



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

Intelligent



Seamless

2013

ANNUAL REPORT

IMPORTANT NOTICE

- The board of directors (the “Board”), the supervisory committee and the directors (the “Director(s)”), supervisors and senior management of Jiangsu Expressway Company Limited (the “Company”) warrant the truthfulness, accuracy and completeness of the contents of this annual report and guarantee there are no false representations, misleading statements contained in, or material omissions from, and jointly and severally accept legal responsibility for this report.
- Director Cheng Chang YungTsung, Alice could not attend the Board meeting for health reason and appointed Director Mr. Fang Hung, Kenneth to vote on her behalf.
- The annual financial statements of the Company for the year were prepared in accordance with the PRC Accounting Standards, and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who has issued an auditor’s report with standard unqualified opinion. Investors are advised to read the whole text.
- Mr. Yang Gen Lin, Chairman of the Company, Mr. Qian Yong Xiang, Director and General Manager of the Company, and Ms. Yu Lan Ying, Financial Controller of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.
- Profit Distribution Scheme: In 2013, the Group recorded net profit attributable to the shareholders of the Company of approximately RMB2,707,743,000. Earnings per share was RMB0.538. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of the Company has proposed to distribute a final cash dividend of RMB0.38 (tax inclusive) per share to all Shareholders
- **This annual report involves forward-looking statements including development strategies and future plans, which do not constitute actual commitments of the Company to investors. Investors are advised to pay attention to the investment risks involved.**
- No appropriation of funds by the controlling shareholder or other related parties for non-operating purpose was found in the Company.
- The Company did not provide external guarantees which were in violation of stipulated procedures.





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DEFINITIONS AND MAJOR RISK ALERTS

In the report, unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined as follows:

Company	Jiangsu Expressway Company Limited
Group	the Company and its subsidiaries
Controlling Shareholder	Jiangsu Communications Holdings Company Limited
China Merchants Huajian	China Merchants Huajian Highway Investment Co., Ltd.
Network Operation Company	Jiangsu Expressway Network Operation and Management Co., Ltd.
Jiangsu Petroleum	Jiangsu Expressway Petroleum Company
Jiangsu Sundian	Jiangsu Sundian Engineering Co., Ltd.
Guangjing Xicheng	Jiangsu Guangjing Xicheng Expressway Company Limited
Sujiahang Company	Suzhou Sujiahang Expressway Co., Ltd.
Ninghu Investment	Jiangsu Ninghu Investment Development Co., Ltd.
Ninghu Properties	Jiangsu Ninghu Properties Co., Ltd.
Yanjiang Company	Jiangsu Yanjiang Expressway Co., Ltd.
Kuailu Company	Jiangsu Kuailu Motor Transport Co., Ltd.
Sujiayong Company	Suzhou Sujiayong Expressway Co., Ltd.
Luode Fund Company	Jiangsu Luode Equity Investment Fund Management Company Limited (江蘇洛德股權投資基金管理有限公司)
Jiangsu GCL Gas	Jiangsu GCL Gas Co., Ltd. (江蘇協鑫寧滬天然氣有限公司)
Jiangsu Leasing	Jiangsu Leasing Co., Ltd. (江蘇金融租賃有限公司)
Bank of Jiangsu	Bank of Jiangsu Co., Ltd.
Far East Shipping	Jiangsu Far East Shipping Co., Ltd.
Group Finance Co., Ltd.	Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司)
Shanghai-Nanjing Expressway	Jiangsu Section of Shanghai-Nanjing Expressway
G312	Nanjing-Shanghai Section of G312
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway

DEFINITIONS AND MAJOR RISK ALERTS

Guangjing Expressway	The north connection of Jiangyin Yangtze Bridge, Guangling-Jingjiang Section
Xicheng Expressway	The south connection of Jiangyin Yangtze Bridge, Jiangyin-Wuxi Section
Jiangyin Bridge	Jiangyin Yangtze Bridge
Sujiahang Expressway	Jiangsu Section of Suzhou-Jiaxing-Hangzhou Expressway
Yanjiang Expressway	Changzhou-Taicang Expressway
Changjia Expressway	Kunshan-Wujiang Section of Changshu-Jiaxing Expressway
Zhendan Expressway	Zhenjiang-Danyang Expressway
Reporting Period	the financial year from 1 January 2013 to 31 December 2013
YOY	as compared with the same period of 2012
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
A Shares	RMB-denominated ordinary shares issued by the Company and listed on the SSE
H Shares	overseas-listed foreign shares issued by the Company and listed on the Stock Exchange
ADR	level-1 depositary receipts of the Company listed and traded in the over-the-counter market of the United States
Listing Rules	listing rules of the SSE and/or the Stock Exchange
Listing Rules of SSE	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC Accounting Standards	“Accounting Standards for Business Enterprises of the People’s Republic of China 2006”
Deloitte	Deloitte Touche Tohmatsu Certified Public Accountants LLP

Major Risk Alerts

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

COMPANY INFORMATION

I. General Information

(1) Company information

Statutory Name of the Company in Chinese and English	江蘇寧滬高速公路股份有限公司 Jiangsu Expressway Company Limited
Abbreviation of Chinese Name and English Name	寧滬高速 Jiangsu Expressway
Legal Representative of the Company	Yang Gen Lin

(2) Contacts

	Secretary to the Board/Company Secretary	Securities Officers
Name	Yao Yong Jia	Jiang Tao, Lou Qing
Address	6 Xianlin Avenue, Nanjing, Jiangsu Province	
Telephone	8625-8446 9332	8625-84362700-301835, 301836
Fax	8625-8446 6643	
Email	jsnh@jsexpwy.com	

(3) Basic information

Registered Office and Office Address of the Company in the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postcode	210049
Website of the Company	http://www.jsexpressway.com
Email Address of the Company	jsnh@jsexpwy.com
Registered Office in Hong Kong	20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong

(4) Information disclosure and place for inspection

Newspapers Designated for Information Disclosure	Shanghai Securities News, China Securities Journal
Website Designated for Information Disclosure	www.sse.com.cn , www.hkexnews.hk , www.jsexpressway.com
Regular Reports Available at	<ul style="list-style-type: none"> Shanghai Stock Exchange, 528 Pudong Road South, Shanghai, the PRC; Hong Kong Registrars Limited, Shops 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, the PRC



COMPANY INFORMATION

(5) Information of the Company's shares

Type of shares	Stock Exchanges where the Company's shares are listed	Stock name	Stock code
A Share	Shanghai Stock Exchange	寧滬高速	600377
H Share	The Stock Exchange of Hong Kong Limited	Jiangsu Expressway	00177
ADR	the United States of America	JEXWW	477373104

(6) Information of the Company's registration

Date of Registration	1 August 1992
Registration Address	Shengzhou Road, Nanjing, Jiangsu Province
SAIC Registration Number of the Company	320000000004194
Tax Registration Number of the Company	320003134762764
Company Organization Code	13476276-4



COMPANY INFORMATION

(7) Other relevant information

Auditors (Domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Address	30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC
	Authorised signatory of the accountant	Zhu Shaofang, Bu Jun
Domestic Legal Advisors	Name	C & T Partners Law Firm Office
	Address	5/F, 26 Beijing Road West, Nanjing
Hong Kong Legal Advisors	Name	Reed Smith Richards Butler
	Address	20/F, Alexandra House, 18 Chater Road, Central, Hong Kong
Domestic Share Registrar and Transfer Office	Name	China Securities Depository & Clearing Corporation Limited, Shanghai Branch
	Address	36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Overseas Share Registrar and Transfer Office	Name	Hong Kong Registrars Limited
	Address	Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Hong Kong Financial Public Relations Consultant	Name	Wonderful Sky Financial Group Holdings Limited
	Address	6/F, Nexxus Building, 41 Connaught Road Central, Hong Kong
	Telephone	(852)3970 2139
	Fax	(852)2598 1588



COMPANY INFORMATION

II. Company Profile

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

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

The Company is the only listed company in the transportation and infrastructure industry of the Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H shares which were listed on the Stock Exchange. On 16 January 2001, the Company issued 150,000,000 A shares which were listed on the SSE. The Company established Sponsored Level I American Depositary Receipt Program ("ADR") which came into force on 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31 December 2013, the total share capital of the Company was 5,037,747,500 shares with a nominal value of RMB1 each.

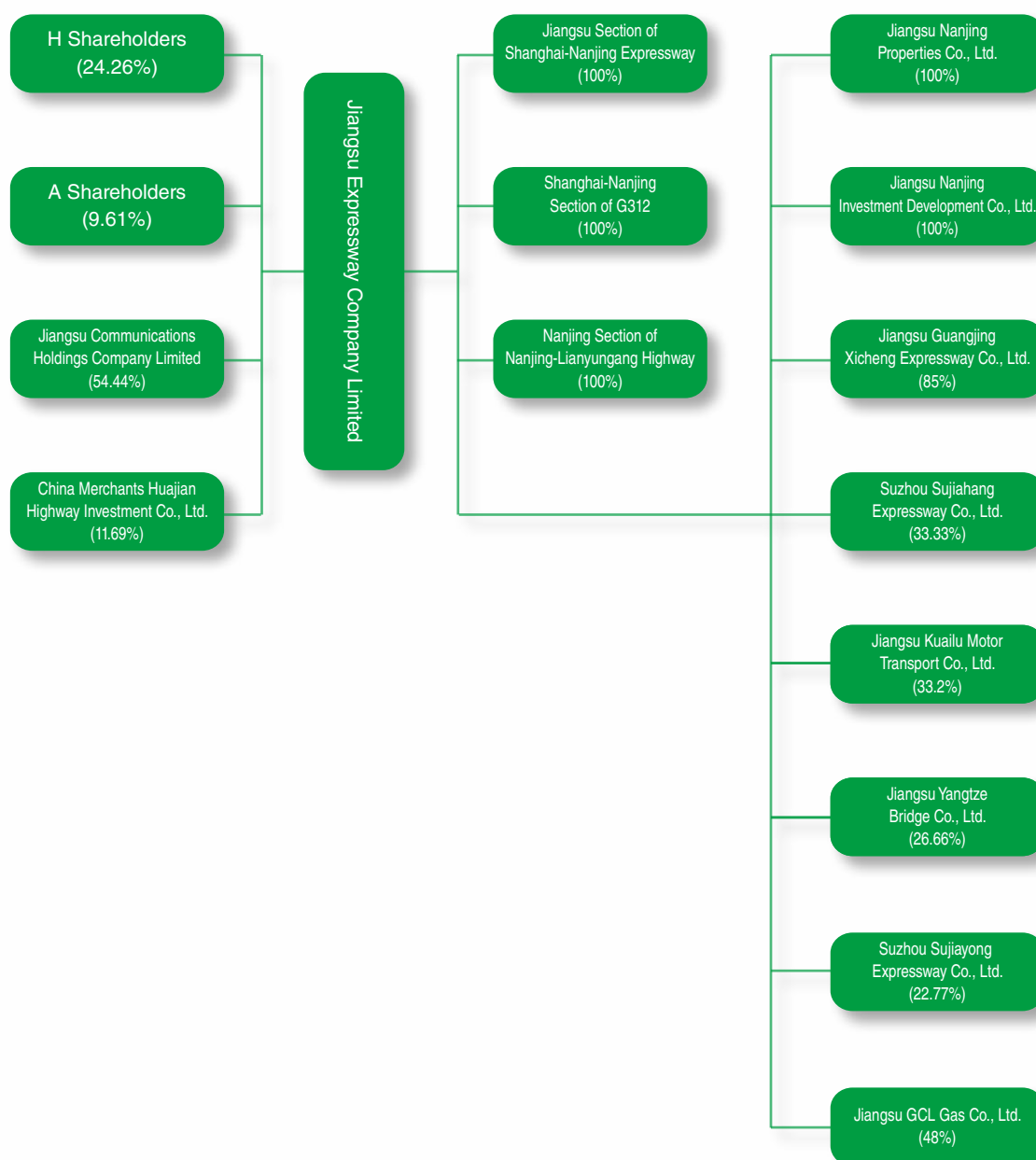
The Company is principally engaged in investment, construction, operation and management of toll roads and bridges. Apart from the Shanghai-Nanjing Expressway, the Company also owns the entire or partial interests of other toll roads and bridges located in the Jiangsu Province, including the Shanghai-Nanjing Section of G312, the Nanjing Section of Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jianguyin Yangtze Bridge and Sujiahang Expressway. As at 31 December 2013, the highway mileage owned or managed through investment by the Company exceeded 850 km, with total assets amounting to RMB26.834 billion. The Company is one of the PRC's largest listed companies in the toll road industry in terms of total assets.

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

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

COMPANY INFORMATION

III. Structure of the Group's Major Assets





COMPANY INFORMATION

IV. Major Events in 2013

- March ◇ The Company announced the 2012 annual results and conducted roadshows in Hong Kong.
- June ◇ The Company invested RMB1,000 million in the subscription of the shares of Bank of Jiangsu and holds 1.92% of its equity interest.
 ◇ The Company distributed a cash dividend of RMB0.36 (tax inclusive) per share for the year 2012.
 ◇ The Company acquired the land use right of a plot of 30,664.5 square meters situated at Nanmen Road, Gusu District, Suzhou through bidding.
- August ◇ The Company announced the 2013 interim results and conducted roadshows in Hong Kong.
 ◇ The Company established Jiangsu GCL Gas Co., Ltd. (江蘇協鑫寧滬天然氣有限公司) jointly with Jiangsu GCL Oil and Gas Co., Ltd. (江蘇協鑫石油天然氣有限公司), and the Company held 48% of its equity interest.
- October ◇ The twelfth batch of restricted tradable shares of the Company was listed.
- November ◇ The Company was honoured “Model Company in Jiangsu Province” (江蘇省文明單位標兵) for the years 2010-2012.
 ◇ The Company was enlisted on the “Most Reputable Listed Chinese Companies in 2013” (2013年中國上市公司口碑榜) organised by National Business Daily (每日經濟新聞報) and was honoured as one of the “Listed Companies with the Best Returns for the Shareholders” (最佳股東回報上市公司).
- December ◇ The Board of the Company considered and approved the investment in the renovation and expansion project for the intersection along Shanghai-Nanjing Expressway in Suzhou New District.
 ◇ The Company acquired 5% equity interest of Ninghu Investment, making it a wholly-owned subsidiary of the Company.



HIGHLIGHTS OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

Financial statements for the year 2013 prepared by the Company in accordance with the PRC Accounting Standards were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP whose audited report expressed a standard unqualified opinion on the financial statements.

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

Unit: RMB'000

Item	2013	2012	Increase/ decrease over the previous year (%)	2011	2010	2009
Operating revenue	7,614,227	7,795,943	-2.33	7,401,310	6,756,244	5,741,346
Net profit attributable to owners of the Company	2,707,743	2,333,345	16.05	2,429,750	2,484,404	2,010,972
Net profit attributable to owners of the Company after non-recurring items	2,648,403	2,342,604	13.05	2,430,245	2,475,692	2,010,395
Net cash flow from operating activities	3,084,162	3,189,410	-3.30	3,835,414	3,391,632	1,797,660
	End of 2013	End of 2012	Increase/ decrease over the end of the previous year %	End of 2011	End of 2010	End of 2009
Net assets attributable to owners of the Company	19,596,484	18,688,862	4.86	18,144,690	17,563,723	16,756,571
Total liabilities	6,735,685	6,693,782	0.63	6,767,629	6,873,449	8,289,407
Total assets	26,833,912	25,849,258	3.81	25,375,439	24,897,493	25,496,204

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

Unit: RMB

Principal financial indicator	2013	2012	Increase/ decrease over the previous year %	2011	2010	2009
Basic earnings per share	0.538	0.463	16.05	0.482	0.493	0.399
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profit/loss	0.526	0.465	13.05	0.482	0.491	0.399
Weighted average return on net assets (%)	14.49	12.99	Increased by 1.5 percentage points	13.96	14.81	12.55
Weighted average return on net assets after non-recurring items (%)	14.17	13.04	Increased by 1.13 percentage points	13.97	14.76	12.55

HIGHLIGHTS OF ACCOUNTING INFORMATION AND FINANCIAL INDICATORS

◇ Non-recurring items and amounts deducted:

Unit: RMB'000

Item	2013	Notes	2012	2011
Gain (loss) from disposal of non-current assets	81,162	Gain mainly from disposal of Zhenjiang branch of Shanghai-Nanjing Expressway by the Company	-15,675	-1,724
Gain (loss) from disposal of associates	0			—
Government subsidy	600	National appropriation for research projects	192	820
Gain from disposal of held-for-trading investment	0		656	7,093
Gain from disposal of available-for-sale financial assets	5,009	Gain from short-term wealth management products by the Company	15,679	—
Gain (loss) from change of fair value	2,110	Gain from changes in fair value of available-for-sale financial assets	-1,012	-923
Reversal of impairment provisions made in prior years	500		500	586
Except for the above items, other non-operating income and expenses, net	-11,427		-12,253	-6,596
Effects of minority interests' profit/(loss)	222		-196	63
Effects of income tax	-18,836		2,850	186
Total	59,340		-9,259	-495

◇ Items calculated on a fair value basis in 2013:

During the Reporting Period, financial assets calculated on a fair value basis held by the Group were the financial assets "fund investment" invested by Ninghu Investment, a subsidiary of the Group. The fair value of "fund investment" at the end of the year was RMB20,175,000. The market prices of the fund investment at the end of the year and related information were sourced from the public information relating to the net value of the relevant fund. During the Reporting Period, the Company did not hold any financial liabilities calculated on a fair value basis.

Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Changes	Amount affecting the profit of the Reporting Period
Fund investment	18,065	20,175	2,110	2,110

REPORT OF THE DIRECTORS



I. Chairman's Statement

To the Shareholders:

I hereby report to the Shareholders on behalf of the Board. In 2013, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB2,707,743,000. Earnings per share were approximately RMB0.538, representing an increase of approximately 16.05% as compared to the same period in 2012. The Board proposed to distribute a 2013 final cash dividend of RMB0.38 per share (tax inclusive), representing a payout ratio of approximately 70.70%. The proposal will be implemented after consideration and approval at the 2013 annual general meeting.

◇ Business Review

In 2013, the macroeconomics remained stable, and the traffic flow of each major road and bridge project of the Group recovered with relatively strong momentum. Despite of the negative influence under the toll-free policy for the small passenger vehicles, the good performance of the traffic volume especially the truck traffic volume has facilitated the sustainable growth of principal businesses. The Board, management and all staff of the Group have made efforts to sustain the sound and sustainable development through scientific decision-making and steady progress centering on the strategic development goal in full enthusiasm and responsible attitude.

This year is a key year for the implementation of development for the "Twelfth Five-year" of the Group. Pursuant to the general deployment of the "Twelfth Five-year", the Group steadily promoted the implementation of the development and planning surrounding the three strategies of improving principal business", "expanding operation" and "extending platform", adjust the industrial structure and make active progress in the enhancement of the principal business and the exploration of the ancillary business.

For the development of major businesses, during the year, the capital increase and share expansion of Sujiayong Company was completed; the Company participated in the preliminary construction of Zhenjiang-Danyang Expressway, repurchased Zhenjiang branch line and replaced the toll collection points. Under the assistance of a professional consultancy and the reference to the management mode of service zones along the expressways and experience at home and abroad, the Company actively studied the ways to reform the service zones, aiming to discover its operating potentials by innovating its commercial mode and expand its profitability.

REPORT OF THE DIRECTORS

For the expansion of support, the Group explored diversified operation actively during the year and made efforts in establishing its investment and financing platforms. It participated in the investing operations of projects such as capital increase and share expansion of the Bank of Jiangsu, acquisition of 5% equity interest in Ninghu Investment, promotion and establishment of Luode Fund Management Company (洛德基金管理公司), and cooperation and development of service zone LNG gas stations. It established a foundation for transformation and upgrading by further optimizing its asset configuration, launching a new financing platform and upgrading the utilization of expressway assets. The development of property projects of the Group during the year was sound. Its sales trend was good, which opened a diversified development channel for competitive industry and continued to maintain its profitability. It will gradually grow and become a new source of profit growth.

The Group actively promoted business development, while the Company promoted the modernization and informatization of the Shanghai-Nanjing Expressway comprehensively and made efforts to enhance satisfaction of the society. It aims to be the leader in the industry of modern construction in Jiangsu Province. In 2013, the Company conducted a demonstration construction of consolidated management and informatization of civil services for the expressways of “232 smooth network” (232暢通網) of smart expressway of Jiangsu (江蘇智慧交通) and a demonstration construction of intelligence platform for the operations and services of expressways in Jiangsu. It comprehensively established a modern indicating system for the operation and management of Shanghai-Nanjing Expressway by integrating the trend of industrial development and international advanced management, aiming to optimize and enhance the efficiency of transportation, make the experience of traffic better and develop for emergency handling and the demand of rapid communication in emergency management. It focused on the establishment of “smart” high speed and made an overall planning for the informatized construction plan, which formed a model for the overall direction of informatized construction in the coming three to five years. It completed the construction of infrastructures, system established and coordination in the end of 2013, making a firm foundation for a comprehensive demonstration construction.

