



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

THE INTELLIGENTIZED EXPRESSWAYS ; THE MODERNIZED LIFE

2012

INTERIM REPORT

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I. Important Notice

- (1) 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 interim report.
- (2) Ms. Zhang Yang and Ms. Cheng Chang Yung Tsung, Alice, non-executive directors, did not attend the Board meeting due to other business engagement, and have appointed Mr. Yang Gen Lin and Mr. Fang Hung, Kenneth, to vote on their behalves respectively.
- (3) The audit committee of the Company had reviewed and confirmed the full text and summary of the interim report for the six months ended 30 June 2012. The relevant financial information is prepared in accordance with the PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards") and is unaudited.
- (4) No appropriation of funds on a non-recurring basis by the controlling shareholder or its related parties was found in the Company.
- (5) The Company did not provide external guarantees which were in violation of stipulated decision-making procedures.
- (6) 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 interim report in all material respects.

COMPANY INFORMATION

(1) Company Profile

Statutory Name of the Company in Chinese and English	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Abbreviation of Chinese Name and English Name:	寧滬高速 Jiangsu Expressway
Stock Exchanges where the Company's Shares are Listed	A Share Shanghai Stock Exchange Stock name of A shares: 寧滬高速 Stock code of A shares: 600377 H Share The Stock Exchange of Hong Kong Limited Stock name of H Shares: Jiangsu Expressway Stock code of H Shares: 00177 ADR The United States of America Stock name of ADR: JEXWW Securities Code: 477373104
Registered Office and Place of Business	6 Xianlin Avenue, Nanjing, Jiangsu, the PRC
Postcode	210049
Website of the Company	http://www.jsexpressway.com
Email Address of the Company	nhgs@public1.ptt.js.cn
Legal Representative of the Company	Yang Gen Lin
Secretary to the Board	Yao Yong Jia
Telephone	8625-8446 9332
Company Secretary in Hong Kong	Lee Wai Fun, Betty
Telephone	852-2801 8008
Securities Officers	Jiang Tao, Lou Qing
Telephone	8625-84362700-301835, 301836
Fax	8625-8446 6643
Email Address	nhgs@jsexpressway.com
Newspapers Designated for Regular Reports	Shanghai Securities News, China Securities Journal
Website Designated for Information Disclosure	www.sse.com.cn , www.hkexnews.hk , www.jsexpressway.com

COMPANY INFORMATION

Regular Reports Available at

- Shanghai Stock Exchange, 528 Pudong Road South, Shanghai, the PRC
- Hong Kong Registrars Limited, Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- Reed Smith Richards Butler, 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
- Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC

(2) Major Financial Data and Indicators

1. Major Accounting Data and Indicators prepared in accordance with the PRC Accounting Standards

Unit: RMB'000

	As at the end of the reporting period	As at the end of the previous year	Increase/(decrease) of the end of the reporting period as compared to the end of the previous year (%)
Total Assets	26,705,914	25,375,439	5.24
Owners' equity attributable to equity holders of the Company	17,616,592	18,144,690	-2.91
Net assets per share attributable to equity holders of the Company (RMB)	3.50	3.60	-2.91

COMPANY INFORMATION

	The reporting period (January-June 2012)	The corresponding period of the previous year (January-June 2011)	Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%)
Operating Profit	1,699,602	1,751,675	-2.97
Gross Profit	1,695,344	1,745,318	-2.86
Net profit attributable to equity holders of the Company	1,260,780	1,299,491	-2.98
Net profit attributable to equity holders of the Company after non-recurring profit/loss	1,264,834	1,302,657	-2.90
Basic earnings per share (RMB)	0.25	0.26	-2.98
Basic earnings per share after non-recurring profit/loss (RMB)	0.25	0.26	-2.90
Diluted earnings per share (RMB)	N/A	N/A	N/A
Weighted average return on net assets (%)	6.71	7.26	Decreased by 0.55 percentage point
Net cash flow from operating activities	1,464,166	1,977,858	-25.97
Net cash flow per share from operating activities (RMB)	0.29	0.39	-25.97

2. Non-recurring profit/loss and the amounts

Unit: RMB'000

Item	January-June 2012
Gain (loss) from disposal of non-current assets	-430
Gain from change in fair value	-1,090
Except for the above items, other non-operating income and expenses, net	-3,828
Effects of income tax	1,064
Effects of minority shareholders' profit/(loss)	230
Total	-4,054

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(1) Changes in Share Capital

Unit: Share

	Prior to current movement		Current Movement (+,-) The circulation of shares subject to selling restrictions	After current movement	
	Number of shares	Proportion		Number of shares	Proportion
I. Shares subject to selling restrictions	50,202,745	1%	—	50,202,745	1%
1. State-owned shares	0	—	—	0	—
2. State-owned legal person shares	0	—	—	0	—
3. Other domestic shares	50,202,745	1%	—	50,202,745	1%
Including: Domestic legal person shares	50,202,745	1%	—	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	4,987,544,755	99%	—	4,987,544,755	99%
1. RMB-denominated ordinary shares	3,765,544,755	74.74%	—	3,765,544,755	74.74%
2. Domestic listed foreign shares	—	—	—	—	—
3. Foreign listed foreign shares	1,222,000,000	24.26%	—	1,222,000,000	24.26%
4. Others	—	—	—	—	—
III. Shares in total	5,037,747,500	100%	—	5,037,747,500	100%

(2) Shareholders

1. Number of shareholders at the end of the reporting period

As at 30 June 2012, there were a total of 44,537 shareholders in the registers of members of the Company, of whom 44,028 were domestic shareholders and 509 were foreign shareholders.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

2. Shareholdings of major shareholders

i. As at 30 June 2012, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Change during the reporting period	Number of shares held at the end of the reporting period (shares)	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder
Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)		2,742,578,825	54.44	0	0	State-owned legal person
China Merchants Huajian Highway Investment Co., Ltd. (招商局華建公路投資有限公司)		589,059,077	11.69	0	0	State-owned legal person
Mondrian Investment Partners Limited	11,974,000	97,794,000	1.94	0	Unknown	Foreign legal person
Blackrock, Inc.	1,587,147	76,265,425	1.51	0	Unknown	Foreign legal person
Columbia Wanger Asset Management, L.P.	63,878,000	63,878,000	1.27		Unknown	Foreign legal person
JPMorgan Chase & Co.	518,000	61,314,751	1.22	0	Unknown	Foreign legal person
Ping An Property & Casualty Insurance Company of China, Ltd. -Self-owned Funds (中國平安財產保險股份有限公司—自有資金)		49,640,398	0.99	0	Unknown	Others
China Pacific Life Insurance Co., Ltd — Tradition — Ordinary Insurance Product (中國太平洋人壽保險股份有限公司—傳統—普通保險產品)		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	0.36	0	Unknown	Others
Ping An Life Insurance Company of China, Ltd. — Tradition — Ordinary Insurance Product (中國平安人壽保險股份有限公司—傳統—普通保險產品)		17,793,761	0.35	0	Unknown	Others

Notes: About shareholdings of the top ten shareholders:

- a) The Company is not aware 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) Number of shares held by holders of H Shares was based on the register required to be maintained under the Securities and Futures Ordinance of Hong Kong.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- ii. As at 30 June 2012, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares held not subject to selling restrictions as at the end of the reporting period	Type of shares
Jiangsu Communications Holdings Company Ltd. (江蘇交通控股有限公司)	2,742,578,825	RMB-denominated ordinary shares
China Merchants Huajian Highway Investment Co., Ltd. (招商局華建公路投資有限公司)	589,059,077	RMB-denominated ordinary shares
Ping An Property & Casualty Insurance Company of China, Ltd. -Self-owned Funds (中國平安財產保險股份有限公司 — 自有資金)	49,640,398	RMB-denominated ordinary shares
China Pacific Life Insurance Co., Ltd — Tradition — Ordinary Insurance Product (中國太平洋人壽保險股份有限公司 — 傳統 — 普通保險產品)	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. — Tradition — Ordinary Insurance Product (中國平安人壽保險股份有限公司 — 傳統 — 普通保險產品)	17,793,761	RMB-denominated ordinary shares
Morgan Stanley Investment Management Company Limited — Morgan Stanley China A Shares Fund (摩根士丹利投資管理公司 — 摩根士丹利中國A股基金)	9,756,859	RMB-denominated ordinary shares
Kunshan Municipal Land Development Centre (昆山市土地開發中心)	7,500,000	RMB-denominated ordinary shares
Bill & Melinda Gates Foundation Trust	7,328,527	RMB-denominated ordinary shares
Yulong Investment Fund (裕隆證券投資基金)	6,900,000	RMB-denominated ordinary shares

- iii. 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 share	28,792,745	16 May 2007	0	Note 1

Note 1: Circulation rights for other public legal person shares were obtained on 16 May 2007 but 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 shareholders. 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 of such shares shall then be submitted by the Company to the stock exchange.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- iv. As at 30 June 2012, 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 or debentures of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

Name	Capacity	Direct interest	Number of H shares held	Percentage of H shares (total shares)
Jiangsu Communications Holdings Company Ltd.	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited / China Merchants Huajian Highway Investment Co., Ltd. (1)	Others	Yes	589,059,077(L)	(11.69%)
Mondrian Investment Partners Limited	Investment manager	Yes	97,794,000 (L)	8.00% (1.94%)
Blackrock, Inc.	Interest of controlled corporation	Yes	76,265,425(L) 1,244,052(S)	6.24% (1.51%) 0.10% (0.02%)
Columbia Wanger Asset Management, L.P.	Investment manager	Yes	63,878,000(L)	5.23% (1.27%)
JPMorgan Chase & Co.	Interest of controlled corporation	Yes	61,314,751(L) 1,864,000(S) 44,411,818(P)	5.02% (1.22%) 0.15% (0.04%) 3.63% (0.88%)

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

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

Save as disclosed above, to the Company's best knowledge, as at 30 June 2012, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

(3) Others

1. Purchase, Sale and Redemption of Shares of the Company: For the six months ended 30 June 2012, there was no purchase, sale or redemption of any of the Company's listed shares by the Company or any of its subsidiaries.
2. Pre-emption Rights: In accordance with the laws of the PRC 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 the existing shareholders in proportion to their shareholdings.
3. Public Float: As at 30 June 2012 and 17 August 2012 (being the latest practicable date of this disclosure statement), the Company had complied with the 25% public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") ("Hong Kong Listing Rules").

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Shareholding of Directors, Supervisors and Senior Management

During the reporting period, upon specific enquiries made to all the directors, there was no record showing that any directors, supervisors, key senior management of the Company or any of their associates had any interests in the share capital, underlying shares or debentures of the Company, its subsidiaries or associated companies that were required to be disclosed pursuant to the Securities and Future Ordinance or the Model Code for Securities Transactions by Directors, Supervisors and other Senior Management of Listed Companies.

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

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

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

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

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

(3) Independent Non-executive Directors

The Company has appointed a sufficient number of Independent Non-executive Directors. Xu Chang Xin, Gao Bo, Chen Dong Hua and Zhang Er Zhen were appointed as Independent Non-executive Directors of the seventh session of the Board of the Company, accounting for more than one-third of the members of the Board. Four Independent Non-executive Directors are currently serving at renowned universities in the PRC 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 were appointed as members of various specialized committees of the Board. Independent Non-executive Directors account for a majority in the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee, and an Independent Non-executive Director holds chairmanship at each of these committees.

REPORT OF THE DIRECTORS

(I) Discussion and Analysis on the Overall Operating Performance during the Reporting Period

1. Business Review and Analysis of Operations

i. Toll Road and Bridge Operations

In the first half of 2012, China's macro economy underwent a continued slowdown in growth rate, which continued to decline for 6 consecutive quarters since last year. Nationwide, GDP grew at a rate of 7.8% in the first half of the year, down 1.8 percentage points as compared with the corresponding period of the previous year. The growth rate of Jiangsu's GDP was 9.9%, also down 1.5 percentage points year-on-year. The continuous slowdown in the growth rate of the real economy has generated a direct impact on the demand for cargo transportation on highways. During the reporting period, the truck traffic volume on the Group's roads and bridges saw a notable slowdown in growth rate or even a drop. Although the average daily full-trip traffic volume of roads still maintained a steady growth, such an increment was mainly attributable to the increase of passenger vehicles, especially small ones, which led to changes of vehicle mix. As such, the revenue per vehicle for each road declined to various degrees, and the increase rate of revenue was generally lower than that of the traffic volume.

On the other hand, the clean-up and rectification measures on toll roads implemented by the local government also brought adverse impact on the toll revenue. In September 2011, the government of the Jiangsu Province revised the toll standards downwards for several expressways and three toll stations adjacent to Shanghai, including the G312 Gunan Toll Station of the Company. On 6 January 2012, the government of the Jiangsu Province adjusted downwards the minimum toll standards for passenger vehicles using the inter-network toll highways across the province. The minimum toll standard for passenger cars with less than seven seats was adjusted from RMB15 to RMB5, while the minimum toll standards for other vehicle types were adjusted accordingly. The Group's expressways were all subject to this toll adjustment. The aforesaid two rounds of toll policy adjustments had mild negative impact on our toll revenue.

As a result of the above factors, in the first half of 2012, the Group realized a toll revenue of approximately RMB2,558,941,000, up by approximately 0.47% from the corresponding period of 2011. Toll revenue accounted for approximately 68.62% of the Group's total operating income, down by approximately 1.31 percentage points year-on-year.

Operation performances of roads and bridges in the first half of 2012 are as follows:

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	Reporting period	Corresponding period of the previous year	Change (%)	Reporting period	Corresponding period of the previous year	Change (%)
Shanghai-Nanjing Expressway	66,265	62,557	5.93	11,756.3	11,741.0	0.13
Shanghai-Nanjing Section of G312	19,381	19,950	-2.85	293.7	325.0	-9.62
Nanjing Section of Nanjing-Lianyungang Highway	4,336	4,955	-12.49	89.3	115.5	-22.65
Guangjing Expressway	48,354	43,603	10.90	700.6	681.4	2.82
Xicheng Expressway	50,925	46,318	9.95	1,220.1	1,208.1	0.99
Jiangyin Yangtze Bridge	57,067	51,874	10.01	2,329.2	2,241.7	3.90
Sujiahang Expressway	40,840	37,996	7.48	2,535.2	2,539.9	-0.19

REPORT OF THE DIRECTORS

Percentage of daily average traffic volume of passenger vehicle/truck on our roads and bridges in the first half of 2012

Road/Bridge	Type of vehicle	Average daily passenger vehicle/truck traffic volume (vehicle/day)				Average daily full-trip revenue per vehicle (RMB/day)			
		Reporting period		Corresponding period of the previous year		Year-on-year change	Reporting period	Corresponding period of the previous year	Change
		Traffic volume	Percentage	Traffic volume	Percentage				
Shanghai-Nanjing Expressway	Passenger vehicles	48,640	73.40%	44,494	71.12%	9.32%	177.4	187.7	-5.49%
	Trucks	17,625	26.60%	18,063	28.88%	-2.43%			
Shanghai-Nanjing Section of G312	Passenger vehicles	12,001	61.92%	11,379	57.04%	5.46%	15.2	16.3	-6.75%
	Trucks	7,380	38.08%	8,571	42.96%	-13.90%			
Nanjing Section of Nanjing- Lianyungang Highway	Passenger vehicles	2,390	55.11%	2,357	47.56%	1.41%	20.6	23.3	-11.59%
	Trucks	1,946	44.89%	2,598	52.44%	-25.10%			
Guangjing Expressway	Passenger vehicles	35,471	73.36%	31,189	71.53%	13.73%	14.5	15.6	-7.05%
	Trucks	12,883	26.64%	12,415	28.47%	3.77%			
Xicheng Expressway	Passenger vehicles	38,478	75.56%	33,908	73.21%	13.48%	23.9	26.1	-8.43%
	Trucks	12,447	24.44%	12,410	26.79%	0.30%			
Jiangyin Yangtze Bridge	Passenger vehicles	42,399	74.30%	37,706	72.69%	12.45%	40.8	43.2	-5.56%
	Trucks	14,668	25.70%	14,168	27.31%	3.53%			
Sujiayang Expressway	Passenger vehicles	25,962	63.57%	23,218	61.11%	11.82%	62.1	66.8	-7.04%
	Trucks	14,879	36.43%	14,778	38.89%	0.68%			

In terms of the operating performance of various items listed in the table, as affected by the macroeconomic conditions, in the first half of 2012, the overall absolute truck traffic volume of Shanghai-Nanjing Expressway decreased by approximately 2.43% from the corresponding period of last year, and the percentage of truck traffic volume was approximately 26.60%, down by approximately 2.28 percentage points. Passenger vehicle traffic volume still maintained a positive performance, increased approximately 9.32% year-on-year. Given the impact from the increase in passenger vehicle traffic volume and the drop in truck traffic volume in the first half of the year, and the downward adjustment of the minimum toll standards, toll revenue turned out to be underperforming and basically remained on par with that of the corresponding period of last year. However, in the first half of the year, with the increasing use of the electronic toll collection system (the "ETC"), the ETC average daily traffic volume of Shanghai-Nanjing Expressway reached around 10,575 vehicles, up by approximately 53.59% year-on-year, and the ETC average daily revenue amounted to approximately RMB1,628,100, up by approximately 39.33% year-on-year, and accounted for approximately 13.85% of its toll revenue.

