500,000
Advertisement fee	2,608,862	1,430,868
Consulting fee	218,925	606,100
Others	1,225,617	784,108
Total	8,569,902	5,122,187

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

35. Administrative expenses

Item	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Salaries	45,454,493	40,048,988
Depreciation and amortisation	75,072,015	76,715,332
Audit fee	2,650,000	2,200,000
Consulting and intermediary service fee	22,016,806	7,630,668
Properties tax and other taxes	14,975,428	12,976,985
Entertainment fee	5,176,258	5,099,448
Others	18,428,114	18,957,104
Total	183,773,114	163,628,525

36. Financial expenses

Item	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Interest of bond	78,143,903	74,311,713
Interest of bank loans	240,661,663	286,141,855
Include: Interest on bank over 5 years	240,116,064	285,533,479
Total interest expenses	318,805,566	360,453,568
Less: Capitalised interest expenses	0	0
Less: Interest income	8,231,775	3,948,298
Exchange differences	-2,349,453	-776,887
Bond issue fee and other loan charges	8,191,435	6,156,920
Others	537,363	505,555
Total	316,953,136	362,390,858

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

37. Impairment losses on assets

Item	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Bad debt provision reversal	-585,597	-80,000

38. Gains from changes in fair values

Source resulting in gains from changes in fair values	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Held-for-trading financial assets	-922,572	1,269,570
Total	-922,572	1,269,570

39. Investment income

(1) Details of investment income

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Income from long-term equity investments under cost method	0	19,121,724
Income from long-term equity investments under equity method	190,114,061	213,787,396
Investment income from disposal of long-term equity investment	0	127,182
Investment income from disposal of held-for-trading financial assets	7,092,511	10,045,349
Others	4,257,742	0
Total	201,464,314	243,081,651

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

39. Investment income – continued

(2) Income from long-term equity investments under equity method:

Investee	Amount recognised in the current period	Amount recognised in the prior period	Unit: RMB
			Reasons for increase or decrease in the current compared to the prior period
Kuailu Co., Ltd.	4,088,141	7,159,572	The profit from associate
Yangtze bridge	96,466,422	108,904,021	The profit from associate
Sujiahang	89,502,620	98,069,424	The profit from associate
Nanlin Hotel	56,878	–345,621	The profit from associate
Total	190,114,061	213,787,396	

There are no significant restrictions on remittance of investment income.

The investment income of current and period year are generated from non-listed investments.

40. Non-operating income

(1) Details of non-operating income are as follows:

Item	Amount incurred in current period	Unit: RMB
		Amount incurred in prior period
Total gains on disposal of non-current assets	22,361,221	4,734,618
Including: Gains on disposal of fixed assets	22,361,221	4,734,618
Compensation income from damaged road	9,026,149	8,975,026
Government grants	820,000	471,000
Compensation income	0	10,510,700
Others	1,240,645	2,849,712
Total	33,448,015	27,541,056

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

40. Non-operating income – continued

(2) Details of government grants

Item	Amount recognised in the current period	Amount recognised in the prior period	Unit: RMB
			Remarks
Government subsidy of development zone	820,000	471,000	Local fiancé subsidy to a subsidiary from Nanjing economic development zone according with relevant policies.
Total	820,000	471,000	

41. Non-operating expenses

Item	Amount incurred in current period	Unit: RMB
		Amount incurred in prior period
Total losses on disposal of non-current assets	24,085,345	10,499,321
Including: Losses on disposal of fixed assets	24,085,345	10,499,321
Repair expenditure of damaged road	13,036,821	14,187,385
Donation	1,282,000	1,257,000
Others	2,543,745	1,461,718
Total	40,947,911	27,405,424

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

42. Income tax expense

Item	Amount incurred in current period	Unit: RMB
		Amount incurred in prior period
Current tax expense calculated according to tax laws and relevant requirements – PRC	787,622,770	793,750,896
Adjustments to deferred tax	-4,010,354	-3,180,738
Over provision of prior years' tax	-79,607	0
Under provision of prior years' tax	0	2,081,789
Total	783,532,809	792,651,947

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

Reconciliation of income tax expenses to the accounting profit is as follows:

	Amount incurred in current period	Unit: RMB
		Amount incurred in prior period
Accounting profit/loss	3,263,227,331	3,332,191,042
Income tax expenses calculated at 25% (prior year: 25%)	815,806,833	833,047,760
Effect of expenses that are not deductible for tax purposes	18,762,732	16,350,449
Effect of tax-free income	-50,957,149	-58,828,051
Effect of unrecognised deductible losses and deductible temporary differences	0	0
Effect of using previously unrecognised deductible losses and deductible temporary differences	0	0
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	0	0
Effect of different tax rates of subsidiaries operating in other jurisdictions	0	0
Over provision of prior years' tax	-79,607	0
Under provision of prior years' tax	0	2,081,789
Total	783,532,809	792,651,947

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

43. Calculation process of basic earnings per share and diluted earnings per share

For the purpose of calculating basic earnings per share, net profit for the current period attributable to ordinary shareholders is as follows:

	Amount for the current period	Unit: RMB Amount for the prior period
Net profit for the current period attributable to ordinary shareholders	2,429,750,207	2,484,404,028
Including: Net profit from continuing operations	2,429,750,207	2,484,404,028
Net profit from discontinued operations	0	0

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

	Amount for the current period	Unit: RMB Amount for the prior period
Number of ordinary shares outstanding at the beginning of year	5,037,747,500	5,037,747,500
Add: Weighted average number of ordinary shares issued during the period	0	0
Less: Weighted average number of ordinary shares repurchased during the period	0	0
Number of ordinary shares outstanding at the end of year	5,037,747,500	5,037,747,500

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

43. Calculation process of basic earnings per share and diluted earnings per share – continued

Earnings per share

	Amount for the current period	Unit: RMB Amount for the prior period
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.4823	0.4932
Diluted earnings per share	N/A	N/A
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.4823	0.4932
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

44. Other comprehensive income

Item	Amount for the current period	Unit: RMB Amount for the prior period
1. Gains (losses) arising from available-for-sale financial assets	0	0
Less: Tax effects arising from available-for-sale financial assets	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	0	0
2. Share of other comprehensive income of the investee accounted for using the equity method	-35,194,761	-115,550,005
Less: Tax effects arising from the share of other comprehensive income of the investee accounted for using the equity method	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	-35,194,761	-115,550,005
3. Gains (losses) arising from cash flow hedging instruments	0	0
Less: Tax effects arising from cash flow hedging instruments	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Adjustments to the initial recognised amounts of hedged items	0	0
Subtotal	0	0
4. Translation differences of financial statements denominated in foreign currencies	0	0
Less: Net amount transferred to profit or loss for the period on disposal of foreign operations	0	0
Subtotal	0	0
5. Others	0	0
Less: Tax effects arising from other items recognised in other comprehensive income	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	0	0
Total	-35,194,761	-115,550,005

Notes to the Financial Statements

(For the year ended 31 December 2011)

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

45. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Compensation, non-operation income and bank deposits interest received	29,904,464	29,548,418
Total	29,904,464	29,548,418

(2) Other cash payments relating to operating activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Payment of non-salary and other expenditure	71,755,866	61,445,265
Total	71,755,866	61,445,265

(3) Other cash receipts relating to investing activities: N/A

(4) Other cash payments relating to investing activities: N/A

(5) Other cash receipts relating to financing activities: N/A

(6) Other cash payments relating to financing activities:

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Bond issue fee and other loan charges	8,191,435	6,156,920
Total	8,191,435	6,156,920

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

46. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Current period	Unit: RMB
		Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,479,694,522	2,539,539,095
Add: Reversals of provision for impairment losses of assets	-585,597	-80,000
Depreciation of fixed assets	164,068,847	171,538,516
Amortisation of intangible assets	832,830,435	747,246,106
Amortisation of long-term prepaid expenses	486,899	325,669
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”)	-22,361,221	-4,734,618
Losses on discard of fixed assets (gains are indicated by “-”)	24,085,345	10,499,321
Losses on changes in fair values (gains are indicated by “-”)	922,572	-1,269,570
Financial expenses (income is indicated by “-”)	325,624,591	365,738,047
Losses arising from investments (gains are indicated by “-”)	-201,464,314	-243,081,651
Decrease in deferred tax assets (increase is indicated by “-”)	-3,692,961	514,978
Increase in deferred tax liabilities (decrease is indicated by “-”)	-317,393	-3,695,716
Decrease in inventories (increase is indicated by “-”)	-1,048,859,421	-783,497,256
Decrease in receivables from operating activities (increase is indicated by “-”)	721,122,005	526,656,706
Increase in payables from operating activities (decrease is indicated by “-”)	563,236,052	65,450,484
Others- depreciation of investment properties	623,860	482,240
Net cash flow from operating activities	3,835,414,221	3,391,632,351
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	0	0
Convertible bonds due within one year	0	0
Fixed assets acquired under finance leases	0	0
3 Net changes in cash and cash equivalents:	0	
Closing balance of cash	806,129,927	475,084,741
Less: Opening balance of cash	475,084,741	517,820,151
Net increase in cash and cash equivalents	331,045,186	-42,735,410

Notes to the Financial Statements

(For the year ended 31 December 2011)

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent	Related party relationship	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)	Ultimate controlling party of the Company	Unit: RMB Organisation code
Jiangsu Communications Holdings Company Limited ("Communications Holdings")	Parent company and ultimate shareholder	State owned	Nanjing, Jiangsu Province	Yang Gen Lin	Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry	16,800,000,000	54.44	54.44	Communications Holding	13476706-3

2. Subsidiaries of the Company

Full name of subsidiary	Type of the subsidiary	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of ownership interests (%)	Proportion of voting power (%)	Unit: RMB Organisation code
Guanjingxicheng	Non-wholly owned subsidiary	Limited liability company	Nanjing	Yang Gen Lin	Service	850,000,000	85	85	71408945-7
Wuxi Jingcheng Advertising Co., Ltd.	Non-wholly owned subsidiary	Limited liability company	Wuxi	Chen Xiang Hui	Service	1,000,000	85	85	72352469-9
Ninghu Investment	Non-wholly owned subsidiary	Limited liability company	Nanjing	Qian Yong Xiang	Investment and service	100,000,000	95	95	74236487-4
Kunshan Fengyuan	Non-wholly owned subsidiary	Limited liability company	Kunshan	Qian Yong Xiang	Real estate	42,000,000	95	95	78765432-2
Ninghu Properties	Wholly owned subsidiary	Limited liability company	Nanjing	Qian Yong Xiang	Real estate	200,000,000	100	100	67763731-0
Kunshan Properties	Wholly owned subsidiary	Limited liability company	Kunshan	Chen Hong Tu	Real estate	200,000,000	100	100	69449070-1

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

3. Associates and joint ventures of the entity

Name of investee	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of ownership interest held by the Company (%)	Proportion of voting power in the investee held by the Company (%)	Related party relationship	Unit: RMB Organisation code
I. Joint ventures									
N/A									
II. Associates									
Kuailu Co., Ltd.	State owned	Nanjing	Song Hong Ning	Service	150,300,000	33.20	33.20	Associate	13478934-2
Yangtze Bridge	State owned	Nanjing	Chen Xiang Hui	Service	2,137,248,000	26.66	26.66	Associate	13476509-2
Sujiahang	State owned	Suzhou	Yao Zhen Kang	Service	1,578,600,000	33.33	33.33	Associate	13776920-8
Nanlin Hotel	State owned	Suzhou	Sun Hong Ning	Service	227,715,968	34.91	34.91	Associate	13773558-5

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company	Organisation code
Network Operation Company	Same ultimate shareholder	77050954-0
Sundian	Same ultimate shareholder	74821796-3
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	Same ultimate shareholder	73572481-9
Jiangsu Leasing	Same ultimate shareholder	13475854-6
Jiangsu Far East Shipping Co., Ltd. ("Far Ease Shipping")	Same ultimate shareholder	73225111-2

Notes to the Financial Statements

(For the year ended 31 December 2011)

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

5. Related party transactions

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

Related party	Type of related party transactions	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period		Amount for the prior period	
				Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
Kuailu Co., Ltd.	Goods sold	Petrol fee	For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.	25,726,002	1	22,960,018	1
Kuailu Co., Ltd.	Service provided	Toll road fee		7,800,000	0	6,000,000	0
Yangtze Bridge	Service received	Toll service expenses		1,656,582	100	1,657,521	100
Network Operation Company	Service received	Management fee for toll road system management and maintenance		19,791,022	100	11,118,481	100
Sundian	Service received	Road maintenance fee		51,381,250	22	79,427,512	35
Sundian	Goods sold	Petrol fee		470,162	0	0	0
Nanlin Hotel	Service received	Food and beverage		17,927	0	193,518	4
Far East Shipping	Financing	Interest of entrusted loan		13,008,867	4	12,280,502	3

(2) Leases with related parties

Name of lessor	Name of lessee	Type of leased assets	Lease income recognised in the current year	Leasing begin date	Leasing ending date	Lease income recognised in the current year	Basis of determining the lease income	Effect of the Group
The Company	Network Operation Company	Buildings lease	17,824,365	1 September 2008	31 August 2014	4,460,000	Base on cost recovery principle, and tax effect considered as well	Not significant
The Company	Sundian	Buildings lease	12,020,106	1 September 2008	31 August 2014	1,690,000	Base on cost recovery principle, and tax effect considered as well	Not significant
Guangjingxicheng	Jiangsu Petroleum Company	Petrol business lease	2,566,209	1 January 2009	31 December 2014	4,266,500	The leasing fee is calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee amounted to RMB500,000 per annum.	Not significant

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(3) Guarantees with related parties

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Unit: RMB Whether execution of guarantee has been completed
Communications Holding	The Company	26,538,996	15 October 1998	15 October 2027	Not completed

(4) Borrowings/loans with related parties

During the year:

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Unit: RMB Remarks
Borrowed from:					
Far East Shipping	100,000,000	7 July 2011	7 July 2012	100,000,000	Entrusted loan with annual interest rate of 6.56%
Far East Shipping	110,000,000	9 May 2011	9 May 2012	110,000,000	Entrusted loan with annual interest rate of 6.31%
Lend to:					
N/A					

Notes to the Financial Statements

(For the year ended 31 December 2011)

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(4) Borrowings/loans with related parties – continued

In the prior year:

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Remarks
Unit: RMB					
Borrowed from:					
Far East Shipping	110,000,000	11 May 2010	11 May 2011	110,000,000	Entrusted loan with annual interest rate of 5.31%
Far East Shipping	50,000,000	13 October 2010	13 October 2011	50,000,000	Entrusted loan with annual interest rate of 5.31%
Far East Shipping	50,000,000	8 December 2010	8 December 2011	50,000,000	Entrusted loan with annual interest rate of 5.31%
Lend to:					
N/A					