In the meantime, the Company implemented the “Twelfth Five-year” strategic plan. It introduced the corporate culture and established the brand actively, strengthened human resources management, optimized resource configuration, met its targets and its internal control strictly, prevented different operation risks and comprehensively introduced excellent appraisal management mode by following the concepts of modernization and informatization. It will continue to perfect and pursue excellent integration of the core value to various basic management work to enhance internal management comprehensively.

◇ Development Strategy

The tolls collected in toll collection roads tended to go for charity along with the policy adjustment in recent years, which imposed pressure and was a challenge to the development of the industry. In the meantime, economic development promoted the development of traffic infrastructures. Different types of transport means and ways of transportation provide a variety of transportation to different groups of people and gradually change the competition layout of toll collection roads' operation.

The Group faced continuous operation changes. It will focus on introducing strategies to fulfill the “Twelfth Five-year” development strategic goal and actively study the extension of the expressway industry chain and investment projects outside its major businesses. It fully utilized the resource and fund advantages of the Company and leveraged on the resources of its major businesses and core competitiveness to have a long-term layout and seek new opportunity for development.

As an enterprise of public services, the Group's mission is to perform its social responsibility actively. We should pay attention to road users' demands, providing all-rounded excellent services of transportation for the public by facilitating modernization and utilizing modern technology, which will further establish an image of a responsible public service enterprise. This is the actual need behind the Group's strategic plan and long-term development.

In the meantime, the Group will further strengthen its corporate culture and continue to make its staff more satisfied by enhancing cohesion, which will make strong internal force for its sustainable development. Moreover, it will establish different internal management systems compatible to its strategy and development. It will continue to strengthen its competitiveness and improve its management level, which will facilitate the its corporate management and gradually form the habit of continuous improvement and pursuit of excellence.

Looking forward, the Group will insist on its firm and sound operation philosophy. It will actively promote its strategic development by transforming and innovating. The Board, management and all staff of the Group are confident and have the ability to overcome all difficulties and challenges and keep surpassing its own achievements.

Yang Gen Lin
Chairman
Nanjing, the PRC, 21 March 2014

REPORT OF THE DIRECTORS



II. Management Discussion & Analysis

(I) Business Review and Analysis of Operations

1. Business Overview

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

During the reporting period, the Group realized total operating revenues of approximately RMB7,614,227,000, down by approximately 2.33% year-on-year, of which toll revenue amounted to approximately RMB5,344,929,000, representing a slight increase of approximately 4.97% year-on-year; revenue from ancillary services amounted to approximately RMB2,150,139,000, down by approximately 8.79% year-on-year; revenue from property sales amounted to RMB75,200,000, representing a decrease of 75.3% year-on-year; and revenue from advertising and other operations amounted to approximately RMB43,959,000, up by approximately 4.55% year-on-year. Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB3,557,162,000 during the reporting period, an increase of approximately 12.09% over the same period in 2012. Net profit attributable to owners of the Company was approximately RMB2,707,743,000 and earnings per share was approximately RMB0.538, an increase of approximately 16.05% over the same period in 2012.



REPORT OF THE DIRECTORS

2. Toll road and bridge operations

(1) Analysis of Business Environment

The overall performance of the Group's toll road and bridge operations in 2013 were affected by the following factors:

◇ Impact of the macroeconomic environment

The macroeconomic environment remained a stable growth in the year. The gross production of Jiangsu Province recorded a year-on-year growth of 9.6% with a sustained recovery of economic vitality though the figure decreased by 0.5 percentage point for the same period last year. The macroeconomic environment is an essential factor affecting the demands for transportation, especially the vigor of the real economy has greater impact on demands for freight transportation. Under the assistance of continuous recovery of the economy, traffic volumes, the cargo volumes in particular, of major road and bridge projects of the Group showed a strong recovery in 2013 with its growth rate basically keeping pace with, even slightly higher than that of passenger vehicles, which facilitated a sustained growth of toll revenue.

◇ Changes in traffic demand and competition pattern

In 2013, the transportation industry of Jiangsu Province basically remained stable. The passenger and cargo transportation volumes rose by 4.0% and 8.8% year on year, respectively. Turnover of passengers and goods increased by 5.7% and 12.2% year on year, respectively. As at the end of the year, vehicle ownership for civilian use totaled 9,544,000, representing an increase of 17.4%, of which, the number of private car ownership was 7,901,000, representing an increase of 20.2% (data source: governmental statistics information website (政府統計信息網站)). The continuous rapid development of car ownership would be an internal drive to the natural growth of road traffic flow, and meanwhile a higher car ownership in the region will give more free play to the competitive advantage of highways in the short-distance transportation and thus improve the ability to resist diversion impact of other transport modes.

In respect of traffic diversion, the competition pattern within the road networks remained relatively stable during the year. As at the end of 2013, total operating expressway mileage in the Jiangsu Province amounted to 4,443 kilometers, with newly-added mileage of 71.5 kilometers. The newly-opened sections did not have diversion impact on the Group's road network. In respect of competition from railways, the Nanjing-Hangzhou High Speed Railway, newly opened in July 2013, and highways of the Group run in different directions, thus did not have diversion impact. The Shanghai-Nanjing Intercity High Speed Railway and Beijing-Shanghai High Speed Railway ran smoothly and the diversion impact on Shanghai-Nanjing Expressway was not expanded.

REPORT OF THE DIRECTORS

◇ Policy's impact on toll roads

The policy of toll-free travel for small passenger vehicles in major festivals and holidays and toll-free green passage for vehicles carrying fresh and live agricultural products were continuously implemented during the year. Other than these, the Central and local government did not promulgate further policies that would bring negative impact on the toll road business of the Group, thus the policy environment of the industry remained relatively stable. In May 2013, the Ministry of Transport of the PRC published the Amendments to the Regulation on the Administration of Toll Roads for collection of opinions from all walks of life. Up to the end of the year, a conclusive opinion has not been drawn.

The toll-free travel for small passenger vehicles in major festivals and holidays is the most principal factor affecting revenue from the toll business. As compared to 2012, the Chinese New Year, Ching Ming Festival and Labour Day, the three newly-added festivals and holidays with free travels in 2013 totaled thirteen days. Taking no account of the increase in volume, the decrease in actual toll revenue from roads of the Group amounted to approximately RMB107 million as compared with the same period last year, in addition to seven days of free travel in the National Day, a total of twenty days of free travels for small passenger vehicles in major festivals and holidays in 2013 resulted in approximately RMB200 million uncollectable, representing nearly 4% of the aggregate amount of toll revenue for the whole year. In 2013, total toll fees waived for vehicles using the Green Passage amounted to approximately RMB91.80 million, representing a year-on-year decrease of approximately 21.26% and equivalent to approximately 1.72% of total toll revenue.



绿色通道

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(2) Business Performance and Analysis on Project Operation

The toll revenue from road and bridge business of the Group showed a growing tendency, recorded a toll revenue of RMB5,344,929,000, representing a year-on-year increase of approximately 4.97% and accounting for 70.20% of total revenue from operation of the Group.

Comparison of average daily traffic volume and toll revenue

Road/Bridge	Average daily traffic volume (vehicle/day)			Average daily toll revenue (RMB'000/day)		
	2013	2012	Change (%)	2013	2012	Change (%)
Shanghai-Nanjing Expressway	71,460	66,120	8.08	12,388.4	11,725.6	5.65
Shanghai-Nanjing Section of G312	9,125	14,788	-38.29	146.4	229.0	-36.08
Nanjing Section of Nanjing-Lianyungang Highway	4,910	4,524	8.54	100.5	91.6	9.70
Guangjing Expressway	51,214	47,122	8.68	712.6	678.4	5.04
Xicheng Expressway	55,139	50,416	9.37	1,295.8	1,187.9	9.08
Jiangyin Yangtze Bridge	61,392	56,147	9.34	2,464.0	2,277.8	8.17
Sujiahang Expressway	47,669	42,005	13.49	2,863.7	2,590.5	10.54



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

Road/Bridge	Vehicle type	Average daily traffic volume of passenger vehicles/ trucks (vehicle/day)				Change	Average daily full-trip revenue per vehicle (RMB/Vehicle)		
		Reporting Period		Corresponding period of the previous year			Reporting Period	Corresponding period of the previous year	Change
		Traffic volume	Proportion	Traffic volume	Proportion				
Shanghai-Nanjing Expressway	Passenger vehicles	51,410	71.94%	47,594	71.98%	8.02%	173.4	177.3	-2.20%
	Trucks	20,050	28.06%	18,526	28.02%	8.23%			
Shanghai-Nanjing Section of G312	Passenger vehicles	5,489	60.15%	8,980	60.72%	-38.87%	16	15.5	3.24%
	Trucks	3,636	39.85%	5,808	39.28%	-37.40%			
Nanjing Section of Nanjing-Lianyungang Highway	Passenger vehicles	2,536	51.64%	2,495	55.16%	1.63%	20.5	20.2	1.48%
	Trucks	2,374	48.36%	2,028	44.84%	17.09%			
Guangjing Expressway	Passenger vehicles	36,617	71.50%	33,994	72.14%	7.72%	13.9	14.4	-3.47%
	Trucks	14,597	28.50%	13,128	27.86%	11.19%			
Xicheng Expressway	Passenger vehicles	40,981	74.32%	37,701	74.78%	8.70%	23.5	23.6	-0.42%
	Trucks	14,158	25.68%	12,716	25.22%	11.34%			
Jiangyin Yangtze Bridge	Passenger vehicles	44,197	71.99%	41,045	73.10%	7.68%	39.9	40.6	-1.72%
	Trucks	17,195	28.01%	15,102	26.90%	13.86%			
Sujiahang Expressway	Passenger vehicles	29,161	61.17%	26,004	61.91%	12.14%	60.1	61.7	-2.60%
	Trucks	18,509	38.83%	16,000	38.09%	15.68%			





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In respect of the operation performance of each project, the average daily traffic volume of Shanghai-Nanjing Expressway increased by 8.08% year-on-year and the growth rate of truck traffic volume and passenger vehicle traffic volume were basically on par. As compared to that of 2012, the truck traffic volume recovered with a significant growth of 8.23%, while the truck traffic volume decreased by 0.57% for 2012. The proportion of average daily traffic volume and revenue were 28.06% and 52.02% respectively, representing a slight increase as compared with the same period last year. Although toll revenue was influenced by free use of highways by passenger cars on festivals and holidays, an increase of 5.65% in average daily toll revenue was recorded due to good performance of traffic volume, truck traffic volume in particular, which made up the loss of certain toll revenue. The ETC traffic volume still kept a rapid growth. During the reporting period, the ETC average daily traffic volume and average daily revenue of Shanghai-Nanjing Expressway amounted to 14,486 vehicles and approximately RMB2,319,200, representing approximately 20.27% and 18.72% of its average daily traffic volume and toll revenue respectively. With further promotion and application of Sutong Card, there will be room for growth of the ETC traffic volume in the future.

Other road and bridge project with the exception of G312 achieved good operation performance for 2013. The traffic volumes remained at a high level of growth of nearly 10%. The growth of truck traffic volume was generally higher than that of passenger traffic volume, with the proportion of truck traffic volume increasing to various degrees. However, influenced by free use of highways by passenger cars on festivals and holidays, the growth rate of toll revenue was slightly lower than the growth of traffic volume. As such, the revenue per vehicle declined slightly.

Two stations and two points on the Shanghai-Nanjing section of G312 were removed on 15 July 2012, so daily traffic volume and toll revenue decreased by 38.29% and 36.08% on a year-on-year basis, respectively. The continuous decline of operation did not have significant impact on the overall performance of the principal businesses of the Group due to toll revenue from G312 only accounted for 1% of the aggregate toll revenue of the Group. The government of Jiangsu Province granted approval to the compensations for losses resulting from the removal according to the audited net assets in relation to the toll collection operation rights at the end of 2012. The amortization of road operation rights involved in the removal of stations and points amounted to approximately RMB1,124 million. As at the publication of the report, the specific compensation plan is being discussed and drafted by the government of Jiangsu Province. The Company will positively communicate with government authorities and express expectation of the Company and investors as much as possible and will disclose in a timely manner in case of any new progresses.



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(3) Enhancement of business management

Expedite the advancement of information construction. In 2013, based on construction of information system infrastructure, the Company explored a construction idea of intelligent application in operation of expressways, built an influential and intelligent expressway brand image and achieved certain progresses from the breakthrough point of optimization and improvement of traffic efficiency, enhancement of public travel experience, and the satisfaction of rapid collection of information for handling emergency as well as emergency management. The Company drafted a master plan for information construction, determined a general direction for the formation construction in the next 3 to 5 years and fundamental completed the construction of infrastructure, system development and system debugging by the end of 2013 to lay a solid foundation for overall completion of demonstration projects.

Comprehensively deepen the service of “Caring Shanghai-Nanjing Expressway”. In 2013, in accordance with the overall requirements of “smooth expressways and a warm Ninghu”, based on standardized service activities, the Company established “customer satisfaction assessment system” to evaluate employees’ service quality objectively and fairly. The Company continuously scaled up the “star” toll collectors election campaign and level certification for maintenance and hindrance clearing personnel, and refined its employees’ work experience in its business model with “work procedures” for promotion to continuously improve the working skills of employees so as to steadily increase the level of courtesy counter services.

Strengthen daily maintenance to keep road’s quality. In 2013, the Company deepened the separation of maintenance from management, optimized work division, established the data bank and bridge monitoring network to form a full-blown maintenance mechanism; strengthened the effective control of maintenance operation process and on-site management of special repair projects, conducted intensive operation at work zones in key and congested road sections; set up a maintenance project pre-reporting system, requiring publication of information in advance through the monitor centre and rules-based on-site operation, so as to reduce the impact on traffic flow. The Company achieved a 100% qualification rate in road maintenance in the year, maintaining the good quality of roads.





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Enhance the emergency rescue services and the capacity to ensure smooth traffic conditions. In response to the implementation of toll-free policy for small passenger cars in major festivals and holidays, more than ten temporary hindrance clearance service points and flow points were set up during the festivals and holidays. More than 20 hindrance clearance points along the expressways improved the speed of hindrance clearance and rescue, strengthened cooperation with transportation management organs, enhanced proactive identification of road abnormalities and capability of emergency response, reinforced multi-channel publication of transportation information and guidance information, guided vehicles to choose reasonable routes, and comprehensively completed night illumination experimental section of Suzhou and Wuxi, so as to effectively reduce the accident rate at nights and improved driving safety at nights, operation safety and efficiency. In 2013, the average rate of arrivals within 20 minutes reached 94.4% and the average arrival time was 14.6 minutes, and the average rate of smooth traffic flows within 60 minutes reached 94.5% for hindrance clearance and the average hindrance clearance time was 31.4 minutes, representing better performance compared with indicators of 2012.

3. Operation of Ancillary Services

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

The operation and management at service areas focused on raising customer satisfaction, aiming to achieve synchronous improvement in both revenue and services. During the year, each service area attached importance to food and beverage operation, seeking their target customers and market positioning, identified their business positioning according to consumer groups and actual market situation, and retained old customers and attracted new customers by improving food quality, reasonably adjusting fast food portfolio and developing new dishes through the old and so forth. Meanwhile, in order to adapt to consumers' needs for diverse and quality food and beverage in service areas, the Company actively introduced KFC, McDonald's and other western fast-food stores in certain service areas, and hoped that the introduction of internationally renowned chain enterprises would motivate the overall business environment of service areas so as to improve service quality through the influence of brand stores and explore new profit model. In addition, UnionPay card services were newly arranged for sales of food and beverage and oil in service areas to provide convenience for passing travelers.

In 2013, the Company recorded revenue of approximately RMB2,150,139,000 from the ancillary services, a decrease of approximately 8.79% over the corresponding period in the previous year. Of this revenue, revenue from sales of petroleum products was approximately RMB1,950,084,000, a decrease of approximately 9.80% over the corresponding period in the previous year, representing approximately 90.70% of the total ancillary services revenue, which was mainly due to the sale of standard gasoline prescribed under the National IV at the services areas of the Company under relevant environmental requirements from the beginning of this year, thus petroleum products sold at the services areas lost the price advantage as compared to surrounding provinces, leading to a year-on-year decrease of approximately 10.56% in the sales volume of the petroleum products. Revenue from other businesses including food and beverage, retail sales of goods and hindrance clearance services amounted to RMB200,055,000, representing an increase of approximately 2.38% as compared to the corresponding period in 2012.

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4. Property Development and Sales Business

Jiangsu Ninghu Properties, a wholly-owned subsidiary, is responsible for the Group's property development operation. The Group's real estate business was formally launched in 2009. As a property platform of the Group, Jiangsu Ninghu Properties will push forward both the urban residential business and commercial properties business.

In 2013, in response to a favourable turn in supply-demand dynamics in the market with rigid demand, the Company seized the opportunity, expedited the development schedules and kept enhancing its planning and design, development and sales capacities and pushed forward the "One City" series products in an all-round way, while keeping a close eye on land market dynamics with a view to seize the opportunities to increase its land reserves. During the year, the area of newly-acquired land reserve was 30,664.5 m² with a consideration of RMB551,960,000. The new development area was approximately 100,000 m² and the accumulative development area was over 320,000 m². During the year, a total of approximately RMB550 million was invested in the developed properties, and proceeds from pre-sale of salable projects amounted to approximately RMB424,927,000, and the carry-over revenue from sales for the year amounted to approximately RMB75,200,000, representing a decrease of approximately 75.3% as compared to the same period last year. As only the remaining housing units of Lot C4 in the core commercial area of Huaqiao were delivered to buyers in the year and other projects were at the stage of pre-sale without delivery, the revenue from properties decreased significantly on a year-on-year basis. Details and progress of each project are set out as follows:

◇ Land lots at Huaqiao International Business Services City in Kunshan

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

C4 "Hongqiao Mansion, One City" is a residential project, offering total 430 units of residential flats and 27 shops and a saleable area of approximately 42,200 square meters. As at the end of the Reporting Period, all residential flats have been sold and 21 shops have been sold. Sales amount accumulated to RMB 383,000,000, with contractual amount have all been recovered.

C7 "Pujiang Center, One City" is a commercial project. The project has a gross floor area of approximately 70,600 square meters. The project is marketed as luxurious "MINI House" serviced apartments, and has directly commenced the sale of ready-for-delivery apartments. Sales strategy is still being adjusted in accordance with the market situation.

Lot C5 is a "Regal Royale" five-star hotel project, with a gross floor area of approximately 66,000 square meters. The project has formally commenced construction and is the underground structure has been topped out.



Hongqiao Mansion, One City



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The overall name of the residential projects for lots B3, B4, B18 and B19 in Huaqiao has been determined as “Guangming Mansion, One City (同城•光明捷座)”, among which the B4 Project construction has been topped out with total residential flats of 344 units and 24 shops, and a saleable area of approximately 39,000 square meters. As at the end of the Reporting Period, contractual sales are 336 units of flats and 2 units are reserved with sales rate of 98% and contractual amount of approximately RMB327,000,000. Lot B19 is at the stage of bidding for construction.

◇ **Land lot on Xinshi Road, Suzhou**

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

As at the end of the Reporting Period, “Qingyuan” project in Suzhou was completed inspection for acceptance and finishing-off work. Decoration works for model house and sales office have commenced, preparing for a better promotion of the project.

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

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

The land lots in Jurong ARE named “Shijia, One City” which reflects continuity in the brand of the Company’s real estate projects. Land lot B phase I project comprises 124 units, 48 buildings with a saleable area of approximately 36,000 square meters. The construction works of the project was completed and at the stage of inspection for acceptance and finishing-off work. The project was available for purchase since 15 March 2013. As at the end of the Reporting Period, contractual sales are 79 units of flats and 6 units are reserved with sales rate of 64% and contractual amount of approximately RMB188,000,000.

Engineering and construction permit of land lot B phase II project has been obtained. It is currently bidding for construction and commences construction as early as possible.



Qingyuan, Suzhou



Shijia, One City

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◇ Land lots at G25 Nanmen Road, Suzhou

Ninghu Properties took part in the auction of Plot 2013-G-25 in Suzhou on 21 June 2013 and acquired the land use right of that plot at the upset price. The plot, with a site area of 30,664.5 square meters and a floor area ratio of 2.0, was acquired at a consideration of approximately RMB551,960,000, representing a floor price of approximately RMB9,000 per square meter. The plot is situated at the south side of the Nanmen Road, Gusu District and is for residential and commercial purposes.

As at the end of the Reporting Period, initial works permit of the project was obtained and marketing and planning of the project started.