During the reporting period, the performance of the Shanghai-Nanjing Section of G312 and the Nanjing Section of the Nanjing-Lianyungang Highway continued to decline. The Shanghai-Nanjing Section of G312 was mainly affected by the drop in truck traffic volume and the downward adjustment of toll standards at the Gunan Toll Station, while the Nanjing Section of Nanjing-Lianyungang Highway was primarily influenced by the decrease in the truck traffic volume.

In the first half of 2012, the performance of the traffic volume of the Guangjing Expressway, Xicheng Expressway, Jiangyin Yangtze Bridge and Sujiayang Expressway was satisfactory, with double-digit growth in passenger vehicle traffic volume. However, due to a slowdown in the growth rate of truck traffic volume which resulted in a slight change in vehicle mix and a decline in revenue per vehicle, the growth rate of toll revenue was obviously lower than that of the traffic volume.

REPORT OF THE DIRECTORS

ii. Ancillary Services

In the first half of 2012, the Group's revenue from ancillary services amounted to approximately RMB1,152,207,000, up by approximately 8.84% over the corresponding period of the previous year. Of such revenue, sales of petroleum products amounted to approximately RMB1,059,258,000, accounted for approximately 91.93% of the total revenue from the ancillary services and represented an increase of approximately 9.59% year-on-year, primarily due to an increase in the sales volume of petroleum products and an increase in the prices of refined petroleum products. In the first half of 2012, the sales volume of the petroleum products rose approximately 3.72% year-on-year, while the average unit price of petroleum products increased approximately 5.58% year-on-year. Other operations such as food and beverage, retail sales of good and hindrance clearance services contributed approximately RMB92,949,000 in revenue, representing an increase of approximately 0.87% over the corresponding period of the previous year.

iii. Other Businesses

Other businesses of the Company mainly comprise the project development and operations of two subsidiaries, Ninghu Properties and Ninghu Investment. During the reporting period, revenue from other operations amounted to approximately RMB18,208,000, down by approximately 50.1% year-on-year.

Ninghu Investment is principally engaged in the distribution of advertising media along Shanghai-Nanjing Expressway and in other industrial investments. Since 2011, a major campaign staged by the government of the Jiangsu Province for cleaning up and rectifying advertising facilities along the expressways has caused a substantial impact on the development of the Company's advertising business. The advertising business managed to obtain approximately RMB17,256,000 in revenue in the first half of 2012, down approximately 16.42% year-on-year, which led to a year-on-year decrease of approximately RMB7,027,000 in net profit for the reporting period.

Ninghu Properties is principally engaged in property development and operations. During the reporting period, the real estate business was still under the influence of the State's control policy, only the remaining housing units of Land Lot C4 completed a small amount of pre-sales. The revenue from the project pre-sale in the first half of the year was approximately RMB7,866,000, with property development investment amounted to approximately RMB82,198,000. As the pre-sale projects have not been delivered and payments have not been settled, no profit contribution has yet been recognized. During the reporting period, Ninghu Properties moderately slowed down its project promotion based on the market conditions and thus saw a year-on-year decline in the selling and administrative expenses, which caused a year-on-year decrease of approximately RMB1,027,000 in losses as a result.

To date, the development status of various projects was as follows:

"One City • Hongqiao Mansion" on Lot C4 in Huaqiao, Kunshan, entered into the sale stage for the small amount of the remaining housing units and 9 residential suites were pre-sold in the first half of the year. As at 30 June, an aggregate of 412 residential suites and 2 shops were sold, with an area of 36,873.66 square meters, a total contract amount of RMB337 million and a sales rate of around 96%. Delivery of this project is expected to occur in 2012.

"One City • Pujiang Building" on Lot C7 in Huaqiao has already commenced construction in the first half of 2011. This project is currently progressing steadily and Building No. 2 (luxurious apartments) under this project has started the initial pre-sale preparations.

The Regal Royale Hotel (御富豪酒店) project on Lot C5 in Huaqiao has entered the phase of invitation of tender for construction and supervision, and construction will formally commence in the second half of the year.

The overall name of the residential projects for lots B3, B18, B19 and B4 in Huaqiao has been determined as "One City • Guangming Mansion (同城 • 光明捷座)", among which the B4 Project has commenced full construction in the second half of the year.

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Construction of the “Qingyuan” project in Suzhou has entered the closure phase. The Company went to great length on building quality houses and so far has started construction of the ancillary facilities. The project will be officially launched to the market in the second half of the year, striving for a delivery within the year.

The Lot B Phase I Project at Hongyan Community, Jurong City has obtained the construction permit from the government, and is under construction.

iv. Operations and Results of Subsidiaries

During the reporting period, Guangjing Xicheng, a subsidiary, realized an operating income of approximately RMB363,333,000, representing an increase of approximately 2.56% over the corresponding period of 2011. The amount of the operating costs incurred aggregated at approximately RMB115,935,000, representing an increase of approximately 9.36% over the corresponding period of 2011. Increased operating costs resulted in a year-on-year decline in the net profit of approximately 2.06% at Guangjing Xicheng during the reporting period.

For the operating performances and changes in results of Ninghu Investment and Ninghu Properties, please refer to the analysis in “Other Businesses” in this report.

Name of Company	Principal Business	Investment Cost (RMB'000)	Equity of the Company (%)	Total Assets (RMB'000)	Net Assets (RMB'000)	Net Profit (RMB'000)	Percentage in the Company's Net Profit (%)	Year-on year Change in Net Profit (%)
Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng")	Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway	2,125,000	85	4,059,552	3,056,270	175,348	13.62	-2.06
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Investment in various infrastructure, industries and assets	95,000	95	285,328	266,321	6,678	0.52	-51.28
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Development and operation and consultancy of properties	200,000	100	2,044,456	185,951	-4,390	—	—

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(II) Analysis of Operating Results and Financial Conditions

1. Analysis of Operating Results

In the first half year of 2012, the Group realized total operating revenues of approximately RMB3,729,356,000, up approximately 2.40% over the corresponding period of 2011, of which toll revenue amounted to approximately RMB2,558,941,000, representing an increase of approximately 0.47% as compared to the corresponding period of 2011. Revenue from ancillary services amounted to approximately RMB1,152,207,000, up approximately 8.84% over the corresponding period of 2011. Revenue from other operations was approximately RMB18,208,000, down approximately 50.10% from the corresponding period of 2011. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB1,699,602,000 during the reporting period, down approximately 2.97% from the corresponding period of 2011. Net profit attributable to equity holders of the Company was approximately RMB1,260,780,000 and earnings per share was approximately RMB0.25, down approximately 2.98% from the corresponding period of 2011.

The operating performances of various businesses were as follows:

Unit: RMB'000

Item	Operating revenue		Operating costs		Gross profit margin (%)	
	The reporting period (RMB'000)	Year-on-year change (%)	The reporting period (RMB'000)	Year-on-year change (%)	The reporting period	Year-on-year change
Toll road	2,558,941	0.47	687,516	7.27	73.13	Decreased by 1.70 percentage points
Shanghai-Nanjing Expressway	2,139,654	0.68	464,799	11.06	78.28	Decreased by 2.03 percentage points
Shanghai-Nanjing Section of G312	53,459	-9.12	112,790	-6.32	-110.99	Decreased by 6.33 percentage points
Nanjing Section of Nanjing - Lianyungang Highway	16,256	-22.22	7,913	-16.16	51.32	Decreased by 3.52 percentage points
Guangjing Xicheng Expressways	349,572	2.21	102,014	10.18	70.82	Decreased by 2.11 percentage points
Ancillary services	1,152,207	8.84	1,115,759	8.96	3.16	Decreased by 0.12 percentage point
Others	18,208	-50.10	5,548	-65.47	69.53	Increased by 13.57 percentage points
Total	<u>3,729,356</u>	<u>2.40</u>	<u>1,808,823</u>	<u>7.60</u>	<u>51.50</u>	<u>Decreased by 2.34 percentage points</u>

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(1) Operating costs of the toll road operations

During the reporting period, aggregated operating costs amounted to approximately RMB1,808,823,000, representing an increase of approximately 7.60% year-on-year, of which operating costs of toll road operations amounted to approximately RMB687,516,000, representing an increase of approximately 7.27% year-on-year. Gross profit margin decreased by approximately 1.70 percentage points. In the cost structure, depreciation and amortization costs basically grew in line with the increase in traffic volumes, while road and bridge maintenance costs as well as system maintenance costs were down approximately 6.04% and 42.69% year-on-year respectively during the reporting period, as the Company recorded relatively higher road and bridge maintenance costs and system maintenance costs in its preparation for the nationwide inspection on road and bridge maintenance last year. Meanwhile, the increase in labor costs, the increase in online service charges as a result of the increase in the expressway ETC income and the relevant ETC marketing expenses incurred in the first half of the year led to a year-on-year increase of RMB29,370,000 or approximately 18.48% in toll collection operating costs. The cost structure and its changes were as follows:

Operating cost items of toll road operation	The reporting period (RMB'000)	Percentage (%)	The corresponding period of the previous year (RMB'000)	Percentage (%)	Year-on-year change (%)
Depreciation and amortization	457,044	66.48	431,340	67.30	5.96
Costs on toll collection operation	188,344	27.39	158,974	24.80	18.48
Costs on roads and bridges maintenance	33,609	4.89	35,770	5.58	-6.04
System maintenance	8,519	1.24	14,866	2.32	-42.69
Total	687,516	100	640,950	100	7.27

(2) Administrative expenses and finance costs

During the reporting period, aggregated administrative expenses of the Group amounted to approximately RMB76,404,000, up approximately 4.22% year-on-year.

As at 30 June 2012, total interest-bearing liabilities of the Group amounted to approximately RMB6,485,337,000, representing an increase of RMB953,798,000 as compared to the beginning of 2012 and an increase of RMB352,626,000 as compared to the corresponding period in 2011. Due to an increase in the total interest-bearing liabilities and a year-on-year rise in average bank loan rate in the reporting period, the aggregated finance cost of the Group amounted to RMB152,218,000, representing an increase of approximately 6.31% year-on-year.

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(3) Investment income

The Company's investment income was primarily generated from investment incomes contributed by associates accounted for using the equity method, dividends distributed by investee companies accounted for using the cost method and gains from other short-term wealth management instruments and structured deposits of the Company. During the reporting period, the Group reaped investment income amounted to approximately RMB103,174,000, up approximately 1.03% year-on-year. In particular, various associates which were accounted for using the equity method, primarily comprising Sujiahang Co., Kuailu Co. and Yangtze Bridge Co., contributed approximately RMB89,276,000 in investment income, representing approximately 6.93% of the Group's net profit and a decrease of approximately 10.84% year-on-year. During the reporting period, Sujiahang Co.'s net profit dropped approximately 25.16% as a combined result of slower growth in toll revenue due to lower trucks percentage as affected by the current economic conditions, and the increase in operating costs and finance costs. With the commencement of operation of high-speed railways and accordingly the continuous optimization of railway operation network, high-speed railways have gradually come to complement inter-city railways. Meanwhile, with the upgrade of consumption, taking high-speed railways has gradually been accepted by consumers, and there has appeared an increasing traffic diversion from passenger traffic on highways. All these factors caused a drop in the operating revenue and then losses of Kuailu Co., as well as a substantial decrease in its net profit year-on-year during the reporting period. Operating results of major associates were as follows:

Name of Company	Principal business	Investment cost (RMB'000)	Equity interest of the Company (%)	Net profit (RMB'000)	Contribution of investment income (RMB'000)	Year-on-year change (%)	Proportion to the net profit of the Company (%)
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang Co.")	Management and operation of the Jiangsu Section of Sujiahang Expressway	526,091	33.33	126,044	42,010	-25.16	3.26
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co.")	Road transportation, automobile repair and sales of automobiles and automobile parts and components	49,900	33.2	-2,927	-2,087	-227.02	-0.16
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Co.")	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	185,666	49,499	13.69	3.84

(4) Income tax

The Group's income tax was payable at a statutory rate of 25% while the business tax for toll revenues from expressways was payable at a rate of 3%. From January to June 2012, the aggregated income tax expense of the Group amounted to approximately RMB407,928,000, representing a decrease of approximately 2.48% as compared to the corresponding period in 2011.

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Current tax expense calculated according to tax laws and relevant requirements	408,200,581	418,633,877
Adjustments to deferred tax	-272,557	-347,741
Total	407,928,024	418,286,136

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(5) Operating profit and net profit

During the reporting period, although the Group continued to achieve an increase of approximately 2.40% in the operating income, operating costs increased by approximately 7.60% year-on-year. Consolidated gross profit margin fell by approximately 2.34 percentage points from the corresponding period of 2011, while finance costs rose by approximately 6.31% year-on-year, and investment income increased slightly by approximately 1.03% year-on-year. The Group recorded an operating profit of approximately RMB1,699,602,000, down approximately 2.97% from the corresponding period of the previous year. As such, the Group realized a net profit of approximately RMB1,287,416,000, a year-on-year decrease of approximately 2.99%. In particular, net profit attributable to shareholders of the Company amounted to approximately RMB1,260,780,000, a year-on-year decrease of approximately 2.98%.

(6) Fulfillment of profit forecast

	Forecast for 2012 <i>(RMB100 million)</i>	Actual amount for the reporting period <i>(RMB'000)</i>
Operating revenue	77	3,729,356
Costs and expenses	47	2,038,519
Total profit	30	1,695,344
Net profit	23	1,287,416
Net profit attributable to the Company	23	1,260,780

Explanation for the fulfillment of profit forecast

As no revenue from the real estate business was recognized in the first half of 2012, the Company's operating revenue did not reach 50% of the annual forecast. But thanks to the relatively low cost and expense expenditures in the first half of 2012, the realized net profit has exceeded half of the annual forecast, indicating a satisfactory completion progress.

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2. Analysis of Financial Conditions

(1) The capital structure of the Group

During the reporting period, the fact that a portion of the dividends have not been paid leading to an increase in the dividends payable resulted in a higher proportion of current liabilities and interest-free liabilities of the Group as at the end of the reporting period. The increase in the short-term loans of the Group and the issuance of non-public directed debt instruments of the Company during the reporting period led to a higher proportion of liabilities at fixed interest rates. The gearing ratio of approximately 32.28%, also increased by approximately 5.61 percentage points as compared to the beginning of the year.

Item	30 June 2012		31 December 2011	
	RMB'000	%	RMB'000	%
Current liabilities	5,966,560	22.34	4,302,651	16.96
Non-current liabilities	2,653,770	9.94	2,464,978	9.71
Liabilities at fixed interest rate	4,050,337	15.17	2,891,539	11.40
Liabilities at floating interest rates	2,435,000	9.12	2,640,000	10.40
Interest-free liabilities	2,134,993	7.99	1,236,090	4.87
Equity attributable to equity holders of the Company	17,616,591	65.96	18,144,690	71.50
Minority interests	468,993	1.76	463,120	1.83
Total assets	26,705,914	100	25,375,439	100
Gearing ratio (%):	32.28		26.67	

Gearing ratio is calculated as: total liabilities/total assets

(2) Asset liquidity and financial resources

During the reporting period, gross cash inflow from the Group's operating activities amounted to approximately RMB3,931,382,000, and net cash inflow from operating activities amounted to approximately RMB1,464,166,000, representing a year-on-year decrease of approximately 25.97%. The decrease in net cash flow from the Group's operating activities was due to a year-on-year decrease in the pre-sales income from subsidiaries' real estate business and a rise in cash outflows from operations. The gearing ratio stood at around 32.28% which was a relative reasonable level; and the book value of bank balances and cash amounted to approximately RMB780,090,000. Moreover, as at 30 June 2012, the unutilized credit facilities from banks amounted to approximately RMB4,970 million. As such, the management believes that the Group does not have any cash liquidity problem.