(5) Compensation for key management personnel

Item	Amount incurred in the current period	Amount incurred in the prior period
Unit: RMB		
Compensation for key management personnel	1,717,052	1,659,207

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

6. Amounts due from/to related parties

(1) Amounts due from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
				Unit: RMB	
Accounts receivable	Kuailu Co., Ltd.	6,877,444	0	2,957,051	0
	Sujiahang	7,396,536	0	28,762,120	0
	Yangtze Bridge	2,033,060	0	2,298,552	0
	Jiangsu Petroleum Company	2,286,300	0	1,639,700	0
	Sundian	336,194	0	0	0
Subtotal		18,929,534	0	35,657,423	0
Other receivables	Sundian	34,827	0	2,795,123	0
Dividends receivable	Jiangsu Leasing	0	0	1,475,051	0
	Kuailu Co., Ltd.	2,494,980	0	0	0
Subtotal		2,494,980	0	1,475,051	0

(2) Amounts due to related parties

Item	Related party	Closing balance	Unit: RMB	
			Opening balance	
Accounts payable	Sujiahang	978,511	1,207,098	
	Yangtze Bridge	12,036	6,836	
Subtotal		990,547	1,213,934	
Receipts in advance	Sundian	361,667	362,000	
Other payable	Network Operation Company	1,408,158	1,236,985	
	Sundian	10,916,060	8,434,673	
	Yangtze Bridge	1,656,582	1,657,521	
Subtotal		13,980,800	11,329,179	
Interest payable	Far East Shipping	412,500	344,500	

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(For the year ended 31 December 2011)

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

7. Directors' emoluments

2011	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Fan Cong Lai*	Chen Dong Hua*	Gao Bo*	Yan Shi Ming#	Shao Li#	Total
Director's fee	0	249,000	249,000	60,000	60,000	60,000	60,000	0	0	738,000
Salaries and other benefits	400,000	0	0	0	0	0	0	240,000	240,000	880,000
Pension schemes	35,748	0	0	0	0	0	0	21,456	21,456	78,660
Total	435,748	249,000	249,000	60,000	60,000	60,000	60,000	261,456	261,456	1,696,660

2010	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Fan Cong Lai*	Chen Dong Hua*	Gao Bo*	Yan Shi Ming#	Shao Li#	Total
Director's fee	0	258,000	258,000	56,667	56,667	56,667	56,667	0	0	742,668
Salaries and other benefits	390,000	0	0	0	0	0	0	234,000	234,000	858,000
Pension schemes	30,833	0	0	0	0	0	0	18,500	18,500	67,833
Total	420,833	258,000	258,000	56,667	56,667	56,667	56,667	252,500	252,500	1,668,501

* Independent director

Supervisor

8. Five individuals with the highest emoluments

One (2010: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining four (2010: four) individuals were as follows:

	Current period	Prior period
Salaries	1,180,000	1,150,500
Social insurance	101,304	87,874
Total	1,281,304	1,238,374

Their emoluments were within the following bands:

	Number	Number
Less than HKD 1,000,000	4	4

VIII. CONTINGENCIES

Ninghu Properties, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Kunshan Huaqiao Tingeing Hongqiao Mansion. The obligation begin from the date on which the guarantee contract come into effect and will end when 1)the buyers obtain certifications of the purchased properties, 2) complete registration of mortgage and 3) pass the properties warrants certification to bank. As at 31 December 2011, the outstanding guarantees amounted to approximately RMB34,620,000.

IX. COMMITMENTS

1. Significant commitments

(1) Capital commitments

	Closing balance	Unit: RMB Opening balance
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	85,905,959	63,920,606
Capital commitments that have been approved by management but not been entered into contracts	0	0
Total	85,905,959	63,920,606

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

	Closing balance	Unit: RMB Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	5,286,294	3,246,781
2nd year subsequent to the balance sheet date	4,159,884	2,434,397
3rd year subsequent to the balance sheet date	2,854,167	1,889,332
Subsequent periods	1,725,000	3,500,000
Total	14,025,345	11,070,510

(3) Other commitments

The Group is committed to pay in the following year to Ningana Nantong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000.

Notes to the Financial Statements

(For the year ended 31 December 2011)

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

	Unit: RMB
	Amount
Proposed distributions of profits or dividends	1,813,589,100
Distributions of profits or dividends authorised and declared	0

XI. OTHER SIGNIFICANT EVENTS

1. Main component and significant changes of annuity scheme

In the year of 2011, the corporate annuities have been paid according with relevant regulations. The contribution base of corporate annuities was calculated upon average monthly salary of 2010, and the individual annuities was as 10% of the contribution base of corporate annuities.

2. Retirement benefits scheme

The Group participates in the Jiangsu Provincial Retirement Scheme. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to certain percent of the monthly salary in respect of its employees. The Group is only responsible for fixed pension payments and the Group has no further obligations.

The total cost charged to the consolidated income statement of RMB 37,571,706 (2010: RMB40,238,647) 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 2011 and 2010.

3. Operating leases

Property rental income earned during the year:

	Current period	Unit: RMB Prior period
Buildings	10,416,500	9,745,900

4. Net current assets (liabilities)/Total assets less current liabilities

	Closing balance	Unit: RMB Opening balance
Current assets	3,403,446,608	2,225,993,305
Total assets	25,375,438,896	24,897,493,133
Less: current liabilities	4,302,651,046	3,795,236,914
Net current liabilities	-899,204,438	-1,569,243,609
Total assets less current liabilities	21,072,787,850	21,102,256,219

XI. OTHER SIGNIFICANT EVENTS

5. Others

5(1). Segment

Based on the Group's internal organisation structure, management requirements and internal reporting system, the operations of the Group are classified into 6 reporting segments,. The reporting segments are determined based on the standard with which the Group's management evaluates the operating results of these reporting segments and make decisions about resources to be allocated to the segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are Shanghai-Nanjing Expressway, 312 National Highway, Nanjing-Lianyungang Highway, Guangjingxicheng Expressway, Ancillary services and real estate, investment and advertisement.

Ancillary services include petrol, food and beverage and retail service in service zone along the expressways. Others include the real estate investment and development, and advertisement service.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the management. The measurement criteria are consistent with the accounting and measurement criteria used in the preparation of the financial statements.

Notes to the Financial Statements

(For the year ended 31 December 2011)

XI. OTHER SIGNIFICANT EVENTS – continued

Segment information

	Shanghai-Haizheng Expressway		312 National Highway		Nanjing-Lianyungang Highway		Guangjiang Expressway		Ancillary services		Real estate, investment and advertisement		Unallocated items		Total
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	
Operating income	4,319,516,539	4,166,148,571	117,596,664	125,673,175	38,990,257	50,592,320	694,203,025	656,715,803	2,171,924,870	1,656,880,944	59,078,866	100,263,299	0	0	7,401,310,221
Operating costs	973,548,775	847,428,757	264,430,458	255,471,672	17,993,783	21,625,982	239,116,457	185,560,627	2,119,401,341	1,604,840,630	21,487,721	42,202,663	0	0	3,685,778,555
Segment operating profit (loss)	3,346,027,764	3,318,719,814	-146,833,794	-129,798,497	21,136,474	27,966,338	455,086,568	471,155,176	52,523,529	52,003,314	37,591,145	57,342,636	0	0	3,765,531,666
Reconciling items															
Business taxes and levies	145,137,772	138,732,748	6,380,602	6,974,861	1,306,952	1,684,724	23,252,222	21,888,656	10,285,088	9,367,053	0	0	0	0	186,635,646
Selling expenses	0	0	0	0	0	0	0	0	0	0	8,569,902	5,122,187	0	0	8,569,902
Administrative expenses	63,551,978	63,569,160	0	0	0	0	0	0	0	0	0	0	120,221,136	100,059,365	183,773,114
Financial expenses	0	0	0	0	0	0	0	0	0	0	0	0	316,953,136	362,390,838	316,953,136
Impairment loss of assets	0	0	0	0	0	0	0	0	0	0	0	0	-585,597	-80,000	-585,597
Gains from changes in fair values	0	0	0	0	0	0	0	0	0	0	0	0	-922,572	1,269,570	-922,572
Investment income	0	0	0	0	0	0	0	0	0	0	0	0	20,146,434	243,081,651	20,146,434
Operating profit	3,137,338,014	3,116,417,906	-153,414,396	-136,773,358	19,829,522	26,281,614	431,761,346	449,286,540	42,238,431	42,641,261	29,021,243	52,220,449	-236,046,933	-218,019,002	3,270,727,227
Non-operating income	0	0	0	0	0	0	0	0	0	0	0	0	33,448,015	27,541,056	33,448,015
Non-operating expenses	0	0	0	0	0	0	0	0	0	0	0	0	40,947,911	27,405,424	40,947,911
Total profit	3,137,338,014	3,116,417,906	-153,414,396	-136,773,358	19,829,522	26,281,614	431,761,346	449,286,540	42,238,431	42,641,261	29,021,243	52,220,449	-236,046,933	-218,019,002	3,270,727,227
Income tax expenses	0	0	0	0	0	0	0	0	0	0	0	0	783,532,809	792,651,947	783,532,809
Net profit	3,137,338,014	3,116,417,906	-153,414,396	-136,773,358	19,829,522	26,281,614	431,761,346	449,286,540	42,238,431	42,641,261	29,021,243	52,220,449	-1,027,079,638	-1,010,535,317	2,479,694,522
Total segment assets	14,663,463,561	15,217,954,942	2,490,285,151	2,654,374,003	338,750,655	349,889,720	1,760,063,286	1,847,390,238	391,193,544	401,666,493	2,251,528,260	1,821,694,352	3,480,234,029	2,599,363,325	25,375,438,886
Total segment liabilities	0	0	0	0	0	0	0	0	0	0	0	0	6,767,628,925	6,873,448,705	6,767,628,925
Supplementary information:															
Depreciation and amortisation	632,128,231	574,497,508	165,078,400	175,875,503	111,755,640	14,025,286	133,089,781	87,200,447	20,688,652	19,859,492	10,111,509	10,961,280	25,817,828	37,173,015	988,010,041
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	8,231,775	3,948,298	8,231,775
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	318,805,566	360,453,568	318,805,566
Investment income from long-term equity investment under equity method	0	0	0	0	0	0	0	0	0	0	0	0	190,114,061	213,787,336	190,114,061
Non-current assets other than long-term equity investments	14,663,463,561	15,217,954,942	2,490,285,151	2,654,374,003	338,750,655	349,889,720	1,760,063,286	1,847,390,238	391,193,544	401,666,493	123,719,833	63,040,551	13,964,540	101,508,554	19,781,360,980
Capital expenditure	89,854,579	201,139,489	541,402	0	0	0	54,032,418	69,150,139	4,022,011	0	19,161,777	0	6,994,039	292,55,986	174,526,166
Incl. Expenditure arising from construction in progress	453,327,06	0	0	0	0	0	0	0	116,286	0	2,110,985	0	2,444,018	0	50,303,995
Expenditure arising from purchase of fixed assets	262,539,792	201,139,489	541,402	0	0	0	18,377,654	5,519,839	3,905,725	0	17,050,732	0	4,470,021	292,55,986	70,605,526
Expenditure arising from purchase of intangible asset	177,621,081	0	0	0	0	0	35,654,564	63,630,300	0	0	0	0	0	0	53,416,645

Unit: RMB

XI. OTHER SIGNIFICANT EVENTS – *continued*

5. Others – continued

5(1). Segment – continued

Segment profit represents the gross profit earned by each segment without allocation of administrative expenses, finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than long-term equity investment, held-for-trading financial assets and cash and bank balances etc.

(2) External revenue by geographical area of source and non-current assets by geographical location

All income and assets of the Group are from/located in the Jiangsu Province.

(3) Degree of reliance on major customers

The principal activities of the Group are toll roads operation and ancillary services along toll roads etc. Therefore, there is no reliance on specific customers.

5(2). Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note VI (18), (26) and (27), 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.

5(3). Financial instruments and risk management

1. Risk management objectives and policies

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

XI. OTHER SIGNIFICANT EVENTS – continued

5. Others – continued

5(3). Financial instruments and risk management – continued

1. Risk management objectives and policies – continued

1.1 Market risk

1.1.1. Foreign currency risk

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

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

Item	Unit: RMB			
	Liabilities		Assets	
	2011	2010	2011	2010
USD	26,538,996	29,535,245	8,627	2,080,859
HKD	–	–	1,006,186	1,056,250

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:

Increase (decrease) in profit for the year	Unit: RMB			
	USD impact		HKD impact	
	2011	2010	2011	2010
if RMB weakens against foreign currency	(994,889)	(1,029,539)	37,732	39,609
if RMB strengthens against foreign currency	994,889	1,029,539	(37,732)	(39,609)

XI. OTHER SIGNIFICANT EVENTS – *continued*

5. Others – continued

5(3). Financial instruments and risk management – continued

1.1 Market risk – continued

1.1.2. Interest rate risk – risk of changes in fair value

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate short-term bank borrowings and other borrowings (see Note VI (18), (26) and (27) for details). In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is not significant. The Group currently does not have an interest rate hedging policy.

1.1.3. Interest rate risk – risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings (see Note VI (27) for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate long-term bank borrowings (refer to note VI (27) for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended 31 December 2011 would decrease/increase by RMB9,900,000 (2010: decrease/increase by RMB 12,187,500). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

1.1.4. Other price risk

The Group's held-for-trading investments 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 2011, if the price of the held-for-trading investments the Group holds had increased/decreased by 50%, shareholders' equity would have been increased/decreased by approximately RMB7,154,036 (2010: RMB22,553,996).

Notes to the Financial Statements

(For the year ended 31 December 2011)

XI. OTHER SIGNIFICANT EVENTS – *continued*

5. Others – continued

5(3). Financial instruments and risk management – continued

1.2. Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- The amount of financial guarantees contract related to real estate sales disclosed in Note (VIII) "Contingencies".

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

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

1.3. Liquidity risk

The Group 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 2011, the Group's long-term borrowings were approximately RMB2,464,977,879 (2010: RMB 3,077,894,398).

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 2011 of approximately RMB7,145,000,000 (2010: short-term borrowing facilities: RMB5,320,000,000 and long-term borrowing facilities: RMB200,000,000) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB899,204,438 (2010: RMB 1,569,243,609) 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.