5. Advertising and other businesses

Other businesses of the Company mainly comprise advertisement operations, lease of commercial properties and property services. In 2013, the revenue from advertising and other business of the Group amounted to RMB43,959,000, representing a year-on-year increase of 4.55%. Among which, revenue from advertisement operations was approximately RMB40,636,000, representing a slight year-on-year increase of approximately 0.37%; revenue from property service fees and lease of commercial properties was approximately RMB3,323,000, representing a year-on-year increase of approximately 112.85%, which was mainly attributable to the rental income from the lease of commercial properties in Kunshan by Ninghu Investment, and the property management income from the management and operation of residential properties delivered by Ninghu Properties.

(II) Financial Position Analysis

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

Unit: RMB'000

Item	Current period	Corresponding period of last year	Changes (%)
Operating revenue	7,614,227	7,795,943	-2.33
Operating costs	3,694,144	4,054,627	-8.89
Selling expenses	9,832	8,525	15.33
Administrative expenses	176,140	177,535	-0.79
Financial expenses	292,786	333,410	-12.18
Net cash flow from operating activities	3,084,162	3,189,410	-3.30
Net cash flow from investing activities	-964,869	-1,310,394	-26.37
Net cash flow from financing activities	-2,396,601	-1,998,661	19.91

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2. Business Classifications

In 2013, the Group recorded aggregate operating revenue of approximately RMB7,614,227,000, representing a decrease of approximately 2.33% as compared to the corresponding period in 2012. Operating costs amounted to approximately RMB3,694,144,000 in aggregate, representing a decrease of approximately 8.89% as compared to the corresponding period in 2012. The decrease rate of revenue was lower than the decrease rate of costs, leading to an increase of approximately 3.49 percentage points of the Group's consolidated gross profit margin. The structures of revenues and costs are set out below:

Item	Operating revenue		Operating costs		Gross profit margin (%)	
	2013 (RMB'000)	Change over the previous year (%)	2013 (RMB'000)	Change over the previous year (%)	2013	Year-on-year increase/decrease
Toll road	5,344,929	4.97	1,548,946	2.66	71.02	Increased by 0.65 percentage point
Shanghai-Nanjing Expressway	4,521,753	5.36	1,085,365	6.02	76.00	Decreased by 0.15 percentage points
Shanghai-Nanjing Section of G312	53,434	-36.26	200,674	-9.61	-275.55	Decreased by 110.72 percentage points
Nanjing Section of Nanjing-Lianyungang Highway	36,689	9.40	18,032	8.84	50.85	Increased by 0.25 percentage point
Guangjing Xicheng Expressway	733,053	7.32	244,875	-0.68	66.60	Increased by 2.69 percentage points
Ancillary Services	2,150,139	-8.79	2,099,889	-8.98	2.34	Increased by 0.20 percentage point
Property Sales	75,200	-75.30	29,508	-86.80	60.76	Increased by 34.20 percentage points
Advertising and others	43,959	4.55	15,801	4.11	64.06	Increased by 0.16 percentage point
Total	7,614,227	-2.33	3,694,144	-8.89	51.48	Increased by 3.49 percentage points

Note: The remaining housing units of Lot C4 in the core commercial area of Huaqiao were delivered to buyers in the financial year. As a large portion of cost was settled in the previous year, resulting in higher profit margin based on the remaining cost settled. The audited effective gross profit margin of the C4 project was approximately 32%.

3. Structures of Revenue

Items of Operating Revenue	2013	Percentage	2012	Percentage	Change over the previous year
	(RMB'000)	%	(RMB'000)	%	year %
Revenue from toll road operations	5,344,929	70.20	5,092,022	65.32	4.97
Revenue from ancillary business	2,150,139	28.24	2,357,432	30.24	-8.79
Revenue from property sales	75,200	0.99	304,442	3.90	-75.30
Revenue from advertising and other businesses	43,959	0.57	42,047	0.54	4.55
Total	7,614,227	100	7,795,943	100	-2.33

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

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4. Structures of Costs

During the reporting period, aggregated operating costs amounted to approximately RMB3,694,144,000, representing a year-on-year decrease of approximately 8.89%. The structures of costs of each business category are set out below:

Item of Operating Costs	2013 (RMB'000)	Percentage %	2012 (RMB'000)	Percentage %	Change over the previous year %
Operating costs of the toll road operations					
Depreciation and amortization	1,548,946	41.93	1,508,833	37.21	2.66
Costs on toll collection operation	865,791	23.44	877,671	21.65	-1.35
Costs on roads and bridges maintenance	129,792	3.51	129,430	3.19	0.28
Costs on system maintenance	157,579	4.27	136,530	3.37	15.42
Labor costs	30,248	0.82	30,276	0.75	-0.09
Costs on ancillary businesses	365,536	9.89	334,926	8.25	9.14
Raw materials	2,099,889	56.84	2,307,046	56.90	-8.98
Depreciation and amortization	1,940,508	52.53	2,153,083	53.10	-9.87
Labor costs	20,679	0.56	20,463	0.50	1.05
Other costs	104,434	2.82	94,960	2.34	9.98
Costs on property sales business	34,268	0.93	38,540	0.95	-11.08
Costs on advertising and other business	29,508	0.80	223,571	5.51	-86.80
Total	15,801	0.43	15,177	0.38	4.11
	3,694,144	100	4,054,627	100	-8.89

- Costs on depreciation and amortization which is mainly amortization of road operation rights decreased by approximately 1.35% over the previous year due to the factors such as changes in accounting estimates, the year-on-year changes in the traffic volume and the costs of renovation of part of the roads amortized by Guangjing Xicheng;
- Costs on roads and bridges maintenance increased by approximately 15.42% due to the increase in the road maintenance project;
- Labor costs of toll road operations and ancillary businesses increased by approximately 9.14% and 9.98% year-on-year, respectively, due to the increases in the labor costs.
- Cost on procurement of raw materials among costs on ancillary businesses decreased by approximately 9.87% year-on-year, due to a year-on-year decrease in the sales volume of petroleum products.
- Costs of property sales business decreased significantly as compared with last year due to the decrease in the property delivery volume of Ninghu Properties in the year.



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5. Expenses

(1) Administrative Expenses

During 2013, administrative expenses of the Group amounted to RMB176,140,000 in aggregate, representing a year-on-year decrease of 0.79%. The budget control of administrative expenses of the Company was in good condition in 2013 through strengthening budget management and strict expenses control.

(2) Finance expenses

As at 31 December 2013, the total interest-bearing liabilities of the Group amounted to RMB5,483,733,000, representing a decrease of RMB217,666,000 as compared to the corresponding period in 2012. As the balance of interest-bearing liabilities decreased, debt structure was adjusted and the average interest rate of bank loan for the year decreased over the previous year, the Group's aggregate finance costs amounted to RMB292,786,000, representing a year-on-year decrease of 12.18%. The Company adopted positive measures to enhance capital utilization efficiency, as well as reducing finance costs through various direct financing means including the issue of short-term commercial papers, non-public directed debt instrument, mid-term notes and so forth, finance costs of the Group during the reporting period were under effective control in general.

(3) Selling expenses

In 2013, the Group's aggregate selling expenses amounted to approximately RMB9,832,000, representing a year-on-year increase of 15.33% which was mainly due to gradual commencement of pre-sale of real estate projects of Ninghu Properties.

(4) Income Tax

The statutory tax rate of all companies under the Group was 25%. In 2013, income tax expense of the Group amounted to RMB851,870,000 in aggregate, representing a year-on-year increase of 11.44%.

6. Non-operating Income

In 2013, the Group achieved non-operating income of approximately RMB102,541,000, representing an increase of 912.50%, which was mainly due to proceeds from disposal of Zhenjiang branch line of Shanghai-Nanjing Expressway.

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7. Item of Cash Flow Statements

Item of Cash Flow	2013 (RMB'000)	2012 (RMB'000)	Change over the previous year %	Reasons for Changes
Net cash flow from operating activities	3,084,162	3,189,410	-3.30	As the cash inflow from toll revenue and property business significantly increased over the same period of the previous year, such increase was still lower than the increase in cash outflow from property business and taxes, leading to the decrease in net cash flow from operating activities over the same period in the previous year.
Net cash flow from investment activities	-964,869	-1,310,394	-26.37	During the reporting period, cash paid for external investment decreased over the previous year.
Net cash flow from financing activities	-2,396,601	-1,998,661	19.91	During the reporting period, the Company positively repaid interest-bearing debt, leading to the increase in net cash outflow from financing activities over the previous year.

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8. Assets and Liabilities

Item of Assets and Liabilities	2013	Percentage	2012	Percentage	Change over the previous year
	RMB'000	%	RMB'000	%	year %
Cash and bank balances	409,177	1.52	686,485	2.66	-40.40
Accounts receivable	51,444	0.19	83,407	0.32	-38.32
Inventories	2,844,578	10.60	1,945,199	7.53	46.24
Other current assets	175,082	0.65	327,026	1.27	-46.46
Available-for-sale financial assets	1,290,726	4.81	284,566	1.10	353.58
Investment properties	35,415	0.13	22,727	0.09	55.83
Long-term equity investment	3,787,360	14.12	3,492,801	13.51	8.43
Fixed assets	1,099,548	4.10	1,128,318	4.36	-2.55
Construction in progress	127,708	0.48	30,794	0.12	314.71
Short-term borrowings	3,220,000	12.00	2,550,000	9.86	26.27
Receipts in advance	412,907	1.54	107,874	0.42	282.77
Taxes payable	155,967	0.58	230,006	0.89	-32.19
Dividends payable	62,904	0.23	122,615	0.47	-48.70
Other payables	174,956	0.65	124,030	0.48	41.06
Non-current liabilities due					
within one year	1,511	0.01	1,201,557	4.65	-99.87
Long-term borrowings	271,148	1.01	453,360	1.75	-40.19
Bonds payable	991,074	3.69	496,482	1.92	99.62
Shareholders' equity attributable to equity holders of the Company	19,596,484	73.03	18,688,862	72.30	4.86
Minority interests	501,744	1.87	466,614	1.81	7.53
Total Assets	26,833,912	100	25,849,258	100	3.81
Total gearing ratio	25.10%	-	25.90%	-	Decreased by 0.8 percentage point
Net gearing ratio	33.51%	-	34.94 %	-	Decreased by 1.43 percentage point

- Calculation basis for the total assets gearing ratio: liabilities/total assets; Calculation basis for the net assets gearing ratio: liabilities/shareholders' equity.
- Cash and bank balances decreased by 40.40% as compared to the beginning of the year, mainly due to the Company's repayment of interest-bearing debt using the stock fund in order to reduce the financial cost during the Reporting Period.
- Accounts receivable decreased by 38.32% as compared with the beginning of the year, mainly due to the more efficient toll network internal income reallocation which decreased the Group's toll road fee receivable.
- The inventory increased by 46.24% as compared with the beginning of the year, mainly attributable to the corresponding increase in the cost of the development of real estate and the development products along with the development of several projects of Ninghu Properties, the subsidiary of the Company.
- Other current assets decreased by 46.46% as compared with the beginning of the year, mainly due to the year-on-year decrease in the wealth management products purchased.

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- The increase of RMB1,000 million in available-for-sale financial assets was mainly due to the 200 million shares purchased under the non-public issue of the Bank of Jiangsu in the year.
 - Investment properties increased by 55.83% as compared with the beginning of the year, mainly due to the fact that Ninghu Investment, the subsidiary of the Company, leased certain self-owned real estate projects and the fixed assets were reclassified as investment properties accordingly.
 - Construction in progress increased by 314.71% as compared with the beginning of the year, mainly due to the fact that several projects such as transformation by adoption of information technology, the building of lighting system and sound shielding was under construction which increased the balance of construction in progress at the end of year.
 - The receipts in advance increased by 282.77% as compared with the beginning of the year, mainly due to the increase in proceeds from the pre-sale of “Shijia, One City” (同城世家), the Lot B in Jurong and the “Guangming Mansion” (光明捷座) project on Lot B4 in Huaqiao, both the projects of Ninghu Properties, the subsidiary of the Company.
 - Taxes payable decreased by 32.19% as compared with the beginning of the year, mainly due to the decrease in the balance of income tax payable at the end of the year.
 - Dividends payable decreased by 48.70% as compared with the beginning of the year, mainly due to the non-circulating shareholders’ collection of dividends distributed by the Company in the Reporting Period.
 - Other payables increased by 41.06% as compared with the beginning of the year, mainly due to the increase in the deposit for quality guarantee.
 - Non-current liabilities due within one year decreased by 99.87% as compared with the beginning of the year, mainly due to repayment of long-term borrowings due within one year of RMB1,200 million during the Reporting Period.
 - Long-term borrowing decreased by 40.19% as compared with the beginning of the year, mainly due to the Company’s repayment of certain long-term borrowings during the Reporting Period in order to reduce the financial cost and optimize the debt structure.
 - Bonds payable increased by 99.62% as compared with the beginning of the year, mainly due to the increase of mid-term notes during the Reporting Period.
9. Explanations on the changes in assets calculated on a fair value basis and the measurement attributes of major assets

During the reporting period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Foundation (富安達優勢成長基金) purchased in 2011. The net value at the beginning of the year amounted to RMB18,065,000 and the net value at the end of the year amounted to RMB20,175,000, and the fair value increased by RMB2,110,000.



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10. Capital expenditures

In 2013, the Group's planned capital expenditures actually incurred amounted to approximately RMB1,384,859,000, representing a decrease of 18.84% or RMB321,499,000 from 2012. In 2013, the Group's implemented capital expenditure projects and amounts are as follows:

Capital Expenditure Project	RMB'000
Purchase shares of the Bank of Jiangsu	1,000,000
Acquire minority interest of Ninghu Investment	15,100
Equity investment in Sujiayong Company	114,027
Equity investment in Luode Fund	5,850
Equity investment in Jiangsu GCL Gas	2,880
Equity investment in Network Operation	6,160
Balance payment of the expansion works of Shanghai-Nanjing Expressway	31,490
Lighting engineering project of Shanghai-Nanjing Expressway	21,949
Upgrade and renovation of informationization construction and telecommunication system	48,188
Renovation of toll collection points and service areas of Shanghai-Nanjing Expressway	46,002
Renovation of the three major systems of Shanghai-Nanjing Expressway	21,371
Renovation of toll collection points and service areas of Guangjing Xicheng Expressway	4,734
Interflow and renovation of Jingjiang station of Guangjing Xicheng Expressway	19,700
Setting up advertising signages	4,615
Other construction in progress and equipment	42,793
Total	1,384,859

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11. Financial Strategy and Financing Arrangement

During the reporting period, the Company actively expanded its financing channels and adjusted its debt structure. The total direct financing for the year amounted to RMB4.0 billion, which could satisfy the fund demands of operation management and project investment and effectively reduced financing costs. In 2013, the Company's consolidated borrowing cost of interest-bearing liabilities was approximately 5.24%. Though It was approximately 0.18 percentage point lower than the previous year, it managed to be approximately 0.79 percentage point lower than the prevailing bank borrowing rate of the same period.

In 2013, the Company's major financing activities are as follows:

Financing category	Date of issue	Term	Financing amount (RMB100 million)	Issuing interest rate (%)	Prevailing benchmark rate of banks (%)	Decrease in financing costs (%)
Non-public direct debt financing instruments	3 May 2013	6 Months	5	4.3	5.6	23.21
Non-public direct debt financing instruments	29 July 2013	1 year	6	5.3	6	11.67
Non-public direct debt financing instruments	22 August 2013	1 year	4	5.5	6	8.33
Mid-term notes	21 June 2013	5 years	5	4.98	6.4	22.19
Short-term commercial papers	17 October 2013	1 year	10	5.32	6	11.33
Short-term commercial papers	18 November 2013	1 year	10	5.69	6	5.17

12. Pledge of assets

During the year, Guangjing Xicheng, a subsidiary of the Company, obtained long-term bank borrowings through pledging the operation right of Guangjing Xicheng Expressway. As at 31 December 2013, the net carrying amount of such pledged assets was approximately RMB1,483 million.

13. Contingencies

Ninghu Properties, a subsidiary of the Company provided guarantees to banks for bank borrowings granted to buyers of the commercial properties of Hongqiao Mansion. One City and Guangming Mansion, One City of Huaqiao, Kunshan and Shijia, One City of Baohua Jurong. The obligation will commence from the date on which the guarantee contract comes into effect and will end when the buyers complete registration of mortgage and pass the properties ownership certification to bank. As at 31 December 2013, the outstanding guarantees amounted to approximately RMB83,921,525 (31 December 2012: RMB11,242,012).

14. Trust deposits

As at 31 December 2013, the Company did not have any trust deposits with any financial institutions in China or any fixed term deposits which were irrecoverable upon their maturity.



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15. Trust loans

The Company borrowed RMB40,000,000, RMB50,000,000, RMB100,000,000 and RMB190,000,000 respectively on 19 March 2013, 10 May 2013, 25 June 2013 and 30 August 2013, by way of trust loans from Far East Shipping, a related company. The loans have a term of one year, carrying an annual interest rate of 6%. During the reporting period, the Company repaid RMB190,000,000 in advance and the outstanding balance is RMB190,000,000 as at the end of the Reporting Period.

16. Reserves

Unit: RMB'000

	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total shareholders' equity attributable to equity holders of the Company
1 January 2012	5,037,748	7,541,528	2,291,734	3,273,680	18,144,690
Profit for the year				2,333,345	2,333,345
Other comprehensive income		24,416			24,416
Profit distributed			258,393	-258,393	0
Dividends distributed				-1,813,589	-1,813,589
31 December 2012	5,037,748	7,565,944	2,550,127	3,535,043	18,688,862
1 January 2013	5,037,748	7,565,944	2,550,127	3,535,043	18,688,862
Profit for the year				2,707,743	2,707,743
Other comprehensive income		14,453			14,453
Reduction of owners' capital		-985			-985
Profit distributed			283,171	-283,171	0
Dividends distributed				-1,813,589	-1,813,589
31 December 2013	5,037,748	7,579,412	2,833,298	4,146,026	19,596,484

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

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

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(III) INVESTMENT ANALYSIS

During the Reporting Period, an aggregate of approximately RMB1,144,017,000 of external investment was made by the Group, representing a decrease of approximately RMB1,541,200,000 or 25.77%. Details of investment in specific projects are as follows:

1. Progress of New Construction and Investment Projects

(1) Progress of investment in the Changshu-Jiaxing Expressway

On 3 June 2011, the Company's investment in the new project for the construction of the Changshu-Jiaxing Expressway was approved by the Board of the Company. Sujiayong Company, which was initially owned as to 30% by the Company, took charge of the construction, operation and management of the Changshu-Jiaxing Expressway. During the Reporting Period, in order to improve the operating efficiency of Sujiayong Company, the expenses of RMB457 million for land requisition, demolition and relocation in relation to the project was used as contributions made by the local governments along the expressway as new shareholders. Therefore, the total capital of Sujiayong Company was accordingly increased from RMB1,438.49 million to RMB1,895.49 million and the capital ratio of Sujiayong Company was adjusted from 35% to 46.12%, thus lowering its debt levels and lessening its pressure on interest and principal payments to a certain extent. Taking into account the positive effects arising from the participation of the local governments along the expressway on the project, the Board of the Company agreed to waive the pre-emptive right in respect of the share capital enlargement of Sujiayong Company and maintained the original investment. As a result, the equity interest held in Sujiayong Company decreased from 30% to 22.77%. For details, please refer to the further announcement of the Company published on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 24 August 2013. As at the end of the Reporting Period, the Changshu-Jiaxing Expressway has commenced overall construction with smooth progress. Capital invested by the Company was approximately RMB114,027,000 in the year with the aggregate investment amounting to RMB189,027,000.

(2) Progress of construction of Zhenjiang-Danyang Expressway

In October 2012, the Company's investment in new project of construction of the Zhenjiang-Danyang Expressway was considered and approved by the Board of the Company. The Company holds 70% interests in the project with an aggregate investment not exceed RMB400 million. As at the end of the Reporting Period, the relevant examination and approval procedures for Zhenjiang-Danyang Expressway construction project were completed and overall construction will commence shortly.

(3) Investment in the project of reconstruction and extension of the Suzhou New Area Interchange of Shanghai-Nanjing Expressway

The Suzhou New Area Interchange of Shanghai-Nanjing Expressway is located at the western region of Suzhou city. With the construction and operation of urban ring expressway as well as the rapid development of Suzhou city, the traffic flow at the toll station of Suzhou New Area sees rapid growth, which drag down services provided at the interchange ramp and toll collection junction, resulting in frequent congestion at rush hour. In order to improve the traffic capacity of Shanghai-Nanjing Expressway's interchange ramp and toll collection junction at Suzhou New Area, negotiation was carried out between the Company and Suzhou Municipal Transportation Department (蘇州市交通局) in relation to the reconstruction and extension of Shanghai-Nanjing Expressway's interchange ramp and toll collection junction at Suzhou New Area. The estimated investment for project contracting amounts to approximately RMB108.9 million and relevant resolution was considered and approved at the 11th meeting of the seventh session of the Board on 21 December 2013.