As at 30 June 2012, cash and cash equivalents and loans were as indicated in the table below:

Item	As at	As at
	30 June 2012 The Group (RMB'000)	31 December 2011 The Group (RMB'000)
Cash and cash equivalents		
Cash on hands	412	240
Bank deposits	779,678	805,890
Total:	780,090	806,130
Loans		
Short-term bank loans	3,130,000	2,865,000
Long-term loans due within one year	701,567	201,561
Long-term bank loans	2,157,917	2,464,978
Bonds payable	495,853	0
Total	6,485,337	5,531,539

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(3) Capital expenditures

During January to June 2012, the Group's planned capital expenditures actually incurred amounted to approximately RMB1,557,524,000, representing an increase of approximately RMB1,389,010,000, or approximately 824.27% as compared to the corresponding period of 2011. Such a substantial increase in capital expenditures in the reporting period was mainly due to two equity investment projects, one involving Guangjing Xicheng, a subsidiary of the Company, contributing RMB1,466,200,000 for the subscription of interests in Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Expressway Co."), and the other involving the Company contributing RMB30,000,000 for shareholdings in Suzhou Sujiayong Expressway Co., Ltd. ("Suzhou Sujiayong Co.") to construct the Kunshan-Wujiang section project of the Changshu-Jiaxing Expressway. Detailed composition of capital expenditures is as follows:

Capital Expenditure Project	<i>RMB'000</i>
Equity investment in Yanjiang Expressway Co.	1,466,200
Equity investment in Suzhou Sujiayong Co.	30,000
Balance payment for the expansion works of the Shanghai-Nanjing Expressway	1,722
Renovation of toll stations of the Guangjing Xicheng Expressway	8,490
Other construction in progress and equipments	51,112
Total	1,557,524

(4) Financing activities and finance costs

During the reporting period, affected by the State's monetary policy, commercial loans basically did not enjoy any preferential interest rates. Although the consolidated borrowing cost of the Company remained at a relatively high level as compared to the corresponding period of last year as a result of upward adjustment to the benchmark interest rate by the Central Bank since 2011, the Company was able to effectively control its finance costs by adjusting its debt structure through active and effective financial initiatives. During the first half of 2012, the consolidated borrowing cost was approximately 5.6%, approximately 1 percentage point lower than the then prevailing bank borrowing rate and representing an increase of approximately 0.73 percentage point year-on-year.

As at the end of the reporting period, outstanding balance of the Company's financing facilities was as follows:

Type of facilities	Date of issuance	Term	Financing amount (RMB100 million)	Interest rate (%)	Then prevailing bank benchmark interest rate (%)	Decrease in financing costs (%)
Short-term bonds	2011-7-7	1 year	10	5	6.56	23.78
Short-term bonds	2011-9-26	1 year	10	6.18	6.56	5.79
Non-public directed debt instrument	2012-6-19	3 years	5	5.3	6.4	17.19

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(5) Credit policy

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determining the 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 its receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

(6) Foreign exchange risks

The Group operates its businesses principally in the PRC. No major foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for dividend payments for H shares. A loan of USD9,800,000 was secured from the Spanish Government in 1998 and will be due on 18 July 2027. As at 30 June 2012, the balance of the loan was approximately RMB24,484,000 after conversion from US dollars, against which no foreign exchange hedge was made. Fluctuations in exchange rates will not have any material impact on the Company's results.

(7) Contingent liabilities

During the reporting period, Ninghu Properties, a subsidiary of the Company provided guarantees with liabilities to banks for mortgage loans granted to flat buyers of Kunshan Huaqiao One City Hongqiao Mansion. The liabilities began from the date on which the guarantee contract come into effect and will end on the date when 1) the buyers obtain the housing ownership certificates of the purchased properties, 2) complete the registration of the mortgages and 3) the housing charge certificates of the properties are passed to the banks. As at 30 June 2012, the outstanding guarantees amounted to approximately RMB35,710,000.

Save as stated above, as at 30 June 2012, the Company did not have any contingent liabilities.

(8) Pledge of assets

During the reporting period, Guangjing Xicheng, a subsidiary of the Company, obtained a commercial bank loan of RMB400,000,000 by means of pledging its toll collection right, for a term commencing from 28 June 2012 and expiring on 28 June 2017 and at an annualized rate of 6.65%, as calculated at the floating rate based on the benchmark interest rate published by the People's Bank of China. The said loan shall be fully used for the equity investment in Yanjiang Expressway Co..

(9) Trust deposits

As at 30 June 2012, the Company did not have any trust deposits with any financial institutions in the PRC or any fixed term deposits which were irrecoverable upon their maturity.

(10) Trust loans

During the reporting period, the Company repaid RMB54,000,000 borrowed from its subsidiary Guangjing Xicheng by way of a trust loan (with a term of one year and at an annual interest rate of 4%); secured a loan of RMB50,000,000 from its subsidiary, Ninghu Investment, by way of a trust loan with a term of one year and at an annual interest rate of 4%; and secured a loan of RMB100,000,000 from its connected company, Far East Shipping, by way of a trust loan with a term of one year and at an annual interest rate of 6.56%. As at 30 June 2012, the balance of the Company's trust loans amounted to RMB250,000,000.

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(III) Investment of the Company

1. Progress on the project of Kunshan-Wujiang section of the Changshu-Jiaxing Expressway

At its 18th meeting held on 3 June 2011, the sixth session of the Board considered and approved the Company's investment in the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway (the "Project"). According to the feasibility study report, the total Project cost is approximately RMB3.894 billion. 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.

During the first half of the year, some positive progress has been made on the Project. Jiangsu Development and Reform Commission has approved the feasibility study report of the Project; SASAC of Suzhou has approved the establishment of the project company — Suzhou Sujiaoyong Expressway Co., Ltd.; the registration for the project company with the industry and commerce administration has been completed; a general meeting of the project company was held in early April, at which the articles of association of the company was considered and approved and the board of directors and supervisory committee were set up according to law; the Company has contributed the initial RMB30 million capital; construction of the Kunshan-Wujiang section of the Changshu-Jiaxing Expressway is expected to start this year.

2. Subscription of interests in Jiangsu Yanjiang Expressway Co., Ltd.

In order to enable the Company to expand its principal business, being management and operation of toll roads and expressways, and utilize the investment and development capability of Guangjing Xicheng (a 85% owned subsidiary of the Company), the sixth session of the Board considered and approved at its 23rd Meeting held on 23 March 2012, the cash contribution of RMB1,466,200,000 made by Guangjing Xicheng to Jiangsu Yanjiang Expressway Co., Ltd. in the subscription of approximately 32.26% of the enlarged registered capital of Jiangsu Yanjiang Expressway Co., Ltd. by way of registered capital enlargement. The proposal was implemented after being approved at the 2011 annual general meeting held on 19 June 2012. Please refer to the announcement of the Company on connected transaction dated 23 March 2012 for details of the transaction.

On 29 June, the RMB1,466,200,000 committed by Guangjing Xicheng was fully invested and accordingly Jiangsu Yanjiang Expressway Co., Ltd became an indirect associate company of the Company. After this investment was completed, the Group was able to own the key land transport corridor of the two important industrial belts along the Yangtze River and Shanghai-Nanjing in the southern part of Jiangsu, which is of a strategic significance to ensure and enhance the leading position of the Group in the road network of the southern Jiangsu.

(IV) Staff Salary and Training

As at 30 June 2012, the Company had a total of 3,741 staff members (excluding those companies with controlled shareholding or equity investments), comprising 376 administrative/management staff and 3,365 operational/technical staff.

The Company adopts a position-based salary system with performance being a motivating factor. Staff remuneration comprises three parts, namely monthly salary, performance-based bonus and fringe benefits. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff member, with reference to the principle of "salary by position; award by performance", thereby raising the fairness and competitiveness of the salary system. In accordance with the statutory requirements, the Company provides its employees with a number of social insurance schemes such as basic pension insurance, medical insurance, labour injury insurance, maternity insurance, unemployment insurance and annuity. During the reporting period, the Company established the Regulation on Selection and Evaluation of Star Toll Collectors to further improve the remuneration distribution system with a view to giving full incentives to front-line toll collectors.

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As for employee education and training, in the first half of the year, the Company provided different levels of training encompassing different professional skills, such as the first training session for internal trainers, seminars on taxation policies interpretation and risk prevention, training for examiners of the quality management team and training on special operation certificates, which was greatly conducive to the enhancement of employees' overall quality. In respect of the staff's career planning, the Company held a public recruitment campaign in the first half of the year for 10 middle assistant positions, selecting a pool of backup talents for the sustainable development of the Company.

(V) Prospects and Plans

1. Analysis of the business environment

In the first half of the year, the Chinese and regional economy continued to decline, weighing on the overall traffic volume of trucks. Although the government has introduced macro control measures to maintain the smooth functioning of the economy, it remains difficult to predict when such measures will become effective in the region and when these measures will drive the recovery in cargo demand. The current road operation performance shows a slight rebound in traffic volume of trucks in June, but it remains to be seen whether this trend will last.

On the other hand, the clean-up campaign for toll roads has entered into a substantive phase, with a series of clean-up measures issued by the five ministries and commissions as well as the government of the Jiangsu Province. Subsequent to the downward adjustment to the minimum toll standards at the beginning of the year, the government of the Jiangsu Province further issued a notice in July announcing the removal of the Nanjing toll station, Luoshe toll station (including Yanqiao toll point) and Xilin toll point along the Shanghai-Nanjing section of the G312 since 15 July 2012, which will bring to the Company a direct loss in daily average revenue amounting to approximately RMB150,000, and lead to further losses to G312. Issues such as debt reimbursement and road management and maintenance after the removal of these toll stations are still to be thrashed out by the government of the Jiangsu Province. As at 30 June 2012, the intangible assets of the operation rights of the Shanghai-Nanjing section of the G312 had a net book value of approximately RMB2,380 million. The accumulated toll income of removed toll stations during six months ended 30 June 2012 accounted for approximately 46.69% of the total toll income of G312, and the accumulated traffic volume of removed toll stations during the same period accounted for approximately 46.13% of G312.

Recently, the five ministries and commissions of the State again unveiled a policy allowing all small passenger vehicles to travel toll-free during main national holidays. Based on the implementation guidelines, the Company is estimated to suffer a loss of approximately 2.5%-3% in toll income on a full-year basis. Currently, the local governments have not promulgated detailed implementation rules and the toll-free policy is expected to apply as early as the National Day holiday of this year.

2. Work priorities for the second half of the year

In line with the overall business situation in the second half of the year, the Group has set the following work priorities for the second half of the year to ensure the attainment of the full-year profit target, and to make planning preparations for future strategic development:

- i. We will give active response to the government's clean-up measures for toll roads and make preparation for the free travel of cars in holidays. In particular, we will, after the removal of the toll stations and points along the G312, enhance communications with the competent government authorities on follow-up issues such as employee resettlement, road management and maintenance as well as debt reimbursement so as to come up with the proper solutions, minimize losses in assets and financial results and safeguard the interests of the Company and shareholders.
- ii. We will further the promotion and implementation of the "Twelfth Five-year" strategic plan and break down the strategically critical performance indicators proposed under the "Twelfth Five-year Plan" to build a quantitative strategic indicator system. We will put in place a working mechanism for regular review of the strategic plan, giving full play to the role of the "Twelfth Five-year" plan in guiding the operation and management of Company and ensuring the efficient implementation of the strategic development plan. Meanwhile, we will vigorously explore the reform and innovation in the operation and management modes of our branches and subsidiaries to increase profitability and space for growth.

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- iii. We will advance the modernization of the operation and management of expressways and accelerate the establishment of the modernization indicators system. We will perfect the work process of maintenance and to improve the timeliness of the hindrance clearance and rescue based on the needs of road users. We will tighten up on-site management to maintain good road quality and transport environment and build the expressway management and service brand with the goal of “intelligent, unimpeded and caring”.
- iv. We will press ahead with the information technology work of the Company, stepping up the establishment of special working divisions and implementing the informationization plan. We will give priority to sorely needed informationization projects with mature technology, such as telecommunication system rehabilitation and traffic data collection. We will formulate an overall plan to establish an information platform for comprehensive management and public service, so as to allow resources to be shared to the greatest extent possible, provide effective information for decision-making, direction, production and services and improve the operation and management as well as production and service efficiency.
- v. Strengthen cost control, especially the control on budget management and special expenditure. Under the current business environment and monetary policy, we are to lower finance costs through pro-active and effective financing arrangements and debt structure adjustments. Meanwhile, we will continue to explore short-term wealth management approaches with controllable risks and considerable returns to enhance the efficiency of the Company's short-term reserve fund management.
- vi. We will keep track of market dynamics, push on with the development and sales of the property projects in an orderly way and ensure the successful delivery of our first residential development so as to build the brand for the Company. We will complete the capital increase in Ninghu Properties, a subsidiary of the Company, to further improve development scales and its fundraising ability of Ninghu Properties as a platform of our property business. We will step up efforts in market research with a view to seizing proper investment opportunities. We will increase land reserve as and when appropriate to expand potential for business development.

(VI) Formulation and Implementation of the Cash Dividend Policy

Ensuring a long-term and stable return for shareholders remains the top priority of the Company. The Company is committed to continuous enhancement of corporate value through ongoing development to deliver high returns to shareholders. In order to set up a long-term mechanism for cash dividends, the Company stipulates explicitly in Articles 18.8 and 18.9 of its Articles of Association: “The Company may distribute certain dividends by way of cash or bonus shares (or a combination of both) each year..... The accumulative profits distribution in cash in the recent three years shall be no less than 30% of the average annual distributable profits in the same period.” Ever since its listing, the Company has been paying cash dividends for 15 consecutive years. As at the end of 2011, the Company has paid a total of RMB13.684 billion cash dividends, equivalent to a cash dividend of RMB2.7217 per share on an accumulative basis, with the average annual payout ratio exceeding 75%, providing investors with opportunities to share the fruits of the Company's growth.

REPORT OF THE DIRECTORS

During the reporting period, according to the requirement of the Notice on Further Implementation of Relevant Issues relating to Distribution of Cash Dividend by Listed Companies issued by China Securities Regulatory Commission, the Company revised the related clauses under Chapter XVIII "Profit Distribution" of the Articles of Association, setting out particulars of the cash dividend policy, so as to further improve the decision-making procedure and mechanism for cash dividend distribution. Such amendments to the Articles of Association were considered at the 2nd meeting of the seventh session of the Board held on 16 July 2012 and will be submitted to the 2012 first extraordinary general meeting to be held on 10 September 2012 for consideration and approval. The decision-making procedure and mechanism set out in the amended profit distribution plan include:

1. The Company's annual profit distribution plan shall be proposed and formulated by the Board by reference to the Articles of Association, profits achieved by the Company and the supply and requirement of funds. When considering specific plan for distribution of cash dividends, the Board shall study and identify the timing, conditions and minimum proportion, conditions for adjustment and requirements for decision-making procedures involved for implementing the distribution of cash dividends, etc. Independent directors shall explicitly express their independent opinions on the profit distribution plan. After being considered and approved by the Board, the profit distribution plan shall be proposed at the general meeting for shareholders' consideration and approval and be implemented afterwards.
2. When convening a general meeting to consider a profit distribution plan, the Company shall provide sufficient access channels to encourage shareholders, especially minority shareholders, to attend and vote at the meeting. When the profit distribution plan is considered at the general meeting, the Company shall take the initiative to communicate and exchange views with shareholders, especially minority shareholders, giving due care to their interest and appeal and timely responding to their queries.
3. When the Company has to, as required by its production and operation, investment plan and long-term development, adjust or change its profit distribution policy set out in the Articles of Association, and formulate or adjust its shareholders' return plan, for the purpose of protecting shareholders' interests, such adjustment or change shall be made after detailed consideration and discussions by the Board, for which the independent directors shall explicitly express their opinions. Relevant proposals shall be submitted to the general meeting and passed by more than two thirds of voting rights represented by the shareholders present at the meeting.
4. The supervisory committee of the Company shall supervise the implementation of the Company's profit distribution policy and shareholders' return plan by the Board, the adjustment to or change of Company's profit distribution plan by the Board, as well as the decision-making procedures of the Board and general meetings for profit distribution and its implementation.

SIGNIFICANT MATTERS

(1) Corporate Governance

1. Corporate Governance Status

The Company made continued improvements on the corporate governance system and the operating procedures according to the requirements of regulatory authorities and latest rules and regulations, with a view to enhancing corporate governance standards. The actual governance situation of the Company did not deviate from the Governance Standards for Listed Companies stipulated by the China Securities Regulatory Commission (“CSRC”) and the requirements of the relevant laws and regulations; and the Company fully complied with all code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Hong Kong Listing Rules. For details of the implementation of the governance practice, please refer to the relevant sections in the Company’s 2011 Annual Report.