XI. OTHER SIGNIFICANT EVENTS – continued

5. Others – continued

5(3). Financial instruments and risk management – continued

1.3. Liquidity risk – continued

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	No maturity	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unit: RMB
Held-for-trading financial investments	19,077,428	0	0	0	0	0	
Accounts receivable	0	47,367,781	0	0	0	0	
Other receivables	0	37,116,199	0	0	0	0	
Bank and cash balances	0	806,129,927	0	0	0	0	
Other current assets (other than sales tax related to real estate advance sale)	0	35,000,000	501,253,333	0	0	0	
Total	19,077,428	925,613,907	501,253,333	0	0	0	
Accounts payable	0	307,411,924	0	0	0	0	
Other payables	0	101,492,233	0	0	0	0	
Interest payable	0	47,683,000	0	0	0	0	
Short-term borrowings	0	0	0	2,963,389,545	0	0	
Long-term borrowings and Long-term borrowings due within one year	0	101,284,682	0	246,131,021	2,560,707,402	25,198,840	
Total	0	557,871,839	0	3,209,520,566	2,560,707,402	25,198,840	

2. Fair value

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

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

Notes to the Financial Statements

(For the year ended 31 December 2011)

XI. OTHER SIGNIFICANT EVENTS – *continued*

5. Others – continued

5(3). Financial instruments and risk management – continued

2. 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.

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

1. Cash and bank balances

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			155,096			197,104
Bank balances:						
RMB			450,957,056			167,923,365
USD	1,369	6.3009	8,626	314,201	6.6227	2,080,859
HKD	1,241,133	0.8107	1,006,187	1,241,289	0.8509	1,056,250
Total			452,126,965			171,257,578

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Category	Closing balance				Opening balance				Unit: RMB
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	27,664,019	73	0	0	48,836,030	74	0	0	
Accounts receivable for which bad debt provision has been assessed by portfolios	10,263,155	27	0	0	16,639,449	25	0	0	
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	0	0	0	0	540,899	1	540,899	100	
Total	37,927,174	100	0	0	66,016,378	100	540,899	100	

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

2. Accounts receivable – continued

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

Explanations of categories of accounts receivable:

Aging analysis of accounts receivables is as follows:

Aging	Closing balance				Opening balance				Unit: RMB
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount	
Within 1 year	37,927,174	100	0	37,927,174	65,475,479	100	0	65,475,479	
More than 1 year but not exceeding 2 years	0	0	0	0	0	0	0	0	
More than 2 years but not exceeding 3 years	0	0	0	0	0	0	0	0	
More than 3 years	0	0	0	0	540,899	0	540,899	0	
Total	37,927,174	100	0	37,927,174	66,016,378	100	540,899	65,475,479	

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

Name of portfolio	Carrying amount	Proportion of provision (%)	Bad debt provision
Accounts receivable portfolios	10,263,155	0	0
Total	10,263,155	0	0

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

Content of accounts receivable	Carrying amount	Amount of bad debt	Proportion of provision (%)	Unit: RMB Reasons for the provision
N/A	N/A	N/A	N/A	N/A

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

2. Accounts receivable – continued

(2) Reversals and collections during the current period

Content of accounts receivable	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversals or collections
Trade balance	Amount received	Aged over 3 years, no amount collected after several times of negotiations. The management assumed the possibility of collection is minor, so provided bad debt provision.	85,597	85,597

Unit: RMB

(3) Accounts receivable written off in the reporting period

Name of entity	Nature of accountants receivable	Write-off amounts	Reasons for write-off	Whether it arises from related party transactions
Zhenjiang Xindongfang Exhibition Co., Ltd.	Advertisement service	308,000	Aged over 3 years and no collection after several times of negotiations. The management assumed the possibility of collection is very low and therefore provided bad debt provision	No
Jiangsu Shengpin Information Media Co.	Advertisement service	130,000		No
Others	Trade balance	17,302		No
Total		455,302		

Unit: RMB

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

2. Accounts receivable – continued

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

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

Name of entity	Relationship with the Company	Amount	Age	Unit: RMB Proportion of the amount to the total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd.	Same ultimate shareholder	6,938,433	Within 1 year	18
Kuailu Co., Ltd.	Associate	6,877,444	Within 1 year	18
Sujiahang	Associate	6,863,321	Within 1 year	18
Jiangsu Runyang Bridge Co., Ltd.	Same ultimate shareholder	4,381,496	Within 1 year	12
Suzhou Raocheng Expressway Co., Ltd.	Same ultimate shareholder	2,603,325	Within 1 year	7
Total		27,664,019		73

(6) Receivables due from related parties

Name of entity	Relationship with the Company	Amount	Unit: RMB Proportion of the amount to the total accountants receivable (%)
Kuailu Co., Ltd.	Associate	6,877,444	18
Sujiahang	Associate	6,863,321	18
Yangtze Bridge	Associate	347,627	1
Guangjinxicheng	Subsidiary	1,842,940	5
Sundian	Same ultimate shareholder	336,194	1
Ninghu Investment	Subsidiary	9,776	0
Total		16,277,302	43

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

3. Other receivables

(1) Disclosure of other receivables by categories:

Category	Closing balance				Opening balance				Unit: RMB
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,269,786,308	99	16,812,140	100	1,351,546,004	100	17,694,237	100	
Other receivables for which bad debt provision has been assessed by portfolios	0	0	0	0	0	0	0	0	
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	6,579,215	1	382,097	0	12,472,036	0	0	0	
Total	1,276,365,523	100	17,194,237	100	1,364,018,040	100	17,694,237	100	

(2) Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Aging	Closing balance				Opening balance				Unit: RMB
	Amount	Proportion	Bad debt provision	Amount	Amount	Proportion	Bad debt provision	Amount	
		(%)				(%)			
Within 1 year	49,422,002	4	188,440	49,233,562	444,645,508	33	292,910	444,352,598	
More than 1 year but not exceeding 2 years	430,083,274	34	192,958	429,890,316	900,030,214	66	86,664	899,943,550	
More than 2 years but not exceeding 3 years	780,034,978	61	699	780,034,279	126,160	0	2,523	123,637	
More than 3 years	16,825,269	1	16,812,140	13,129	19,216,158	1	17,312,140	1,904,018	
Total	1,276,365,523	100	17,194,237	1,259,171,286	1,364,018,040	100	17,694,237	1,346,323,803	

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

3. Other receivables – continued

(2) Explanations of categories of other receivables: – continued

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

Name of portfolio	Carrying amount	Proportion of provision (%)	Bad debt provision
Other receivables portfolios	6,579,215	6	382,097

(3) Reversals and collections during the current period:

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

Unit: RMB

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

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

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

Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total other receivables (%)
Ninghu Properties	Subsidiary	1,250,000,000	Within 1 year: 40,000,000 1-2 years: 430,000,000 2-3 years: 780,000,000	98
Yixing Road Management Office	Non related party	16,812,140	Over 3 years	1
Expressway Road Administration Division	Non related party	1,901,210	1-2 years	0
POS Settlement Center	Non related party	1,072,958	Within 1 year	0
Kunshan Huaqiao Economic Development Zone Administrative Office	Non related party	264,000	Within 1 year	0
Total		1,270,050,308		99

Unit: RMB

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

3. Other receivables – continued

(7) Receivables due from related parties

Name of entity	Relationship with the Company	Amount	Unit: RMB
			Proportion of the amount to the total accountants receivable (%)
Ninghu Properties	Subsidiary	1,250,000,000	98
Sundian	Sane ultimate shareholder	34,827	0
Ninghu Investment	Subsidiary	59,519	0
Total		1,250,094,346	98

4. Prepayments

(1) Aging analysis of prepayments is as follows

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	5,985,341	99	1,580,171	100
1-2 years	84,440	1	2,000	0
Total	6,069,781	100	1,582,171	100

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

Name of entity	Relationship with the Company	Amount	Age	Unit: RMB
				Reasons for unsettlement
Sinopec Group Jiangsu Petrol Co.	Non related party	2,326,328	Within 1 year	Transaction not completed
Zhenglu's People's Government of Wujin, Changzhou	Non related party	1,250,929	Within 1 year	Transaction not completed
Suzhou Yuhu Villa Co., Ltd.	Non related party	833,333	Within 1 year	Transaction not completed
Jiangsu Power Company Wuxi Branch	Non related party	376,775	Within 1 year	Transaction not completed
WeitingPower Supply Company	Non related party	362,197	Within 1 year	Transaction not completed
Total		5,149,562		

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

4. Prepayments – continued

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

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Category	Closing balance	Unit: RMB	
		Opening balance	
Individually significant prepayments	4,410,590	0	
Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics	0	0	
Other insignificant prepayments	1,659,191	1,582,171	
Total	6,069,781	1,582,171	

5. Inventories

Categories of inventories

Item	Closing balance			Opening balance			Unit: RMB
	Gross carrying amount	Provision for decline in value of inventories	Gross carrying amount	Provision for decline in value of inventories	Gross carrying amount	Provision for decline in value of inventories	
Spare parts for repair and maintenance	7,362,763	0	7,362,763	6,457,482	0	6,457,482	
Petrol	6,887,347	0	6,887,347	5,638,150	0	5,638,150	
Total	14,250,110	0	14,250,110	12,095,632	0	12,095,632	

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

6. Investments in joint ventures and associates

Name of investee	Type of enterprise	Registered location	Legal representative	Nature of service	Registered capital	Proportion of ownership interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Investee's total assets at the end of the period	Investee's total liabilities at the end of the period	Total net assets at the end of the period	Total operating income for the period	Net profit for the period
Unit: RMB												
I. Joint ventures												
None												
II. Associates												
Kuailu Co., Ltd.	State owned	Nanjing	Sun Hong Ning	Service	150,300,000	33.20	33.20	323,036,012	62,242,509	260,793,503	248,582,889	19,073,784
Yangtze Bridge	State owned	Nanjing	Chen Xiang Hui	Service	2,137,248,000	26.66	26.66	9,620,213,975	6,242,829,224	3,377,384,751	966,118,975	361,839,541
Sujiahang	State owned	Suzhou	Yao Zhen Kang	Service	1,578,600,000	33.33	33.33	4,298,916,502	2,261,364,649	2,037,551,853	1,000,102,594	268,684,714

There are significant differences between the accounting policies and accounting estimates adopted by joint ventures or associates and those adopted by the Company.

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

7. Long-term equity investments

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

Investee	Accounting method	Investment cost	Opening balance	Changes	Closing balance	Proportion of ownership interest in the investee (%)	Proportion of voting power in the investee (%)	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power	Provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period	Unit: RMB
Associates:												
Kuailu Co., Ltd.	Equity method	49,899,600	71,871,134	1,593,161	73,464,295	33.20	33.20	No	0	0	2,494,980	
Yangtze Bridge	Equity method	631,159,243	960,707,430	-7,108,618	953,598,812	26.66	26.66	No	0	0	68,380,279	
Sujiahang	Equity method	526,090,677	680,809,162	26,364,620	707,173,782	33.33	33.33	No	0	0	63,138,000	
Subsidiaries:												
Guangjingxicheng	Cost method	2,125,000,000	2,125,000,000	0	2,125,000,000	85.00	85.00	No	0	0	267,155,670	
Ninghu Investment	Cost method	95,000,000	95,000,000	0	95,000,000	95.00	95.00	No	0	0	0	
Ninghu Properties	Cost method	200,000,000	200,000,000	0	200,000,000	100.00	100.00	No	0	0	0	
Other equity investments:												
Sundian	Cost method	24,500,000	3,685,500	0	3,685,500	7.50	7.50	No	0	0	0	
Network Operation Company	Cost method	1,750,000	2,150,000	0	2,150,000	4.42	4.42	No	0	0	0	
		2,446,250,000	2,425,835,500	0	2,425,835,500							
Total		3,653,399,520	4,139,223,226	20,849,163	4,160,072,389						401,168,929	
Less: provision for impairment losses			0	0	0							
Net book value of long-term equity investments		3,653,399,520	4,139,223,226	20,849,163	4,160,072,389						401,168,929	

(2) List of associates and principle financial information refer to note VI 9 and 10.

(3) As at 31 December 2011, the ability of capital transfer from those long-term equity investment companies to the Company is not restricted.

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

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

8. Fixed asset

(1) Fixed assets

Item	Opening carrying amount	Increase in the current period		Decrease in the current period	Closing carrying amount
		Additions for the period	Provisions for the period		
Unit: RMB					
I. Total original carrying amount	1,883,107,232		70,447,432	84,409,268	1,869,145,396
Including: Buildings	703,674,584		7,517,087	29,278,665	681,913,006
Safety equipment	306,966,522		11,973,421	199,793	318,740,150
Communication and surveillance equipment	182,699,371		12,543,273	231,649	195,010,995
Toll stations and ancillary equipment	210,426,729		12,462,676	2,480	222,886,925
Motor vehicles	161,859,138		10,001,966	31,742,284	140,118,820
Other machinery and equipment	317,480,888		15,949,009	22,954,397	310,475,500
		Additions for the period	Provisions for the period		
II. Total accumulated depreciation	820,458,111	0	136,111,480	61,265,196	895,304,395
Including: Buildings	188,370,764	0	21,493,592	12,332,189	197,532,167
Safety equipment	148,037,156	0	30,854,917	79,131	178,812,942
Communication and surveillance equipment	84,127,844	0	17,732,108	187,321	101,672,631
Toll stations and ancillary equipment	121,991,494	0	25,305,049	2,205	147,294,338
Motor vehicles	109,056,693	0	7,287,983	26,986,060	89,358,616
Other machinery and equipment	168,874,160	0	33,437,831	21,678,290	180,633,701
III. Total net book value of fixed assets	1,062,649,121		131,712,628	220,520,748	973,841,001
Including: Buildings	515,303,820		19,849,276	50,772,257	484,380,839
Safety equipment	158,929,366		12,052,552	31,054,710	139,927,208
Communication and surveillance equipment	98,571,527		12,730,594	17,963,757	93,338,364
Toll stations and ancillary equipment	88,435,235		12,464,881	25,307,529	75,592,587
Motor vehicles	52,802,445		36,988,026	39,030,267	50,760,204
Other machinery and equipment	148,606,728		37,627,299	56,392,228	129,841,799
IV. Total provision for impairment losses	0		0	0	0
Including: Buildings	0		0	0	0
Safety equipment	0		0	0	0
Communication and surveillance equipment	0		0	0	0
Toll stations and ancillary equipment	0		0	0	0
Motor vehicles	0		0	0	0
Other machinery and equipment	0		0	0	0
V. Total carrying amount of fixed assets	1,062,649,121		131,712,628	220,520,748	973,841,001
Including: Buildings	515,303,820		19,849,276	50,772,257	484,380,839
Safety equipment	158,929,366		12,052,552	31,054,710	139,927,208
Communication and surveillance equipment	98,571,527		12,730,594	17,963,757	93,338,364
Toll stations and ancillary equipment	88,435,235		12,464,881	25,307,529	75,592,587
Motor vehicles	52,802,445		36,988,026	39,030,267	50,760,204
Other machinery and equipment	148,606,728		37,627,299	56,392,228	129,841,799

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – *continued*

8. Fixed asset – continued

(1) Fixed assets – continued

The depreciation for the current period is RMB 136,111,480.

The increase in the original carrying amount for the current period consists of RMB 39,740,513 transferred from construction in progress.