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2. External Equity Investment

(1) Participate in the share capital enlargement of the Bank of Jiangsu

During the Reporting Period, the Company participated in the share capital enlargement of the Bank of Jiangsu by investing RMB1 billion to acquire 200,000,000 shares issued by the Bank of Jiangsu in its non-public private placement at RMB5 per share, representing approximately 1.92% of the enlarged share capital of the Bank of Jiangsu. During the Reporting Period, the share capital enlargement of the Bank of Jiangsu was approved by relevant PRC authorities, and the business registration procedures were completed. Thus, the consideration of RMB1 billion was paid by the Company to the Bank of Jiangsu. For details, please refer to the external investment announcement and further announcement of the Company published on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) on 14 June 2013 and 14 August 2013 respectively.

(2) Acquisition of 5% equity interest in Ninghu Investment

Jiangsu Ninghu Investment Development Co., Ltd. (“Ninghu Investment”), established in September 2002 with a registered capital of RMB100 million, was held as to 95% and 5% by the Company and Suzhou Investment Co., Ltd. (“Suzhou Investment”), respectively. In order to facilitate the respective strategic development of Ninghu Investment and Suzhou Investment, the Company’s acquisition of 5% equity interest in Ninghu Investment from Suzhou Investment proposed to transfer its 5% equity interest in Ninghu Investment to the Company was considered and approved at the 9th meeting of the seventh session of the Board held on 23 August 2013. The consideration of acquisition was RMB14,930,000 upon evaluation. On 18 December 2013, relevant filing and approval procedures at the SASAC of Jiangsu Province and business registration procedures were completed by Ninghu Investment, and therefore it became a wholly-owned subsidiary of the Company.

(3) Establishment of joint-venture LNG gas stations

In light of the prevailing green trends of energy saving and emission reduction and the prospects of natural gas as clean energy to replace automotive energy, the Company proposed to establish Jiangsu GCL Gas Co., Ltd. (江蘇協鑫寧滬天然氣有限公司) (“Jiangsu GCL Gas Company”) jointly with Jiangsu GCL Oil and Gas Co., Ltd. (江蘇協鑫石油天然氣有限公司) (“Jiangsu GCL Oil and Gas”), which was considered and approved at the 9th meeting of the seventh session of the Board held on 23 August 2013. The preliminary pilot plan was to set up joint-venture LNG gas stations in the services areas along Jiangsu Expressway. Jiangsu GCL Gas Company has a registered capital of RMB30 million, of which RMB15.6 million was contributed by Jiangsu GCL Oil and Gas and RMB14.4 million was contributed by the Company, representing 52% and 48% of the total share capital, respectively. The establishment of the joint venture was filed with and approved by the SASAC of Jiangsu Province while the business registration was completed on 19 January 2014. The initial investment made by the Company was approximately RMB2,880,000 in the year.

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(4) Investment in establishment of equity investment fund company

In order to expand the business scope, according to the requirement of the Company's "Twelfth Five-year" Plan, the Company's subsidiary Ninghu Investment, in partnership with legal persons and natural persons including Suzhou Investment Co., Ltd. and Hongyuan Huizhi Investment Co., Ltd. (宏源匯智投資有限公司), established the Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Jiangsu Luode") by means of promotion. Jiangsu Luode has a registered capital of RMB30 million to be contributed by two installments. The first installment of RMB15 million was already received, of which RMB5,850,000 was from Ninghu Investment, representing 39% of the equity interest. Jiangsu Luode was approved on 14 May 2013 for registration with the industry and commerce authority with a business scope primarily covering issue and management of property investment fund, and its business scope includes entrusted management of private equity investment fund, investment management and relevant consulting services as well as entrusted assets management. Investment made by the Company amounted to approximately RMB5,850,000 in the year.

(5) Capital increment in Network Operation Company

As the increasingly complicated transportation network in the Jiangsu province and the rapid development of ETC construction, higher demand is required for the services provided by Network Operation Company. Given the service upgrading and corporate development, an aggregate of RMB85,000,000 of additional directional issue was made to shareholders by Network Operation Company on the basis of same rights for same shares. Each of the Company and Guangjing Xicheng Company contributed an additional capital of RMB3,080,000 according to the proportion of shareholding and continued to hold 3.62% of equity interest respectively upon completion of the capital increment.

3. Equity Investment in Financial Enterprises

Unit: RMB'000

Name of investee	Initial investment amount	Number of shares held	Shareholding at the end of the period	Book value at the end of the period	Effect on profit or loss during the reporting period	Effect on owners' equity during the reporting period	Accounting item	Source of shares
Luode Fund Company	5,850	11,700,000	39%	4,519	-1,331	-1,331	Long-term equity investment	Established by means of promotion
Bank of Jiangsu	1,000,000	200,000,000	1.92%	1,000,000	0	0	Financial assets available for sale	Capital increment
Financial leasing company	234,000	234,000,000	10.66%	270,898	44,928	44,928	Financial assets available for sale	Established by means of promotion

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4. Operations of Major Subsidiaries

Name of company	Scope of business	Investment cost RMB' 000	Equity of the Company %	Total assets RMB'000	Net assets RMB'000	Net profit RMB'000	Percentage over the Company's net profit	Year-on-year Increase/decrease on net profit
							%	%
Jiangsu Guangjing Xicheng Expressway Co., Ltd.	Construction, management, maintenance and toll collection of Guangjing Expressway and Xicheng Expressway in Jiangsu	2,125,000	85	3,887,538	3,363,384	450,092	16.22	43.25
Jiangsu Ninghu Investment Development Co., Ltd.	Investment in various infrastructure, industrial and assets investment	110,100	100	310,633	292,694	17,789	0.64	16.56
Jiangsu Ninghu Properties Co., Ltd.	Development and operation and consultancy of properties	500,000	100	2,924,630	535,653	12,679	0.46	-61.15

- During the Reporting Period, Guangjing Xicheng achieved an operating income of approximately RMB762,416,000, a year-on-year increase of approximately 6.94%. As Guangjing Xicheng had a direct stake in Yanjiang Company during the Reporting Period, given the income from investment contributed by Yanjiang Company and the dividends distributed from financial leasing, the income from investment recorded during the Reporting Period was RMB150,418,000, representing an increase of 263.57% over the same period last year. Owing to the combination of the aforesaid factors, the net profit of Guangjing Xicheng for the year increased by approximately 43.25% year-on-year.
- * The book value of net profit of Ninghu Investment increased by approximately 16.57% year-on-year, mainly because of the increase in the fair value of held-for-trading financial assets during the Reporting Period.
- * Please refer to the section headed "Business Review and Analysis of Operations" in this report for the operating status and change in results of Ninghu Properties.

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5. Operations of Major Associates

In 2013, the Group's investment income amounted to approximately RMB315,399,000, representing a year-on-year increase of 95.36%. Benefited from investment income contributed by Yanjiang Company and dividend received from finance leasing company as well as the increase in profit of associates such as Sujiahang Company and so forth, investment income of the Group increased considerably. Investment income contributed by associates, in which the Company had equity interest, amounted to approximately RMB265,462,000, representing an increase of 99.28% as compared to 2012 and accounting for 9.56% of the Group's net profit. Operating results of major companies in which the Group had equity investments are as follows:

Company name	Principal business	Investment cost RMB'000	Equity interest attributable to the Company %	Net profit RMB'000	Share of investment income RMB'000	Proportion of net profit attributable to the Company %	Change over the previous year %
Suzhou Sujiahang Expressway Co., Ltd.	Management and operation of the Jiangsu Section of Sujiahang Expressway	526,091	33.33	275,215	91,652	3.30	35.60
Jiangsu Kuailu Motor Transport Co., Ltd.	Road transportation, automobile repair and sales of automobiles and automobile parts and components	49,900	33.2	-4,773	-3,217	—	-9.90
Jiangsu Yangtze Bridge Co., Ltd.	Mainly engaged in the management and operation of Jiangyin Yangtze Bridge	631,159	26.66	277,377	73,949	2.66	54.02
Jiangsu Yanjiang Expressway Co., Ltd.	Mainly engaged in the management and operation of Yanjiang Expressway	1,466,200	29.81	327,375	106,975	3.85	405.18

- Sujiahang Expressway saw a year-on-year increase in its net profit as a result of the year-on-year increase in toll revenue boosted by increased traffic volumes and a decrease in the financial expenses.
- Under the impact of traffic diversions by the high-speed rail, Kuailu Company continued to record loss during the Reporting Period, but the loss recorded continued to decline year-on-year.
- Net profit of Yangtze Bridge recorded a year-on-year increase as a result of the year-on-year increase in toll revenue boosted by increased traffic volumes, the decrease in financial expenses and the increase in investment income from the profits of Sutong Bridge, its associate.
- Net profit of Yanjiang Company saw a significant year-on-year increase as a result of the year-on-year increase in toll revenue boosted by increased traffic volumes and the decrease in financial expenses. In the meantime, the negative impact of the disposal of its equity investment in Suzhou Raocheng has been eliminated.



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(IV) Analysis of Core Competitiveness

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

(V) Discussion and Analysis of Future Development

1. Competition Pattern and Development Trend of the Industry

◇ Macroeconomic environment

Along with the steady progress of comprehensively deepening reform, urbanization and the transformation and upgrade of the regional economy, the future macro economy is expected to develop steadily, which will facilitate a steady growth in the transportation and the traffic demand. Meanwhile, with increasing vehicle ownerships among civilians and escalating consumer spending, the demand for passenger and cargo transport on roads will continue to grow steadily, thereby driving the sustainable development of the principal business of the Group.

According to the blue book of Report on Overall Competitiveness of China's Provincial Economy in the Middle of "Twelfth Five-year Plan Period" (《「十二五」中期中國省域經濟綜合競爭力發展報告》) issued by the Chinese Academy of Social Sciences in March 2014, the overall competitiveness of Jiangsu Province ranked the first among the 31 province-level administration regions in China. In particular, southern Jiangsu region has expedited the transformation and upgrade, which further enhanced its capacity of innovation and development, as well as the international competitiveness. In such a macro environment, as a major expressway operator serving the national economy and social development in southern Jiangsu region, the Group, with its "one core and two supports" business development strategy, will face ever more business opportunities in its efforts in transformation and upgrade and expanding the room for development, and will have a more favorable external environment.

◇ Competition pattern of the industry

In June 2013, the Ministry of Transport issued the "National Highway Network Planning (2013-2030)". According to the planning, in the future ten years, the nation will newly build 8,000 kilometers of ordinary national road, and will upgrade and rebuild 100,000 kilometers of the existing road. The newly-built expressway will be approximately 25,000 kilometers. As for the enterprises engaged in the expressway business, the new planning is expected to bring both the positive and negative impacts. As for the positive impact, a more optimized national highway network with a broader coverage and more smooth connection of road network will stimulate new traffic, which will increase the forecast of the traffic volume on the existing expressway. As for the negative impact, the traffic roads covering the same path may increase following the expansion of highways. In particular, along with the new construction and reconstruction of the national roads, the free national road network may divert the traffic on the existing expressways.

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However, the regional characteristics of expressways are obvious and differences also exist in the construction of highways in different regions. From the perspective of the development environment for regional transportation, the expressway networks in the Jiangsu Province, particularly the southern Jiangsu road network, have a greater density and maturity. Therefore, there will be limited diversionary pressure from the newly constructed roads in the operating region of the Group. The railway transportation in the same region, due to its unique service functions and customer demands, complements and coordinates the development of highway transportation. Therefore, the competition pattern in respect of the business development of the Group's toll roads will remain relatively stable going forward.

◇ Trend of toll road policies

The toll road policies experienced rectification of toll roads in 2011, free use of highways by passenger cars on major festivals and holidays in 2012 and the "Regulation on the Administration of Toll Roads" (Draft for Discussion) issued in 2013, and relevant changes will be more stable, which means the political pressures will be relieved. Meanwhile, according to the newly-issued "National Highway Network Planning (2013-2030)", the toll roads will maintain the diversified investment and financing policies to attract the private funds. A mechanism will also be established to safeguard the stability of policies and the return on investment, which indicates that the toll roads will continue to be a critical component in the national transportation network, and the policy environment for the toll road industry will be clearer.

2. Development Strategies and implementation of the Company

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

In order to strengthen the Company's strategic management system and prevent and address the strategic risks, the Company formulated the Strategic Management Measures of the Company (《公司戰略管理辦法》), established a normalized mechanism in which the strategy and detailed targets will be set in the beginning of the year and the strategic evaluation will be conducted in the end of the year. According to the Management Measures, the Company will make strategic adjustment timely according to the changes in the internal and external environment. On this basis, the Company issued the detailed targets set for 2013 in the strategic plan, in which it set the targets of strategic key performance indicators in 2013 and specified the departments in charge of each indicator and the supporting departments. In the end of the year, the Company analyzed the implementation of targets set in the strategic plan for the year, facilitating the development strategy of the Company in the "Twelfth Five-year" period.

3. Operational Plan

◇ Revenue target

Based on the anticipation on the operating status and policy environment in 2014, the management believes that the Group's operations will face a certain amount of uncertainty. In view of this, the Group has set a target of achieving total revenue of more than RMB8,300,000,000 for 2014. Taking into account of increases in labour costs and other costs, the Group strives to incur operating costs and related costs of not more than RMB5,000,000,000 and to realize the net profit after tax of not less than RMB2,500,000,000, which is slightly lower than the target of 2013.



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◇ Plans and Measures

The Group will implement the following key measures in 2014, in line with the overall business environment in 2014 so as to ensure that the profit target for the year can be achieved and that good planning preparations can be made for the future strategic development:

- (1) **Advance implementation of the “Twelfth Five-year” Plan orderly.** The Group will conduct an interim review of the progress against the “Twelfth Five-year” Plan in an all-round way, based on which it will pinpoint the key strategic work to be carried out in the last 2 years in the “Twelfth Five-year” Plan and adjust the certain strategic key performance indicators if necessary. It will also refine the management and assessment mechanism for the strategy execution and press ahead with strategic distribution in a stable, robust and orderly manner.
- (2) **Make active efforts in the extension of the expressway industry chain.** The Group will pay active attention to the changes of toll road-related policies, and prepare countermeasures in respect of the relevant risks. In addition, the Group will continuously pay close attention to and study the investment opportunities in respect of expressways and other transportation infrastructure, fully utilize the existing expressway resources, and make due experiments and explorations on the extension of industry chain. It will expedite the reform of service areas operation through innovating the business model and exploring the potential in operation.
- (3) **Achieve balanced development of diversified business steadily.** Leveraging the advantages of resources and capital of the Company, the Group will study and seek equity investment projects and proper business cooperation opportunities from different channels. It will also expedite the development and sales of real estate projects. In grasping the trend of the market, the Group will increase land reserves and seek opportunities in investing in the commercial properties, so as to expand the business. It will promote the issuance of real estate fund and the development of project management, in a bid to explore the successful operational model. The Group aspires to achieve the comprehensive and balanced development of the diversified businesses and relevant contributions to the results.
- (4) **Advance the development and integration of informatization.** The Group will evaluate and refine the platform of informatization developed in 2013 to ensure each system on the platform operates orderly and safely and generate efficiencies continuously. The Group will integrate the management procedures and business demand to interconnect the information and achieve resources sharing, so as to improve its service abilities. The Group will use the informatization measures to provide value-added services for the roads transportation, demonstrating the achievements of modernization in the management of expressways operations.
- (5) **Strengthen the talents building and the reform of remuneration system.** According to the requirements of the human resources management in the “Twelfth Five-year Plan”, the Group will strengthen the building of talents and relevant rules. It will accelerate the design of wage band system and evaluation of competency benchmark for positions, with a view to constructing multi-paths in management, technology or skills for the employees and make substantial advances in such perspective.

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- (6) **Actively work on financing innovations to meet funding need.** The Group will use derivatives of modern finance to innovate financing means. In seeking more convenient financing channels and low-cost financing products, the Group will expand its financing channels and increase the share of direct financing. On the premise of safeguarding the financial safety, the Group will further refine the debt structure and control the funds cost reasonably to secure adequate funding for the Group's strategic development.

4. Capital Expenditure and Financing Plan

According to the business development plan of the Group, in 2014, the total planned capital expenditure of the Group will be approximately RMB1,160 million and major capital expenditure items include:

Capital expenditure item	RMB'00 million
Construction of facilities, equipment and systems for monitoring, toll collection, communication, and lighting	3.7
Reconstruction of buildings	2.2
Investment in construction of Sujaiyong Expressway	2
Investment in construction of Zhenjiang-Danyang Expressway	3
Other fixed assets and equipment	0.7
Total	11.6

According to the capital expenditure plan and debt roll-over capital needs for 2014, the Group, while fully leveraging its own capital, will actively seek more convenient financing channels and lower-cost financing products, and raise funds by way of direct financing such as issuing short-term commercial papers, to reduce finance costs and resolve capital supply and demand conflicts. The financing in the 2014 plan of the Group includes short-term bonds in the amount of not more than RMB2 billion, non-public direct debt financing instruments in the amount of not more than RMB2 billion and ultra-short-term financing products. The financing amount will be sufficient for the capital expenditure, debt roll-over and business development of the Group. In case of other capital expenditure demands on special occasions, the Group will adjust its financing plan based on the expenditure scale and actual cash flow condition.

5. Possible Risks

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

- (1) Risks associated with the macroeconomic environment

Risk analysis: The changes in the macro economy directly affect the demand of road transportation, thus influencing the changes in the traffic volume and the operating results of the Group.

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



REPORT OF THE DIRECTORS

(2) Risks associated with industry policy changes

Risk analysis: The transportation infrastructure industry, with a pseudo-public nature, has always been strictly regulated by the government, so changes in the government's industry policies have a certain impact on toll road enterprises. Currently, the public welfare property of toll roads is increasingly strengthened, and the toll-free "green passage" policy and toll-free policies for major festivals and holidays will be further improved. There is still uncertainty as to the promulgation and implementation of Regulation on the Administration of Toll Roads.

Countermeasures: The Company will take active measures to tackle changes in industry policies, and, while setting toll-free green passages at all toll stations, boost the sense of responsibility and inspection skills of front-line toll collectors, and step up inspection over vehicles enjoying preferential tolls for using green passages. During toll-free periods on major festivals and holidays, the Company will establish and implement the mechanism concerning diversion and emergency response during peak traffic period, with a view to facilitating the traffic flows and decreasing the loss in income, as well as ensuring the smooth and safe traffic flows during the festivals and holidays and peak hours, and at the same time, analyze and study relevant industry policy adjustments, actively communicate with competent authorities to express the expectations of the Company and investors and propose reasonable working plans, endeavoring to safeguard the interest of the Company.

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

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

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

(4) Risks associated with expiry of franchise rights

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

Countermeasures: In response to the need for sustained development upon maturity of toll collection terms, the Company has formulated the "Twelfth Five-year" development plan, aiming for long-term development. The Company has preliminarily set up the distribution framework of "one core and two supports" three sectors, and will try to diversify the industry and policy risks through a diversified business, gradually increase the percentage of non-principal business in its revenues and profit, curb over-dependence on the principal business of toll roads, and gradually achieve upgrade of industrial structure and sustained development.

REPORT OF THE DIRECTORS

(5) Financial risks

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

Countermeasures: By implementing all-round budget management, the Company will strictly control expenditure of all costs, boost capital utilization efficiency and prevent the capital turnover risk through continuously optimizing the debt structure, recognize risks and make pertinent adjustment to the financing strategy through a timely grasp of the changes in the credit policy and the market environment, optimize debt structure, reduce finance costs and resolve capital supply and demand conflicts.

(6) Risks associated with business expansion

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

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

Qian Yong Xiang

Director and General Manager

Nanjing, the PRC

21 March 2014

REPORT OF THE DIRECTORS

III. Changes In the Accounting Policy and Accounting Estimates

1. Changes in Accounting Policy

The Group has early applied the Amendment to ASBE No.2-Long-term equity investment, Amendment to ASBE No.9-Employee benefits, Amendment to ASBE No.30-Presentation of financial statements, ASBE No.39-Fair value measurement, ASBE No.40-Joint arrangements and Amendment to ASBE No.33-Consolidated financial statements that have been issued by MOF from January to March 2014 in the financial statements.