During the reporting period, none of the Company, the Board, the Supervisory Committee and directors, supervisors and the senior management of the Company was subject to administrative penalty, criticisms through circulation of a public notice or other public reprimand by the regulatory authorities.

The continuous improvement of governance is necessary to maintain the healthy development of the Company. In light of the market demand and the Company’s strategic development, the Company improved governance through sophisticated management and enhanced governance concept to seek new breakthroughs. The continual improvement in corporate governance helped better the Company’s decision making, operation and management, which in turn created a virtuous circle for the continuous self improvement of the Company. During the reporting period, the Company reorganized its special committees according to the requirements of the newly amended Corporate Governance Code of Hong Kong Stock Exchange, splitting the former Nomination, Remuneration and Appraisal Committee into the Nomination Committee and the Remuneration and Appraisal Committee, and accordingly formulating the Rules of Procedures of the Nomination Committee and the Rules of Procedures of the Remuneration and Appraisal Committee. Meanwhile, the Company newly established the Rules for Shareholders Nominating Directors and made a comprehensive amendment to the original Rules of Procedures of the Audit Committee. According to the requirements of the Hong Kong Stock Exchange, the Company compiled and organized the existing governance systems which were translated into English language and posted on the website of the Hong Kong Stock Exchange for inspection and supervision by the investors.

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

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

The standardized corporate governance, transparent information disclosure, high return to shareholders and effective brand communication led to the establishment of the Company’s good brand image on capital market. In May this year, the Company was listed as the “2012 Top 100 Capital Brands of Chinese Listed Companies” jointly selected by the China Center for Market Value Management, the China Center for Financial Research of Tsinghua University and Sina.com, ranking 68th among all A-share listed companies in Shanghai and Shenzhen, reflecting the overall capital brand value of the Company and its comprehensive influence in the capital market.

SIGNIFICANT MATTERS

2. Compliance with the Corporate Governance Code

In December 2011, the Hong Kong Stock Exchange amended relevant provisions of the Corporate Governance Code. Such new provisions took effect on 1 January 2012 and 1 April 2012. As at the publishing date of this report, the Board, having reviewed the day-to-day governance practices of the Company according to the Corporate Governance Code, was of the opinion that the Company fully adopted all code provisions in the new Corporate Governance Code (save in respect of the Code requirement on Company Secretary where the Company appointed professional to act as the Company Secretary who is not a senior management but closely worked with the secretary to the Board, who in turn, is a senior management) and strove to comply with the recommended best practices and that no deviation or breach was found.

3. Compliance to the Model Code for Securities Transactions by Directors

Having made specific enquiries to all the Directors of the Company, the Directors of the Company have fully 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 during the reporting period. The Company has also formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees" to ensure the relevant personnel's compliance with the code in carrying out securities transactions.

4. Audit Committee

The seventh session of the Board of the Company elected Mr. Chen Donghua, Mr. Zhang Erzhen and Mr. Du Wen Yi as the members of the Audit Committee and elected Mr. Chen Donghua as the chairman of the committee. Mr. Chen Donghua and Mr. Zhang Erzhen, being Independent Non-executive Directors of the Company, have extensive experiences in financial and economic management, as well as appropriate professional qualifications as stipulated by Rule 3.10(2) of Hong Kong Listing Rules. Members of the Audit Committee are not connected with the current or former auditors of the Company.

The Audit Committee had reviewed the interim financial report of the Company for the six months ended 30 June 2012 and had sufficient communication with the Company's management in the course of discharging their duties and proposed to the Board for the approval of the publication of the interim financial report for the six months ended 30 June 2012.

(2) Profit Distribution and its Implementation

1. During the reporting period, the Board of the Company neither recommended the payment of an interim dividend for the six months ended 30 June 2012 (corresponding period of 2011: Nil), nor did the Board increase share capital by transferring reserve fund.
2. As approved at the 2011 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 2011, equivalent to approximately 83.96% of the distributable profit (based on the net profit after deduction of 10% Statutory Reserve) of the year, payout ratio reached 74.64%. Such profit distribution scheme was implemented on 10 July 2012.

(3) Material Litigation or Arbitration

The Company was neither involved in any material litigation or arbitration occurring during the reporting period nor was the Company involved in any previous material litigation or arbitration subsisting until the reporting period.

(4) Bankruptcy and Restructure

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

SIGNIFICANT MATTERS

(5) Shares Held in Other Listed Companies

The Group does not hold equity interests in other listed companies, nor does it hold equity interests in other non-listed financial enterprises.

(6) Assets Transfer

During the reporting period, Jiangsu Guangjing Xicheng Expressway Company Limited, a subsidiary of the Company, made a cash contribution of RMB1,466,200,000 to Jiangsu Yanjiang Expressway Co., Ltd. in the subscription of approximately 32.26% of the enlarged registered capital of Jiangsu Yanjiang Expressway Co., Ltd., by way of registered capital enlargement. Please refer to the announcement of the Company on connected transaction dated 23 March 2012 for details of the transaction.

(7) Implementation of Share Incentive Scheme

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

(8) Material Related Party Transactions and Connected Transactions

— Continuing Related Party Transactions and Continuing Connected Transactions Related to Day-to-Day Operation

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

1. Road Maintenance Service Contracts with Jiangsu Sundian

On 23 March 2012, the Company and its subsidiary, Guangjing Xicheng, entered into separate maintenance service contracts with Jiangsu Sundian Engineering Co., Ltd. ("Jiangsu Sundian"), in respect of the repair and maintenance services of the Shanghai-Nanjing Expressway, and the Guangjing Expressway and the Xicheng Expressway respectively, for a term commencing on 23 March 2012 and ending on 31 December 2012. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB30 million and RMB30 million, respectively.

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 the 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 project. The cap of the maintenance service fees was set according to the estimated works in 2012. The maintenance service fees are to be paid out of the Company's and Guangjing Xicheng's own funds.

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

SIGNIFICANT MATTERS

2. Technical Services Provided by Network Operation Company

During the reporting period, the Company and Guangjing Xicheng continued to perform the technical services agreement with Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company"). The term of the agreement commenced on 1 January 2012 and will end on 31 December 2014. The service fee payable to Network Operation Company shall be based on the standards as approved by the Jiangsu Price Bureau. A fee standard of 0.2% was applied to toll income from highways and bridges received in cash, while 2% was applied to non-cash income.

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

Based on the fees actually paid in 2011 and the forecast for the toll income and the toll income mix of Shanghai-Nanjing Expressway, Guangjing Expressway and Xicheng Expressway for the next three years, it is estimated that the maximum annual service fee for 2012, 2013 and 2014 will not exceed RMB34 million, RMB46 million and RMB64 million. During the reporting period, the Group has paid service fees to Network Operation Company amounting to RMB11,260,000 in aggregate.

3. Leasing of Operation of Petroleum Products Sales Business

During the reporting period, Guangjing Xicheng, the Company's subsidiary, renewed the leasing agreement in respect of its petroleum products sales business at the petrol station in the Yanqiao Service Area with Jiangsu Expressway Petroleum Company ("Jiangsu Petroleum Company") for a period of three years from 1 January 2012 to 31 December 2014. Under the agreement between both parties, the leasing fee will be calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee payable to Guangjing Xicheng by Jiangsu Petroleum Company amounting to RMB500,000 per annum. Jiangsu Petroleum Company is a related party and a connected person which is held as to 51.17% equity interests by the Company's controlling shareholder. Such transaction constituted a continuing related party transaction and 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 RMB1,940,000 in aggregate which was exempt from reporting and disclosure requirements.

4. Leasing of Offices

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

During the reporting period, the Group has included in its operating revenue the relevant office rentals of RMB845,000 and RMB2,230,000 received from Jiangsu Sundian and Network Operation Company, respectively.

SIGNIFICANT MATTERS

— Related Party Transactions and Connected Transactions Related to Acquisition and Disposal of Assets

During the reporting period, Jiangsu Guangjing Xicheng Expressway Company Limited, a subsidiary of the Company, made a cash contribution to Jiangsu Yanjiang Expressway Co., Ltd. by way of registered capital enlargement. The Company has performed its reporting and announcement duties under the relevant requirement and obtained approval by shareholders at the general meeting held on 19 June 2012. Please refer to the announcement of the Company on related party transaction and connected transaction dated 23 March 2012 and the circular dated 23 April 2012 for details of the transaction.

— Capital Dealings with Related Parties and Connected Parties

Unit: RMB'000

Related Parties/ Connected Parties	Provide funding to related parties/ connected parties		Related Parties/ connected parties provide funding to the Company	
	Amount	Balance	Amount	Balance
Far East Shipping	0	0	100,000	200,000
Total	0	0	100,000	200,000

During the reporting period, the Company secured a loan of RMB100,000,000 from Far East Shipping, a related party and a connected party, by way of a trust loan with a term of one year at an annual interest rate of 6.56%.

— Confirmation Opinion by Independent Directors on Related Party Transactions and Connected Transactions

The Independent Directors of the Company have reviewed all related party transactions and connected transactions and confirmed in the interim report and accounts that:

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

(9) 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 Related Party Transactions and Connected Transactions" of this Chapter.

SIGNIFICANT MATTERS

2. Material Guarantees and Pledge of Assets

During the reporting period, Ninghu Properties, a subsidiary of the Group provided guarantees with liabilities to banks for mortgage loans granted to flat buyers of Kunshan Huaqiao One City Hongqiao Mansion. The liabilities began from the date on which the guarantee contract come into effect and will end on the date when 1) the buyers obtain the housing ownership certificates of the purchased properties, 2) complete the registration of the mortgages and 3) the housing charge certificates of the properties are passed to the banks. As at 30 June 2012, the outstanding guarantees amounted to approximately RMB35,710,000.

Save as stated above, the Company and its subsidiaries did not provide any guarantee in favor of any shareholders, related party or connected party or any other companies, nor was there any pledge of assets subsisting.

3. Entrusted Financial Management

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

4. Other Material Contracts

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

(10) Undertakings and Fulfillment of Undertakings

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

(11) Appointment of Auditors

The reappointment of Deloitte Touche Tohmatsu CPA Ltd. as the domestic auditor of the Company for 2012 was approved at the Company's 2011 Annual General Meeting. The audit fees amounted to RMB2,100,000 for the year. Deloitte Touche Tohmatsu CPA Ltd. 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, to audit the financial statements prepared under the PRC Accounting Standards for the fiscal year ending 31 December 2012 and to undertake the duties of an international auditors in accordance with the Hong Kong Listing Rules.

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

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

(12) 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

(13) 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). Investors may review the following announcements for details.

Announcement No.	Publication Date	Particulars
Lin 2012-001	2012-1-6	Announcement on the Adjustment of Minimum Toll Standards on Toll Rates to Expressways
Lin 2012-002	2012-3-23	Announcement on the Twenty Third Meeting of the Sixth Session of the Board of Directors
Lin 2012-003	2012-3-23	Announcement on the Fifteenth Meeting of the Sixth Session of the Supervisory Committee
Lin 2012-004	2012-3-23	Continuing Connected Transaction Announcement on Road Maintenance Service Contract with Jiangsu Sundian Engineering Co., Ltd.
Lin 2012-005	2012-3-23	Connected Transaction Announcement on Subscription of Interests in Jiangsu Yanjiang Expressway Co., Ltd.
Lin 2012-006	2012-4-23	Notice of 2011 Annual General Meeting
Lin 2012-007	2012-6-19	Announcement on the Resolutions of the 2011 Annual General Meeting
Lin 2012-008	2012-6-19	Announcement on the First Meeting of the Seventh Session of the Board of Directors
Lin 2012-009	2012-6-19	Announcement on the First Meeting of the Seventh Session of the Supervisory Committee
Lin 2012-010	2012-6-20	Announcement on Issuance of Non-public Directed Debt Instrument
Lin 2012-011	2012-6-27	Announcement on Implementation of 2011 Profit Distribution

FINANCIAL REPORT

Consolidated Balance Sheet

At 30 June 2012

Unit: RMB

ITEM	Notes	Closing Balance	Opening Balance	ITEM	Notes	Closing Balance	Opening Balance
Current Assets:				Current liabilities:			
Cash and bank balances	(VI) 1	780,090,412	806,129,927	Short-term borrowings	(VI) 16	3,130,000,000	2,865,000,000
Held-for-trading financial assets	(VI) 2	27,689,240	19,077,428	Accounts payable	(VI) 17	273,176,276	307,411,924
Notes receivable		220,000	0	Receipts in advance	(VI) 18	362,357,509	346,683,735
Accounts receivable	(VI) 3	76,802,976	47,367,781	Employee benefits payable	(VI) 19	4,589,766	6,523,653
Prepayments	(VI) 4	31,307,253	11,614,720	Taxes payable	(VI) 20	112,822,131	321,399,122
Dividends receivable	(VI) 6	102,313,565	2,494,980	Interest payable	(VI) 21	105,168,722	47,683,000
Other receivables	(VI) 5	52,607,035	37,116,199	Dividends payable	(VI) 22	1,165,224,399	104,896,262
Inventories	(VI) 7	2,005,018,632	1,919,255,292	Other payable	(VI) 23	111,654,008	101,492,233
Other current assets	(VI) 8	598,960,705	560,390,281	Non-current liabilities due within one year	(VI) 24	701,567,064	201,561,117
Total Current Assets		3,675,009,818	3,403,446,608	Total Current Liabilities		5,966,559,875	4,302,651,046
Non-current Assets:				Non-current Liabilities:			
Long-term equity investments	(VI) 9.10	3,678,206,276	2,190,631,308	Long-term borrowings	(VI) 25	2,157,917,077	2,464,977,879
Investment properties	(VI) 11	20,141,530	17,807,135	Bonds payable	(VI) 26	495,853,045	0
Fixed assets	(VI) 12	1,123,532,503	1,154,827,314				
Construction in progress	(VI) 13	50,005,165	26,032,412				
Intangible assets	(VI) 14	18,149,904,065	18,573,651,716				
Long-term prepaid expenses		452,910	652,950				
Deferred tax assets	(VI) 15	8,662,010	8,389,453	Total Non-current Liabilities		2,653,770,122	2,464,977,879
Total Non-current Assets		23,030,904,459	21,971,992,288	TOTAL LIABILITIES		8,620,329,997	6,767,628,925
				SHAREHOLDERS' EQUITY:			
				Share capital	(VI) 27	5,037,747,500	5,037,747,500
				Capital reserve	(VI) 28	7,566,238,561	7,541,527,674
				Surplus reserve		2,291,733,894	2,291,733,894
				Unappropriated profits	(VI) 29	2,720,871,607	3,273,680,481
				Total shareholders' equity attributable to equity holders of the Company		17,616,591,562	18,144,689,549
				Minority interests		468,992,718	463,120,422
				TOTAL SHAREHOLDERS' EQUITY		18,085,584,280	18,607,809,971
TOTAL ASSETS		26,705,914,277	25,375,438,896	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,705,914,277	25,375,438,896

The accompanying notes form part of the financial statements.