(2) Fixed assets leased out under operating leases

Item	Closing balance	Unit: RMB Opening balance
Buildings	43,105,197	30,967,432

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

8. Fixed asset – continued

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

Item	Amount	Reasons why certificates of title have not been obtained	Expected timing of obtaining certificates of title
Ninghu expressway Lujia toll station	5,548,126	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Xuejia toll station	2,231,243	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Wuxi airport toll station	1,016,948	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Heyang toll station	3,027,553	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Suzhou management offices	14,407,863	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Changzhou Luoshuwan buildings	3,945,846	Completed during current year, not obtained certification yet.	uncertain
Service zone office buildings	1,383,703	Completed during current year, not obtained certification yet.	uncertain
Total	31,561,282		

Unit: RMB

Description of fixed assets:

- (1) The increase in the original carrying amount for the current period consists of acquisitions of RMB30,706,919, an increase of RMB 39,740,513 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current period consists of a decrease of RMB 84,409,268 on disposals.
- (3) The increase in accumulated depreciation for the current period consists of charge for the current period of RMB136,111,480.
- (4) The decrease in accumulated depreciation for the current period consists of a decrease of RMB 61,265,196 on disposals.

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

9. Construction in progress

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

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Buildings of management offices	396,680	0	396,680	0	0	0
ETC system project	439,880	0	439,880	0	0	0
Updating project of traffic signs	0	0	0	7,376,569	0	7,376,569
Phase II of expansion project of Surveillance System	0	0	0	3,704,223	0	3,704,223
Expansion project of expressway toll station	11,832,170	0	11,832,170	0	0	0
Others	6,774,434	0	6,774,434	2,153,893	0	2,153,893
Total	19,443,164	0	19,443,164	13,234,685	0	13,234,685

Unit: RMB

(2) Changes in significant construction in progress

Item	Budget amount (0,000)	Opening balance	Increase in current period	Transfer to fixed assets	Other decreases	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalised interest	Including: capitalised interest for the period	Interest capitalisation rate for the period (%)	Source of funds	Closing balance
Buildings of management offices	282	0	2,811,273	2,414,593		100	In progress	0	0	0	Own funds	396,680
ETC system project	1,200	0	8,095,980	7,656,100		67	In progress	0	0	0	Own funds	439,880
Updating project of traffic signs	1,100	7,376,569	4,596,852	11,973,421		109	Completed	0	0	0	Own funds	0
Phase II of expansion project of Surveillance System	1,176	3,704,223	8,350,460	12,054,683		103	Completed	0	0	0	Own funds	0
Expansion project of expressway toll station	2,271	0	11,832,170	0		52	In progress	0	0	0	Own funds	11,832,170
Lujia conjunction reconstruct and expansion	1,765	0	17,762,081	17,762,081		101	Completed	0	0	0	Own funds	0
Others	N/A	2,153,893	10,262,257	5,641,716			In progress	0	0	0	Own funds	6,774,434
Total		13,234,685	63,711,073	57,502,594				0	0	0		19,443,164

Unit: RMB

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

10. Intangible assets

(1) Intangible assets

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Unit: RMB Closing carrying amount
I. Total original carrying amount	22,887,659,062	17,762,081	5,566,099	22,899,855,044
Toll road operation rights	21,151,383,246	17,762,081	0	21,169,145,327
Land use right of Shanghai-Nanjing Expressway	1,716,087,945	0	5,566,099	1,710,521,846
Other land use rights	20,187,871	0	0	20,187,871
II. Total accumulated amortisation	5,368,235,208	702,743,434	2,507,930	6,068,470,712
Toll road operation rights	4,646,886,077	638,277,288	0	5,285,163,365
Land use right of Shanghai-Nanjing Expressway	714,949,955	63,551,980	2,507,930	775,994,005
Other land use rights	6,399,176	914,166	0	7,313,342
III. Total net book value of intangible assets	17,519,423,854	20,270,011	708,309,533	16,831,384,332
Toll road operation rights	16,504,497,169	17,762,081	638,277,288	15,883,981,962
Land use right of Shanghai-Nanjing Expressway	1,001,137,990	2,507,930	69,118,079	934,527,841
Other land use rights	13,788,695	0	914,166	12,874,529
IV. Total provision for impairment	0	0	0	0
Toll road operation rights	0	0	0	0
Land use right of Shanghai-Nanjing Expressway	0	0	0	0
Other land use rights	0	0	0	0
Total carrying amount of intangible assets	17,519,423,854	20,270,011	708,309,533	16,831,384,332
Toll road operation rights	16,504,497,169	17,762,081	638,277,288	15,883,981,962
Land use right of Shanghai-Nanjing Expressway	1,001,137,990	2,507,930	69,118,079	934,527,841
Other land use rights	13,788,695	0	914,166	12,874,529

The amortisation for the current period is RMB 702,743,434.

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

10. Intangible assets – continued

(1) Intangible assets – continued

Description of intangible assets:

- (1) The increase in the original carrying amount for the current period consists of RMB17,762,081 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current period consists of 5,566,099 due from disposal.
- (3) The increase in accumulated amortisation for the current period consists of charge for the current period of RMB702,743,434.
- (4) The decrease in accumulated amortisation for the current period consists of RMB2,507,930 due from disposal.

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

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	947,402,370	1,014,926,685

11. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset.

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

Item	Closing balance	Unit: RMB Opening balance
Deferred tax assets:		
Provision for impairment losses of assets	4,298,559	4,558,784

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

Item	Unit: RMB Amount
Closing balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment losses of assets	17,194,237
Opening balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment losses of assets	18,235,136

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

12. Details of provision for impairment losses of assets

Item	Opening carrying amount	Increase in the current period	Decrease in the current period		Unit: RMB
			Reversals	Write-off	Closing carrying amount
Bad debt provision	18,235,136	0	585,597	455,302	17,194,237

13. Short-term borrowings

(1) Categories of short-term borrowings:

Item	Closing balance	Unit: RMB
		Opening balance
Unsecured loans	1,455,000,000	1,490,000,000
Including: Bank loans	655,000,000	680,000,000
Entrusted loans	800,000,000	810,000,000
Short-term bonds	2,000,000,000	1,000,000,000
Total	3,455,000,000	2,490,000,000

Note: Short-term bonds represent the bonds issued on 7 July 2011 and 26 September 2011, bears interest at 5% and 6.18% per annum respectively.

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

14. Accounts payable

(1) Details of accounts payable are as follows:

Item	Closing balance	Unit: RMB
		Opening balance
Construction payable	78,781,095	80,399,499
Toll road fee payable	3,172,713	11,935,379
Daily purchase payable for service zones	23,072,861	3,425,353
Total	105,026,669	95,760,231

There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of accounts payable to related parties please refer to note XII (31)(7).

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

14. Accounts payable – continued

(1) Details of accounts payable are as follows: – continued

Description of significant accounts payable aged more than one year:

As at 31 December 2011, the accounts payable aged over 1 year of the group mainly represent the construction payable amount to approximately RMB78,781,095. The amount keeps unpaid because the construction settlement procedure is long.

Aging analysis of accounts payable is as follows:

Item	Closing balance	Unit: RMB	
		Opening balance	
Within 1 year	26,245,574	15,360,732	
1-2 years	0	0	
2-3 years	0	80,399,499	
Over 3 years	78,781,095	0	
Total	105,026,669	95,760,231	

15. Employee benefits payable

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Unit: RMB	
				Closing carrying amount	
I. Wages or salaries, bonuses, allowances and subsidies	0	231,915,061	231,915,061	0	
II. Staff welfare	0	14,377,668	14,377,668	0	
III. Social security contributions	0	76,150,057	76,150,057	0	
Including: Medical insurance	0	23,579,517	23,579,517	0	
Basic pension insurance	0	31,201,274	31,201,274	0	
Supplemental pension	0	16,015,417	16,015,417	0	
Unemployment insurance	0	2,982,239	2,982,239	0	
Compo insurance	0	1,100,602	1,100,602	0	
Bearing insurance	0	1,271,008	1,271,008	0	
IV. Housing funds	0	17,909,562	17,909,562	0	
V. Termination benefits	0	35,834	35,834	0	
VI. Others	8,192,758	22,145,368	24,841,280	5,496,846	
Outlay for Labour union and employees education	8,192,758	3,728,393	6,424,305	5,496,846	
Non-monetary welfare	0	17,509,980	17,509,980	0	
Others	0	906,995	906,995	0	
Total	8,192,758	362,533,550	365,229,462	5,496,846	

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

15. Employee benefits payable – continued

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB3,728,393, compensations to employees for termination of employment relationship are RMB35,834, Non-monetary benefits are RMB17,509,980. Non-monetary benefits are RMB17,869,819, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

16. Taxes payable

Item	Closing balance	Unit: RMB
		Opening balance
Enterprise income tax	236,959,790	152,031,840
Business tax	11,845,587	20,659,937
VAT	820,453	1,488,499
Property tax	198,624	1,146,310
Individual income tax	1,454,359	2,054,798
Others	2,732,022	4,314,409
Total	254,010,835	181,695,793

17. Other payables

(1) Details of other payables are as follows:

Item	Closing balance	Unit: RMB
		Opening balance
Construction quality warrantee fee payable	32,549,478	28,045,938
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Others	30,335,647	30,534,110
Total	72,885,125	68,580,048

(2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note XII (31)(7).

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

18. Surplus reserves

Item	Opening balance	Increase in the period	Decrease in the period	Unit: RMB Closing balance
2011:				
Statutory surplus reserve	1,761,694,860	241,191,873	0	2,002,886,733
Discretionary surplus reserve	0	0	0	0
Others	0	0	0	0
Total	1,761,694,860	241,191,873	0	2,002,886,733
2010:				
Statutory surplus reserve	1,521,845,627	239,849,233	0	1,761,694,860
Discretionary surplus reserve	0	0	0	0
Others	0	0	0	0
Total	1,521,845,627	239,849,233	0	1,761,694,860

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

19. Unappropriated profits

Item	Amount	Unit: RMB Proportion of appropriation
2011:		
Before adjustment: Unappropriated profits at the end of prior year	2,647,493,378	
Adjustment: Total unappropriated profits at beginning of year (increase "+", decrease "-")	0	
After adjustment: Unappropriated profits at beginning of year	2,647,493,378	
Add: Net profit attributable to owners of the Company for the year	2,411,918,734	
Less: Appropriation to statutory surplus reserve	241,191,873	10%
Appropriation to discretionary surplus reserve	0	
Appropriation to general risk reserve	0	
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 3.6 for every 10 shares
Conversion of ordinary shares' dividends into share capital		
Unappropriated profits at the end of the year	3,004,631,139	
2010:		
Before adjustment: Unappropriated profits at the end of prior year	2,050,552,010	
Adjustment: Total unappropriated profits at beginning of year (increase "+", decrease "-")	0	
After adjustment: Unappropriated profits at beginning of year	2,050,552,010	
Add: Net profit attributable to owners of the Company for the year	2,398,492,326	
Less: Appropriation to statutory surplus reserve	239,849,233	10%
Appropriation to discretionary surplus reserve	0	
Appropriation to general risk reserve	0	
Declaration of dividends on ordinary shares	1,561,701,725	Cash dividends of RMB 3.1 for every 10 shares
Conversion of ordinary shares' dividends into share capital	0	
Unappropriated profits at the end of the year	2,647,493,378	

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – *continued*

19. Unappropriated profits – continued

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

Note 2: Cash dividends approved in shareholders' meeting during the year

In 2011, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 3.6 for every 10 shares were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 23 March 2012, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2012, cash dividends of RMB 3.6 for every 10 share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

20. Operating income and operating costs

(1) Operating income

Item	Amount recognised in the current period		Amount recognised in the prior period		Unit: RMB
	Operating income	Operating costs	Operating income	Operating costs	
	Principal operating income				
Including:					
Shanghai-Nanjing Expressway	4,319,576,539	973,548,775	4,166,148,571	847,428,757	
312 National Highway	117,596,664	264,430,458	125,673,175	255,471,672	
Nanjing-Lianyungang Highway	38,930,257	17,793,783	50,592,320	22,625,982	
Ancillary services	2,147,517,951	2,089,314,825	1,636,495,479	1,577,231,755	
Total	6,623,621,411	3,345,087,841	5,978,909,545	2,702,758,166	

- (2) Principal operating activities (classified by geographical areas): The principal operation activities of the Group are held in Jiangsu Province.
- (3) Operating income from the Company's top five customers: the operating income principally include the toll road income, ancillary services, advertisement and real estate business. The Group is unable to present top five customers because of the nature of the business.

21. Business taxes and levies

Item	Amount incurred in the current period	Amount incurred in the prior period	Unit: RMB
			Basis of calculation
Business tax	143,043,806	138,828,300	3% of toll revenue
5% of maintenance revenue			
City Construction and maintenance tax	11,184,511	10,759,612	7% of actual paid turnover taxes
Education surcharge	7,936,448	6,208,903	7% of actual paid turnover taxes
Total	162,164,765	155,796,815	

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

22. Administrative expenses

Item	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Salaries	28,506,233	25,110,741
Depreciation and amortisation	73,652,811	75,686,033
Audit fee	2,650,000	2,200,000
Consulting and intermediary service fee	6,864,006	7,052,788
Properties tax and other taxes	11,809,814	9,945,422
Entertainment fee	2,191,633	2,196,763
Others	14,130,912	14,351,130
Total	139,805,409	136,542,877

23. Investment income

(1) Details of investment income

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Income from long-term equity investments under cost method	267,155,670	255,226,116
Income from long-term equity investments under equity method	190,057,183	214,133,017
Others	3,492,910	0
Total	460,705,763	469,359,133

(2) Income from long-term equity investments under cost method:

Investee	Amount recognised in the current period	Amount recognised in the prior period	Unit: RMB Reasons of change
Guangjiingxicheng	267,155,670	255,226,116	Dividends declared

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

23. Investment income – continued

(3) Income from long-term equity investments under equity method:

Investee	Amount recognised in the current period	Amount recognised in the prior period	Unit: RMB Reasons for increase or decrease in the current compared to the prior period
Kuailu Co., Ltd.	4,088,141	7,159,572	The profit from associate
Yangtze bridge	96,466,422	108,904,021	The profit from associate
Sujiahang	89,502,620	98,069,424	The profit from associate
Total	190,057,183	214,133,017	

The investment income of current and period year is generated from non-listed investments.