According to the amendment to ASBE No. 2-Long-term equity investments, long-term equity investments no longer include the investment which has no joint control or great influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably. Meanwhile, the revised standard clarify the calculating method of cost method and equity method, as well as the accounting treatments on the following special situations: when the investor can exert control, joint control or significant influence over the investee because of reasons such as increasing investments; when the investor lose control, joint control or significant influence over the investee because of reasons such as partial disposal of equity investments; and when classifying the equity investments of associates or joint ventures into assets held for sale entirely or partially. In accordance with the above amendment, the management classifies the investments of the Group which has no joint control or significant influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably into available-for-sale financial assets, and the retroactive adjustments of the reclassification are conducted accordingly. The adoption of this standard has no significant impact on the financial statements of the Group according to the management of Company.

According to the management of the Company, the adoption of other accounting policy amendments in relation to Amendment to ASBE No.9-Employee benefits, Amendment to ASBE No.30-Presentation of financial statements, ASBE No.39-Fair value measurement, ASBE No.40-Joint arrangements and Amendment to ASBE No.33-Consolidated financial statements has no significant impact on the financial statements of the Group. The financial statements have made presentations and disclosures according to above standards. On 17 January 2014, the Ministry of Finance issued the "Interpretation No.6 to the Accounting Standards for Enterprises" (the "Interpretation"), which took effect upon publication. According to the management of the Company, the employment of the Interpretation has no significant impact on the financial position and operating results of the Group.

2. Changes in Accounting Estimates

According to the accounting policy of the Company's concession intangible asset, the concession intangible asset is amortized based on the proportion of cost and carrying value of the predicted aggregate standard traffic volume on each toll road during the operating period and concession intangible asset of toll roads to calculate the amortization per standard traffic volume ("unit amortization"), then the amortisation of concession intangible asset is calculated in accordance with the actual standard traffic volume and unit amortisation in each accounting period. Pursuant to the relevant regulations of the corporate accounting system, the Group will appoint an independent professional traffic consultant to study on the future traffic volume level when material difference exists between the predicted aggregate standard traffic volume and the actual traffic volume during the operation period, which is principally a difference of 20% (inclusive) between the predicted volume and the actual volume for 3 years in succession, and then adjust the amortisation unit in the subsequent year/period according to the revised predicted aggregate standard traffic volume, to ensure that the relative concession intangible assets can be fully amortised when the amortization period expires.

REPORT OF THE DIRECTORS

Based on the examination results of the traffic volume of each major toll road of the Group, material differences appeared in five roads, namely Jiangsu Section of Shanghai-Nanjing Expressway, Guangjing Expressway, Xicheng Expressway, Huning Section of G312 and Nanjing Section of Nanjing-Lianyungang Highway. In view of a long time interval between the previous prediction and the examination for the above roads, gradual optimisation of surrounding road networks and the differences of traffic volume tending to be stable, independent professional traffic consultant appointed by the Company completed a revised prediction on traffic volume of above roads for future operating periods and issued a report. The Company adjusted unit amortisation of concession intangible asset of above five roads since 1 October 2013, based on the revised predicted aggregate standard traffic volume for the future operating period. Such adjustment is changes in accounting estimates, which will be applied prospectively without retrospective adjustment.

The major influence of the changes in accounting estimates on the financial statement of the Group for the year 2013 and the items in the accounting statements of the Group for the year 2013 is as follows:

RMB'000

Influence in the items in the accounting statements	Consolidated financial statement	Financial statement of the Company
Decrease in intangible assets	15,029	18,209
Increase in operating costs	15,029	18,209
Decrease in tax payable	3,757	4,552
Decrease in income tax	3,757	4,552
Increase in the minority interests	358	0
Increase in the profit or loss attributable to minority interests	358	0
Decrease in the net profit attributable to the Company	11,630	13,657
Decrease in the net assets attributable to the Company	11,630	13,657

The changes in accounting estimates will influence the distribution of amortization of the franchise rights of the toll roads, the intangible assets of the Group in the future period to a certain extent, but in general it does not exert material influence to the financial status and operating results of the Group.

IV. Profit Distribution Policy and 2013 Profit Distribution Scheme

1. Profit Distribution Policy and Its Implementation

The Company's most important responsibility is to maintain stable long-term returns for our shareholders. The Company has established a long-term cash dividend mechanism and clarified in Article 18.8 of the Articles of Association: "The Company may distribute certain dividends by way of cash or bonus shares (or a combination of both) each year. The accumulative profits distribution in cash in the recent three years shall be no less than 30% of the average annual distributable profits in the same period." In 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 specified the particulars of the cash dividend policy in the Articles of Association, so as to further improve the decision-making procedure and mechanism for cash dividend distribution.

REPORT OF THE DIRECTORS

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. When the profit distribution plan is considered, 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.

The Company has been distributing cash dividends since its listing and the average dividend payout ratio is above 75%, providing investors opportunities to share the economic growth results of the Company.

2. 2013 Profit Distribution Scheme

In 2013, the Group realized an audited net profit attributable to the shareholders of the Company of approximately RMB2,707,743,000 and earnings per share of approximately RMB0.538. Based on the total share capital of the Company of 5,037,747,500 shares, the Board of the Company has proposed to pay cash dividends of RMB0.38 per share (tax inclusive) to all shareholders. The aforementioned profit distribution scheme proposed by the Board will be submitted for consideration and approval at the 2013 annual general meeting. The exact date and procedures for the payment of final dividends will be announced separately.

Cash dividends for the past three years:

	<i>RMB'000</i>		
Item	2013	2012	2011
Cash dividends per share (<i>RMB</i>) (tax inclusive)	0.38	0.36	0.36
Cash dividends	1,914,344	1,813,589	1,813,589
Net profit attributable to shareholders of the Company	2,707,743	2,333,345	2,429,750
Cash dividend payout ratio	70.70%	77.72%	74.64%

V. Performance of Social Responsibility

The Board of the Company has prepared the 2013 Corporate Social Responsibility Report to disclose the performance of social responsibility of the Company during the year. The contents include the efforts of the Company in respect of promoting the economy of the region and maintaining the legitimate rights and interests of lenders, consumers, staff, communities, and other stakeholders; and the measures taken by the Company in respect of environmental protection, energy conservation and emission reduction and realization of sustainable development. Full text of the 2013 Corporate Social Responsibility Report has been posted on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

SIGNIFICANT MATTERS

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

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

II. Appropriation of Funds by Related Parties

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

III. Bankruptcy and Restructuring

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

IV. Asset Transactions

1. Asset Acquisition

During the Reporting Period, the Company invested RMB1 billion to acquire 1.92% equity interests in the Bank of Jiangsu, acquired 5% equity interests in Ninghu Investment and contributed to Jiangsu GCL Gas Co., Ltd. as a promoter. Ninghu Investment, a subsidiary of the Company, initiated to establish Jiangsu Luode Equity Investment Fund Management Company Limited. Please refer to the section headed "Analysis on Investment" in Chapter IV REPORT OF THE DIRECTORS of this annual report for details regarding various project investment.

2. Assets Disposal

The third meeting of the seventh session of the Board held on 17 August 2012 considered and passed the resolution on the disposal of the Zhenjiang branch of Shanghai-Nanjing Expressway, which approved the disposal of the operating right of the toll roads along the 9.225km-long Zhenjiang Branch of Shanghai-Nanjing Expressway and the relevant property rights to Zhenjiang Transport Bureau. Please refer to the announcement of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 10 September 2012 for details of the transaction.

During the Reporting Period, the relevant approvals on the disposal of assets were from the provincial government and the provincial state-owned assets supervision and administration commission, and all procedures were completed. The Company confirmed the profit from the disposal of Zhenjiang branch of approximately RMB88,764,000 and included into the results of the first half of the year 2013.

V. Implementation of Share Incentive Scheme

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

SIGNIFICANT MATTERS

VI. Material Related Party/Connected Transactions

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

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

Related party/ connected person	Sale of products or provision of services to related party/connected person		Purchase of products or receipt of services from related party/ connected person	
	Transaction amount RMB'000	Percentage on transaction amount of the same type (%)	Transaction amount RMB'000	Percentage on transaction amount of the same type (%)
Jiangsu Sundian	1,690	16.68	50,957	63.97
Network Operation Company	4,460	44.04	28,701	36.03
Jiangsu Petroleum	3,979	39.28	—	—
Total	10,129	100	79,658	100

(1) Road Maintenance Service of Jiangsu Sundian

On 22 March 2013, the Company and its subsidiary, Guangjing Xicheng, entered into separate maintenance service contracts with Jiangsu Sundian, in respect of the repair and maintenance services of Shanghai-Nanjing Expressway, and Guangjing Expressway and Xicheng Expressway respectively, for a term commencing on 22 March 2013 and ending on 31 December 2013. The maximum contractual maintenance service fees of the two contracts were estimated to be no more than RMB30 million and RMB23 million, respectively.

Please refer to the announcement on continuing related party/connected transaction of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 23 March 2013 for details of the transaction. As at the end of the Reporting Period, the actual amount of the two contracts was RMB28,000,000 and RMB22,957,000, respectively.

(2) Technical Services Provided by Network Operation Company

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

Network Operation Company was jointly established by the Company's Controlling Shareholder, Communications Holdings, and its road and bridge subsidiaries. Communications Holdings is the largest shareholder directly and indirectly holding over 20.32% equity interests, while the Company and Guangjing Xicheng each holds approximately 3.62% equity interests in Network Operation Company, which is therefore a related party/connected person of the Company. Such transaction constituted a continuing related/connected transaction relating to the day-to-day operations of the Company.

SIGNIFICANT MATTERS

Please refer to the announcement on related party/connected transaction of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 30 December 2011 for details of the transaction. For the year of 2013, the Group paid in aggregate RMB28,701,000 of service fees to Network Operation Company.

(3) Leasing of Petroleum Products Sales Business

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

During the Reporting Period, Jiangsu Petroleum paid leasing fees to Guangjing Xicheng amounting to RMB3,979,000 in aggregate. As the leasing fees are less than 0.1% of the audited consolidated total assets of the Company as at 31 December 2012, the audited consolidated revenue for 2012 and market value of the Company at that time, the transaction was exempt from reporting, announcement and independent shareholder's approval requirements under Rule 14A.33(3) of the Hong Kong Listing Rules.

(4) Leasing of Offices

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

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

SIGNIFICANT MATTERS

(5) Network Operation Company increased its registered capital

During the Reporting Period, Network Operation Company, an associated enterprise in which the Company and Guangjing Xicheng each held 3.9% equity interests, had an increase in its registered capital due to the capital injection from new shareholders. The shareholdings of both the Company and Guangjing Xicheng decreased from 3.9% to approximately 3.62%.

The more complex structure of road network in Jiangsu province and the fast development of ETC requested better services to be provided by Network Operation Company. In order to improve the services and promote the development, Network Operation Company had a capital increase of RMB85 million from its respective shareholders based on the principle of same rights for the same shares. According to the percentage of shareholding, each of the Company and Guangjing Xicheng contributed RMB3,080,000. Network Operation Company is a related/connected person of the Company, therefore such capital increase constituted a related/connected transaction. As the capital contribution was less than 0.1% of the audited consolidated total assets of the Company as at 31 December 2012, the audited consolidated revenue for 2012 and the then market value of the Company, the capital contribution was exempt from reporting, announcement and independent shareholder's approval requirements under Rule 14A.33(3) of the Hong Kong Listing Rules.

2. Capital Dealings with Related/Connected Parties

Unit: RMB'000

Related Parties	Provide funding to related parties			Related parties provide funding to the Company		
	Opening balance	Amount	Closing balance	Opening balance	Amount	Closing balance
Far East Shipping	0	0	0	150,000	40,000	190,000
Group Finance Co., Ltd. (集團財務公司)	0	0	0	0	80,000	80,000
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>120,000</u>	<u>270,000</u>

(1) Entrusted loan from Far East Shipping

During the Reporting Period, the Company repaid a loan of RMB150,000,000 on due to, and continued to secure a loan of RMB190,000,000 from Far East Shipping, a related party, by way of entrusted loan with a term of one year at an annual interest rate of 6%. As the entrusted loan constitutes financial assistance which is provided on normal commercial terms and no security over the assets of the Company is granted in respect of the financial assistance, the transaction is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14.65(4) of the Hong Kong Listing Rules.

(2) Borrowings from Group Finance Co., Ltd.

In order to supplement the liquidity of Guangjing Xicheng, a controlling subsidiary of the Company, improve its capital efficiency and reduce its cost of funds, at the eighth meeting of the seventh session of the board of directors of the Company, it is resolved that Guangjing Xicheng to obtain the grant of a loan facility amounting to RMB300,000,000 from Group Finance Co., Ltd., a connected person of the Company with a term of 3 years, to be guaranteed by Guangjing Xicheng by way of credit guarantee. The first advance under the loan facility will be RMB80,000,000 with a term of 1 year and carry an interest rate equivalent to the prevailing bank benchmark interest rate at a discount of 5%. The interest rate will remain the same during the term of the loan, and remaining loan facility will be drawn down, within the total grant and the maturity, from time to time as necessary and when appropriate.

Please refer to the announcement on related party/connected transaction of the Company published on the websites of the SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk) on 9 July 2013 for details of the transaction.

SIGNIFICANT MATTERS

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

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

- (1) Such transactions were conducted in the ordinary 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 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 interests of the Company's shareholders as a whole.

4. Confirmation Opinion from the Auditor on Continuing Connected Transactions

Deloitte, having been advised that the continuing connected transactions would be disclosed in the 2013 annual report of the Company, has reviewed those related party/connected transactions and issued a letter to the Board to confirm that the related party/connected transactions:

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

SIGNIFICANT MATTERS

5. Related party transactions in Notes 7 and 12 to the Financial Statements of the Company for 2013

The related party transactions set out in Notes 7 and 12 to the Financial Statements of the Company for 2013 are in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules:

Note 7:

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

Related party	Type of related party transactions	Whether or not constituting connected transaction/ continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Kuailu Co., Ltd.	Goods sold	No (investee company of the Company)	Petrol fee	N/A
Kuailu Co., Ltd.	Service provided	No (investee company of the Company)	Toll road fee	N/A
Network Operation Company	Service provided	Continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (published an announcement on 30 December 2011)
Jiangsu Sundian	Service provided	Continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (published an announcement on 23 March 2013)
Nanlin Hotel	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Food and beverage and accommodation	Yes (exempt from the announcement requirement according to Rule 14A.33(3))
Far East Shipping	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of entrusted loan	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Group Finance Company	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Liquidity Loans' interest expense	Yes (exempt from the announcement requirement according to Rule 14A.65(4))

(2) Leases with related parties

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

SIGNIFICANT MATTERS

(3) Guarantees with related parties

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

(4) Borrowings/loans with related parties

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

(5) Compensation for key management personnel

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



SIGNIFICANT MATTERS

Note 12:

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

Related party	Type of related party transactions	Whether or not constituting connected transaction/ continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Kuailu Co., Ltd.	Goods sold	No (investee company of the Company)	Petrol fee	N/A
Kuailu Co., Ltd.	Service provided	No (investee company of the Company)	Toll road fee	N/A
Jiangsu Sundian	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (published an announcement on 23 March 2013)
Network Operation Company	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (published an announcement on 30 December 2011)
Guangjing Xicheng	Financing	No (85% subsidiary of the Company)	Interest expenses of entrusted loan	N/A
Far East Shipping	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of entrusted loan	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Ninghu Investment	Financing	No (wholly-owned subsidiary of the Company)	Interest expenses of entrusted loan	N/A
Ninghu Properties	Financing	No (wholly-owned subsidiary of the Company)	Interest income of entrusted loan	N/A
Nanlin Hotel	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Food and beverage and accommodation	Yes (exempt from the announcement requirement according to Rule 14A.33(3))

(2) Leases with related parties

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

SIGNIFICANT MATTERS

(3) Guarantees with related parties

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

(4) Borrowings/loans with related parties

Related party	Whether or not constituting a connected transaction/ continuing connected transaction (connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Borrowed from:		
Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Far East Shipping	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.65(4))
Guangjing Xicheng	No (a 85% owned subsidiary of the Company)	N/A
Borrowed to:		
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A
Ninghu Properties	No (wholly-owned subsidiary of the Company)	N/A

(5) Compensation for key management personnel

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

VII. Material Contracts and Their Fulfillment

1. Trust, Subcontracting and Leasing

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

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



SIGNIFICANT MATTERS

2. Guarantees

Ninghu Properties, a subsidiary of the Company provided guarantees with liabilities to banks for mortgage loans granted to commodity properties buyers according to the common practice of the property industry. The liabilities began from the date on which the guarantee contract comes into effect and will end on the date when the buyers complete the registration of mortgage for the purchased properties and the housing charge certificates of the properties are passed to the banks. As at 31 December 2013, the outstanding guarantees amounted to approximately RMB83,922,000 (31 December 2012: RMB11,242,000).

3. Other Material Contracts

During the Reporting Period, save for all the related party contracts disclosed above, the Company and its subsidiaries did not enter into any other material contract with or provide any loan to the Controlling Shareholder of the Company or its subsidiaries or related parties. Save for the contracts disclosed above, the Company did not enter into material service or management contract with any other individual, firm or body corporate.

VIII. Undertakings and Fulfillment of Undertakings

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

IX. Appointment of Auditors

The reappointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic auditor of the Company for 2013 was approved at the Company's 2012 Annual General Meeting. The audit fees amounted to RMB2,100,000 for the Year. Deloitte, a practicing certified public accountants firm approved by the Ministry of Finance and the CSRC to act as a reporting accountant and/or an auditor for Mainland incorporated companies listed in Hong Kong, was engaged to audit the financial statements of the Company for the fiscal year ended 31 December 2013 prepared under the PRC Accounting Standards and to undertake the duties required to be performed by international auditors in accordance with the Hong Kong Listing Rules.

Deloitte was also appointed as the internal control auditor of the Company for 2013 at the general meeting. The audit fee was RMB680,000.

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

X. Regulatory Sanctions and Rectification

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

XI. Charity Donation

The Group commits to perform its obligations as a corporate citizen by initially participating in social services and public benefit activities. A proposal related to matters of annual charity donation will be proposed at the annual Board meeting of the Company each year. In 2013, public donation contributed by the Company amounted to approximately RMB912,000, including poverty alleviation fund, education fund, charity fund and fund for justice and courage.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. Changes in Share Capital

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

Unit: Shares

	Prior to current movement		Current Movement (+,-) 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	46,908,745	0.93%	-23,916,600	22,992,145	0.46%
1. State-owned shares	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—
3. Other domestic shares	46,908,745	0.93%	-23,916,600	22,992,145	0.46%
Including: Domestic legal person shares	46,908,745	0.93%	-23,916,600	22,992,145	0.46%
Domestic natural person shares	—	—	—	—	—
4. Foreign shares	—	—	—	—	—
Including: Foreign legal person shares	—	—	—	—	—
Foreign natural person shares	—	—	—	—	—
II. Circulating shares not subject to selling restrictions	4,990,838,755	99.07%	23,916,600	5,014,755,355	99.54%
1. RMB-denominated ordinary shares	3,768,838,755	74.81%	23,916,600	3,792,755,355	75.28%
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%

1. Approval of changes in status of shares

During the Reporting Period, a total of 23,916,600 shares of the Company subject to selling restrictions satisfied relevant restriction-lifting conditions. The Company completed the formalities for the release of the restriction on circulation pursuant to the relevant requirements. The restriction was lifted and the right to trade and circulate the shares was granted on 6 November 2013 after an application for circulation was submitted by the Company to the State-owned Assets Supervision and Administration Commission of the Jiangsu Provincial Government, the SSE and the China Securities Depository and Clearing Corporation Limited Shanghai Branch for examination and approval.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

2. Changes in shares with selling restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares with released selling restrictions of the year	Increased number of shares with selling restrictions of the year	Balance of shares with selling restrictions at the end of the year	Reason for selling restrictions	Date of releasing selling restrictions
Domestic legal person shareholder	46,908,745	23,916,600	0	22,992,145	The procedures of listing and circulation have not been completed	6 November 2013
Total	46,908,745	23,916,600	0	22,992,145	—	—

As at the end of the Reporting Period, the Company has not completed the listing and circulation procedures for 22,992,145 shares which have satisfied the conditions for circulation. Pursuant to the conditions for circulation, such shares become eligible for listing and circulation only after the completion of the share re-registration and the considerations of such shares pre-paid by the major shareholder of the Company have been repaid. The Company will make the listing application for shareholders who have fulfilled the above-mentioned procedures every six months in accordance with the requirements of the SSE.