The financial statements on pages 32 to 110 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

FINANCIAL REPORT

Balance Sheet of the Company

At 30 June 2012

Unit: RMB

ITEM	Notes	Closing Balance	Opening Balance	ITEM	Notes	Closing Balance	Opening Balance
Current Assets:				Current Liabilities:			
Cash and bank balances		438,810,778	452,126,965	Short-term borrowings		2,780,000,000	3,455,000,000
Accounts receivables	(XII) 1	58,542,981	37,927,174	Accounts payable		90,744,135	105,026,669
Prepayments	(XII) 2	21,271,424	6,069,781	Receipts in advance		11,392,017	5,736,715
Dividend receivables		219,975,250	2,494,980	Employee benefits payable		4,332,009	5,496,846
Other receivables	(XII) 3	1,365,521,363	1,259,171,286	Taxes payable		74,955,804	254,010,835
Inventories		20,445,498	14,250,110	Interest payable		104,558,266	48,398,600
Other current assets		501,625,000	501,253,333	Dividends payable		1,144,460,574	80,871,474
				Other payables		84,491,954	72,885,125
				Non-current liabilities due within one year		701,567,064	201,561,117
Total Current Assets		2,626,192,294	2,273,293,629	Total Current Liabilities		4,996,501,823	4,228,987,381
Non-current Assets:				Non-current Liabilities:			
Long-term equity investments	(XII) 4	4,181,593,343	4,160,072,389	Long-term borrowings		1,757,917,077	2,464,977,879
Fixed assets		941,965,691	973,841,001	Bonds payable		495,853,045	0
Construction in progress		29,644,821	19,443,164	Total Non-current Liabilities		2,253,770,122	2,464,977,879
Intangible assets		16,473,639,094	16,831,384,332	TOTAL LIABILITIES		7,250,271,945	6,693,965,260
Deferred tax assets		4,298,559	4,298,559				
Total non-current assets		21,631,141,508	21,989,039,445	SHAREHOLDERS' EQUITY:			
				Share capital		5,037,747,500	5,037,747,500
				Capital reserve		7,547,813,329	7,523,102,442
				Surplus reserve		2,002,886,733	2,002,886,733
				Unappropriated profits		2,418,614,295	3,004,631,139
				TOTAL SHAREHOLDERS' EQUITY		17,007,061,857	17,568,367,814
TOTAL ASSETS		24,257,333,802	24,262,333,074	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,257,333,802	24,262,333,074

FINANCIAL REPORT

Consolidated Income Statement

For the period ended 30 June 2012

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(VI) 30	3,729,356,412	3,642,022,871
Including: Operating income		3,729,356,412	3,642,022,871
II. Total operating costs		2,131,837,831	1,991,847,960
Including: Operating costs	(VI) 30	1,808,822,929	1,681,003,634
Business taxes and levies	(VI) 31	93,318,715	91,276,001
Selling expenses		1,074,099	3,579,685
Administrative expenses		76,404,174	73,309,255
Financial expenses	(VI) 32	152,217,914	143,179,385
Impairment losses of assets	(VI) 33	0	-500,000
Add: Gains from changes in fair values (Losses are indicated by “—”)	(VI) 34	-1,090,228	-621,390
Investment income (Loss is indicated by “—”) Including: Income from investments in associates and joint ventures	(VI) 35	103,173,907	102,121,292
III. Operating profit (Loss is indicated by “—”)		1,699,602,260	1,751,674,813
Add: Non-operating income	(VI) 36	3,886,577	6,179,749
Less: Non-operating expenses Including: Losses from disposal of non-current assets	(VI) 37	8,144,466	12,536,356
IV. Total profit (Total loss is indicated by “—”)	(VI) 38	1,695,344,371	1,745,318,206
Less: Income tax expenses	(VI) 39	407,928,024	418,286,136
V. Net profit (Net loss is indicated by “—”)		1,287,416,347	1,327,032,070
Including: Net profit attributable to owners of the Company Profit or loss attributable to minority interests		1,260,780,226	1,299,490,735
VI. Earnings per share:	(VI) 40		
(I) Basic earnings per share		0.2503	0.2580
(II) Diluted earnings per share		N/A	N/A
VII. Other comprehensive income	(VI) 41	24,710,887	-11,135,896
VIII. Total comprehensive income		1,312,127,234	1,315,896,174
Total comprehensive income attributable to owners of the Company		1,285,491,113	1,288,354,839
Total comprehensive income attributable to minority interests		26,636,121	27,541,335

FINANCIAL REPORT

Income Statement of the Company

For the period ended 30 June 2012

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Operating income	(XII)5	3,348,354,917	3,252,579,662
Less: Operating costs	(XII)5	1,687,388,741	1,558,923,971
Business taxes and levies		79,323,560	79,299,968
Administrative expenses		61,506,523	60,544,602
Financial expenses		159,891,971	158,061,636
Impairment loss of assets		0	-500,000
Investment income (Loss is indicated by “—”)	(XII)6	216,444,947	232,329,322
Including: Income from investments in associates and joint ventures		89,422,078	101,314,118
II. Operating profit (Loss is indicated by “—”)		1,576,689,069	1,628,578,807
Add: Non-operating income		3,883,402	5,314,316
Less: Non-operating expenses		6,546,521	8,198,453
Including: Losses from disposal of non-current assets		287,236	3,412,329
III. Total profit (Total loss is indicated by “—”)		1,574,025,950	1,625,694,670
Less: Income tax expenses		346,453,694	354,713,366
IV. Net profit (Net loss is indicated by “—”)		1,227,572,256	1,270,981,304
V. Earnings per share:			
(I) Basic earnings per share		0.2437	0.2523
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income		24,710,887	-11,135,896
VII. Total comprehensive income		<u>1,252,283,143</u>	<u>1,259,845,408</u>

FINANCIAL REPORT

Consolidated Cash Flow Statement

For the period ended 30 June 2012

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,931,381,849	4,117,073,209
Other cash receipts relating to operating activities	(VI) 42(1)	12,099,789	8,901,453
Sub-total of cash inflows from operating activities		3,943,481,638	4,125,974,662
Cash payments for goods purchased and services received		1,529,341,812	1,416,127,240
Cash payments to and on behalf of employees		197,272,132	169,154,137
Payments of various types of taxes		728,733,965	544,276,982
Other cash payments relating to operating activities	(VI) 42(2)	23,968,053	18,558,339
Sub-total of cash outflows from operating activities		2,479,315,962	2,148,116,698
Net Cash Flow from Operating Activities		1,464,165,676	1,977,857,964
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,517,989,518	121,453,720
Cash receipts from investment income		27,359,178	71,272,503
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		364,263	1,067,524
Net cash receipts from disposals of subsidiaries and other business units		0	0
Other cash receipts relating to investing activities	(VI) 42(3)	0	0
Sub-total of cash inflows from investing activities		2,545,712,959	193,793,747
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		61,323,501	34,513,682
Cash payments to acquire investments		4,061,902,040	275,593,603
Other cash payments relating to investing activities	(VI) 42(4)	0	0
Sub-total of cash outflows from investing activities		4,123,225,541	310,107,285
Net Cash Flow from Investing Activities		-1,577,512,582	-116,313,538
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		1,355,000,000	1,155,000,000
Cash receipts from issue of bonds		498,500,000	0
Other cash receipts relating to financing activities	(VI) 42(5)	0	0
Sub-total of cash inflows from financing activities		1,853,500,000	1,155,000,000
Cash repayments of borrowings		895,783,470	1,290,821,935
Cash payments for distribution of dividends or profits or settlement of interest expenses		870,159,139	1,713,005,857
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		24,024,788	0
Other cash payments relating to financing activities	(VI) 42(6)	250,000	0
Sub-total of cash outflows from financing activities		1,766,192,609	3,003,827,792
Net Cash Flow from Financing Activities		87,307,391	-1,848,827,792
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		0	0
V. Net Increase in Cash and Cash Equivalents		-26,039,515	12,716,634
Add: Opening balance of Cash and Cash Equivalents		806,129,927	475,084,741
VI. Closing Balance of Cash and Cash Equivalents		780,090,412	487,801,375

The accompanying notes form part of the financial statements.

FINANCIAL REPORT

Cash Flow Statement of the Company

For the period ended 30 June 2012

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,545,141,147	3,459,477,284
Other cash receipts relating to operating activities	(XII)7(1)	6,004,802	5,933,330
Sub-total of cash inflows from operating activities		3,551,145,949	3,465,410,614
Cash payments for goods purchased and services received		1,397,141,134	1,254,118,861
Cash payments to and on behalf of employees		157,893,759	136,879,245
Payments of various types of taxes		618,719,081	466,405,790
Other cash payments relating to operating activities	(XII)7(2)	20,856,241	18,076,207
Sub-total of cash outflows from operating activities		2,194,610,215	1,875,480,103
Net Cash Flow from Operating Activities		1,356,535,734	1,589,930,511
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,808,989,518	0
Cash receipts from investment income		22,793,427	199,395,484
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		362,263	1,017,494
Other cash receipts relating to investing activities	(XII)7(3)	0	80,000,000
Sub-total of cash inflows from investing activities		1,832,145,208	280,412,978
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		45,761,030	31,105,496
Cash payments to acquire investments		1,830,000,000	0
Other cash payments relating to investing activities	(XII)7(4)	90,000,000	0
Sub-total of cash outflows from investing activities		1,965,761,030	31,105,496
Net Cash Flow from Investing Activities		-133,615,822	249,307,482
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		605,000,000	1,265,000,000
Cash receipts from issue of bonds		498,500,000	0
Sub-total of cash inflows from financing activities		1,103,500,000	1,265,000,000
Cash repayments of borrowings		1,485,783,470	1,360,821,935
Cash payments for distribution of dividends or profits or settlement of interest expenses		853,702,629	1,726,625,857
Other cash payments relating to financing activities	(XII)7(5)	250,000	0
Sub-total of cash outflows from financing activities		2,339,736,099	3,087,447,792
Net Cash Flow from Financing Activities		-1,236,236,099	-1,822,447,792
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		0	0
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents		452,126,965	171,257,578
VI. Closing Balance of Cash and Cash Equivalents			
		438,810,778	188,047,779

The accompanying notes form part of the financial statements.

FINANCIAL REPORT

Unit: RMB

Consolidated Statement of Changes in Shareholders' Equity

For the period ended 30 June 2012

ITEM	Amount for the current period							Amount for the corresponding period of last year																					
	Attributable to owners of the Company							Attributable to owners of the Company																					
	Share capital	Capital reserve	Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Others	Minority interests	Minority shareholders' equity	Total	Share capital	Capital reserve	Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Others	Minority interests	Minority shareholders' equity	Total							
I. Closing balance of the current year	5,037,747,500	7,541,527,674		2,291,733,394	3,273,880,481		463,120,422	18,607,803,971	5,037,747,500	7,576,724,495		2,022,062,235	2,927,171,033	463,120,422	18,026,044,428		2,022,062,235	2,927,171,033		463,120,422	18,026,044,428		2,022,062,235	2,927,171,033		463,120,422	18,026,044,428		
II. Changes for the year																													
(I) Net profit					1,267,302,226		2,656,121	1,267,302,226																					
(II) Other comprehensive income		24,710,887					24,710,887																						
Subtotal of (I) and (II)		24,710,887			1,267,302,226		2,660,842	1,267,302,226																					
(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																													
2. Transfer to general reserve																													
3. Distributions to owners/shareholders																													
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	7,566,238,561		2,291,733,394	2,720,871,607		4,693,927,118	18,095,394,420	5,037,747,500	7,563,366,339		2,022,062,235	2,410,722,888	4,647,42,230	17,502,231,172		2,022,062,235	2,410,722,888		4,647,42,230	17,502,231,172		2,022,062,235	2,410,722,888		4,647,42,230	17,502,231,172		

FINANCIAL REPORT

Statement of Changes in Shareholders' Equity of the Company For the period ended 30 June 2012

Unit: RMB

ITEM	Amount for the current period					Amount for the corresponding period of last year										
	Share capital	Capital reserve	Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Shareholders' equity	Share capital	Capital reserve	Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Total shareholders' equity
I. Closing balance of the current year	5,037,747,500	7,523,102,442		2,002,866,733	3,004,631,139	17,568,367,614	5,037,747,500	7,558,297,203	1,761,664,860	2,647,493,378	17,005,232,941					
II. Changes for the year																
(I) Net profit																
(II) Other comprehensive income																
Subtotal of (I) and (II)																
(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																
2. Transfer to general reserve																
3. Distributions to shareholders																
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	7,547,613,329		2,002,866,733	2,416,614,295	17,007,061,657	5,037,747,500	7,547,161,307	1,761,664,860	2,104,865,502	16,451,468,249					

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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 headquarter of the Company is located in Nanjing. 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 the Shanghai-Nanjing Expressway (the “Shanghai-Nanjing Expressway”), the Shanghai-Nanjing section of the 312 National Highway (the “312 National Highway”), the Nanjing Section of the Nanjing-Lianyungang Class 1 Highway (the “Ninglian Highway”) and other roads in the Jiangsu Province, the 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 controlling shareholder of the Company is Jiangsu Communications Holding Company Limited.

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

1. Basis of preparation of financial statements

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

Basis of accounting and principle of measurement

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

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely the Company's and consolidated financial position as of 30 June 2012, and the Company's and consolidated results of operations and cash flows for the period 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

5. Preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

6. Recognition criteria of cash and cash equivalents

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

7. Translation of transactions denominated in foreign currencies

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

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

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

8. Financial instruments *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

8. Financial instruments *(continued)*

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

8.3.2. 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.

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;

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

8. Financial instruments *(continued)*

8.4. Impairment of financial assets *(continued)*

- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.
- Impairment of financial assets measured at amortised cost

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

8. Financial instruments *(continued)*

8.5. Transfer of financial assets *(continued)*

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.

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. Currently, the Group has no financial liabilities at fair value through profit or loss.

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 losses 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

8. Financial instruments (continued)

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.

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 within 2 years and those that are individually significant which aged exceeding 2 years 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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

9. Receivables (continued)

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

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

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

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 and keep unsettled after many times of press for payment, or there is significant financial difficulties of the obligor.
Bad debt provision methods	Bad debt provision is individually assessed

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

10. Inventories *(continued)*

- 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.

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. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

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

11.2. Subsequent measurement and recognition of profit or loss

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

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

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

11.2.3. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

12. Investment properties

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

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

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

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

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

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

13. Fixed assets

13.1. Recognition criteria for fixed assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

13. Fixed assets (continued)

13.2. Depreciation of each category of fixed assets

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

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

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

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

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

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

13.4. Other explanations

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

14. Construction in progress

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

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

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

15. Borrowing Costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

16. Intangible assets

16.1. Intangible assets

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

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

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

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

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

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

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

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

17. Long-term prepaid expenses

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

18. Revenue

18.1. Toll revenue

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

18.2. Revenue from rendering of services

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

18.3. Revenue from sale of goods

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

18.4. Revenue from sales of properties

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

18.5. Interest income

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

19. Government grants

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

20. Deferred tax assets/ deferred tax liabilities

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

20.1. Current income tax

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

20.2. Deferred tax assets and deferred tax liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

22. Employee benefits

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

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

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

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 reviews the above judgment, estimation and assumption regularly. 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 period ended 30 June 2012

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	3%
	Maintenance income	5%
	Advertisement income	5%
	Food and beverage income	5%
City maintenance and construction tax	Actual paid business tax and VAT	7%
Educational surtax and surcharge	Actual paid business tax and VAT	5%
Land appreciation tax	The taxable appreciation amount when land is invested out	progressive rates ranging from 30% to 60%
Enterprise income tax	Taxable income	25%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Subsidiaries established or acquired through investments

Unit: RMB

Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Business scope	Actual capital contribution at the end of the 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	800,000,000	Construction and operation of expressway	2,125,000,000	0	85	85	Yes	465,676,660	26,002,240	0
Wuxi Jingcheng Advertising Co., Ltd. (note 1)	Limited liability company	Wuxi	Service	1,000,000	Management and operation of expressway 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	110,000,000	Investment on road and in structures	95,000,000	0	95	95	Yes	13,916,069	333,881	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 operation and consulting	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 operation and consulting	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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			412,345			240,125
Bank balances:						
RMB			768,448,905			770,168,280
USD	1,370	6.3249	8,664	1,369	6.3009	8,627
HKD	1,300,782	0.81522	1,060,424	1,241,133	0.8107	1,006,186
Other monetary funds:						
RMB			10,160,074			34,706,709
Total			780,090,412			806,129,927

2. Held-for-trading financial assets

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

Unit: RMB

Item	Closing fair value	Opening fair value
Gold bullion	9,629,240	0
Fund investment	18,060,000	19,077,428
Total	27,689,240	19,077,428

Item	Closing balance	Opening balance
Held-for-trading equity investments listed in	0	0
— Hong Kong	0	0
— outside Hong Kong	18,060,000	19,077,428
Gold bullion	9,629,240	0
Total	27,689,240	19,077,428

The cost of gold bullion investment is RMB 9,702,040, the closing fair value is RMB 9,629,240. The above information of closing market price was quoted in Shanghai Gold Exchange. The cost of fund investment is RMB 20,000,000, the closing fair value is RMB 18,060,000. The above information of closing market price was quoted by relevant open sourced information of the fund.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. 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	57,463,523	74	0	0	28,411,496	59	0	0
Accounts receivable for which bad debt provision has been assessed by portfolios	19,339,453	25	0	0	18,956,285	40	0	0
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	550,000	1	550,000	100	550,000	1	550,000	100
Total	77,352,976	100	550,000	100	47,917,781	100	550,000	100

Explanations of categories of accounts receivable:

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	76,802,976	99	0	76,802,976	47,367,781	99	0	47,367,781
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	550,000	1	550,000	0
Total	77,352,976	100	550,000	76,802,976	47,917,781	100	550,000	47,367,781

(2) There is no accounts receivable due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Prepayments

- (1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	31,287,253	100	11,510,280	99
More than 1 year but not exceeding 2 years	20,000	0	104,440	1
Total	<u>31,307,253</u>	<u>100</u>	<u>11,614,720</u>	<u>100</u>