24. Impairment losses on assets

Item	Amount incurred in the current period	Unit: RMB Amount incurred in the prior period
Bad debt provision reversal	585,597	0

25. Non-operating income

(1) Details of non-operating income are as follows:

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Total gains on disposal of non-current assets	22,211,908	4,734,618
Including: Gains on disposal of fixed assets	22,211,908	4,734,618
Compensation income from damaged road	8,134,090	7,788,596
Others	981,564	2,849,712
Total	31,327,562	15,372,926

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – *continued*

26. Non-operating expenses

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Total losses on disposal of non-current assets	20,858,295	8,245,877
Including: Losses on disposal of fixed assets	20,858,295	8,245,877
Repair expenditure of damaged road	10,876,502	12,369,692
Donation	750,000	630,000
Others	2,293,288	1,098,143
Total	34,778,085	22,343,712

27. Income tax expense

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Current tax expense calculated according to tax laws and relevant requirements – PRC	675,505,293	662,192,514
Under provision of prior years' tax	0	0
Adjustments to deferred tax	260,225	445,951
Total	675,765,518	662,638,465

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

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

27. Income tax expense – continued

Reconciliation of income tax expenses to the accounting profit is as follows:

	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Accounting profit	3,087,684,252	3,061,130,791
Income tax expenses calculated at 25% (prior year: 25%)	771,921,063	765,282,698
Effect of expenses that are not deductible for tax purposes	18,147,668	14,695,550
Effect of tax-free income	-114,303,213	-117,339,783
Under provision of prior years' tax	0	0
Total	675,765,518	662,638,465

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

28. Other comprehensive income

Item	Amount for the current period	Unit: RMB Amount for the prior period
1. Gains (losses) arising from available-for-sale financial assets	0	0
Less: Tax effects arising from available-for-sale financial assets	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	0	0
2. Share of other comprehensive income of the investee accounted for using the equity method	-35,194,761	-115,550,005
Less: Tax effects arising from the share of other comprehensive income of the investee accounted for using the equity method	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	-35,194,761	-115,550,005
3. Gains (losses) arising from cash flow hedging instruments	0	0
Less: Tax effects arising from cash flow hedging instruments	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Adjustments to the initial recognised amounts of hedged items	0	0
Subtotal	0	0
4. Translation differences of financial statements denominated in foreign currencies	0	0
Less: Net amount transferred to profit or loss for the period on disposal of foreign operations	0	0
Subtotal	0	0
5. Others	0	0
Less: Tax effects arising from other items recognised in other comprehensive income	0	0
Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	0	0
Subtotal	0	0
Total	-35,194,761	-115,550,005

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

29. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Compensation, non-operation income and bank deposits interest received	20,043,402	10,383,775

(2) Other cash payments relating to operating activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Payment of non-salary and other expenditure	39,350,845	40,893,331

(3) Other cash receipts relating to investing activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Other receivables from Ninghu Properties collected	120,000,000	0

(4) Other cash payments relating to investing activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Payment to Ninghu Properties as other receivables	40,000,000	260,000,000

(5) Other cash payments relating to financing activities

Item	Amount incurred in current period	Unit: RMB Amount incurred in prior period
Bond issue fee and other loan charges	8,191,435	6,156,920

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

30. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Current period	Unit: RMB
		Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,411,918,734	2,398,492,326
Add: Reversals of provision for impairment losses of assets	-585,597	0
Depreciation of fixed assets	136,111,480	134,992,410
Amortisation of intangible assets	702,743,434	661,839,255
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	-22,211,908	-4,734,618
Losses on discard of fixed assets (gains are indicated by “—”)	20,858,295	8,245,877
Financial expenses	350,599,173	386,121,367
Losses arising from investments (gains are indicated by “—”)	-460,705,763	-469,359,133
Decrease in deferred tax assets (increase is indicated by “—”)	260,225	445,951
Decrease in inventories (increase is indicated by “—”)	-2,154,478	799,218
Decrease in receivables from operating activities (increase is indicated by “—”)	30,798,809	-9,058,604
Increase in payables from operating activities (decrease is indicated by “—”)	82,054,510	94,065,481
Net cash flow from operating activities	3,249,686,914	3,201,849,530
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	0	0
Convertible bonds due within one year	0	0
Fixed assets acquired under finance leases	0	0
3. Net changes in cash and cash equivalents:		
Closing balance of cash	452,126,965	171,257,578
Less: Opening balance of cash	171,257,578	242,978,247
Net increase in cash and cash equivalents	280,869,387	-71,720,669

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relevant information of subsidiaries and other related parties please refer to note VII.

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

Related party	Type of related party transactions	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period		Unit: RMB Related party	
				Amount	Proportion of the amount of related party transactions to that of similar transactions(%)	Amount	Proportion of the amount of related party transactions to that of similar transactions(%)
Kuailu Co., Ltd.	Goods sold	Petrol fee	For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.	25,726,002	1	22,960,018	1
Kuailu Co., Ltd.	Service provided	Toll road fee		7,800,000	0	6,000,000	0
Sundian	Service received	Road maintenance fee		18,559,572	11	19,475,397	18
Sundian	Goods sold	Petrol fee		470,162	0	0	0
Network Operation Company	Service received	Management fee for toll road system management and maintenance		16,937,431	100	8,978,204	100
Guangjingxichen	Financing	Entrusted loan interest		25,755,556	7	22,192,189	6
Far East Shipping	Financing	Entrusted loan interest		13,008,867	4	12,280,502	3
Ninghu Investment	Financing	Entrusted loan interest		1,944,478	0	0	0
Yangtze Bridge	Service received	Toll service expenses		526,482	100	518,006	100

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(3) Leases with related parties

Name of lessor	Name of lessee	Type of leased assets	Amount of leased assets	Leasing begin date	Leasing ending date	Lease income recognised in the current year	Basis of determining the lease income	Effect of the Group
The Company	Network Operation Company	Buildings lease	17,824,365	1 September 2008	31 August 2014	4,460,000	Base on cost recovery principle, and tax effect considered as well	Not significant
The Company	Sundian	Buildings lease	12,020,106	1 September 2008	31 August 2014	1,690,000	Base on cost recovery principle, and tax effect considered as well	Not significant
Ninghu Investment	The Company	Buildings lease	15,625,831	1 September 2011	31 December 2013	770,000	Base on cost recovery principle, and tax effect considered as well	Not significant

Unit: RMB

(4) Guarantees with related parties

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding	The Company	26,538,996	15 October 1998	15 October 2027	Not completed

Unit: RMB

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(5) Borrowings/loans with related parties

During the year:

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Remarks
Unit: RMB					
Borrowed from:					
Guangjingxicheng	640,000,000	8 July 2011	7 July 2012	540,000,000	Entrusted loan with annual interest rate of 4%
Far East Shipping	100,000,000	7 July 2011	7 July 2012	100,000,000	Entrusted loan with annual interest rate of 6.56%
Far East Shipping	110,000,000	9 May 2011	9 May 2012	110,000,000	Entrusted loan with annual interest rate of 6.31%
Ninghu Investment	50,000,000	26 January 2011	26 January 2012	50,000,000	Entrusted loan with annual interest rate of 4%
Lend to					
Ninghu Properties	1,250,000,000	N/A		1,250,000,000	Inter group financing

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(5) Borrowings/loans with related parties – continued

In the prior year:

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Remarks
拆入					
Guangjingxicheng	70,000,000	19 May 2010	18 May 2011	70,000,000	Entrusted loan with annual interest rate of 4%
Guangjingxicheng	200,000,000	28 September 2010	27 September 2011	200,000,000	Entrusted loan with annual interest rate of 4%
Guangjingxicheng	200,000,000	28 September 2010	27 August 2011	200,000,000	Entrusted loan with annual interest rate of 4%
Guangjingxicheng	50,000,000	29 July 2010	28 July 2011	50,000,000	Entrusted loan with annual interest rate of 4%
Guangjingxicheng	80,000,000	29 November 2010	28 November 2011	80,000,000	Entrusted loan with annual interest rate of 4%
Far East Shipping	110,000,000	11 May 2010	11 May 2011	110,000,000	Entrusted loan with annual interest rate of 5.31%
Far East Shipping	50,000,000	13 October 2010	13 October 2011	50,000,000	Entrusted loan with annual interest rate of 5.31%
Far East Shipping	50,000,000	8 December 2010	8 December 2011	50,000,000	Entrusted loan with annual interest rate of 5.56%
Lend to					
Ninghu Properties	1,330,000,000	N/A		1,330,000,000	Inter group financing

Unit: RMB

(6) Compensation for key management personnel

Item	Amount incurred in the current period	Amount incurred in the prior period
Compensation for key management personnel	1,717,052	1,659,207

Unit: RMB

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(7) Amounts due from/to related parties

Amounts due from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
				Unit: RMB	
Accountants receivable	Kuailu Co., Ltd.	6,877,444	0	2,957,051	0
	Guangjingxicheng	1,842,940	0	1,277,427	0
	Sujiahang	6,863,321	0	25,886,946	0
	Yangtze Bridge	347,627	0	346,110	0
	Sundian	336,194	0	0	0
	Ninghu Investment	9,776	0	0	0
Subtotal		16,277,302	0	30,467,534	0
Other receivables	Sundian	34,827	0	2,795,123	0
	Ninghu Investment	59,519	0	52,945	0
	Ninghu Properties	1,250,000,000	0	1,330,000,000	0
Subtotal		1,250,094,346	0	1,332,848,068	0
Dividends receivables	Kuailu Co., Ltd.	2,494,980	0	0	0

Notes to the Financial Statements

(For the year ended 31 December 2011)

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(7) Amounts due from/to related parties

Amounts due to related parties

Item	Related party	Closing balance	Unit: RMB
			Opening balance
Accounts payable	Guangjingxicheng	224,007	361,409
	Sujiahang	622,353	956,060
Subtotal		846,360	1,317,469
Receipts in advance	Sundian	361,667	362,000
Interest payable	Guangjingxicheng	660,000	733,300
	Far East Shipping	412,500	344,500
	Ninghu Investment	61,111	0
Subtotal		1,133,611	1,077,800
Other payables	Network Operation Company	1,408,158	1,236,985
	Sundian	3,145,902	145,902
	Yangtze Bridge	526,482	518,006
Subtotal		5,080,542	1,900,893

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

31. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS – continued

(8) Directors' emoluments

2011	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Fan Cong Lai*	Chen Dong Hua*	Gao Bo*	Yan Shi Ming#	Shao Li#	Total
Director's fee	0	249,000	249,000	60,000	60,000	60,000	60,000	0	0	738,000
Salaries and other benefits	400,000	0	0	0	0	0	0	240,000	240,000	880,000
Pension schemes	35,748	0	0	0	0	0	0	21,456	21,456	78,660
Total	435,748	249,000	249,000	60,000	60,000	60,000	60,000	261,456	261,456	1,696,660

2010	Qian Yong Xiang	Fang Hung*	Cheng Chang Yung Tsung*	Xu Chang Xin*	Fan Cong Lai*	Chen Dong Hua*	Gao Bo*	Yan Shi Ming#	Shao Li#	Total
Director's fee	0	258,000	258,000	56,667	56,667	56,667	56,667	0	0	742,668
Salaries and other benefits	390,000	0	0	0	0	0	0	234,000	234,000	858,000
Pension schemes	30,833	0	0	0	0	0	0	18,500	18,500	67,833
Total	420,833	258,000	258,000	56,667	56,667	56,667	56,667	252,500	252,500	1,668,501

* Independent director

Supervisor

(9) Five individuals with the highest emoluments

One (2010: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining four (2010: four) individuals were as follows:

	Current period	Prior period
Salaries	1,180,000	1,150,500
Social insurance	101,304	87,874
Total	1,281,304	1,238,374

Their emoluments were within the following bands:

	Number	Number
Less than HKD 1,000,000	4	4

Notes to the Financial Statements

(For the year ended 31 December 2011)

XIII. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorised for issue on 23 March 2012.

Supplementary Information

1. Breakdown of non-recurring profit or loss

Item	Unit: RMB
	Amount
Net profit	2,479,694,522
Add(less): non-recurring items	
– (Profit) or loss on disposal of non-current assets	1,724,124
– Government grants	–820,000
– (Profit) on disposal of held-for-trading financial investments	–7,092,511
– (Profit) or loss on changes in the fair value	922,572
– Reversal of provision for accounts receivable that are tested for impairment losses individually	–585,597
– Other net non-operating income or expenses other than the above	6,595,772
Subtotal	744,360
Tax effect of non-recurring items	–186,090
Net profit after non-recurring profit or loss	2,480,252,792
Including: attributable to owners of the Company	2,430,245,112
attributable to minority interests	50,007,680

2. Return on net assets and earnings per share (“EPS”)

The return on net assets and EPS have been prepared by China GAAP Holdings Limited (“China GAAP Company”) in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	13.96%	0.4823	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	13.97%	0.4824	N/A

Supplementary Information

3. Abnormal financial statements items (“F/S items”) and description of reasons – *continued*

					Unit: RMB
	F/S items	2011	2010	Change by %	Cause for the changes
1	Cash and bank balances	806,129,927	475,084,741	70%	Considering the financial environment of domestic and international is not optimistic, the Group increase the reserve of cash and bank to control relevant risk.
2	Held-for-trading financial assets	19,077,428	60,143,990	-68%	Ninghu Investment paused investment in gold to avoid price risk considering the price of gold fluctuated wildly.
3	Prepayments	11,614,720	692,761,080	-98%	Ninghu Properties begin to develop part of its projects during current year, and therefore some of the prepayments for land use right acquisition were transferred into inventories, and the balance of prepayments decreased.
4	Inventories	1,919,255,292	872,654,415	120%	Ninghu Properties begin to develop part of its projects during current year, and therefore some of the prepayments for land use right acquisition were transferred into inventories, and the balance of inventories increased.
5	Other current assets	560,390,281	0	N/A	In order to improve capital usage efficiency, the Company used idle capital to acquire prudent financial management product. On the other hand, the business taxes and levies related to real estate sales paid in advance was recorded in this account too, which make the balance increased.
6	Construction in progress	26,032,412	13,764,384	89%	During current year, there were new projects, such as Ninghu expressway toll station expansion project, dormitory in Guanglin service zone, etc. have not completed at year end.
7	Long-term equity investment	2,190,631,308	2,035,725,267	8%	Guangjinxicheng increased investment in Jiangsu Leasing by RMB134,000,000.
8	Long-term equity investment	2,865,000,000	1,890,000,000	52%	The Company issued bonds to make supplement to operation capital, optimize debt structure and reduce financial costs.

3. Abnormal financial statements items (“F/S items”) and description of reasons – *continued*

					Unit: RMB
	F/S items	2011	2010	Change by %	Cause for the changes
9	Receipts in advance	346,683,735	28,495,707	1117%	Ninghu Properties received receipts in advance from pre-sale of Hongqiao Tongchen Mansion.
10	Dividends payable	104,896,262	62,312,486	68%	Some shareholders of the Company did not draw the dividends declared. Furthermore, Beijing Huajian, a shareholder of Guangjingxichen did not draw its dividend of first half of 2011. So the balance of dividends payable increased.
11	Operating income	7,401,310,221	6,756,244,112	10%	Operating income increased due to the increase of traffic volume.
12	Operating costs	3,635,778,535	2,958,850,331	23%	Ministry of Transportation took inspection on roads quality, so the maintained expenses of Ninghu expressway and Guangjingxicheng expressway increased in order to keep the roads under good conditions.
13	Impairment losses of assets	-585,597	-80,000	632%	Part of the receivables that been provided bad debt provision collected in current year, accordingly the relevant bad debt provision was reversed.
14	Gains from changes in fair values	-922,572	1,269,570	-173%	Because of the financial environment is not optimistic, the fair value of held-for-trading financial assets held by Ninghu Investment has declined.