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

II. Issues and Listings of Shares and Bonds

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

5. Since 16 May 2007, the circulating shares with selling restrictions were listed and circulated in batches after the conditions for selling restrictions had been satisfied and the relevant formalities had been completed. The first batch totaling 103,260,554 shares, the second batch totaling 36,073,799 shares, the third batch totaling 11,819,527 shares, the fourth batch totaling 57,644,500 shares, the fifth batch totaling 14,087,700 shares, the sixth batch totaling 2,851,900 shares, the seventh batch totaling 4,827,000 shares, the eighth batch totaling 4,091,873 shares, the ninth batch totaling 3,331,637,902 shares, the tenth batch totaling 1,250,000 shares, the eleventh batch totaling 3,294,000 shares and the twelfth batch totaling 23,916,600 shares were circulated on 16 May 2007, 14 June 2007, 27 July 2007, 27 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011, 17 August 2012 and 6 November 2013, respectively. As at the end of the Reporting Period, the number of circulating A shares was increased to 3,792,755,355 shares, representing 75.28% of the Company's total share capital. The total number of shares has not been changed as a result of the circulation of shares.
6. The Company issued RMB1.1 billion corporate bonds via on-line and off-line from 28 July 2008 to 30 July 2008. The corporate bonds bore a coupon rate of 5.40% p.a. with a term of three years. The corporate bonds were listed on the SSE on 12 August 2008 with stock abbreviation "08 Ninghu bonds" and bond code "122010", and the principal and the interest thereon were paid back on 28 July 2011.

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

III. Major Shareholders

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

	At the end of 2013	At the end of the 5 trading days before disclosure of the annual report
Total number of shareholders	38,117	37,599

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

2. Shareholdings of Major Shareholders of the Company

(1) As at 31 December 2013, shareholdings of the top ten shareholders of the Company were as follows:

Name of shareholder	Change during the Reporting Period	Number of shares held at the end of the Reporting Period (shares)	Shareholding Percentage (%)	Number of share held subject to selling restrictions	Number of shares pledged or frozen	Type of shareholder
Jiangsu Communications Holdings Company Limited	0	2,742,578,825	54.44	0	Nil	State-owned legal person
China Merchants Huajian Highway Investment Co., Ltd.	0	589,059,077	11.69	0	Nil	State-owned legal person
Blackrock, Inc.	64,841,353	136,717,929	2.71	0	Unknown	Foreign legal person
Mondrian Investment Partners Limited	0	98,190,000	1.95	0	Unknown	Foreign legal person
Matthews International Capital Management, LLC	36,712,000	97,846,000	1.94	0	Unknown	Foreign legal person
Deutsche Bank Aktiengesellschaft	85,863,587	85,863,587	1.70	0	Unknown	Foreign legal person
JPMorgan Chase & Co.	15,431,747	77,286,851	1.53	0	Unknown	Foreign legal person
The Bank of New York Mellon Corporation	63,674,302	63,674,302	1.26	0	Unknown	Foreign legal person
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	Others
Guotai Junan Securities Co., Ltd.	0	18,198,391	0.36	0	Unknown	Others

Notes: About shareholdings of the top ten shareholders:

- (a) The Company is not aware of any of the above shareholders who are connected to each other or acting in concert;
- (b) During the Reporting Period, no connected persons, strategic investors or general legal persons became one of the top ten shareholders of the Company as a result of the placement of new shares;
- (c) The numbers of shares held by shareholders of foreign legal persons were based on register required to be maintained under the Securities and Futures Ordinance of Hong Kong.
- (d) The numbers of shares held by Deutsche Bank Aktiengesellschaft include 75,772,990 H shares and 10,090,597 A shares.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (2) As at 31 December 2013, the shareholdings of the top ten A shareholders not subject to selling restrictions were as follows:

Name of shareholder	Number of shares as at the end of the Reporting Period (shares)	Type of shares
Jiangsu Communications Holdings Company Limited	2,742,578,825	RMB-denominated ordinary shares
China Merchants Huajian Highway Investment Co., Ltd.	589,059,077	RMB-denominated ordinary shares
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	RMB-denominated ordinary shares
Guotai Junan Securities Co., Ltd.	18,198,391	RMB-denominated ordinary shares
International Finance - Chartered -GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	16,027,361	RMB-denominated ordinary shares
MERRILL LYNCH INTERNATIONAL	13,280,131	RMB-denominated ordinary shares
Gao Hua - HSBC - GOLDMAN, SACHS & CO.	13,229,679	RMB-denominated ordinary shares
China Pacific Life Insurance Co., Ltd - Tradition - Ordinary Insurance Product	11,163,580	RMB-denominated ordinary shares
China Life Insurance Company Limited (Taiwan) - Own Funds	10,809,162	RMB-denominated ordinary shares
DEUTSCHE BANK AKTIENGESELLSCHAFT	10,090,597	RMB-denominated ordinary shares

- (3) As at 31 December 2013, the shareholdings of shareholders subject to selling restrictions and their selling restrictions:

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading of shares subject to selling restrictions		Selling restrictions
			Listing and trading date	Number of additional listed and tradable shares	
1	Shareholders of other public legal person shares	22,992,145	16 May 2007	0	Note 1

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (4) As at 31 December 2013, as far as the Company is aware, the following persons held 5% or more of the interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

Name	Capacity	Direct interests	Number of H shares held	Percentage of H shares (total shares)
Jiangsu Communications Holdings Company Limited.	Others	Yes	2,742,578,825(L)	(54.44%)
China Merchants Group Limited/ China Merchants Huajian Highway Investment Co., Ltd ⁽¹⁾	Others	Yes	589,059,077(L)	(11.69%)
Blackrock, Inc.	Interest of controlled corporation	No	136,717,929(L)	11.19% (2.71%)
Mondrian Investment Partners Limited	Investment manager	No	98,190,000(L)	8.04% (1.95%)
Mathews International Capital Management, LLC	Investment manager	No	97,846,000(L)	8.01% (1.94%)
JPMorgan Chase & Co.	Interest of controlled corporation	No	77,286,851(L)	6.32% (1.5%)(L)
			4,695,530(S)	0.38% (0.09%)(S)
			55,026,291(P)	4.50% (1.09%)(P)
Deutsche Bank Aktiengesellschaft	Interest of controlled corporation	No	75,772,990(L)	6.20% (1.50%)(L)
			17,354,340(S)	1.42% (0.34%)(S)
The Bank of New York Mellon Corporation	Interest of controlled corporation	No	63,674,302(L)	5.21% (1.26%)(L)
			62,624,302(P)	5.12% (1.24%)(P)

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

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

Save as disclosed above, to the Company's best knowledge, as at 31 December 2013, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

3. Controlling Shareholder of the Company

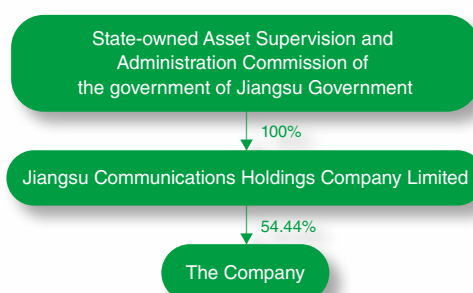
Jiangsu Communications Holdings Company Limited ("Communication Holdings"), the controlling shareholder of the Company, was established on 15 September 2000 by restructuring Jiangsu Communications Investment Corporation pursuant to Suzhengfu [2000] No. 132 "The Approval on the Establishment of Jiangsu Communications Holdings Company Limited of Jiangsu Provincial Government" (蘇政複[2000]132號《省政府關於成立江蘇交通控股有限公司的批覆》).

Name	Jiangsu Communications Holdings Company Limited
Legal representative	Yang Gen Lin
Date of establishment	15 September 2000
Organization Code	13476706-3
Registered capital	16.8 billion
Principal business or managing activities	The Company is engaged in the operation and management of State-owned assets; investment, construction, operation and management of transport infrastructure, transportation and other related sectors, collection of tolls from vehicles according to the relevant rules; and industrial investment and domestic trading within the scope of authorization of the provincial government.
Operating result	In 2013, the Controlling Shareholder achieved operating revenue of RMB40.8 billion, representing an increase of 6.8% as compared with the same period last year, and a net profit of approximately RMB4.9 billion, representing an increase of 3% as compared with the same period last year.
Financial position	As at the end of 2013, the total assets and net assets of the Controlling Shareholder amounted to approximately RMB208.4 billion and 65.5 billion.
Cash flow and future development strategy	In 2013, the net cash flow from operating activities of the Controlling Shareholders amounted to approximately RMB14.8 billion, representing an increase of 11% as compared with the same period last year. The overall development strategy of Communications Holdings during the "12th Five Year Plan" period include: to complete the investment in the major transportation infrastructure project in Jiangsu Province, press ahead with the transformation and upgrading of the enterprise, carry out four key strategies, namely "to drive the industry development through synergy, innovation, talents and brand", vigorously promote the principal business of road and bridge, accelerate the development in the financial and new energy industries, further explore in commercial property sector, so as to greatly enhance the risk resistance capacity, profitability and sustainable development capacity, and build the Company into a highly efficient investment and financing platform to bolster the modernization of Jiangsu's transportation infrastructures as well as the most competitive enterprise among peers in China.
Equity interests in other domestically and overseas listed companies which were controlled or invested by the Controlling Shareholder during the Reporting Period	The Controlling Shareholder did not have additional domestically and overseas listed companies which were controlled or invested by it during the Reporting Period.

* The aforesaid financial information is unaudited.

4. The De Facto Controller of the Company

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



CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

5. Other Major Shareholders

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

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

IV. Others

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

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

2. Pre-emption Rights

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

3. Public Float

According to public information and as far as the Directors are aware, the Board is of the view that the public float of the Company's shares as at 21 March 2014 (being the latest practicable date prior to the printing of this report) complies with the requirements of the Hong Kong Listing Rules.

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital x closing price of A Shares (RMB5.58)) was approximately RMB21.03 billion and the circulating market capitalization of H Shares of the Company (circulating H Share capital x closing price of H Shares (HK\$9.53)) was HK\$11.646 billion.

5. Shareholders' Waiver or Agreement on Dividend Arrangement

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. General Information

Name	Position with the Company	Gender	Age	Term of office	Whether holding or trading the shares of the Company
Yang Gen Lin	Chairman	M	61	From June 2012 to June 2015	No
Zhang Yang	Non-executive Director	F	50	From June 2012 to June 2015	No
Chen Xiang Hui	Non-executive Director	M	51	From June 2012 to June 2015	No
Du Wen Yi	Non-executive Director	M	51	From June 2012 to June 2015	No
Qian Yong Xiang	Executive Director, General Manager	M	50	From June 2012 to June 2015	No
Cheng Chang	Non-executive Director	F	82	From June 2012 to June 2015	No
Yung Tsung, Alice					
Fang Hung, Kenneth	Non-executive Director	M	76	From June 2012 to June 2015	No
Zhang Er Zhen	Independent Non-executive Director	M	61	From June 2012 to June 2015	No
Xu Chang Xin	Independent Non-executive Director	M	51	From June 2012 to June 2015	No
Gao Bo	Independent Non-executive Director	M	52	From June 2012 to June 2015	No
Chen Donghua	Independent Non-executive Director	M	39	From June 2012 to June 2015	No
Chang Qing	Chairman of the Supervisory Committee	M	51	From June 2012 to June 2015	No
Sun Hong Ning	Supervisor	M	53	From June 2012 to June 2015	No
Hu Yu	Supervisor	F	39	From June 2012 to June 2015	No
Yan Shi Min	Supervisor	M	60	From June 2012 to June 2015	No
Shao Li	Supervisor	F	36	From June 2012 to June 2015	No
Zhao Jia Jun	Deputy General Manager	M	47	From March 2013 to December 2015	No
Shang Hong	Deputy General Manager	F	51	From December 2010 to December 2015	No
Tian Yafei	Deputy General Manager	M	48	From August 2012 to August 2015	No
Yao Yongjia	Deputy General Manager, Secretary to the Board and Company Secretary in Hong Kong	M	50	From August 2012 to August 2015	No
Wu Wei Ping	Deputy Secretary of Party Committee	M	60	From August 2012 to August 2015	No
Li Jie	Assistant to General Manager	M	45	From August 2012 to August 2015	No
Yu Lai Ying	Financial Controller	F	43	From March 2013 to December 2015	No

Notes:

- During the Reporting Period, the Directors, supervisors and senior management of the Company (including their spouse or children and the company or trust holding 30% or more of shares) did not hold any shares, shares options and restricted shares of the Company.
- The Directors and senior management are not connected to each other.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. Biographies of Directors, Supervisors and Senior Management

◇ Directors

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

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

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

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

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

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

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

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

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

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

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

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

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

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

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

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

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

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

Born in 1975, is a professor and advisor for doctoral candidates. He is currently a professor and advisor for doctoral candidates at the Department of Accounting of School of Business of Nanjing University. He is concurrently serving as a member of the Academic Board of School of Business of Nanjing University, deputy head of Institute of Accounting and Finance of Nanjing University, director of the Professor Committee of Department of Accounting, deputy president of Young Scholars Association of Nanjing University, and deputy secretary general of Jiangsu Province Youth Federation. Mr. Chen obtained the doctor's degree from Shanghai University of Finance and Economics in 2003 and has conducted postdoctoral research at Center for Corporate Governance of Hong Kong University of Science and Technology thereafter. From 2000 to 2005, Mr. Chen was Assistant Professor and Associate Professor at the Faculty of Accounting of Shanghai University of Finance and Economics. He has been a professor, advisor for doctoral candidates and assistant to the director at the Accounting Department of the School of Business of Nanjing University since 2005. Mr. Chen has long been engaged in research in the accounting discipline and has been practicing accounting work. He is a senior accounting and finance expert in financial theories and has extensive management experience. Mr. Chen has been an independent director of the Company since 17 June 2009.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

◇ Supervisors

Mr. Chang Qing: Chairman of the Supervisory Committee

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

Mr. Sun Hong Ning: Supervisor

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

Ms. Hu Yu: Supervisor

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

Mr. Yan Shi Min: Supervisor from Staff Representative

Born in 1954, university graduate, Senior Political Worker. Mr. Yan worked for Jiangsu Canal Shipping Company (江蘇省運河航運公司) from 1976 to 1978, and was successively an officer, Deputy Head and Head of the Publicity Division of Jiangsu Canal Company from 1981 to 1992. Since 1992, Mr. Yan had been successively Deputy Director and Director at the Political Department of Jiangsu Port and Shipping Group Company. Since 1998, he had been successively Deputy Head of 312 Management Office of the Company, Deputy Director of Chinese Communist Party Committee Office and Deputy Director of Disciplinary Inspection Office, Deputy Director of the General Office of the Company, Head of the Changzhou Management Office and currently Chairman of the Company's union. Mr. Yan has been engaged in the transportation sector for a long time, possessing substantial theoretical knowledge and practical management experience. He has been a supervisor of the Company since 24 March 2008.

Ms. Shao Li: Supervisor from Staff Representative

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

◇ Senior Management

Mr. Zhao Jia Jun: Deputy General Manager

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

Ms. Shang Hong: Deputy General Manager

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

Mr. Tian Yafei: Deputy General Manager

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

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

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

Mr. Wu Wei Ping: Deputy Secretary of Party Committee

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

Mr. Li Jie: Assistant to General Manager

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Ms. Yu Lan Ying: Financial Controller

Born in 1971, has master degree in economics with credentials as a senior accountant and a certified public accountant. Ms. Yu joined the Company in May 2008. Prior to joining the Company, she has been the accountant of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司), Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) and Jiangsu Communications Holdings Company Limited. She has held various positions in the Company including Deputy Manager and Manager of the Finance and Accounting Department, and has been the Vice Financial Controller since 2008. Ms. Yu has been engaged in the financial management since she started working and has extensive experience in financial management.

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

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

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

V. Emoluments for the Year

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

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

- Two non-executive Directors and four independent Directors engaged by the Company received Directors' emoluments from the Company. Their salary levels were set with reference to the average salary levels in Hong Kong and in the mainland. The annual emolument paid to each of the two non-executive Directors in Hong Kong by the Company in 2013 amounted to HK\$300,000 (equivalent to approximately RMB236,452 at an exchange rate as at the end of the Reporting Period). The annual emolument for each of the four independent Directors in the Mainland was RMB60,000.
- Four non-executive Directors and three supervisors assigned by the shareholders' companies received remuneration from the shareholders' companies. The Company no longer determined or paid emoluments to such Directors or supervisors separately.
- One executive Director and two supervisors from staff representatives who took up management duties in the Company received management remunerations in line with the respective management positions that they took up in the Company. The Company no longer determined or paid emoluments to such Directors or supervisors separately.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

4. The senior management of the Company includes various deputy general managers, assistants to general managers and financial controller. They received their management remunerations in line with their respective positions. Their total remuneration comprised of three parts which were salary for the position, performance bonus, Company's contribution to their pension scheme and other benefits.

◇ **Details of remunerations of the Directors, supervisors and senior management during 2013**

RMB

Personnel	Remuneration of Directors or supervisors	Management remuneration	Total
Directors			
Yang Gen Lin	—	—	—
Zhang Yang	—	—	—
Chen Xiang Hui	—	—	—
Du Wen Yi	—	—	—
Qian Yong Xiang	—	538,958	538,958
Cheng Chang Yung Tsung, Alice	236,452	—	236,452
Fang Hung, Kenneth	236,452	—	236,452
Independent Directors			
Zhang Er Zhen	60,000	—	60,000
Xu Chang Xin	60,000	—	60,000
Gao Bo	60,000	—	60,000
Chen Dong Hua	60,000	—	60,000
Supervisors			
Chang Qing	—	—	—
Sun Hong Ning	—	—	—
Hu Yu	—	—	—
Yan Shi Min	—	323,375	323,375
Shao Li	—	323,375	323,375
Senior management			
Zhao Jia Jun	—	431,167	431,167
Shang Hong	—	408,710	408,710
Tian Yafei	—	399,727	399,727
Yao Yong Jia	—	399,727	399,727
Wu Wei Ping	—	377,271	377,271
Li Jie	—	377,271	377,271
Yu Lan Ying	—	359,306	359,206
Total	712,904	3,938,887	4,651,791

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. Changes in Directors, Supervisors, Senior Management

During the Reporting Period, Mr. Zhao Jia Jun was reappointed as the Deputy General Manager of the Company at the Fifth Meeting of the Seventh Session of the Board of the Company. Ms. Yu Lan Ying was appointed as the Financial Controller of the Company at the Sixth Meeting of the Seventh Session of the Board of the Company.

Pursuant to the relevant requirements of the Hong Kong Stock Exchange, Mr. Yao Yong Jia (“Mr. Yao”), Secretary to the Board of the Company and Ms. Lee Wai Fun, Betty (“Ms. Lee”), a member of the Hong Kong Institute of Secretaries were appointed as the Joint Company Secretaries in Hong Kong. As Mr. Yao has met the relevant qualifications of the Company Secretary in Hong Kong, Ms. Lee resigned as the Company Secretary and Mr. Yao has held the position alone since 26 April 2013.

VII. Other Information of Directors, Supervisors and Senior Management

1. Directors’ and supervisors’ contracts

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

2. Interests of Directors and supervisors in contracts

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

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

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

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

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

5. Model code for securities transactions by Directors

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

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

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

7. Training of Directors, supervisors and senior management

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

VIII. Human Resources Management

1. Human Resources Management System

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



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

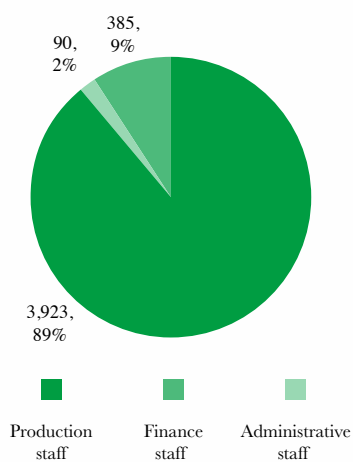
2. Staffing Situations

Number of on-the-job staffs in the Company	3,696
Number of on-the-job staffs in major subsidiaries	702
Total number of on-the-job staffs	4,398
Number of retired staffs for whom the Company and the major subsidiaries need to bear certain expenses	Nil

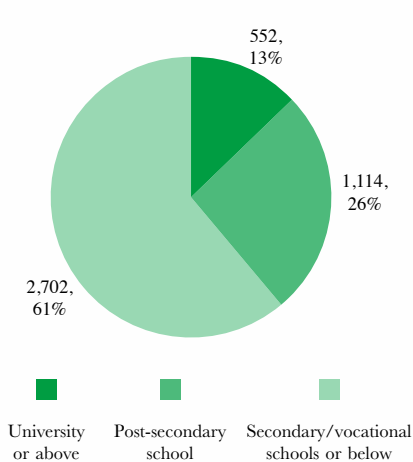
Type of profession	Number	Percentage
Production staff	3,923	89.22%
Finance staff	90	2.05%
Administrative staff	385	8.73%

Education level	Number	Percentage
University or above	552	12.53%
Post-secondary school	1,144	26.02%
Secondary/vocational schools or below	2,702	61.45%

Staff composition by type of profession



Staff composition by education level



The Company had a total of 359 employees, including core managerial personnel such as administrative staff and finance staff and those in key positions, which were assigned to major management posts at all business levels. Given the characteristics of the industry, and the scientific and reasonable post setting and remuneration system of the Company, the core managerial team and personnel in key management positions were highly stable, so that the stability of business operation and continuity of management models of the Company could be guaranteed.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

3. Staff Salary Policy and Performance Appraisal

The Company adopts a position-based salary system with performance being a motivating factor. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff, with reference to the principle of “Salary by Position, Award by Performance”, thereby raising the fairness and competitiveness of the salary system. In 2013, the Company further reformed its remuneration system and commissioned a professional institution to assess and advise on the Company’s wage band system and competency benchmark for positions, with a view to better motivate staff and widen the career paths of employees.