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

- (3) Explanation of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Category	Closing balance	Opening balance
Individually significant prepayments	22,556,925	5,163,090
Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics	0	0
Other insignificant prepayments	<u>8,750,328</u>	<u>6,451,630</u>
Total	<u>31,307,253</u>	<u>11,614,720</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Other receivables

(1) Disclosure of other 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 (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	59,445,006	85	16,812,140	98	45,678,368	84	16,812,140	98
Other receivable for which bad debt provision has been assessed by portfolios	10,357,098	15	382,929	2	8,632,900	16	382,929	2
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	0	0	0	0	0	0	0	0
Total	69,802,104	100	17,195,069	100	54,311,268	100	17,195,069	100

Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	15,048,816	22	200,360	14,848,456	10,769,914	20	188,440	10,581,474
More than 1 year but not exceeding 2 years	12,889,295	18	180,742	12,708,553	1,662,730	3	193,765	1,468,965
More than 2 years but not exceeding 3 years	25,051,021	36	995	25,050,026	25,053,355	46	724	25,052,631
More than 3 years	16,812,972	24	16,812,972	0	16,825,269	31	16,812,140	13,129
Total	69,802,104	100	17,195,069	52,607,035	54,311,268	100	17,195,069	37,116,199

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Dividends receivables

Unit: RMB

Item	Opening balance	Addition	Decrease	Closing balance	The reason of outstanding	Whether impaired
Dividends receivables aged within 1 year	2,494,980	99,818,585	0	102,313,565	Declared but not paid yet	No
Dividends receivables aged over 1 year	0	0	0	0	N/A	No
Total	<u>2,494,980</u>	<u>99,818,585</u>	<u>0</u>	<u>102,313,565</u>		

7. Inventories

Categories of inventories

Unit: RMB

Item	Gross carrying amount	Closing balance Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Opening balance Provision for decline in value of inventories	Net carrying amount
Properties under development	1,980,228,249	0	1,980,228,249	1,898,029,663	0	1,898,029,663
Properties for sale	2,873,076	0	2,873,076	5,520,301	0	5,520,301
Spare parts for repair and maintenance	12,706,103	0	12,706,103	8,817,981	0	8,817,981
Petrol	9,211,204	0	9,211,204	6,887,347	0	6,887,347
Total	<u>2,005,018,632</u>	<u>0</u>	<u>2,005,018,632</u>	<u>1,919,255,292</u>	<u>0</u>	<u>1,919,255,292</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories (continued)

Unit: RMB

Details of properties under development are as follows:

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Huaqiao Project	July 2010	January 2016	2,162,000,000	588,603,438	651,460,967
Qingyuan	December 2010	October 2012	650,000,000	550,579,527	566,595,767
Baohua Hongyan Project	August 2011	February 2016	2,123,000,000	723,682,986	727,007,803
Huaqiao B3 Project	October 2011	May 2014	200,000,000	35,163,712	35,163,712
Total			5,135,000,000	1,898,029,663	1,980,228,249

Details of properties for sale are as follows:

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Kunshan Huijiejayuan Project	April 2009	5,520,301	0	2,647,225	2,873,076

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Financial management product	72,500,000	35,000,000
Structured bank deposits	501,625,000	501,253,333
Business taxes and levies related to real estate sales paid in advance	24,835,705	24,136,948
Total	598,960,705	560,390,281

Financial management product represents: “理財之穩益50342號” issued by China Merchants Bank GoFortune Co., amounting to RMB 35,500,000, carrying max annual rate of return of 4.8%, for a term of 49 days; “理財之穩益50332號” issued by China Merchants Bank GoFortune Co., amounting to RMB 10,000,000, carrying max annual rate of return of 5%, for a term of 56 days and “工銀理財共贏3號2012年第16期D款” issued by Industrial and Commercial Bank of China amounting to RMB 27,000,000, carrying max annual rate of return of 4.8%, for a term of 181 days.

Structured bank deposits represent profit guaranteed structured bank deposits placed in Shanghai Pudong Development Bank, carrying interest rate at 3.25%, from 5 May 2012 to 4 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	309,834,454	67,895,691	241,938,763	115,378,365	-2,926,945
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge")	26.66	26.66	9,441,540,078	5,999,525,336	3,442,014,742	499,233,640	185,665,792
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang")	33.33	33.33	4,454,990,067	2,475,794,660	1,979,195,407	477,967,527	126,043,569
Suzhou							
Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	34.91	34.91	318,738,171	12,832,304	305,905,867	30,590,659	-418,178
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang")	32.26	32.26	7,283,777,610	3,391,248,961	3,892,528,649	614,421,174	120,239,427
Suzhou Sujiaiyong Expressway Co., Ltd. ("Sujiaiyong")	30	30	100,023,350	220,000	99,803,350	0	-196,650

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 period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Long-term equity investments

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

Unit: RMB

Investee	Accounting method	Investment cost	Opening balance	Changes	Closing balance	Proportion	Proportion of	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
						of ownership interest in the investee (%)	voting power in the investee (%)				
Associates:											
Kuailu Co., Ltd.	Equity method	49,899,600	73,464,295	-4,581,723	68,882,572	33.20	33.20	No	0	0	2,494,980
Yangtze Bridge	Equity method	631,159,243	953,598,812	17,230,355	970,829,167	26.66	26.66	No	0	0	56,979,032
Sujiahang	Equity method	526,090,677	707,173,782	-21,127,678	686,046,104	33.33	33.33	No	0	0	63,138,000
Nanlin Hotel	Equity method	160,000,000	171,828,463	-145,986	171,682,477	34.91	34.91	No	0	0	0
Yanjiang	Equity method	1,466,200,000	0	1,466,200,000	1,466,200,000	32.26	32.26	No	0	0	0
Suijiayong	Equity method	30,000,000	0	30,000,000	30,000,000	30	30	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	270,898,456	0	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		3,137,849,520	2,190,631,308	1,487,574,968	3,678,206,276						122,612,012
Less: provision for impairment losses		0	0	0	0						0
Net book value of long-term equity investments		3,137,849,520	2,190,631,308	1,487,574,968	3,678,206,276						122,612,012

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

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

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

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

Yanjiang

During the period, Guangjing Xicheng, a subsidiary of the Company invested in Yanjiang with a consideration of RMB1,466,200,000 and hold 32.26% of the registered capital after the capital increase.

Sujiayong

During the period, the Company invested in Sujiayong, which has the construction project of Kunshan — Wujiang of Chang (Shu) Jia (Xin) Expressway. According to the construction budget report, the total amount of the construction will reach RMB3,894,000,000. Since the investment portion of the registered capital is 30%, the investment amount in Sujiayong by the Company will not exceed RMB500,000,000. During the period, the Company has paid RMB 30,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount				
1. Buildings	18,993,608	2,647,225	0	21,640,833
2. Land use rights	0	0	0	0
II. Total accumulated depreciation and amortisation				
1. Buildings	1,186,473	312,830	0	1,499,303
2. Land use rights	0	0	0	0
III. Total net book value of investment properties				
1. Buildings	17,807,135	2,334,395	0	20,141,530
2. Land use rights	0	0	0	0
IV. Total accumulated provision for impairment losses of investment properties				
1. Buildings	0	0	0	0
2. Land use rights	0	0	0	0
V. Total carrying amounts of investment properties				
1. Buildings	17,807,135	2,334,395	0	20,141,530
2. Land use rights	0	0	0	0

Depreciation and amortisation for the current period is RMB 312,830.

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

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

During the addition in current period, investment properties held for rent with an aggregate amount of RMB 2,647,225 is transferred from inventory.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount	2,348,522,628	55,148,497	12,319,215	2,391,351,910
Including: Buildings	868,896,724	10,166,891	116,164	878,947,451
Safety equipment	396,364,245	0	0	396,364,245
Communication and surveillance equipment	247,946,218	2,067,901	2,532,916	247,481,203
Toll stations and ancillary equipment	245,231,004	13,981,861	533,314	258,679,551
Motor vehicles	178,087,780	7,296,839	8,810,643	176,573,976
Other machinery and equipment	411,996,657	21,635,005	326,178	433,305,484
		Additions for the period	Provisions for the period	
II. Total accumulated depreciation	1,193,695,314	0	83,404,516	1,267,819,407
Including: Buildings	270,952,527	0	16,448,306	287,344,204
Safety equipment	251,712,357	0	15,896,001	267,608,358
Communication and surveillance equipment	148,396,742	0	11,590,999	157,538,665
Toll stations and ancillary equipment	162,079,218	0	13,003,812	174,569,794
Motor vehicles	116,909,380	0	6,035,333	117,031,838
Other machinery and equipment	243,645,090	0	20,430,065	263,726,548
III. Total net book value of fixed assets	1,154,827,314	64,428,920	95,723,731	1,123,532,503
Including: Buildings	597,944,197	10,223,520	16,564,470	591,603,247
Safety equipment	144,651,888	0	15,896,001	128,755,887
Communication and surveillance equipment	99,549,476	4,516,977	14,123,915	89,942,538
Toll stations and ancillary equipment	83,151,786	14,495,097	13,537,126	84,109,757
Motor vehicles	61,178,400	13,209,714	14,845,976	59,542,138
Other machinery and equipment	168,351,567	21,983,612	20,756,243	169,578,936

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Fixed assets (continued)

(1) Fixed assets (continued)

Unit: RMB

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
IV. Total provision for impairment losses				
Including: Buildings	0	0	0	0
Safety equipment	0	0	0	0
Communication and surveillance equipment	0	0	0	0
Toll stations and ancillary equipment	0	0	0	0
Motor vehicles	0	0	0	0
Other machinery and equipment	0	0	0	0
V. Total carrying amount of fixed assets	1,154,827,314	64,428,920	95,723,731	1,123,532,503
Including: Buildings	597,944,197	10,223,520	16,564,470	591,603,247
Safety equipment	144,651,888	0	15,896,001	128,755,887
Communication and surveillance equipment	99,549,476	4,516,977	14,123,915	89,942,538
Toll stations and ancillary equipment	83,151,786	14,495,097	13,537,126	84,109,757
Motor vehicles	61,178,400	13,209,714	14,845,976	59,542,138
Other machinery and equipment	168,351,567	21,983,612	20,756,243	169,578,936

The depreciation for the current period is RMB 83,404,516.

Original amount of construction in progress transferred to fixed assets during the period is RMB 27,920,198.

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	57,983,813	58,111,324

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Construction in progress

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

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Expansion project of expressway toll station	7,934,578	0	7,934,578	11,832,170	0	11,832,170
Guanglin dormitory	7,132,666	0	7,132,666	5,404,666	0	5,404,666
Expansion project of Jiangyin north toll station	7,814,760	0	7,814,760	891,000	0	891,000
ETC system project	0	0	0	439,880	0	439,880
Buildings of management office	743,766	0	743,766	396,680	0	396,680
Updating project of traffic signs	5,139,510	0	5,139,510	0	0	0
Weighting system of toll station update	4,127,700	0	4,127,700	0	0	0
Huang Tang toll station expend project	1,561,000	0	1,561,000	0	0	0
Jingjiang Jiangba trestle reinforce project	2,800,000	0	2,800,000	0	0	0
Others	12,751,185	0	12,751,185	7,068,016	0	7,068,016
Total	50,005,165	0	50,005,165	26,032,412	0	26,032,412

(2) Changes in significant construction in progress:

Unit: RMB

Item name	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance
Total	26,032,412	51,892,951	27,920,198	0	50,005,165
	<u>26,032,412</u>	<u>51,892,951</u>	<u>27,920,198</u>	<u>0</u>	<u>50,005,165</u>

(3) There is no indicator of impairment losses noted, so the Group did not provide any provision.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Intangible assets

(1) Intangible 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	25,302,951,411	0	0	25,302,951,411
Toll road operation rights	23,553,502,611	0	0	23,553,502,611
Land use right of Shanghai-Nanjing Expressway	1,710,521,846	0	0	1,710,521,846
Other land use rights	38,926,954	0	0	38,926,954
II. Total accumulated amortisation	6,729,299,695	423,747,651	0	7,153,047,346
Toll road operation rights	5,941,509,778	391,210,500	0	6,332,720,278
Land use right of Shanghai-Nanjing Expressway	775,994,005	31,681,487	0	807,675,492
Other land use rights	11,795,912	855,664	0	12,651,576
III. Total net book value of intangible assets	18,573,651,716	0	423,747,651	18,149,904,065
Toll road operation rights	17,611,992,833	0	391,210,500	17,220,782,333
Land use right of Shanghai-Nanjing Expressway	934,527,841	0	31,681,487	902,846,354
Other land use rights	27,131,042	0	855,664	26,275,378
IV. Total provision for impairment	0	0	0	0
Toll road operation rights	0	0	0	0
Land use right of Shanghai-Nanjing Expressway	0	0	0	0
Other land use rights	0	0	0	0
Total carrying amount of intangible assets	18,573,651,716	0	423,747,651	18,149,904,065

The amortisation for the current period is RMB423,747,651.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Deferred tax assets/deferred tax liabilities

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

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Deductible losses	3,722,543	3,722,543
Provision for impairment losses of assets	4,436,267	4,436,267
Valuation of financial instruments held for trading and derivatives	503,200	230,643
Others	0	0
Subtotal	<u>8,662,010</u>	<u>8,389,453</u>
Deferred tax liabilities:	<u>0</u>	<u>0</u>

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

Unit: RMB

Item	Amount
Closing balance:	
Deductible temporary differences:	
Deductible losses	14,890,172
Provision for impairment losses of assets	17,745,069
Valuation of financial assets held for trading and derivatives	2,012,800
Subtotal	34,648,041
Taxable temporary differences:	
Valuation of financial assets held for trading and derivatives	<u>0</u>
Subtotal	<u>0</u>
Opening balance:	
Deductible temporary differences:	
Deductible losses	14,890,172
Provision for impairment losses of assets	17,745,069
Valuation of financial assets held for trading and derivatives	922,572
Subtotal	33,557,813
Taxable temporary differences:	
Valuation of financial assets held for trading and derivatives	<u>0</u>
Subtotal	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Short-term borrowings

- (1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured loans	1,130,000,000	865,000,000
Including: Bank loans	930,000,000	655,000,000
Entrusted loans	200,000,000	210,000,000
Short-term bonds	2,000,000,000	2,000,000,000
Total	3,130,000,000	2,865,000,000

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

17. Accounts payable

- (1) Aging analysis of accounts payable is as follows:

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	196,034,037	215,494,589
1-2 years	83,290	13,136,240
2-3 years	0	0
Over 3 years	77,058,949	78,781,095
Total	273,176,276	307,411,924

Description of significant accounts payable aged more than one year:

As at 30 June 2012, the accounts payable which aged more than one year mainly consisted of construction costs payable amounting to RMB 77,058,949. The payment term is comparatively long and such construction costs payable kept unpaid at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Accounts payable (continued)

(2) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction costs payable	77,248,385	79,376,103
Construction costs payable for real estate development	183,304,497	180,412,200
Toll road fee payable	5,033,338	9,167,840
Daily purchase payable for service zones	7,590,056	23,072,861
Others	0	15,382,920
Total	<u>273,176,276</u>	<u>307,411,924</u>

(3) There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power or to related parties in the reporting period.

18. Receipts in advance

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

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	12,063,386	5,656,715
Advertising service fee received in advance	15,265,702	14,093,245
Income from properties for sales received in advance	334,610,558	326,745,495
Others	417,863	188,280
Total	<u>362,357,509</u>	<u>346,683,735</u>

(2) There are no receipts in advance from shareholders holding at least 5% of the Company's shares with voting power or to related parties in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Employee benefits payable

Unit: RMB

Item	Opening carrying amount	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Wages or salaries, bonuses, allowances and subsidies	808,842	117,697,341	118,506,183	0
II. Staff welfare	0	0	0	0
III. Social security contributions	0	46,140,229	46,140,229	0
Including: Medical insurance	0	12,029,369	12,029,369	0
Basic pension insurance	0	19,561,741	19,561,741	0
Supplemental pension	0	10,782,683	10,782,683	0
Unemployment insurance	0	2,011,608	2,011,608	0
Compo insurance	0	899,308	899,308	0
Bearing insurance	0	855,520	855,520	0
IV. Housing funds	0	11,154,690	11,154,690	0
V. Termination benefits	0	58,779	58,779	0
VI. Others	5,714,811	17,770,125	18,895,170	4,589,766
Outlay for Labour union and employees education	5,704,361	2,352,406	3,467,001	4,589,766
Non-monetary welfare	0	15,396,354	15,396,354	0
Others	10,450	21,365	31,815	0
Total	6,523,653	192,821,164	194,755,051	4,589,766

The overdue employee benefits payable is: N/A.

20. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	92,827,410	299,367,384
Business tax	13,985,793	15,005,918
Land appreciation tax	11,879	0
VAT	1,961,919	843,659
Property tax	575,710	473,326
Individual income tax	66,002	1,555,024
Others	3,393,418	4,153,811
Total	112,822,131	321,399,122

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	3,741,200	4,592,800
Interest payable of enterprise bond	1,742,466	0
Interest payable on short-term borrowings	1,789,556	1,716,100
Short-term bond	97,895,500	41,374,100
Total	105,168,722	47,683,000

22. Dividends payable

Unit: RMB

Name of entity	Closing balance	Opening balance	Reasons dividends payable aged more than one year
Part of domestic shareholders subject to selling restrictions	98,980,462	80,871,474	Some shareholders did not draw out the dividends
China Merchants Hua Jian Highway Investment Co., Ltd.	232,825,093	24,024,788	Some shareholders did not draw out the dividends
Jiangsu Communications Holding Company Limited	237,328,377	0	
Shareholders of tradable A shares	156,170,467	0	
H shareholders	439,920,000	0	
Total	1,165,224,399	104,896,262	

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Other payables

- (1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Construction quality warrantee fee payable	62,285,630	57,969,174
Others	39,368,378	33,523,059
Total	111,654,008	101,492,233

- (2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power or to related parties.

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

As at 30 June 2012, other payables aged more than one year mainly included construction quality warrantee fee, construction costs payable and 312 toll road operation right acquisition costs payable.

24. Non-current liabilities due within one year

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	701,567,064	201,561,117

- (2) Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans	1,567,064	1,561,117
Non-guaranteed loans	700,000,000	200,000,000
Total	701,567,064	201,561,117

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans (note 1)	22,917,077	24,977,879
Non-guaranteed loans (note 2)	1,735,000,000	2,440,000,000
Secured loans (note 3)	400,000,000	0
Total	2,157,917,077	2,464,977,879

Description of categories of long-term borrowings:

Note 1: The Company obtained bank credit limit of USD 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 Holding 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 annum interest rate of 2%.

Note 2: At the balance sheet date, the Company obtained loans of RMB 1,735,000,000 from commercial banks with floating annum interest rate from 5.32% to 6.6355%, which is calculated with the benchmark interest rate declared by the People's Bank of China.

Note 3: During the period, Guangjing Xicheng, a subsidiary of the Company obtained loans of RMB 400,000,000 from commercial bank for a term from 28 June 2012 to 28 June 2017 with floating annum interest rate of 6.65%, which is calculated with the benchmark interest rate declared by the People's Bank of China. The loan was secured by the toll road operation right of Guangjing Xicheng.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Period	Interest rate	Issue amount	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	Closing balance
Private placement note	500,000,000	19/06/2012	3 years	5.3%	495,765,250	0	87,795	0	87,795	495,853,045

27. Share capital

Unit: RMB

	Opening balance	New issue of shares	Change for the period			Subtotal	Closing balance
			Bonus issue	Capitalisation of surplus reserve	Others		
As at 30 June 2012:							
I. Restricted tradable shares							
1. State-owned shares	0	0	0	0	0	0	0
2. State-owned legal person shares	0	0	0	0	0	0	0
3. Other domestic-owned shares	50,202,745	0	0	0	0	0	50,202,745
4. Other foreign-owned shares	0	0	0	0	0	0	0
Total restricted tradable shares	50,202,745	0	0	0	0	0	50,202,745
II. Tradable shares							
1. Ordinary shares denominated in RMB	3,765,544,755	0	0	0	0	0	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	4,987,544,755	0	0	0	0	0	4,987,544,755
III. Total shares	5,037,747,500	0	0	0	0	0	5,037,747,500

Note: 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 shareholders 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, 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 current year, the Group and the subsidiaries did not purchase, sell or redeem the listing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Capital reserve

Unit: RMB

Item	Opening	Increase in the period	Decrease in the period	Closing balance
As at 30 June 2012:				
Capital premium	4,801,561,763	0	0	4,801,561,763
Including: Capital contributed by investors	4,801,561,763	0	0	4,801,561,763
Other comprehensive income	56,988,676	24,710,887	0	81,699,563
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	7,541,527,674	24,710,887	0	7,566,238,561

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.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Unappropriated profits

Unit: RMB

Item	Amount	Proportion of appropriation
As at 30 June 2012		
Before adjustment: Unappropriated profits at the end of prior year	3,273,680,481	
Adjustment: Total unappropriated profits at beginning of year (increase "+", decrease "-")	0	
After adjustment: Unappropriated profits at beginning of year	3,273,680,481	
Add: Net profit attributable to owners of the Company for the period	1,260,780,226	
Less: Appropriation to statutory surplus reserve	0	
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	0	
Unappropriated profits at the end of the period	2,720,871,607	

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

In 2012, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 3.6 for every 10 shares were distributed to all the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognised in the current period		Amount recognised in the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	3,711,148,768	1,803,275,014	3,605,531,797	1,664,934,765
Including: Shanghai-Nanjing Expressway	2,139,654,572	464,799,022	2,125,128,046	418,528,679
312 National Highway	53,458,675	112,790,318	58,826,599	120,396,173
Guangjing Xicheng Expressway	349,572,225	102,013,748	342,004,246	92,585,718
Nanjing-Lianyungang Highway	16,255,516	7,913,324	20,899,556	9,438,702
Ancillary services	1,152,207,780	1,115,758,602	1,058,673,350	1,023,985,493
Real estate income	0	0	13,791,551	6,946,939
Others	18,207,644	5,547,915	22,699,523	9,121,930
Total	3,729,356,412	1,808,822,929	3,642,022,871	1,681,003,634

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Basis of calculation
Business tax	82,490,485	81,702,994	3% of toll revenue 5% of maintenance revenue 5% of advertisement revenue
City Construction and maintenance tax	6,002,547	6,049,724	7% of actual paid turnover taxes
Education surcharge	4,825,683	3,523,283	5% of actual paid turnover taxes
Total	<u>93,318,715</u>	<u>91,276,001</u>	

32. Financial expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Interest expenses	155,181,454	148,397,365
Less: Amount of borrowing costs capitalised	0	0
Less: Interest income	3,757,342	3,839,846
Exchange difference	-95,026	1,656,640
Others	698,776	278,506
Total	<u>152,217,914</u>	<u>143,179,385</u>

33. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Bad debt provision reversal	<u>0</u>	<u>-500,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Gains from changes in fair values

Unit: RMB

Source resulting in gains from changes in fair values	Amount incurred in the current period	Amount incurred in the prior period
Held-for-trading financial assets	-1,090,228	-621,390
Total	-1,090,228	-621,390

35. Investment income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Income from long-term equity investments under cost method	400,000	0
Income from long-term equity investments under equity method	89,276,092	100,129,794
Investment income from disposal of held-for-trading financial assets	0	1,899,046
Others	13,497,815	92,452
Total	103,173,907	102,121,292

36. Non-operating income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Total gains on disposal of non-current assets	53,750	1,061,256
Including: Gains on disposal of fixed assets	53,750	1,061,256
Compensation income	3,682,818	4,252,289
Government grants	0	820,000
Others	150,009	46,204
Total	3,886,577	6,179,749

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Non-operating expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Total losses on disposal of non-current assets	483,967	5,987,612
Including: Losses on disposal of fixed assets	483,967	5,987,612
Repair expenditure of damaged road	5,609,689	4,984,620
Donation	800,000	850,000
Others	1,250,810	714,124
Total	8,144,466	12,536,356

38. Total profit

Profit for the period has been arrived at after charging the following items:

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Staff costs (including key management and directors' remuneration)	162,476,740	139,428,021
Retirement benefits scheme contributions	30,344,424	28,975,426
Total staff costs	192,821,164	168,403,447
Depreciation of fixed assets	83,404,516	85,940,948
Amortisation of toll roads operation right	391,210,500	368,797,393
Amortisation of land use right	32,537,151	32,640,244
Loss on disposal of non-current assets	483,967	5,987,612
Cost of properties for sale	0	5,721,171
Cost of other inventories recognised as an expense	1,055,931,031	969,094,721

39. Income tax expense

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Current tax expense calculated according to tax laws and relevant requirements	408,200,581	418,633,877
Adjustments to deferred tax	-272,557	-347,741
Total	407,928,024	418,286,136

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Calculations for 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 the ordinary shareholders is as follows:

	<i>Unit: RMB</i>	
	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to ordinary shareholders	1,260,780,226	1,299,490,735
Including: Net profit from continuing operations	1,260,780,226	1,299,490,735
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 is as follows:

	<i>Unit: RMB</i>	
	Amount for the current period	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

Earnings per share

	<i>Unit: RMB</i>	
	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.2503	0.2580
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	0.2503	0.2580
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Other comprehensive income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in 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	24,710,887	-11,135,896
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	24,710,887	-11,135,896
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	24,710,887	-11,135,896

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Notes to items in the cash flow statement

- (1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Compensation, non operation income and bank deposits interest received	12,099,789	8,901,453
Total	12,099,789	8,901,453

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Payment of non salary and other expenditure	23,968,053	18,558,339
Total	23,968,053	18,558,339

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

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

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

- (6) Other cash payments relating to financing activities

Unit: RMB

Item	Current period	Prior period
Related expense of bond issue	250,000	0
Total	250,000	0

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,287,416,347	1,327,032,070
Add: Reversals of provision for impairment losses of assets	0	-500,000
Depreciation of fixed assets	83,404,516	85,940,948
Amortisation of intangible assets	423,747,651	401,437,637
Amortisation of long-term prepaid expenses	200,040	133,273
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “—”)	130,274	4,350,495
Losses on write-off of fixed assets (gains are indicated by “—”)	299,943	575,861
Losses on changes in fair values (gains are indicated by “—”)	1,090,228	621,390
Financial expenses (income is indicated by “—”)	153,293,195	129,033,751
Losses arising from investments (gains are indicated by “—”)	-103,173,907	-102,121,292
Decrease in deferred tax assets (increase is indicated by “—”)	-272,557	-30,348
Increase in deferred tax liabilities (decrease is indicated by “—”)	0	-317,393
Decrease in inventories (increase is indicated by “—”)	-85,763,340	-757,594,039
Decrease in receivables from operating activities (increase is indicated by “—”)	-64,838,564	662,652,548
Increase in payables from operating activities (decrease is indicated by “—”)	-231,680,980	226,367,551
Others- depreciation of investment properties	312,830	275,512
Net cash flow from operating activities	1,464,165,676	1,977,857,964
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	780,090,412	487,801,375
Less: Opening balance of cash	806,129,927	475,084,741
Net increase in cash and cash equivalents	-26,039,515	12,716,634

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: RMB

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

2. Subsidiaries of the Company

Unit: RMB

Full name of subsidiary	Type of the subsidiary	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of ownership interests (%)	Proportion of voting power (%)	Organisation code
Guanjingxicheng	Non-wholly owned subsidiary	Limited liability company	Nanjing	Chang Qin	Service	850,000,000	85	85	71408945-7
Wuxi Jingcheng Advertising Co., Ltd.	Non-wholly owned subsidiary	Limited liability company	Wuxi	Yang Li	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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

3. Associates and joint ventures of the entity

Unit: RMB

Name of investee	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of ownership interest held by the Company (%)	Proportion of voting power in the investee held by the Company (%)	Related party relationship	Whether a connected person of the Company	Organisation code
I. Joint ventures										
N/A										
II. Associates										
Kuailu Co., Ltd.	State owned	Nanjing	Sun Hong Ning	Service	150,300,000	33.20	33.20	Associate	No	13478934-2
Yangtze Bridge	State owned	Nanjing	Chen Xiang Hui	Service	2,137,248,000	26.66	26.66	Associate	Yes	13476509-2
Sujiahang	State owned	Suzhou	Yao Zhen Kang	Service	1,578,600,000	33.33	33.33	Associate	No	13776920-8
Nanlin Hotel	State owned	Suzhou	Sun Hong Ning	Service	227,715,968	34.91	34.91	Associate	Yes	13773558-5
Yanjiang	State owned	Changshu	Yang Fei	Service	2,100,000,000	32.26	32.26	Associate	Yes	73072605-7
Sujiayong	State owned	Suzhou	Qian Jin Long	Service	100,000,000	30	30	Associate	No	59698120-8

4. Other related parties of the Company

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions

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

Unit: RMB

Related party	Type of related party transactions	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.	12,341,751	1	11,947,285	1
Kuailu Co., Ltd.	Service provided	Toll road fee		3,900,000	0	3,900,000	0
Yangtze Bridge	Service received	Toll service expenses # (Note 1)		131,900	100	826,072	100
Network Operation Company	Service received	Management fee for toll road system management and maintenance# (Note 2)		11,260,402	100	9,148,451	100
Sundian	Service received	Road maintenance fee # (Note 2)		6,037,662	18	2,000,000	6
Sundian	Goods sold	Petrol fee# (Note 1)		264,344	0	0	0
Nanlin Hotel	Service received	Food and beverage # (Note 1)		11,457	0	13,886	0
Far East Shipping	Financing	Interest of entrusted loan# (Note 3)		6,751,178	4	5,783,358	4

Continuing connected transaction

Note 1: A transaction that falls within the definition of a de minimis transaction under Rule 14A.31(2) of Hong Kong Listing Rules, and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of Hong Kong Listing Rules.

Note 2: A continuing connected transaction that is exempt from the independent shareholders' approval requirements under Rule 14A.34 of Hong Kong Listing Rules. Please refer to the announcements of the Company on continuing connected transaction dated 30 December 2011 and 23 March 2012 for detail of the transactions.

Note 3: A transaction that involves financial assistance provided by a connected person for the benefit of the Company on normal commercial terms where no security over the assets of the Company is granted in respect of the financial assistance within the definition of Rule 14A.65(4) of Hong Kong Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(2) Leases with related parties

Unit: RMB

Name of lessor	Name of lessee	Type of leased assets	Lease income recognised in the current year	Lease income recognised in the prior year	Basis of determining the lease income	Effect of the Group
The Company	Network Operation Company	Buildings lease [#]	2,230,000	2,230,000	Base on cost recovery principle, and tax effect considered as well	Not significant
The Company	Sundian	Buildings lease [#]	845,000	845,000	Base on cost recovery principle, and tax effect considered as well	Not significant
Guangjing Xicheng	Jiangsu Petroleum Company	Petrol business lease ^{# (Note 1)}	1,939,500	1,980,200	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

Continuing connected transaction

Note 1: A transaction that falls within the definition of a de minimis transaction under Rule 14A.31(2) of Hong Kong Listing Rules, and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of Hong Kong Listing Rules.

(3) Guarantees with related parties

Unit: RMB

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding	The Company	24,484,141	15 October 1998	15 October 2027	Not completed

Note: The transaction constitutes a continuing connected transaction which involves financial assistance provided by a connected person for the benefit of the Company on normal commercial terms where no security over the assets of the Company is granted in respect of the financial assistance as within the definition of Rule 14A.65(4) of Hong Kong Listing Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Borrowings/loans with related parties

During the half year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Remarks
Borrowed from:					
Far East Shipping	100,000,000	10 May 2012	10 May 2013	100,000,000	Entrusted loan with annual interest rate of 6.56%
Lend to:					
N/A					

Note: At the balance sheet date, the balance of borrowings from related parties amounted to RMB200,000,000.

Note: The transaction constitutes a continuing connected transaction which involves financial assistance provided by a connected person for the benefit of the Company on normal commercial terms where no security over the assets of the Company is granted in respect of the financial assistance as within the definition of Rule 14A.65(4) of Hong Kong Rules and is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of Hong Kong Listing Rules.