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
Legal Representative of the Company	Yang Gen Lin
Secretary to the Board of the Company	Yao Yong Jia Telephone: 8625-8446 9332
Securities Officers	Jiang Tao, Lou Qing Telephone: 8625-8436 2700-301835, 301836 Fax: 8625-8446 6643
Email Address	nhgs@jsexpressway.com
Company Secretary in Hong Kong	Lee Wai Fun, Betty Telephone: 852-2801 8008 Office Address: 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Registered Office and Office Address of the Company	6 Maqun Road, Qixia District, Nanjing, the PRC
Postcode	210049
Website of the Company	http://www.jsexpressway.com
Email Address of the Company	nhgs@nhgs.cn
Information of the Company's Shares	A Share Shanghai Stock Exchange Stock Name of A shares: 寧滬高速 Stock Code of A shares: 600377 H Share The Stock Exchange of Hong Kong Limited Stock Name of H Shares: Jiangsu Expressway Stock Code of H Shares: 00177 ADR The United States of America Stock Name of ADR: JEXWW Security United Code: 477373104
Newspapers Designated for Regular Announcements	Shanghai Securities News, China Securities Journal
Website Designated for Information Disclosure	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com

Regular Reports Available at	<ul style="list-style-type: none"> Jiangsu Expressway Company Limited, 6 Maqun Road, Qixia District, Nanjing, Jiangsu Province, the PRC Reed Smith Richards Butler, 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Date of the Company's Initial Registration	1 August 1992
Initial Registration Address of the Company	Shengzhou Road, Nanjing, Jiangsu Province, the PRC
Date of Last Time's Change of the Company's Registration	14 August 2009
Place of Change of the Company's Registration	6 Maqun Road, Qixia District, Nanjing, Jiangsu Province, the PRC
SAIC Registration Number of	320000000004194
Tax Registration Number of the Company	320003134762764
Company Organization Code	13476276-4
Legal Auditors	Deloitte Touche Tohmatsu CPA Ltd. Office Address: 30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC
Domestic Legal Advisors	C & T Partners Law Firm Office Office Address: 5/F, 26 Beijing Road West, Nanjing, the PRC
Hong Kong Legal Advisors	Reed Smith Richards Butler Office Address: 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository & Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East Pudong New District, Shanghai, the PRC
Overseas Share Registrar and Transfer Office	Hong Kong Registrars Limited Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Hong Kong Investor Relations Consultant	Hill + Knowlton Strategies Asia Office Address: 36th Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong Telephone: (852) 2894 6321 Fax: (852) 2576 1990

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

23 March 2012

Appendix I – 2011 Self-evaluation Report on Internal Control

Important Statement

All the members of the Board of Directors of Jiangsu Expressway Company Limited (the “Company”) warrant that the information contained in this report is true, accurate and complete, and that there are no false representations or misleading statements contained in, or material omissions from, this report.

Internal control referred to in this report is a set of procedures implemented by the Board of Directors, Supervisory Committee, managers at all levels and the staff, with an aim to achieving control objectives. The objectives of internal control are to give a reasonable assurance that the Company’s management is lawful and compliant, the assets are safe and that the financial reporting and related information are true and complete; to improve operational efficiency and effectiveness; and to facilitate the achievement of the Company’s development strategy.

Given the fact that internal control has its inherent limitations, it can only provide a reasonable amount of assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policy or procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of an internal control evaluation.

1. Overview of internal control evaluation

The Company is listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Pursuant to the relevant requirements of the “Basic Standards for Enterprise Internal Control” and their supporting guidelines (the “Basic Standards”) jointly issued by five ministries and commissions including the Ministry of Finance and China Securities Regulatory Commission (CSRC), the Company will conduct an evaluation of the effectiveness of internal control on an annual basis commencing from 2011 and will issue a self-evaluation report on internal control pursuant to the requirements of the Basic Standards. Moreover, the Company will engage an external auditor to audit the effectiveness of internal control in relation to financial reporting and will issue an audit report on an annual basis.

When the Basic Standards were established, the Company had already commenced the establishment and evaluation of internal control pursuant to the relevant requirements of the Basic Standards and in the light of the actual situation of the Company.

1.1 Establishment of internal control

The Company has stepped up the establishment of an internal control system pursuant to the relevant requirements of the Basic Standards and in light of the actual situation of the Company. The Company’s establishment of internal control complies with the following principles:

- Principle of Completeness, which means that internal control should run through the entire decision-making, implementation and monitoring processes, and encompasses the respective businesses and matters of the Company and its secondary entities and holding subsidiaries;
- Principle of Materiality, which means that internal control should focus on material business issues and high-risk areas on a total control basis;
- Principle of Checks and Balances, which means that internal control should exercise mutual checks and balances and mutual supervision over various areas such as governance structure, office setup, allocation of powers and duties and business processes without compromising operational efficiency;
- Principle of Adaptiveness, which means that internal control should be adaptive in respect to the criteria of business operation, a competitive situation and the risk level of the Company, and that it be modified promptly in line with changes in the circumstances;
- Principle of Cost Effectiveness, which means that the Company should exercise an effective control of the right costs to achieve a balance between the costs of implementation and expected benefits.

Appendix I – 2011 Self-evaluation Report on Internal Control

In 2011, the Company established a more mature management system that encompasses quality, environment and occupational safety and health comprising the general system, business system, well-being system, maintenance system and operational system, as well as a quality management manual, all of which has gradually improved the establishment of the Company's internal control system.

1.2 Internal control evaluation

The Company's internal control evaluation procedure is a comprehensive evaluation of the design and operation of internal control pursuant to the relevant requirements of the Basic Standards and in light of the management system on quality, environment and occupational safety and health covering five major components of internal control: internal environment, risk assessment, control activities, information and communication and internal supervision.

Major Components of Internal Control	Evaluation Overview
Internal environment	The Company evaluates the design and actual operation of control in relation to the internal environment pursuant to the requirements of its Basic Standards and based on the five internal control guidelines for internal environment, namely organizational structure, development strategy, human resources, corporate culture and social responsibility in light of the Company's relevant internal management system.
Risk assessment	The Company evaluates risk management in its daily operations and management pursuant to the requirements of its Basic Standards for risk assessment and based on the major risks as set out in the 18 application guidelines for internal control in light of the Company's relevant internal management system.
Control activities	The Company evaluates the design and actual operation of the control measures in its daily operations and management pursuant to the requirements of its Basic Standards and based on the control measures as set out in the 18 application guidelines for internal control in light of the Company's relevant internal management system.
Information and communication	The Company evaluates the timeliness of information collection, processing and transmission; the soundness of the anti-fraud mechanism; the authenticity of financial reporting; the security of the information system; and the effectiveness of the use of the information system for the implementation of internal control, pursuant to the requirements of its Basic Standards and based on the internal control application guidelines such as information transmission, financial reporting and information system in light of the Company's relevant internal management system.
Internal supervision	The Company evaluates the effectiveness of the internal supervisory mechanism, with focus placed on the supervisory role of the Board of Directors, Supervisory Committee and internal audit department pursuant to the requirements of its Basic Standards for internal supervision and based on the requirements of day-to-day internal control as set out in the 18 internal control application guidelines in light of the Company's relevant internal management system.

Please refer to Sections 3 to 5 of this report for the scope, procedures, methods and evaluation results of internal control evaluation in 2011.

2. Basis for internal control evaluation

The Company conducts its internal control evaluation based on the following:

- Basic Standards for Enterprise Internal Control jointly issued by five ministries and commissions, including the Ministry of Finance and CSRC;

- 18 Application Guidelines on Corporate Internal Control jointly issued by five ministries and commissions, including the Ministry of Finance and CSRC, covering organizational structure, development strategy, human resources, corporate culture, social responsibility, financing activities, procurement operations, asset management, sales, research and development, construction, guarantee, outsourcing, financial reporting, overall budget, contract management, internal information transmission and information system;
- Guidelines on the Evaluation of Corporate Internal Control jointly issued by five ministries and commissions, including the Ministry of Finance and CSRC;
- the day-to-day management system of the Company;
- the criteria for defining and determining the severity of defects in the Company's internal control;
- other rules and regulations related to the trade or business activities of the Company.

3. Scope of internal control evaluation

The Company determines the scope of internal control evaluation in accordance with the Principle of Completeness and Principle of Materiality as required under the Guidelines on the Evaluation of Corporate Internal Control. On the basis of a comprehensive survey and evaluation of the various businesses of the Company itself as well as the secondary entities and holding subsidiaries of the Company, focus was placed on the entities that handle important businesses, major business issues and high-risk areas to determine the scope of internal control evaluation in 2011. Details were as follows:

3.1 Determine the entities that handled important businesses

Four companies were consolidated into the consolidated financial statements of the Company in 2011. They were Jiangsu Expressway Company Limited (parent company), Jiangsu Ninghu Properties Co., Ltd. (100% owned), Jiangsu Ninghu Investment Development Co., Ltd. (95% owned) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. (85% owned).

The entities handling important businesses that fell into the scope of the Company's internal control evaluation in 2011 were Jiangsu Expressway Company Limited and Jiangsu Guangjing Xicheng Expressway Co., Ltd. The total revenue of these two companies for 2011 accounted for 99% of the Company's total revenue in the consolidated financial reports for 2011; their total assets accounted for 90% of the total assets in the consolidated financial statements for 2011; and their net profit before tax accounted for 99% of the total net profit before tax in the consolidated financial statements for 2011.

3.2 Determine major businesses and areas

The major businesses and areas which were the focus of the Company's internal control evaluation during 2011 covered two major aspects: control at the Company level and control at the business process level. Details were as follows:

- Control at the Company level, covering internal control environment (organizational structure, development strategy, human resources, corporate culture, social responsibility), risk assessment, information and communication (internal information transmission and information system) and internal supervision;
- Control at the business process level, covering financial reporting, financing activities, procurement, inventory management, fixed asset management, toll road and bridge operations, construction, outsourcing, overall budget, contract management and remuneration management.

The scope of the evaluations listed above covered all entities that handled important businesses, all major business issues and all high-risk areas of the Company in 2011.

Appendix I – 2011 Self-evaluation Report on Internal Control

4. Procedures and methods for internal control evaluation

The Company's internal audit department is responsible for conducting the Company's internal control evaluation and reports to the Board through the Office of the Secretary to the Board. Since 2011 was the first time that the Company evaluated the effectiveness of internal control in accordance with the requirements of the Basic Standards, an external consulting agency was engaged to assist the internal audit department in completing the evaluation. During the year, the internal control evaluation procedures were roughly divided into the following four stages:

- Planning and preparation. At this stage, the main tasks were to assure the availability of relevant resources for the evaluation, select an external consulting agency, form an evaluation working group, determine the scope of evaluation and set the criteria for identifying defects in internal control, etc.
- Evaluation of the effectiveness of internal control design. At this stage, the task was to smooth out the existing corporate systems by comparing the requirements of the Basic Standards to those of the existing systems to evaluate the effectiveness of internal control design. The main methods were to review the written policies, interview business practitioners, walk through tests and prepare risk control matrix, etc.
- Evaluation of internal control operation. At this stage, the tasks were to determine the critical control points in various businesses and areas and to carry out tests on such critical control points. The main methods were to prepare test plans and test steps, perform tests and record test results for the compilation of working papers on the test. During the testing process, the evaluation team employed various testing methods such as enquiries, interviews, site inspections, analytical reviews, sampling inspection and re-performance.
- Summary Report. At this stage, the tasks were to summarize evaluation results, determine the severity of the defects identified in internal control during the evaluation and prepare a self-evaluation report on internal control.

The internal control evaluation for the year commenced from the second half of 2011 and completed at the end of February 2012.

5. Evaluation results

The Company conducted an evaluation of its internal control in 2011 based on the Basic Standards for Enterprise Internal Control as well as other rules and regulations and in accordance with the principles and evaluation procedures set forth in the Guidelines on the Evaluation of Corporate Internal Control. During the evaluation, no material defects were detected in the internal control of the Company as at 31 December 2011. The Company's internal control was found to be effective.

Deloitte Touche Tohmatsu CPA Ltd., an accounting firm engaged by the Company, has conducted an audit of the internal control in relation to the Company's financial report for 2011.

The Company discovered during the evaluation that some general defects still remain in its information system control. The Company has drawn up measures and a timetable to rectify these defects, and has assigned staff to be in charge of carrying out the rectifications. The Company's internal audit department will regularly supervise the rectification of these defects to ensure that the rectification could be completed during the first half of 2012.

Board of Directors of Jiangsu Expressway Company Limited

23 March 2012

Appendix II – 2011 Internal Control Audit Report

De Shi Bao (Shen)
Zi (12) No. S0067

Audit Report on Internal Control

To all Shareholders of Jiangsu Expressway Company Limited:

In accordance with the relevant requirements of the Audit Guidelines on Corporate Internal Control and the code of practice of Chinese certified public accountants, we have audited the effectiveness of the internal control over the Financial Report of Jiangsu Expressway Company Limited (the "Company") for the year ended 31 December 2011.

1. Responsibilities of an enterprise towards internal control

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

2. Responsibilities of certified public accountants

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

3. Inherent limitations on internal control

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

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

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

Deloitte Touche Tohmatsu CPA Ltd.

Zhu Shaofang, PRC Certified Public Accountant

Shanghai, the PRC

Yang Bei, PRC Certified Public Accountant

23 March 2012

Appendix III – 2011 Corporate Social Responsibility Report

Jiangsu Expressway Company Limited 2011 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 contents 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. The Company has always regarded the conscientious fulfillment of its social responsibilities to be a basic obligation, and has incorporated the fulfillment of its social responsibilities into its business development strategy and day-to-day management as it strives to adhere to economic, social and environmental values.

This 2011 Social Responsibility Report of the Company reflects the Company's commitment to faithfully fulfilling its social responsibilities and obligations based on the principles of honesty and trustworthiness. We wish that this report will serve as a bridge of communication and exchange with all sectors of the community, and will deepen these sectors' understanding of the Company. We also wish that with this report, we are subject to supervision by all parties, who will encourage us to constantly improve in serving the community and the public and in carrying out harmonious development.