The Company enforced a stringent performance appraisal system. Based on the Company’s management methods and implementation rules for the Company’s performance appraisal, the Company conducted regular appraisals on the working performance of staff. It rewarded those who passed the appraisals according to the objectives for performance management while it imposed corresponding punishments and gave warning to those who failed to achieve the appraisal standards, thereby raising staff’s sense of responsibility toward their respective duties and ensuring the realization of respective operations management objectives. Every year, the Company selects a group of outstanding staff, exemplary toll collection staff and exemplary service staff. Spiritual and material rewards are granted to commend such staff for their excellence and to motivate the work passion of other staff. In 2013, the Company further improved the performance assessment and incentive mechanism for front-line workers. Through the rating of “star” toll collectors and the level certification of maintenance and hindrance clearance workers, front-line workers’ sense of responsibility and work enthusiasm were significantly boosted.

4. Staff Education, Training and Career Development

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

In 2013, the Company provided different levels of training encompassing different professional skills, such as the training for internal trainers, training courses to improve the execution of the management and the writing skills of press releases, training for internal standard inspection and team building, etc., which were significantly conducive to the enhancement of the professionalism of managerial staff and adaptability of transferred employees for their new posts. Total expense on these training programs for the whole year amounted to approximately RMB2,897,000 (2012: RMB3,196,000), covering 7,123 persons (2012: 6,162 persons) and involving all staff of various levels, from junior front-line staff to senior management members.

Meanwhile, the Company also worked to provide more posts for which employees could compete. With specific requirements for diplomas and qualifications, the recruitment was open to all staff and served as a platform on which qualified ordinary workers could compete for the posts. This internal recruitment was carried out by way of open competition, and was appreciated by staff.

CORPORATE GOVERNANCE REPORT

I. Corporate Governance

1. Progress of governance during the Year

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

During the Reporting Period, the Company created the internal environment in favour of value management through optimizing the corporate governance structure, continuously improved the management and control system formed by shareholders, Directors and operators, defined the responsibilities and obligations of all parties, and guaranteed the effectiveness of corporate governance through standardizing and implementing the “three-meeting” decision-making mechanism (「三會」決策機制). Pursuant to laws, regulations and governance rules, the general meetings, the Board, and each special committee and supervisory committee performed their own duties, coordinated with each other and balanced effectively to consistently improve the management level and decision efficiency. In addition, the Company continuously improved its governance on the basis of understanding the advanced ideas and innovative practices in respect of governance of other listed companies through horizontal comparison, seeking areas that the Company needs to improve and enhance through comparisons, as well as learning from others' strength to offset its own weakness and for continuous improvement

In 2013, pursuant to the requirements of the Hong Kong Stock Exchange, the Company formulated the Board Diversity Policy and amended Rules of Procedure of the Nomination Committee, which provided foundations for the diversity ratio of the members of the Board. As a result, it brought about more rational decision-making and effective operation of the Board and achieved a high standard of corporate governance.

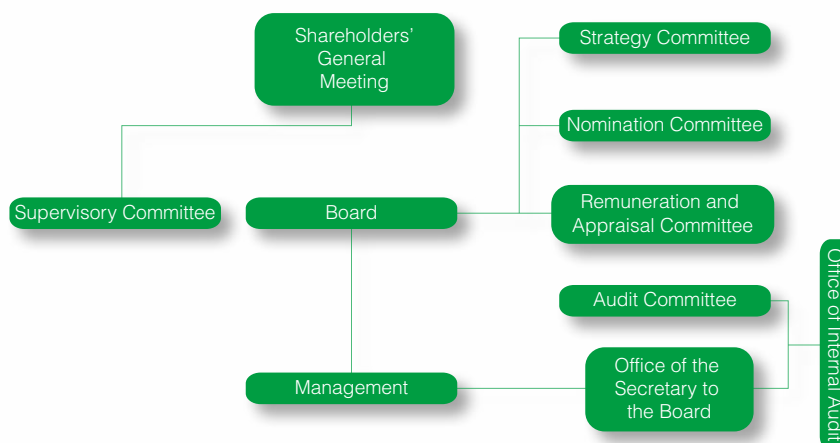
With respect to the management of inside information, the Company placed emphasis on enhancing the awareness of the Directors, supervisors and senior management staff of the Company of legal compliance, and resolutely put an end to the trading in the shares of the Company with the use of inside information. The Company has strictly executed the “Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees” and the “Management System Governing Personnel Having Access to Inside Information” to regulate the behaviors of relevant insiders in dealing in the shares of the Company and prevent them from abusing the right to information, leaking inside information or conducting insider trading to safeguard the interests of the Company and the principle of fairness for information disclosure. The Company has never found itself in situations of abnormal share price fluctuations or insider trading as a result of information leakage.

During the Reporting Period, the actual situation of the Company's corporate governance did not deviate significantly from the requirements of the “Code of Corporate Governance for Listed Companies”, and the Company has fully adopted all the provisions of the “Corporate Governance Code”, and met the requirements of the recommended best practices in certain aspects. None of the Company, the Board, the Supervisory Committee and the Directors, the supervisors and the senior management members of the Company was subject to administrative penalty, criticisms through the circulation of a public notice or other public reprimand by the regulatory authorities. In November 2013, the Company was chosen in the “List of Reputation of Chinese Listed Companies for Year 2013” assessment organized by National Business Daily and won the “Listed Company with the Best Shareholder's Returns” (最佳股東回報上市公司).

CORPORATE GOVERNANCE REPORT

II. Corporate Governance Structure and Operation Overview

1. Corporate Governance Structure and Rules

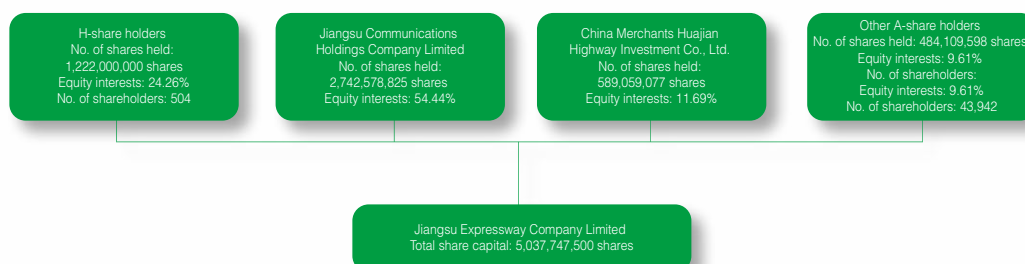


The Company is listed both on the SSE and the Stock Exchange. In addition to the compliance with applicable laws and regulations, the Company is also required to comply with the requirements of the “Code of Corporate Governance for Listed Companies” of the CSRC, the “Corporate Governance Code” set out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

2. Shareholders and General meetings

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

(1) Substantial Shareholders



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

CORPORATE GOVERNANCE REPORT

(2) Independence from the Controlling Shareholder

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

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

(3) Shareholders’ General Meetings

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

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

CORPORATE GOVERNANCE REPORT

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

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

Session of the meeting	Convening date	Resolutions	Disclosure date
2012 Annual General Meeting	7 June 2013	<ul style="list-style-type: none"> — Consideration and approval of the report of the Directors, the report of the supervisory committee, the annual budget report and the auditors' report of the Company for the year 2012 — Consideration and approval of the profit distribution scheme of the Company in respect of the final dividend for the year 2012 — Appointment of the Company's auditors and the auditors of internal control for the Year; — Consideration and approval of the issue of the short-term commercial papers of not more than RMB3,000,000,000 	7 June 2013
2013 First Extraordinary General Meeting	25 October 2013	<ul style="list-style-type: none"> — Consideration and approval of the issuance of non-public debt financing instruments with size not more than RMB3,000,000,000 for a term of not more than 3 years by the Company 	25 October 2013
2013 Second Extraordinary General Meeting	20 December 2013	<ul style="list-style-type: none"> — Consideration and approval of issuance of ultra short-term financing instruments (超短融) with total amount not more than RMB5,000,000,000 for a term of not more than 270 days by the Company 	20 December 2013

3. Directors and the Board

(1) Members and Operation of the Board

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

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

CORPORATE GOVERNANCE REPORT

In 2013, the Board held seven meetings, among which six were physical meetings and one was voting by way of correspondence. By way of holding regular meetings, extraordinary meetings, signing Board resolutions or authorizations, the Board discussed and made decisions as to the operating and financial performance, financing plans, investment projects, connected transactions and governance structure of the Group. This has ensured the realization of the Company's best interests in its operation, management and development.

(2) Independent Non-Executive Directors

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

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

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

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

CORPORATE GOVERNANCE REPORT

(3) Specialised Committees of the Board

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

Strategy Committee

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

* Independent non-executive Director

Duties

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

Major work during the Year

Report on Discharge of Duties in 2013 by the Strategy Committee

Pursuant to the relevant requirement of the "Code of Corporate Governance for Listed Companies", Rules Governing the Listing of Stocks on The Shanghai Stock Exchange, Articles of Association and the Rules of Procedure of the Nomination Committee of Jiangsu Expressway Company Limited of the Company, as the existing members of the Strategy Committee of the Company, we hereby make the report on 2013 working conditions to the Board as follows:

The Strategy Committee held three meetings in 2013 and all members attended the meetings.

The first meeting was 2012 annual meeting of the Strategy Committee of the Board for discussion of the overall debt and financing plan in 2013. At this meeting, according to the current debt structure and capital expenditure plan, the committee suggested that the overall debt-to-equity ratio be controlled within 40% so as to control debt risks and ensure assets security of the Company. In respect of capital raising by way of debts, the committee has agreed to the financing plan on the issue of short-term commercial papers of not more than RMB3 billion proposed by the Company, and such plan was submitted to the Board for consideration.

At the second meeting, the committee considered the Company's participation in the share capital enlargement of the Bank of Jiangsu and appointed Mr. Yang Gen Lin and Mr. Qian Yong Xiang, Directors of the Company, to handle the following relevant matters. Such plan was submitted to the Board for consideration.

CORPORATE GOVERNANCE REPORT

At the third meeting, the committee approved the Company's waiver of the share capital enlargement of Sujiayong Company, the participation of the Company and its subsidiary Jiangsu Guangjing Xicheng Company in the share capital enlargement of Network Operation Company, the Company's acquisition of the 5% equity of Ninghu Investment held by Suzhou Investment, the Company's establishment of a joint venture with Jiangsu GCL Gas, and such plans were submitted to the Board for consideration.

The Strategy Committee

**Yang Gen Lin, Cheng Chang Yung Tsung, Alice , Chen Xiang Hui,
Qian Yong Xiang and Zhang Er Zhen***

21 March 2014

Audit Committee

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

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

Duties

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

Major work during the Year

Report on Discharge of Duties in 2013 by the Audit Committee

Pursuant to the relevant requirements under the Guideline for the Operation of Audit Committees of Boards of Directors of Listed Companies of the SSE (《上海證券交易所上市公司董事會審計委員會運作指引》), the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), Articles of Association and the Rules of Procedures of the Audit Committee of Jiangsu Expressway Company Limited, we, as existing members of the Audit Committee of the Company, hereby represent the report on our discharge of duties in 2013 to the Board:

I. Convention of Audit Committee Meetings in the Year

In 2013, the Audit Committee held six meetings, including four meetings in relation to periodic reports and one meeting to discuss the preparation of 2013 annual results audit of the Group and to consider the Measures on Implementation of Procurement Audit of the Company (公司物資採購審計實施辦法) and the Measures on Implement of Follow-up Audit on engineering projects of the Company (公司工程項目全過程跟蹤審計實施方案). All members attended the meetings and performed their job duties.

CORPORATE GOVERNANCE REPORT

II. Major Works of Audit Committee in 2013

The Committee supervised and evaluated the works carried out by external auditor, provided guidance in respect of internal auditing, assessed the effectiveness of internal control as well as took the responsibility for the review and supervision of the quality and procedures of the Company's financial reporting. The specific work of the committee includes the following:

- ◆ It reviewed the 2012 financial statements and the unaudited financial statements for the first quarter, first half year and third quarter of 2013 and made recommendations to the Board for approval.
- ◆ It reviewed matters related to the preparation of financial reports such as the internal control system, post establishments, manpower allocation and training courses of the Company. The committee considered that the resources and participation of the Company and the qualifications and experience of relevant staff members, as far as the accounting and financial reporting functions are concerned, were satisfactory during the Reporting Period.
- ◆ Before the commencement of the annual audit for 2013, the members of the committee and the independent Directors of the Company have obtained the Work Plan on Preparation of Annual Financial Report and Annual Audit from the Company and the annual audit plan from the auditors, and met with the auditor to discuss the composition of the audit team, risk analysis, scope of audit, audit methodology, focus of audit for the Year and the schedule for the annual audit.
- ◆ Before the commencement of the annual audit for 2013, the Audit Committee preliminarily reviewed the Group's 2013 financial statements and issued its opinions in writing. The committee paid special attention to the treatment of significant financial and accounting matters for the year 2013 and gave preliminary approval to the management's opinions on treatment of such matters. It held the opinion that significant accounting estimates adopted by the Group were reasonable.
- ◆ After the auditors issued the preliminary audit opinion, the Audit Committee, the independent Directors and the auditors held a meeting on 21 March 2014. The committee reviewed again the 2013 financial statements of the Group and had in-depth discussion and communication with the management and the auditors over the appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates. The Audit Committee held the opinion that the accounting policies and accounting estimates adopted by the Group for 2013 met the requirements of relevant accounting standards, the significant accounting policies adopted were appropriate and the significant accounting estimates were reasonable.
- ◆ It reviewed the internal review report on 2013 annual report and the relevant review checklist submitted by the finance and accounting department of the Company, and examined the 2013 annual report in terms of the compliance with statutory disclosure rules and completeness and accuracy of the information disclosed. It also examined the compliance with corporate governance rules and the compliance of the corporate governance report disclosure of the Company in 2013.

CORPORATE GOVERNANCE REPORT

- ◆ Through adequate communication in advance and timely supervision during the process, the auditors completed the annual audit as scheduled and submitted the 2013 audit report on 14 March 2014. Based on the aforementioned work and the audit report of the auditors, the Audit Committee held the opinion that the Group's 2013 financial statements truthfully and reasonably reflect the Group's operating results in 2013 and the financial position as at 31 December 2013, and thus suggested the Board to approve the same.
- ◆ It is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control system, and the review covers the control of all key areas, including financial control, operation control, compliance control and risk management. The Audit Committee reviewed the 2013 Evaluation Report on Internal Control of the Company and assisted the Board in making independent assessment on the effectiveness of the Group's internal control to ensure the establishment and implementation by the Group of appropriate internal control systems and procedures.
- ◆ As required by the internal control evaluation process, the committee considered and approved the Work Plan for 2013 Self-evaluation on Internal Control of the Company and Work Plan for 2014 Internal Audit of the Company. The committee kept itself informed of the progress of the construction and evaluation tasks of the Company's internal control and the key deficiencies found during internal control testing and the correction thereof through regular work overview and reporting of the Office of the Secretary to the Board. In particular, the Audit Committee thoroughly reviewed the draft of internal control process test for the preparation of financial statements.

III. Control and Routine Management of Connected/Related Transaction

According to the requirements of Implementation Guidelines for Connected Transactions of Listed Companies of the SSE (《上海證券交易所上市公司關聯交易實施指引》) and Listing Rules of The Hong Kong Stock Exchange and subject to the approval of the Board, the committee also undertook the duties relating to the control and routine management of connected/related transaction of the Company. With knowledge on the procedures for identifying and approving connected/related transactions, the committee reviewed the List of Connected Persons/Related Parties (《關聯人／關連人清單》) of the Company during the Year.

IV. Risk Management and Anti-fraud Efforts

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

The Audit Committee has had a separate complaint mailbox for collecting any fraud-related information in a timely manner, and reached a cooperation memorandum with disciplinary inspection department of the Company on this basis. In 2013, the Audit Committee provided guidance for and supervision on the anti-fraud activities of the Company in accordance with the Anti-fraud Management Measures of the Company. It exchanged opinions with the auditors on risks of fraud and their management and control measures, understood the suggestions on internal control made by both the auditors and the audit department of the Company and the feedback and the progress of rectification reported by the management, and reviewed the significant accounting policies and accounting estimates adopted by the management. Based on the work as mentioned above, the Audit Committee considered that the Company's fraud risk management and control were effective.

CORPORATE GOVERNANCE REPORT

V. Work Evaluation and Re-appointment of Auditors

In 2013, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (the "Deloitte") to audit the annual financial statements and internal control, and to undertake the duties as the Company's auditor as required under the Listing Rules of the Stock Exchange.

In accordance with the requirement of the Company, the Audit Committee made a conclusion on the audit work of Deloitte for the year 2013 after discussion and assessment with the management. The Committee held the opinion that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of the disclosure and audit of financial information and the communication with the management, the Audit committee and the Board. Therefore, the Audit Committee proposed that the Company re-appoint Deloitte as the Company's auditor for the year 2014 to conduct a consolidated audit on the annual financial statements and internal control, and to undertake the duties as the Company's auditor as required under the Listing Rules of the Stock Exchange.

Audit Committee

Chen Dong Hua, Du Wen Yi, Zhang Er Zhen

21 March 2014

Nomination Committee

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

* Independent non-executive Director

Duties

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

Major work during the Year

Report on Discharge of Duties in 2013 by the Nomination Committee

Pursuant to the relevant requirements under the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), Articles of Association and the Rules of Procedures of the Nomination Committee of Jiangsu Expressway Company Limited, we, as existing members of the Nomination Committee of the Company, hereby present the report on our discharge of duties in 2013 to the Board:

The committee was mainly responsible for formulation of the human resources development strategy and plan of the Company as well as examining and making recommendations on the candidates, selection standard and procedures of directors and senior management of the Company. It is also accountable to the Board.

The Nomination Committee held two meetings in 2013 where all members attended.

The Nomination Committee has carried out the relevant nomination procedures in respect of the election of candidates for the financial controller.

CORPORATE GOVERNANCE REPORT

As required by the Hong Kong Stock Exchange, the resolution in relation to the amendments to the terms of Rules of Procedure of the Nomination Committee of Jiangsu Expressway Company Limited was passed by the Nomination Committee.

Nomination Committee

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

21 March 2014

Remuneration and Appraisal Committee

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

* Independent non-executive Director

Duties

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

Major work during the Year

Report on Discharge of Duties in 2013 by the Remuneration and Appraisal Committee

Pursuant to the relevant requirements under the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Articles of Association and the Rules of Procedures of the Nomination Committee of Jiangsu Expressway Company Limited, we, as existing members of the Remuneration and Appraisal Committee of the Company, hereby present the report on our works in 2013 to the Board:

The Remuneration and Appraisal Committee is mainly responsible for studying and formulating the remuneration policy and the incentive system of the Company, as well as responsible for formulating the appraisal standards of the Directors and senior management. The Committee is responsible for the Board.

The Remuneration and Appraisal Committee held two meeting in 2013 where all members attended. Major works included:

The committee has confirmed the independence of the independent Directors.

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

CORPORATE GOVERNANCE REPORT

The committee has appraised and assessed the discharge of duties by the Directors and the management during 2013. The committee is of the view that all Directors have loyally fulfilled their obligations with integrity and diligence and have dutifully fulfilled and discharged their duties under their respective service contracts, and that they have devoted the necessary attention and adequate time to the Company's businesses and have brought their professional experience and expertise into full play, thus helping the Board to make decisions in a scientific and efficient manner and assuring the realisation of the Company's best interests. The management of the Company has discharged its duty professionally and conscientiously and has satisfactorily achieved the Company's various operation and management objectives for the Year which had been pre-set by the Board in early 2013.

At the meeting held by the Remuneration and Appraisal Committee at the end of 2013, the Committee appraised the remuneration of the management of the Company and updated their knowledge of the overall remuneration level and appraisal system of other similar listed companies all over the country. It proposed that as the current operation of the Company is becoming more diversified, and that the management of the Company should research on the current remuneration system and the development strategy of the Company with reference to the remuneration level of professional personnel in market.