In the same period of last year:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period	Remarks
Borrowed from:					
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 period ended 30 June 2012

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

6. Amounts due from / to related parties

(1) Amounts due from related parties

Unit: RMB

Item	Related party	Whether a connected person of the Company	Closing balance		Opening balance	
			Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivables	Kuailu Co., Ltd.	No	10,170,498	0	6,877,444	0
	Sujiahang	No	7,221,142	0	7,396,536	0
	Yangtze Bridge	Yes	0	0	2,033,060	0
	Jiangsu Petroleum Company	Yes	1,939,500	0	2,286,300	0
	Sundian	Yes	273,436	0	336,194	0
Subtotal			19,604,576	0	18,929,534	0
Other receivables	Sundian	Yes	635,634	0	34,827	0
	Network Operation Company	Yes	2,748,922	0	0	0
Subtotal			3,384,556	0	34,827	0
Dividends receivables	Kuailu	No	4,989,960	0	2,494,980	0
	Yangtze Bridge	Yes	34,185,605	0	0	0
	Sujiahang	No	63,138,000	0	0	0
Subtotal			102,313,565	0	2,494,980	0

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Whether a connected person of the Company	Closing balance	Opening balance
				Opening balance
Accounts payable	Sujiahang	No	1,547,959	978,511
	Yangtze Bridge	Yes	890,974	12,036
Subtotal			2,438,933	990,547
Receipts in advance	Sundian	Yes	80,000	361,667
Subtotal			80,000	361,667
Other payable	Network Operation Company	Yes	1,653,257	1,408,158
	Sundian	Yes	10,270,158	10,916,060
	Yangtze Bridge	Yes	131,900	1,656,582
Subtotal			12,055,315	13,980,800
Interest payable	Far East Shipping	Yes	364,444	412,500

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

VIII. CONTINGENCIES

Ninghu Properties, a subsidiary of the the Company provided guarantees with liabilities to banks for mortgage loans granted to flat buyers of Kunshan Huaqiao One City Hongqiao Mansion. The liabilities began from the date on which the guarantee contract came into effect and will end on the date when 1) the buyers obtain the housing ownership certificates of the purchased properties, 2) complete the registration of the mortgages and 3) the housing charge certificates of the properties are passed to the banks. As at 30 June 2012, the outstanding guarantees amounted to approximately RMB35,710,000.

IX. COMMITMENTS

1. Significant commitments

(1) Capital commitments

Unit: RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognised in the financial statements:		
— Commitment for acquisition and construction of long-term assets	119,310,000	85,905,959
Total	<u>119,310,000</u>	<u>85,905,959</u>

(2) Operating lease commitments

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

Unit: RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	4,958,186	5,286,294
2nd year subsequent to the balance sheet date	3,862,500	4,159,884
3rd year subsequent to the balance sheet date	3,962,500	2,854,167
Subsequent periods	675,000	1,725,000
Total	<u>13,458,186</u>	<u>14,025,345</u>

(3) Other commitments

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

X. EVENTS AFTER THE BALANCE SHEET DATE

On 6 July 2012, the Company received the “Notice from the Office of the government of the Jiangsu Province in respect of the removal or relocation of certain toll stations and related issues” (《省政府辦公廳關於撤銷遷移部分公路收費站點等有關問題的通知》) (Suzhengban Fa [2012] No.126) (the “Notice”) issued by the Office of the Jiangsu Provincial Government. In accordance with the spirit of the notice jointly issued by five ministries and commissions of the State in relation to the clean up work on toll roads, it was decided, after consideration, to remove or relocate twelve toll stations which are located less than 50km from neighbouring stations on the same section of an open road. Such twelve toll stations will cease to operate from 8a.m. on 15 July 2012. The toll stations to be removed are located on the Shanghai-Nanjing section of 312 National Highway operated by the Company include G312 Nanjing Toll Station, G312 Luoshe Toll Station (including Yanqiao Toll Station) and G312 Xilin Toll Station (the “312 Toll Stations”). According to the Notice, the Company will discontinue the amortisation of part of the toll road operation rights which related to those removed toll stations and make subsequent treatment. Any debts, compensation, management and maintenance matters in relation to the 312 Toll Stations will be considered separately by the government of the Jiangsu Province. As at 30 June 2012, the intangible assets of the operation rights of the Shanghai-Nanjing section of the G312 had a net book value of approximately RMB2,380 million. The accumulated toll income of removed toll stations during the six months ended 30 June 2012 accounted for approximately 46.69% of the total toll income of G312, and the accumulated traffic volume of removed toll stations during the same period accounted for approximately 46.13% of G312.

The Company completed the issue of short term bonds of RMB 1,000,000,000 on 2 August 2012, with maturity on 2 August 2013 and interest rate of 3.75%.

XI. OTHER SIGNIFICANT EVENTS

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

	Unit: RMB	
	Closing balance	Opening balance
Current assets	3,675,009,818	3,403,446,608
Total assets	26,705,914,277	25,375,438,896
Less: current liabilities	5,966,559,875	4,302,651,046
Net current liabilities	-2,291,550,057	-899,204,438
Total assets less current liabilities	<u>20,739,354,402</u>	<u>21,072,787,850</u>

2. Others

2(1). Segment reporting

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

Ancillary services include petrol, food and beverage and retail service in service zones along the expressways.

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

Unit: RMB

X. OTHER SIGNIFICANT EVENTS (continued)

2. Others (continued)

2(2). Segment reporting (continued)

Segment information

	Shanghai-Nanjing Expressway		312 National Highway		Nanjing-Lianyungang Highway		Guangdong-Ningbo 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	Current year	Prior year
Operating income	2,139,854,572	2,125,128,046	53,458,675	58,626,599	16,255,516	20,899,556	346,572,225	342,004,246	1,152,207,780	1,058,673,350	18,207,644	36,491,074	3,729,356,412	3,642,022,871		
Operating costs	464,739,022	418,528,679	112,790,318	120,386,173	7,913,324	9,438,702	102,013,748	92,585,718	1,115,738,602	1,023,985,493	5,547,915	16,058,869	1,808,822,929	1,881,006,634		
Segment operating profit (loss)	1,674,655,550	1,706,599,367	59,331,643	61,589,574	8,342,192	11,460,854	244,558,477	249,418,528	36,469,178	34,687,857	12,659,729	20,432,205	1,920,533,483	1,961,016,237		
Reconciling items:																
Business taxes and levies	71,882,384	71,293,603	2,983,666	3,288,478	546,185	701,120	11,745,827	11,474,400	4,587,343	4,517,500	1,553,480	3,579,885	93,318,715	91,276,001		
Selling expenses											1,074,099		1,074,099			
Administrative expenses	31,681,487	31,784,900											44,722,687	41,524,675	76,404,174	73,305,255
Financial expenses													152,217,914	143,179,385	152,217,914	143,179,385
Impairment loss of assets													0	-500,000	0	-500,000
Gains from changes in fair values													-1,080,228	-821,390	-1,080,228	-821,390
Investment income	1,571,281,669	1,603,521,284	-62,325,329	-64,659,682	7,796,007	10,759,734	255,812,850	237,944,128	31,861,835	30,170,357	10,032,150	16,842,520	103,173,907	102,121,292	103,173,907	102,121,292
Operating profit	1,571,281,669	1,603,521,284	-62,325,329	-64,659,682	7,796,007	10,759,734	255,812,850	237,944,128	31,861,835	30,170,357	10,032,150	16,842,520	94,855,922	-82,704,138	1,699,602,260	1,751,674,813
Non-operating income													3,886,577	6,179,749	3,886,577	6,179,749
Non-operating expenses													8,144,466	12,536,356	8,144,466	12,536,356
Total profit	1,571,281,669	1,603,521,284	-62,325,329	-64,659,682	7,796,007	10,759,734	255,812,850	237,944,128	31,861,835	30,170,357	10,032,150	16,842,520	-8,114,811	-88,060,785	1,695,344,371	1,745,318,206
Income tax expenses													407,928,024	418,286,136	407,928,024	418,286,136
Net profit	1,571,281,669	1,603,521,284	-62,325,329	-64,659,682	7,796,007	10,759,734	255,812,850	237,944,128	31,861,835	30,170,357	10,032,150	16,842,520	-507,042,835	-507,346,901	1,287,416,347	1,327,032,070
Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance
Total segment assets	14,532,408,269	14,683,463,561	2,411,678,120	2,490,285,151	333,375,178	338,725,065	1,688,680,834	1,780,063,286	382,970,714	391,139,544	2,340,646,011	2,251,528,280	51,185,755,151	3,482,231,029	28,705,914,277	25,375,438,886

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 operating segments other than long term equity investments, held for trading financial assets, cash and bank deposits and other corporate assets.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	47,238,158	81	0	0	27,664,019	73	0	0
Accounts receivable for which bad debt provision has been assessed by portfolios	11,304,823	19	0	0	10,263,155	27	0	0
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	0	0	0	0	0	0	0	0
Total	58,542,981	100	0	0	37,927,174	100	0	0

Explanations of categories of accounts receivable:

Aging analysis of accounts receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	58,542,981	100	0	58,542,981	37,927,174	100	0	37,927,174
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	0	0	0	0
Total	58,542,981	100	0	58,542,981	37,927,174	100	0	37,927,174

(2) There is no accounts receivable due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Prepayments

- (1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	21,271,424	100	5,985,341	99
More than 1 year but not exceeding 2 year	0	0	84,440	1
Total	<u>21,271,424</u>	<u>100</u>	<u>6,069,781</u>	<u>100</u>

- (2) There is no prepayment due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period.
- (3) Explanations of categories of prepayments

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Category	Closing balance	Opening balance
Individually significant prepayments	18,921,729	4,410,590
Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics	0	0
Other insignificant prepayments	<u>2,349,695</u>	<u>1,659,191</u>
Total	<u>21,271,424</u>	<u>6,069,781</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,373,552,947	99	16,812,140	100	1,269,786,308	99	16,812,140	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	9,162,653	1	382,097	0	6,579,215	1	382,097	0
Total	1,382,715,600	100	17,194,237	100	1,276,365,523	100	17,194,237	100

Explanations of categories of other receivables:

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance			Opening balance				
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	103,467,570	7	28,944	103,438,626	49,422,002	4	188,440	49,233,562
More than 1 year but not exceeding 2 years	12,416,369	1	349,680	12,066,689	430,083,274	34	192,958	429,890,316
More than 2 years but not exceeding 3 years	1,250,019,521	91	3,473	1,250,016,048	780,034,978	61	699	780,034,279
More than 3 years	16,812,140	1	16,812,140	0	16,825,269	1	16,812,140	13,129
Total	1,382,715,600	100	17,194,237	1,365,521,363	1,276,365,523	100	17,194,237	1,259,171,286

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments

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

Unit: RMB

Investee	Accounting method	Initial investment cost	Opening balance	Changes	Closing balance	Proportion	Proportion of	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
						of ownership interest in the investee (%)	voting power in the investee (%)				
Associates											
Kuailu Co., Ltd.	Equity method	49,899,600	73,464,295	-4,581,723	68,882,572	33.20	33.20	N/A	0	0	2,494,980
Yangtze Bridge	Equity method	631,159,243	953,598,812	17,230,355	970,829,167	26.66	26.66	N/A	0	0	56,979,032
Sujiahang	Equity method	526,090,677	707,173,782	-21,127,678	686,046,104	33.33	33.33	N/A	0	0	63,138,000
Suijiayong	Equity method	30,000,000	0	30,000,000	30,000,000	30	30	N/A	0	0	0
Subsidiaries											
Guangying Xicheng	Cost method	2,125,000,000	2,125,000,000	0	2,125,000,000	85.00	85.00	N/A	0	0	117,661,684
Ninghu Investment	Cost method	95,000,000	95,000,000	0	95,000,000	95.00	95.00	N/A	0	0	0
Ninghu Properties	Cost method	200,000,000	200,000,000	0	200,000,000	100.00	100.00	N/A	0	0	0
Other equity investment											
Sundian	Cost method	24,500,000	3,685,500	0	3,685,500	7.50	7.50	N/A	0	0	0
Network Operation Company	Cost method	1,750,000	2,150,000	0	2,150,000	4.42	4.42	N/A	0	0	0
Total	—	3,683,399,520	4,160,072,389	21,520,954	4,181,593,343						240,273,696
Less: provision for impairment losses			0	0	0						
Net book value of long-term equity investments		3,683,399,520	4,160,072,389	21,520,954	4,181,593,343						240,273,696

(2) For the list of associates and principle financial information, please refer to note VI 9 and 10.

(3) As at 30 June 2012, there are no restrictions on the ability to transfer funds to the investor.

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

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Operating income and operating costs

Unit: RMB

Item	Amount recognised in the current period		Amount recognised in the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income				
Including:				
Shanghai-Nanjing Expressway	2,139,654,572	464,799,022	2,125,128,046	418,528,679
312 National Highway	53,458,675	112,790,318	58,826,599	120,396,173
Nanjing-Lianyungang Highway	16,255,516	7,913,324	20,899,556	9,438,702
Ancillary services	1,138,986,154	1,101,886,077	1,047,725,461	1,010,560,417
Total	<u>3,348,354,917</u>	<u>1,687,388,741</u>	<u>3,252,579,662</u>	<u>1,558,923,971</u>

6. Investment income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Income from long-term equity investments under cost method	117,661,684	131,015,204
Income from long-term equity investments under equity method	89,422,078	101,314,118
Others	9,361,185	0
Total	<u>216,444,947</u>	<u>232,329,322</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Compensation, non operation income and bank deposits interest received	6,004,802	5,933,330

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Payment of non salary and other expenditure	20,856,241	18,076,207

(3) Other cash receipts relating to investing activities:

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Repayment received from Ninghu Properties	0	80,000,000

(4) Other cash payments relating to investing activities:

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Loans to Ninghu Properties	90,000,000	0

(5) Other cash payments relating to financing activities:

Unit: RMB

Item	Amount incurred in current period	Amount incurred in prior period
Related expenses of bond issue	250,000	0

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2012

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

B. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,227,572,256	1,270,981,304
Add: Provision for impairment losses of assets	0	-500,000
Depreciation of fixed assets	68,568,189	68,332,801
Amortisation of intangible assets	357,745,238	347,339,063
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "—")	127,522	2,002,324
Losses on write-off of fixed assets	108,839	359,882
Financial expenses	161,463,529	143,897,402
Losses arising from investments (gains are indicated by "—")	-216,444,947	-232,329,322
Decrease in deferred tax assets (increase is indicated by "—")	0	125,000
Decrease in inventories (increase is indicated by "—")	-6,195,388	-5,954,259
Decrease in receivables from operating activities (increase is indicated by "—")	-52,167,527	9,547,116
Increase in payables from operating activities (decrease is indicated by "—")	-184,241,977	-13,870,800
Net cash flow from operating activities	1,356,535,734	1,589,930,511
2. Significant investing and financing activities that do not involve cash receipts and payments:		
cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	438,810,778	188,047,779
Less: Opening balance of cash	452,126,965	171,257,578
Net increase in cash and cash equivalents	-13,316,187	16,790,201

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 17 August 2012.

SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount
Net profit	1,287,416,347
Add (less): Non-recurring profit or loss items	
— Losses on disposal of long-term assets (gains are indicated by “—”)	430,217
— Government grants	0
— Gain from disposal of held for trading financial assets	0
— Gain from disposal of other assets	0
— Loss from change of fair value (gains are indicated by “—”)	1,090,228
— Reversal of impairment loss which were provided in prior years	0
— Other non-operating income profit/loss	3,827,672
Subtotal	5,348,117
Tax effects	-1,064,473
Net profit after deducting non-recurring profit or loss	1,291,699,991
Including: net profit attributable to shareholders of the Company	1,264,833,813
net profit attributable to minority shareholders	26,866,178

2. Return on net assets and earnings per share (“EPS”)

The return on net assets and EPS have been prepared by Jiangsu Expressway Company Limited 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 2011)* 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	6.71	0.2503	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	6.73	0.2511	N/A

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents were included:

- (1) Copies of the interim 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 copies of all company documents and announcements published in the press designated by the China Securities Regulatory Commission during the reporting period;
- (4) Articles of Association of the Company;
- (5) Copies of interim reports released in other stock exchanges; and
- (6) Other relevant information.

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

By Order of the Board
Yang Gen Lin
Chairman of the Board

Jiangsu Expressway Company Limited
Nanjing, the PRC, 17 August 2012

CONFIRMATION OPINION ON 2012 INTERIM REPORT BY DIRECTORS AND SENIOR MANAGEMENT

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

Directors



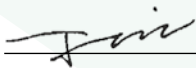
Yang Gen Lin



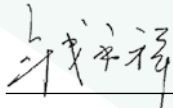
Zhang Yang



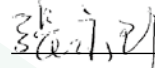
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Du Wen Yi



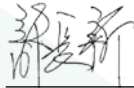
Qian Yong Xiang



Cheng Chang Yung Tsung, Alice



Fang Hung, Kenneth




Xu Chang Xin



Gao Bo

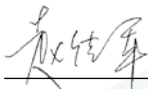


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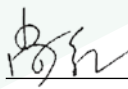


Zhang Er Zhen

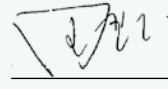
Senior Management Members



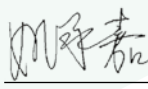
Zhao Jia Jun



Shang Hong



Tian Yafei



Yao Yong Jia



Wu Wei Ping



Li Jie