Appendix III – 2011 Corporate Social Responsibility Report

I. Social Responsibility

◇ The Company's understanding of social responsibility

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

◇ The Company's values in social responsibilities

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, Jiangsu Expressway Company Limited continued to develop and grow and at the same time gradually realized that corporate wealth originates from the public recognition of our products and services. Aside from making profit and protecting the interests of our shareholders, we carry a wide range of social responsibilities, including responsibilities towards our stakeholders such as our employees and consumers as well as the community and the environment. The continuous support of society, customers, shareholders and employees ensures the sustainable development of the Company's operations. The Company must treat and protect other stakeholders in a practical and trustworthy manner; promote environmental protection and energy conservation; participate in and donate to community services and other charitable causes; so as to influence and motivate the local economic prosperity with its own development and to promote the synchronized and harmonious development between the Company and society, customers and nature.

The 2011 Corporate Social Responsibility Report of Jiangsu Expressway Company Limited truly and objectively reflects the important information on how the Company fulfills its social responsibilities in its operations and management.

Appendix III – 2011 Corporate Social Responsibility Report

◇ 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 operations and corporate culture, and seek to maintain good relationships with all stakeholders, including government departments, shareholders and customers, as well as employees and the environment, while striking a balance of interests among them.

Stakeholder	Our Responsibilities	Major Means of Communication
Government	<ul style="list-style-type: none"> Abide by laws and regulations and observe the regulatory requirements of the government Carry out operations in a regulated manner and pay taxes according to law 	<ul style="list-style-type: none"> Regular reporting of work progress Participate in policy research and implementation of policies
Shareholders	<ul style="list-style-type: none"> Equal right to information Timely, true and accurate information disclosure A high and stable dividend payout ratio 	<ul style="list-style-type: none"> General meetings of shareholders Investor exchange activities Disclosure of external information
Customers	<ul style="list-style-type: none"> A safe, convenient and comfortable transportation environment High-quality services to raise the level of customer satisfaction 	<ul style="list-style-type: none"> Collect comments from customer and provide feedback Handle customer complaints
Employees	<ul style="list-style-type: none"> Stable and reasonable remuneration packages Provide opportunities for career development Protect the interests of employees and improve their benefits 	<ul style="list-style-type: none"> Trade union; convene workers' conference Collect and research employees' comments, suggestions and feedback Staff training
Community and environment	<ul style="list-style-type: none"> Preserve resources, conserve energy and reduce consumption Focus on environmental protection Proactively engage in charitable activities and promote harmonious development of society 	<ul style="list-style-type: none"> Maintain communication with the environmental protection departments Promote learning and exchange of advanced experience from home and abroad

II. Regulated Corporate Governance and Company Management

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. Also, the Company, in accordance with the requirements Basic Standards for Enterprise Internal Control and relevant application guidance, strengthens the construction and implementation of internal control systems and continues improving corporate operations management level and risk prevention capability, so as to provide the Company with a solid protection for implementing strategic transformation in success.

◇ Improving corporate governance

The Company has always been committed to adhering to a good corporate governance principle. It has established a sound governance structure and carries out its operations in a regulated manner. It guides its day-to-day activities in strict compliance with various established governance policies and reviews its operational and management practices from time to time to enhance the compliance, independence and transparency of its operations to ensure that the Company carries out its operations in a regulated manner, grows steadily and enhances shareholder value on an ongoing basis. Meetings of shareholders, the Board of Directors and Supervisory Committee of the Company functioned in a normal and orderly manner, while general meetings of shareholders, the Board of Directors and its special committees, as well as the Supervisory Committee, discharged their own duties, coordinated with each other and exercised effective checks and balances in accordance with regulations and governance rules, providing a boost to the Company's scientific decision-making, regulated operation and management upgrade on an ongoing basis.

The Company is strict in its corporate governance. In addition to complying with the Code on Corporate Governance Practices, the Company has devised various governance policies which surpass the standards of the current and proposed rules of the securities regulators in a number of aspects. During the reporting period, the Company focused on strengthening the management of the use of internal and external sensitive information for the prevention of leakage of significant and sensitive information. The Company placed emphasis on enhancing the awareness of the directors, supervisors and senior management staff of the Company about legal compliance, and has resolutely put an end to the trading in the shares of the Company with the use of insider information. To further regulate the management of insider information, the "Management System Governing Personnel Having Access to Insider Information" was established in 2011, under which relevant personnel are required to be registered for the record and sign as confirmation the first time they have access to insider information to prevent them from abusing the right to information, leaking insider information or conducting insider trading to safeguard the interests of the Company and the principle of fairness for information disclosure.

The Company aims to pursue excellence and be an exemplary company, striving to become an enterprise with long-term investment value and a leader in the capital market. During the year, the Company was again awarded the Gold Award of the "H-share Category" of the "2011 Best Corporate Governance Disclosure Awards" organized by the Hong Kong Institute of Certified Public Accountants and was awarded the "Gold Award for Social and Environmental Responsibility and Investor Relations" of "The Corporate Awards 2011" organized by the Asset magazine, which ranked the Company among the top of many listed companies in Hong Kong stock market.

Appendix III – 2011 Corporate Social Responsibility Report

◇ Carrying out risk management comprehensively

The Company gives high priority to risk control. It has gradually built an “Integrated Internal Control System” which is based on risk management at its core, covering a number of management tasks and running through the entire business process so as to carry out prevention before a risk event, to exercise control during the course of a risk event and conducting supervision and evaluation after a risk event. In 2011, the Company strengthened the overall setup of its risk management office and established a risk identification and assessment mechanism. Each department identified risk events according to their lines, which had a specific impact on the achievement of objectives for the year. The Company improved the relevant risk responsive measures and conducted a self-evaluation of the implementation of risk management at the end of the year. Moreover, the Company strengthened day-to-day risk monitoring and management, analyzed internal operating conditions, collected external information on a regular basis, issued early warnings and exercised control in accordance with pre-arranged risk management plans, and promptly modified risk management in line with internal and external business circumstances and trends in the changes in the risk environment.

◇ Establish sound internal control systems

2011 marked the commencement of implementation of internal controls by listed companies. To thoroughly apply the “Basic Standards for Enterprise Internal Control” published by the five ministries and commissions as well as the requirements of related supporting guidelines, and to continue improving corporate operations management level and risk prevention capability, the Company established the “Implementation Scheme for Internal Control Principles” and implemented interim internal controls after the scheme was considered and approved by the Board.

To further systematize and deepen internal control, the Company, with the professional support of the intermediaries and based on the existing documented management system, smoothed and diagnosed anew various aspects such as organizational structure, management system, business processes and control system of the entire Company (including major subsidiaries), and promptly carried out rectification and improvement specifically to the defects in the design aspect of the internal control system. The Company ensured that its internal control systems operated effectively by checking its improvement progress through continuous monitoring and self-evaluation of members of management on an annual basis, which gradually fused the internal control systems with the Company’s daily operations and management so as to formulate a long-term internal control mechanism for the Company.

At the end of 2011, the Company had established a more mature “integrated four-standard” internal control management system comprising the general system, business system, well-being system, maintenance system and operational system, as well as a quality management manual, all of which has gradually improved the establishment of the Company’s internal control system.

III. Providing Quality and Effective Public Services

The most fundamental social responsibility of the Company is to provide the community with safe and smooth expressway services and to improve the efficiency of transport and to deliver efficient public services.

◇ Promoting the economy of the region

As vital components of the modern transportation system, expressways have significant advantages in centralizing the use of various resources, enhancing transportation efficiency, optimizing the deployment of industries and facilitating urbanization. Expressways enable the interaction of economic and social activities and contribute very much to economic and social developments. The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic developments by providing transportation services. As at the end of 2011, the highway network owned or invested by the Company exceeded 700km, including 433km of expressways, representing approximately 10.5% 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 as been much alleviated and the infrastructure in the southern Jiangsu region as well as the whole Jiangsu Province has been substantially enhanced, promoting the rapid social and economic developments of the areas along the highways. In particular, the completion of the expansion of the 8-lane Shanghai-Nanjing Expressway at the end of 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 RMB7.835 billion (In 2011: 0.985 billion) and has contributed significantly to the finances of the local governments.

◇ Improving road safety and traffic flow

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 latest situations. In 2011, the Company focused closely on various indicators such as "arrival timeliness" and "rate of smooth traffic flows" to improve hindrance clearance timeliness by means of various initiatives to increase the number of hindrance clearance points from seven last year to 12 this year, with the average distance between hindrance clearance points shortened by 42%. More staff and equipment were provided in an attempt to carry out cross-regional coordination and operation. The speed of hindrance clearance and responsiveness towards achieving customer satisfaction were improved. The rate of arrivals within 30 minutes for hindrance clearance services reached 94%, while the rate of arrivals within 45 minutes rose to 99% from 97% for the same period of 2010.

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To reduce the waiting time for road users to pay tolls due to the tendency of traffic growth, the Company further enhanced traffic capacity at its toll stations in 2011, following the introduction of the ETC system to the entire road network with the addition of 12 ETC lanes along the entire expressway. The electronic toll collection system played a positive role in upgrading traffic capacity and traffic efficiency. Meanwhile, to ensure safety and hindrance-free traffic on the expressways during major holidays, the Company stepped up the release of the road information guide and worked with expressway traffic police officers and road administrators in carrying out safety campaigns and strengthening the 24 hour monitoring along the entire expressways to ensure hindrance-free traffic and to eliminate blind spots on the expressways. We managed to ensure orderly operation with a traffic volume of 166,000 vehicles on the largest road section of the Shanghai-Nanjing Expressway.

The Company further optimized and improved the operational mechanism for on-site management. It achieved efficient linkage with pre-arranged planning, information, personnel, equipment and with various types of materials on the road sections within the jurisdiction of nearby management offices through various means such as GPS systems, monitoring systems and event monitoring systems, making dynamic handling faster and more efficient. The Company further strengthened the operational mechanism for collaborating with traffic police officers, road administrators and nearby road companies within the network and sought to explore the possibility of integrating “mechanism collaboration” into “business collaboration” to ensure that on-site command and control was fast and efficient.

◇ **The toll-free policy on the Green Passage**

During the year, the toll-free policy on the Green Passage for transportation of fresh and live stocks continued to take effect. The Company continued to offer free toll services for all vehicles meeting the requirements of the “Green Passage” policy. Special lanes for “Green Passage” have been set up at all toll stations of the Company. In 2011, the Company’s total toll fees waived for vehicles using “Green Passage” amounted to approximately RMB91.93 million, by which the Company has fulfilled its social responsibilities as an expressway serving the community.

IV. Providing Caring Customer Services

Customers are the users of the products and services of an enterprise. The customers’ acknowledgement and usage of the products and services of an enterprise forms the basis of the enterprise’s sustainable development. The Company has always been committed to the value of “people-focused” service in which services are driven by customers’ needs and service quality and customer satisfaction are improved on an ongoing basis. The Company developed the “Caring Shanghai-Nanjing Expressway” service brand for all service positions in 2011, a brand that focuses on public travel services and the enhancement of emergency response capabilities, thus further improving the capabilities for providing quality services, emergency response and rescue, hindrance-free traffic and reliable services.

◇ **Enhancing service quality with attentive services**

Following the launch of the “Caring Shanghai-Nanjing Expressway” standardized service campaign for toll collection positions last year, the Company continued to improve the level of courtesy services across the Company in 2011 and endeavoured to extend standardized services to all main counter service positions of the Company. The Company commenced the drafting, revision and refinement of courtesy service standards for all main counter service positions and defined various quantitative indicators such as process standards, business standards and image standards for toll collection, add-value vending machines, catering, refueling, troubleshooting and maintenance positions so as to establish a long-term mechanism for the courtesy campaign across the Company.

Considering the characteristics of various positions and services, the Company successively launched an array of theme activities to “enhance the image of courtesy counter services and to improve the safety and the capacity for free movement of traffic,” featuring “100 days of error-free toll collection”, the “four comparisons and four assessments” standardization appraisal for toll collection teams and job skills contest; and began to employ the use of courteous language in operators’ cabs, the general promotion of Putonghua, the compilation of a guidebook on complaints about the road network and the “five courtesy service promotional events” for general discussions on the improvement of service skills and for exchange seminars on standardized services. The Company also refined its employees’ work experience in its business model with “work procedures” for promotion to continuously improve the working skills of employees so as to steadily increase the level of courtesy counter services.

The “Caring Shanghai-Nanjing Expressway” standardized service campaign achieved remarkable results as justifiable complaints received by the Company fell by 28% year-on-year during the year. Throughout this campaign, we achieved our “people-focused” strategy in our services with friendliness and integrity as well as our sense of responsibility, caring and obligation towards society and our customers. We also stimulated interaction and responsiveness among customers through our sincere services, thus creating a warm and harmonious social environment.

◇ **Maintaining road quality with maintenance and management services**

For years, the Company has been enhancing its road quality through standardized, systematized and computerized quality control and road management mechanisms. With a target of “developing a brand for expressway operation and management,” the Company strengthened road maintenance quality and on-site management in 2011 to showcase its modern style.

The Company attaches importance to maintaining excellent road quality. Emphasis has been placed on launching studies on maintenance technology that focus on roads and bridges, while capabilities in dynamic management, defect detection and analysis of roads and bridges were enhanced. The Company insists on preventive and timely maintenance and proactively conducts scientific research. Technical inspection on the “Study on Road Performance and Development Pattern of Shanghai-Nanjing Expressway” conducted by the Company has been approved by the Jiangsu Provincial Communications Department, and has reached advanced international standards.

As the major inspection on the maintenance and management of national trunk highways, which occurs every five years, will be conducted this year, the Company is making arrangements in advance by carrying out special rectification works on the damaged sections of Shanghai-Nanjing Expressway and G312, which are subject to the inspection, to ensure that the smoothness and damage indicators for the two expressways achieve “double excellence” standards. Overall road quality was enhanced by stepping up special works such as greening, cleaning, the updating of markers and the prevention of rock slides on slopes on the sides of the expressways so that the PCI and MQI indicators for the expressways were maintained at the high levels 97 and 95, respectively, during the year. The Company received acclaim from the national inspection team for its preparations for the national inspection, making Jiangsu Province secure the first place across the country in terms of the maintenance and management of highways and ordinary trunk roads.

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◇ **Commencing the operation of service areas driven by customer needs**

The Company places emphasis on the management and operation of its service areas to achieve the simultaneous development of social and economic benefits. Regarding food and beverage sales, the Company gives top priority to food safety by exercising stringent control over the channels for the purchase of raw materials so as to ensure the quality of raw materials, and fully cooperates with health inspection officers in the day-to-day supervision and guidance; effectively strengthened the environmental and hygiene management of dining backcourts; and strictly controlled the use of food additives to ensure the safety and quality of food hygiene. Based on local consumer groups and actual market conditions, each service area further identified its target customers and business positioning, enhanced the quality of their dishes with the use of local ingredients and innovative cooking techniques, and set its prices at reasonable levels, considering the soaring commodity prices this year. Moreover, each service area continued to enhance their standards of service. In accordance with the requirements of the “Caring Shanghai-Nanjing Expressway” standardized services campaign, each service area further improved the standards of service of each department and regulated the use of service language and conduct to meet customer needs, which are the main focus in the delivery of personalized quality services. With respect to the supply of petroleum products, given the tension in the supply of petroleum products during the year, the Company carried out further communication and coordination with suppliers to secure the supply of petroleum products. The steady supply of petroleum products met the needs of passing vehicles. In commodity sales, the Company continued to apply the business model of making small profit with quick turnover by cutting commodity prices to appropriate levels so as to generate more sales. The improved shopping environment also stimulated the customers’ desire to make purchases, and the stock of local featured products; and tourist goods and services were offered in response to the characteristics of passenger flow in each service area. The management of suppliers was stepped up to control the quality of procured goods to ban the sale of shoddy and counterfeit goods in the service areas at their source. With respect to the management of public service facilities in the service areas, the Company offered free parking space and washroom facilities for customer use, and paid particular attention to maintaining a clean and appealing exterior environment. The Company identified and solved problems through its quality management system and the “mystery customer” inspection and management method; in turn, on-site management was very effective, and hardware facilities and environmental hygiene in each service area improved significantly. In 2011, all six service areas of the Company retained the title of “Courtesy and Safe Service Area”, while the Xianrenshan Service Area secured the first batch of businessmen featuring the “Trustworthy Business and Reassured Consumption” pledge from a corporate alliance in Zhenjiang City.

◇ **Enhancing service quality through improved communication**

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.

To handle customer complaints in a precise manner, strengthen the communication and exchange with customers, keep abreast of any changes to the market and customer needs, and facilitate the improvement and enhancement of service quality, the Company, through a multi-level communication platform, improved the channels for customer complaints, established a platform for customer communication and complaints, and announced the establishment of a centralized inquiry and complaint hotline. The Company collected customer comments and suggestions through various means and channels such as field surveys, a website, mail, news media and the competent departments, and implemented the "accountability" management model based on the principle of "Guaranteed Replies to Complaints and Immediate Rectifications to Mistakes". 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.

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 have actualized the customer-oriented approach of the Company and its determination in continuously improving its service quality. During the past few years, the level of customer satisfaction has been rising continuously.

V. Growing with Staff

The Company regards its employees as the most valuable resources for corporate development; respects them for the extensive effort they put in; and endeavors to create a safe and healthy work environment for them. The Company also provides its employees a full range of health care and retirement benefits, treasures and safeguards their legitimate rights and interests; and thrives together with them in a healthy, prosperous, harmonious work environment.

◇ **Motivating employees with scientific appraisals**

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 and bonuses are determined in accordance with the positions and performance 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.

To fully mobilize the proactiveness and enthusiasm of first-line toll collectors, the Company further improved the dose-response appraisal and incentive mechanism for toll collectors and employees of relevant positions during the year by incorporating a piecemeal appraisal method of performance-based bonuses for toll collectors. This fully reflects the bonus distribution mechanism under which employees are rewarded based on their performance, which cultivates a positive atmosphere in which employees are encouraged to take more initiative. The Company also conducted an evaluation of its "star" toll collectors and certification of qualification grades for maintenance and hindrance clearance positions to elevate the employees' sense of responsibility and enthusiasm among the employees. 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.

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◇ Adding value to human resources with professional training

Staff and talented personnel are the foundation for corporate development. The Company has been implementing the strategy of “Talented staff make an enterprise strong”. Through talented staff selection and cultivation, professional talented staff are cultivated and retained 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.

By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources. Each year, the Company devises training programs based on the annual work plans and the Company’s human resources development needs so that training schemes are in line with the Company’s operating status and management needs, while conclusions and reviews will be made at the end of the year. In 2011, the Company has established the Internal Part-time Lecturer Training System under which our own business training team was built up gradually through the professional training of senior management and professional technical staff.

During 2011, the Company and all of its administrative departments conducted 309 staff training sessions (2010: 249) according to the annual training plan. Of these sessions, approximately 63% were job skills training programs for production positions, and approximately 37% were comprehensive capability enhancement programs for management and professional technical staff. Total spending on these training sessions amounted to approximately RMB2,739,000 (2010: 2,103,000), covering 11,297 person-times (2010: 10,709 person-times) and involving staff of various levels from junior servicing staff to senior management members.

The Company also places emphasis on career planning for its employees by setting a strategy of building up a team of management staff, establishing promotion channels for employees with that feature open and fair competition for jobs, and progressively unifying the assessment of and scoring standards for job competition at all levels. In 2011, six competitions were organized for various positions and 32 employees were shifted to other positions, promoted or recruited for the training and selection of key business and backup management staff to assure the availability of human resources for the sustainable development of the Company.

◇ Enhancing the protection of staff’s rights and interests with a benefits policy

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.

The Company implements comprehensive safe measures in its daily operations to safeguard its employees. The Company has established a specialized Safety Production Committee and OHSAS18001 Occupational Health and Safety System in accordance with the Production Safety Law and other relevant laws and regulations of the State, with a focus on hazard identification and risk assessment so as to control any hazardous risks. All staff take part in the occupational health and safety measures so that the entire production and operation process is safeguarded, thereby ensuring the staff’s occupational health and safety.

Moreover, in order to improve safety awareness among the staff, the Company conducted occupational safety and technical training in a number of ways, covering basic knowledge about safety, safe operating skills, technical standards, handling of accidents and emergencies, self-rescue and first aid for injuries, in order to improve the staff's capabilities and awareness in handling safety protection, safe operation, accident control and emergencies. In addition, the Company also assisted employees in preventing occupational injuries through various measures so as to reduce and avoid the occurrence of industrial accidents. It also regularly provides staff with necessary labor protection supplies and protective equipment.

◇ **Creating a harmonious work environment for the staff**

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.

In 2011, the Company established a relief mechanism for staff with special difficulties. Upon proposal by the administration and approval by the Board, the Company earmarked RMB1 million to establish an aid relief fund for employees who have difficulties. We have already drafted a set of measures for the management and use of the fund. We will further modify the measures after consulting various parties and will officially implement them after receiving approval from representatives at the employees' conference.

VI. Working with investors to achieve a win-win situation

◇ **Enhancing shareholders' returns through a stable dividend policy**

The Company's most important responsibility is to maintain stable long-term returns for our shareholders. The Company enhances its corporate value and maximizes shareholder returns through continued development. The Company has been distributing cash dividends for 15 consecutive years since its listing. As at the end of 2011, total cumulative cash dividends of RMB13.684 billion, or RMB2.7217 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. For 2011, the Board recommended the distribution of a cash dividend of RMB0.36 per share, equivalent to approximately 83.96% of the distributable profit (subject to deduction of 10% Statutory Reserve) of the year, payout ratio reached 74.64%. 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.

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◇ Increasing transparency through spontaneous information disclosure

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.

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 49 announcements for major matters in the PRC and overseas simultaneously, including four periodic reports, 28 ad hoc announcements and relevant information to disclose in details on important corporate information and progress of major matters, including: operating results, financial information, dividend payment, daily operations, project investments, financing activities, connected transactions, change in directors and supervisors for the new session, and news of the shareholders’ general meeting, the resolutions of Board and the Supervisory Committee. The Company has been recognized by the market for its sound corporate governance and its regulated and transparent information disclosure and has received a number of best corporate governance disclosure awards for listed companies in Hong Kong.

◇ Developing good investor relations through effective communication

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 road shows, regular meetings with visiting investors and analysts, teleconferences and so forth.

VII. Harmonious Development with the Environment

The Company views environmental protection as an essential component of the sustainable development strategy of an enterprise; remains committed to the idea of placing equal emphasis on both corporate benefits and environmental protection; reacts positively to China's policy for energy conservation and emissions reduction; and endeavors to reduce consumption of resources so as to become a low-carbon operation. Upon taking more responsibility, the Company wishes to protect the environment, use resources in a rational way and promote environmental awareness to the best of its ability so as to achieve harmonious development between the Company itself and the environment.

◇ Green operation through pollution prevention and control

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.

Requirements for environmental protection are included in our tenders for road construction and maintenance projects. According to industry standards, a third party that possesses appropriate qualifications must be appointed to conduct a thematic study on the environmental impact of a project; to prepare an evaluation report on the comprehensive evaluation of the potential environmental impact of the project on the areas along expressways; and with particular respect to the degree and extent of any adverse impact, propose in the design and construction scheme any measures and counter-plans for the prevention and control of pollution, minimization of environmental impact and improvement of existing environmental issues. The Company also strengthens protection to land resources. Restoration measures including backfill, recultivation and plantation will be adopted to restore the lands affected in road construction. In respect of river protection, the Company adopts construction techniques which are free of or with minimal water pollution. Sewage is collected and treated before discharge. As for noise prevention, the Company arranges its construction program for different locations 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 is aware of the management of transportation of toxic and hazardous chemicals on the expressways. The vehicles are registered at the entrance to limit the damage of leakage. Drainage systems are installed in bridges running over major rivers, lakes and reservoirs and warning signs are also erected to prevent contamination from leakages of hazardous materials from vehicles. 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.

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In 2011, the Company committed RMB13.3 million to a renovation project for petrol stations along the entire Shanghai-Nanjing Expressway through the upgrade of petrol refueling facilities and relocation of petrol fillers in a rational manner based on the best routes where customers are found to experience longer wait times. As a result, refueling efficiency at peak times improved by more than 25%, making refueling more convenient for customers. More importantly, the risks posed to safety as a result of oil and gas diffusion had been substantially minimized through the introduction of the new facilities, bringing the rate of oil and gas recovery to over 90%, having satisfied the construction requirements of the provincial environmental protection departments for the “Green Jiangsu and Blue Sky Campaign”.

◇ **Conserving energy and reducing waste through daily control and management**

The Company has also gone to great lengths to establish itself as an energy-saving entity by adopting energy conservation measures. 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.

Since the three-year objectives for energy conservation and consumption reduction were set in 2009, guided by various policies and regulations such as the national Energy Conservation Law and the provincial Implementing Opinions on Energy Conservation and Consumption Reduction, and carrying out the promotion of environmental protection, enhancement of management quality, improvement of work efficiency and achievement of sound and rapid development as the objectives, the Company has been conscientious in enforcing its energy conservation and consumption reduction programme by applying various initiatives to control the consumption of energy and materials such as water, electricity, gas and oil by the maintenance and hindrance clearance facilities as well as vehicles. Under the conditions of sustained growth in the traffic volume of roads at the end of 2011, total consumption by vehicles fell by 3.35% year-on-year, while water and electricity consumption decreased by 2.8% year-on-year, achieving and surpassing the target of a 15% decrease over three years.

VIII. Community Services Help to Build a Harmonious Society

The Company fulfills its obligations as a public citizen and cares about social and public services, as demonstrated by its bold commitment to social responsibility and active involvement in various social activities for the sake of building a harmonious society. A motion is tabled at the Company’s annual board meeting every year on proposed charitable donation projects for each year. In 2011, the Company donated an aggregate of approximately RMB1.28 million to various community services, including various poverty alleviation funds, education funds, charitable funds and funds for acts of justice and courage.

Regarding charitable causes, the Company has been offering assistance to the development of less developed regions by making focused, targeted donations and subsidies to education projects, especially in the development of cultural and educational programmes. In 2003, the Company contributed donations to the construction of the Hope Primary School in Tuhe Village, Guanyun County, and offered subsidies to buy supplies every year. The donations amounted to RMB800,000 in 2011. In 2010, the Company donated RMB600,000 once again to the establishment of a nursery in the centre of Hanwang Town, Mianzhu, the earthquake-stricken area in Sichuan Province, contributing its efforts to rebuilding a beautiful homeland for the residents in the earthquake-stricken area. Moreover, the Company has established a contact person scheme for the recipients of these donations, through which the Company is able to attain an understanding of the situation on a regular basis. Together with the practical support of human, material and financial resources, the Company assists in the development and construction of schools, endeavoring to take practical actions to contribute to society alongside the development of the Company.

Moreover, the Company emphasizes the cultivation of its employees' sense of social responsibility and encourages them to participate in various community services. Front-line groups of the Company have also continuously participated in a series of volunteer activities and social services to assist the needy in their community, including various regular volunteer activities conducted in local retirement homes and children's welfare institutions and sponsorship of children who are obliged to discontinue their schooling, as well as and poor students, thereby contributing to the harmonious development of the community.

IX. Conclusion

While fulfilling its responsibilities as a corporate citizen, the Company continues to integrate social responsibility into its corporate economic activities. Though it is aware of the fact that it serves regional economic development as a whole, it voluntarily plans its own growth based on the big picture of global economic and social development; fully capitalizes on its strengths in terms of the allocation of traffic resources for expressways; endeavors to improve operational efficiency; proactively promotes environmental protection and the sustainable use of resources; makes overall planning for the interests and needs of the interested parties; and gathers the resultant force for development, stimulates creativity and unleashes development potential for contributing to the promotion of sound and fast national economic development.

The Company is committed to being a responsible corporate citizen with integrity. Meanwhile, we recognize that major social responsibilities of a corporation and the interests of relevant parties are constantly changing in different development stages. In this regard, we will regularly reassess our social responsibilities, enhance our self-awareness and review our measures to make further improvements in response to the needs of the society.

In the future, the Company will further sharpen its mission in social responsibilities, be people-oriented, solid and innovative. 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. 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 twenty-third meeting of the sixth session of the Board on 23 March 2012. 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.

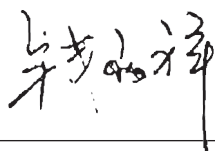
Confirmation Opinion to 2011 Annual Report by Directors and Senior Management

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

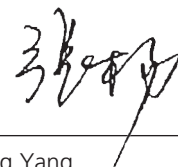
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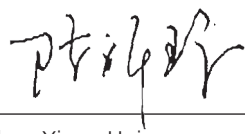
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Qian Yong Xiang



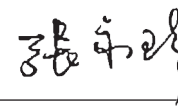
Zhang Yang



Chen Xiang Hui



Du Wen Yi



Cheng Chang Yung Tsung, Alice



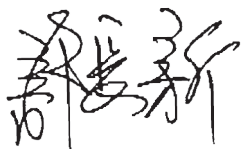
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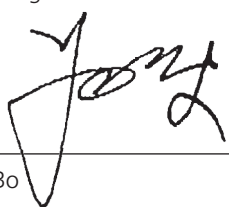
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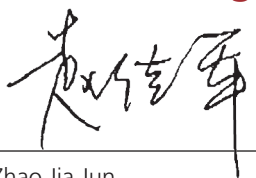


Xu Chang Xin



Gao Bo

Senior Management Members



Zhao Jia Jun



Shang Hong



Tian Yafei



Yao Yong Jia

Jiangsu Expressway Company Limited

23 March 2012

The Group's Highway Network