Remuneration and Appraisal Committee

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

21 March 2014

4. Supervisors and Supervisory Committee

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

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

In 2013, the Supervisory Committee held four meetings, and all supervisors sat in on each Board meeting. In accordance with the Company Law, the Listing Rules and other relevant regulations as well as the Articles of Association and the Rules of Procedure for the Supervisory Committee and by observance of the principle of integrity, all members of the Supervisory Committee have faithfully discharged their duties. It examined the signing of written resolutions of the Board, exercised effective supervision on the legality of the decision-making process of the Company, the implementation of the resolutions passed at the shareholders' general meetings by the Board, and the performance of duties by the Directors and management of Company, and alerted the Board and the management of the Company of any potential risks. Based on the above supervision, the Supervisory Committee is of the opinion that the Company has operated in strict accordance with relevant laws and regulations and that the Directors and senior management of the Company have discharged their duties in an earnest manner and from the perspective of safeguarding the interests of the shareholders and the Company. There was no violation of laws and regulations, nor was there any abuse of power or any act detrimental to the interests of the Company, its shareholders and employees. The Company's internal control system and its implementation were basically sound and effective and no risk or major weaknesses were found existing in the operation and management of the Company.



CORPORATE GOVERNANCE REPORT

5. The Management

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

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

III. Corporate Governance Report

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 substantially all the code provisions set out in the new Corporate Governance Code and strove to comply with the recommended best practices and that no material deviation or breach was found. The detailed review and description of the compliance are set out below.

A. Directors

A1. The Board

Code Principle

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

The best corporate governance status

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

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A1.1 Regular Board meetings should be held at least four times a year, approximately once every quarter. Directors should attend in person or actively getting involved through electronic means of communications. A regular Board meeting does not include obtaining Board consent through circulating written resolutions	Yes	<ul style="list-style-type: none"> • In 2013, the Company held seven Board meetings, including six physical meetings where Directors attended in person and one extraordinary meeting where votes were casted by way of correspondence. • Each of the regular Board meetings was participated by the majority of Directors who were entitled to attend, either in person or appointing another Director to vote on his/her behalf. The attendance complied with the provisions of the Articles of Association. The extraordinary meeting was approved by the Board by way of circulation of written resolutions. Details of attendance of 2013 Board meetings are listed in the table below.
A1.2 All directors are given an opportunity to include matters in the agenda for regular Board meetings	Yes	<ul style="list-style-type: none"> • All Directors were given an opportunity to include matters in the agenda for regular Board meetings but such a right was not exercised in the Year.
A1.3 Notice of at least 14 days should be given of a regular Board meeting	Yes	<ul style="list-style-type: none"> • Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of extraordinary Board meeting was also given within a reasonable time before the meeting to ensure that all Directors were given an opportunity to attend.
A1.4 Minutes of meetings should be kept by the secretary to the Board and available for inspection by any director at any reasonable time	Yes	<ul style="list-style-type: none"> • Secretary to the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Board and Board committees which were available for inspection by any Director at any reasonable time.
A1.5 Minutes of meetings should record in sufficient details the matters considered by directors and decisions reached at meetings; and the drafted and finalized minutes of the meetings shall be delivered to all Directors in a reasonable period.	Yes	<ul style="list-style-type: none"> • The minutes of meetings reflected objectively the consideration, voting and opinions given by the Directors in detail and were duly signed by Directors attending the meetings.



CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A1.6 Directors could seek independent advice under an agreed procedure at the Company's expense	Yes	<ul style="list-style-type: none"> In respect of matters that require advice to be sought from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of the Directors at the Company's expense. For the project concerning the participation of Guangjing Xicheng in the capital increase of Yanjiang Company in the Year, the Company appointed independent advisory agencies to issue independent opinions in accordance with the requirements, providing professional advice to the Directors for their decision.
A1.7 If a substantial shareholder or a Director has a conflict of interest in a material matter, the company shall convene a Board meeting (shall not be handled through written resolution) in due course and the relevant connected directors shall abstain from voting	Yes	<ul style="list-style-type: none"> The Company has made it clear that, if a substantial shareholder or a Director has a conflict of interest in any material matter, the connected Director must abstain from voting when a Board meeting is held. The relevant matter shall not be dealt with by way of circulation of written resolutions or by a Board committee. During the Reporting Period, all connected Directors have abstained from voting in respect of the relevant resolutions on the connected/related-party transactions such as the entering into road maintenance contracts and the entering into loan agreement between holding subsidiaries and connected parties. The number of other non-connected Directors and independent non-executive Directors who had voted complied with the statutory quorum requirements.
A1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors	Yes	<ul style="list-style-type: none"> During the Reporting Period, the Company have arranged liabilities insurance for its Directors, supervisors and senior management members to offer protection in respect of their performance of duties pursuant to the requirements of the Listing Rules of the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE REPORT

Meeting attendance of the Directors in 2013

Name of Director	Required attendance at the Board for the Year	Attendance in person	Attendance by proxy	Voting by way of correspondence	Absences	Failure to attend meetings in person for two consecutive time	Attendance of general meetings
Yang Gen Lin	7	6	1	1	0	No	3
Cheng Xianghui	7	7	0	1	0	No	3
Du Wen Yi	7	7	0	1	0	No	3
Zhang Yang	7	6	1	1	0	No	3
Qian Yong Xiang	7	7	0	1	0	No	3
Cheng Chang Yung							
Tsung, Alice	7	4	2	1	1	No	3
Fang Hung, Kenneth	7	6	1	1	0	No	3
Xu Chang Xin	7	5	2	1	0	No	3
Gao Bo	7	7	0	1	0	No	3
Zhang Er Zhen	7	7	0	1	0	No	3
Chen Dong Hua	7	6	1	1	0	No	3

A2. Chairman and Chief Executive Officer

Code Principle

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

The best corporate governance status

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



CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A2.1 The roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities should be clearly established and set out in writing	Yes	<ul style="list-style-type: none"> • Mr. Yang Gen Lin assumed the position as the Chairman of the seventh session of the Board and Mr. Qian Yong Xiang held the position as the Managing Director of the Company. The Chairman concentrated his work on the Group's development strategies and matters of the Board, while the Managing Director undertook the duties of chief executive officer and was in charge of the coordination and management of the business and operations of the Group, the implementation of the strategies set by the Board and day-to-day decision-making under the support and assistance of the Board and other senior management staff of the Company. The separation of the roles is explained in detail in the Articles of Association, the Rules of Procedure for the Board of Directors and the Rules of Reference to General Manager. • There was no relationship existing between the Chairman and the General Manager, including financial, operational, family or other relevant relations.
A2.2 The chairman should ensure that all directors are properly briefed on issues arising at Board meetings	Yes	<ul style="list-style-type: none"> • The Board has established a reporting system in which at each regular meeting, the General Manager reports to each Director the most updated status of the Company, at least four times per year. The Chairman also tables, for decision making, any material matters of the Group to the Board for collective discussion by the Directors at the meeting.
A2.3 The chairman should ensure that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable	Yes	<ul style="list-style-type: none"> • The Chairman has appointed the Secretary to the Board who shall provide timely information regarding the performance of the Board's obligations, commit to continuously improving the quality and timeliness of the information as well as assuming the obligations to ensure the accuracy and completeness of the information provided.
A2.4 The chairman should ensure that the Board works effectively, and be primarily responsible for drawing up the agenda for and any matters to be considered at each Board meeting	Yes	<ul style="list-style-type: none"> • The agendas of Board meetings were discussed by the Chairman, the executive Directors and the Secretary to the Board and were determined after all matters motioned by non-executive Directors were taken into account.

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A2.5 The chairman should ensure that good corporate governance practices and procedures are established	Yes	<ul style="list-style-type: none"> The Chairman played a significant role in the development of the Company's corporate governance system. The Chairman assigned the Secretary to the Board to establish a good corporate governance system and procedures, and supervised the management to faithfully implement various systems to ensure that the Company operated in a regulated manner.
A2.6 The chairman should encourage all directors to make a full and active contribution to the Board's affairs and to conduct adequate discussions of the matters under consideration and should encourage directors to express different opinions	Yes	<ul style="list-style-type: none"> The Chairman encouraged all Directors to make a full and active contribution to the Board's affairs and to make valuable contributions to the Board. The Chairman acted as a role model and made sure that the Board acted in the best interests of the Company. At Board meetings, all Directors had ample opportunities to voice their respective views and to discuss the matters under consideration. The results of voting at Board meetings also fairly reflected the consensus of the Directors.
A2.7 The chairman should hold a meeting once every year with non-executive directors, in the absence of the executive director	No	<ul style="list-style-type: none"> The Board has 11 members, of whom one is an executive Director and ten are non-executive Directors. Six Directors are engaged externally. This has ensured adequate independence of the Board and safeguarded the Board's decisions from being prejudiced by the opinions of executive Director.
A2.8 The chairman should ensure effective communication with shareholders and that the views of shareholders are communicated to the Board	Yes	<ul style="list-style-type: none"> The Chairman placed emphasis on the effective communications between the Company and its shareholders and enhanced investor relations continuously so as to realize the best returns for shareholders. All shareholders are entitled to attend shareholders' meetings and express their opinions. The Secretary to the Board will also report to the Board the important views of shareholders collected on a day-to-day basis.
A2.9 The chairman should promote a culture of openness and debate and ensure constructive relations among the directors	Yes	<ul style="list-style-type: none"> The Board encouraged and embraced democratic discussions and respected the views of each Director. The Board had a good atmosphere for discussions; the Directors were invited to give their respective opinions before an official voting took place and were free to discuss the matters being considered. The Chairman also valued the contributions made by the Directors to the Board and strove to ensure that there were constructive relations between the executive Director and the non-executive Directors.



CORPORATE GOVERNANCE REPORT

A3. Board Composition

Code principle

- The Board should have a balance of skills, experience and diversity of viewpoints and perspectives appropriate for the requirements of the issuer's business. The Board shall ensure that changes to the composition of the Board can be managed without undue disruption. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board and independent judgment can be exercised effectively. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

The best corporate governance status

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

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Code provision	Compliance	Corporate governance procedures
A3.1 The independent non-executive directors should be identified in all corporate communications	Yes	<ul style="list-style-type: none"> The independent non-executive Directors are disclosed in all corporate communications including the Company's annual and interim reports, and websites of the Company and stock exchanges.
A3.2 The issuer should maintain on its website and the Stock Exchange's website an updated list of current Board members.	Yes	<ul style="list-style-type: none"> The Company has uploaded to the relevant websites the list and profiles of the current Board members, which set out their roles, functions and independence. Once a member is replaced, the Company will promptly update relevant information.
A4. Appointment, Re-election and Removal		
Code principle	<ul style="list-style-type: none"> There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director. 	
The best corporate governance status	<ul style="list-style-type: none"> The Board of the Company has established the Nomination Committee which makes recommendations on the procedures for the appointment, re-election, removal and recruitment of Board candidates for consideration by the Board. Their appointment will ultimately be determined at a shareholders' general meeting. During the process of selection, the criteria considered by the committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote to and his/her concern about relevant affairs, and so forth. For changes in Directors for the Year, please refer to section headed "Changes in Directors, Supervisors and Senior Management" in this Report. 	



CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A4.1 Non-executive directors should be appointed for a specific term, subject to re-election	Yes	<ul style="list-style-type: none"> Directors are generally appointed for a term of three years. All Directors are appointed at a shareholders' general meeting and can be re-appointed upon expiry of the term.
A4.2 Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years	No	<ul style="list-style-type: none"> All Directors were elected or replaced by shareholders' general meetings. The Company has introduced the cumulative voting system for the election of Directors. The Company does not implement the policy of retire from office by rotation for re-election, every three years, however the Company Law and the Articles of Association of the Company stipulate that each session of the Board is for a term of 3 years, each Director is appointed for a term of three years and should retire upon the expiry of the three year term. Any re-appointment is subject to re-election at a shareholders' general meeting.
A4.3 Serving more than 9 years could be relevant to the determination of an independent director's independence.	Yes	<ul style="list-style-type: none"> The Company enforces the rules of the SSE regarding the term of independent Directors. The consecutive term of an independent Director should not be more than six years in order to ensure adequate independence.
A5. Nomination Committee		

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

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Code provision	Compliance	Corporate governance procedures
A5.3 The nomination committee should make available its terms of reference on the websites of the issuer and the Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has made available the terms of reference of the Nomination Committee on its website, and published the same on the websites of the stock exchanges before 1 April 2012 for the enquiry of investors at any time.
A5.4 The issuer should provide sufficient resources for the committee to perform its duties. When necessary, it should seek independent professional advice, at expense of the Company	Yes	<ul style="list-style-type: none"> The Company provided sufficient resources for the committee to perform its duties. In respect of matters that require advice to be sought from professional institutions, the Company initiatively engaged professional institutions including accountants, lawyers, valuation firms and so forth to issue written reports for perusal by Directors at the Company's expense. During the Year, the committee had not requested the Company to seek professional independent advice on any relevant matter.
A5.5 In the election of an independent non-executive director, the Board shall include the reasons for the election, independence and reason for the director as an independent person in the circular to the shareholders	Yes	<ul style="list-style-type: none"> As far as the election of an independent non-executive Director is concerned, the Company included the reasons for appointing such person and the independence statement in the notice of the general meeting and the circular to the shareholders.
A6. Responsibilities of Directors		
Code principle		<ul style="list-style-type: none"> Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.
The best corporate governance status		<ul style="list-style-type: none"> The Company has formulated the "Rules of Procedure for the Board of Directors", the work rules of each committee and the "Rules of Reference to Independent Directors", specifying the responsibilities of each Director so as to ensure that all Directors understand their roles and duties thoroughly. The Secretary to the Board is responsible for ensuring that all Directors obtain the Company's latest information on business development and updated statutory information.



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

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
A6.3 Directors should ensure that they can give sufficient time to the issuer's affairs	Yes	<ul style="list-style-type: none"> All Directors of the Company have worked hard and faithfully performed their duties, and each of them was able to devote sufficient time and efforts in dealing with the matters of the Company. There was satisfactory attendance at Board meetings and committee meetings each year and no single Director failed to attend Board meetings for more than two times within a year. For records of attendance of the meetings, please refer to the relevant section of this Chapter.
A6.4 The Board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities	Yes	<ul style="list-style-type: none"> The Directors of the Company have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Hong Kong Listing Rules in the Year. The Board has formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and the Relevant Employees" as a written guideline for the trading of securities of the Company by the relevant employees. The model code's standards on securities transactions by Directors are not lower than the requirements of the "Model Code for Securities Transactions by Director of Listed Issuers". During the Reporting Period, there were no transactions involving the Company's shares by the Directors.
A6.5 All directors should participate in continuous professional development. The issuer should be responsible for arranging and funding suitable training in development plans	Yes	<ul style="list-style-type: none"> All Directors will have opportunities to receive professional training arranged by the Company for them during their terms of office. The Secretary to the Board kept paying attention to the development of governance requirements of securities regulatory authorities and delivered latest requirements to the Directors, supervisors and senior management by means of communication to help them update their knowledge and improve their functions and responsibilities. Meanwhile, the Secretary to the Board also arranged the Directors, supervisors and senior management to participate in special training programmes held by the stock exchanges or local securities regulatory authorities, and organized special seminars and exchanges on laws, finance, management and capital market for the Directors to facilitate their continuous professional development.



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Code provision	Compliance	Corporate governance procedures
<p>A6.6 Each director should, disclose to the issuer at the time of his appointment, (and shall make such disclosure regularly thereafter) the number and nature of offices held in public companies or organizations, and other significant commitments</p>	<p>Yes</p>	<ul style="list-style-type: none"> Each Director regularly provided information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as Directors or supervisors in listed companies in the previous three years). Details of the positions currently held and concurrently held by such Directors in other listed companies are disclosed in the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.
<p>A6.7 Independent non-executive directors should regularly attend Board meetings, meetings of committees and shareholders' general meetings, and develop a balanced understanding of the views of the shareholders of the Company</p>	<p>Yes</p>	<ul style="list-style-type: none"> All independent non-executive Directors have attended Board meetings and meetings of various committees regularly and contributed their skills and expertise to the Company's decision making. All independent non-executive Directors have attended the annual general meetings and extraordinary general meetings of the Company held in the Year.
<p>A6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments</p>	<p>Yes</p>	<ul style="list-style-type: none"> All Directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner, offering their respective professional experience and expertise, and giving their independent judgment, knowledge and experience in the matters discussed so that the Board could conduct productive discussions and made decisions in a speedy and prudent manner.
<p>A7. Supply of and Access to Information</p>		
<p>Code principle</p>		<ul style="list-style-type: none"> Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to perform their duties and responsibilities.
<p>The best corporate governance status</p>		<ul style="list-style-type: none"> The Secretary to the Board is responsible for providing all information to Directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continued basis.

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



CORPORATE GOVERNANCE REPORT

B. Remuneration of Directors and Senior Management

B1. Remuneration and Extent and Content of Its Disclosure

Code principle	<ul style="list-style-type: none"> An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedures for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. No director should be involved in deciding his/her own remuneration.
The best corporate governance status	<ul style="list-style-type: none"> The Company has established the Remuneration and Appraisal Committee, the terms of reference of which include formulating and reviewing the remuneration policy and plan for the Company's Directors and senior management staff. Except for the two external non-executive Directors and four independent non-executive Directors who received Directors' remuneration, the remaining Directors have not received any Directors' remuneration from the Company. The remuneration for independent non-executive Directors is determined with reference to the average market level and the Company's current status. The executive Director has received management remuneration from the Company. During the Year, no Director participated in determining his/her own remuneration. During the Year, the remuneration paid by the Company to two external independent Directors amounted to HK\$300,000 per person. The remuneration paid to four independent Directors amounted to RMB60,000 per person. Other than remuneration, the independent Directors have not received other compensation from the Company.

Code provision

Compliance Corporate governance procedures

B1.1 The remuneration committee should consult the chairman or the chief executive officer about their remuneration proposals for other executive directors, should have access to professional advice if necessary	No	<ul style="list-style-type: none"> During the Year, other than the General Manager who serves as the executive Director, the Company does not have other executive Directors. The General Manager receives management remuneration but not Directors' remuneration.
B1.2 The remuneration committee's terms of reference	Yes	<ul style="list-style-type: none"> The Company has established the "Rules of Procedure for the Remuneration and Appraisal Committee" which specifies the powers and duties of the committee, with its terms of reference being not limited to the Code provisions. The Remuneration Committee acted as an advisor to the Board, while the Board retained the ultimate power of approving the remuneration for executive Director and senior management staff.
B1.3 The remuneration committee should make available its terms of reference on the websites of the company and the Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has made available the terms of reference of the committee on its website, published the same on the website of the Stock Exchange for enquiry of investors

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
B1.4 Should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> The Company will provide sufficient resources for the committee to perform its duties.
B1.5 The issuer should disclose details of any remuneration payable to members of senior management by band in its annual reports	Yes	<ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the annual report and accounts. For details, please refer to the chapter headed "Directors, Supervisors, Senior Management and Staff" in this Annual Report.
B1.6 Details about any objection of the remuneration committee to the Board's resolution on remuneration shall be disclosed in the Corporate Governance Report	Yes	<ul style="list-style-type: none"> The Board and the Remuneration Committee did not see such matter as referred to in the provision occur to the remuneration arrangements for the Directors and senior management during the Year.
B1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance	Yes	<ul style="list-style-type: none"> The total remuneration of each of the executive Director and senior management staff comprises three parts, which is salary for the position, performance bonus and the Company's contribution to their pension scheme and other benefits. The remuneration has been generally linked with the Company's and individual performance.
B1.8 Issuer should disclose details of any remuneration payable to the members of senior management, on a named basis in the annual report	Yes	<ul style="list-style-type: none"> The Company has disclosed the remuneration of each Director, supervisor and member of senior management with their names in the Annual Report and accounts. For details please refer to "Directors, Supervisors, Senior Management and Staff" in Section VII of this Annual Report.
B1.9 The Board should conduct a regular evaluation of its performance	Yes	<ul style="list-style-type: none"> The Board and the Remuneration and Appraisal Committee are responsible for the appraisal of the Company's management members, and the performance objectives set for them including operating revenue, costs of operations, profit indicators and objectives for the respective operations. After the consideration and approval by the Board at the beginning of the Year, the Company specified and assigned various indices and tasks to various functional departments of operations. The persons-in-charge of the respective departments then entered into annual responsibility letters with the General Manager. At the end of the Year, the Board assessed the management's performance based on the completion of various objectives.



CORPORATE GOVERNANCE REPORT

C. Accountability and Audit

C1. Financial Reporting

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

Code provision	Compliance	Corporate governance procedures
C1.1 Management will provide sufficient explanation and information to enable the Board to make an informed assessment of the relevant matters	Yes	<ul style="list-style-type: none"> The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all Directors to make well-grounded assessment on the financial and other information submitted to them for approval.
C1.2 Management should provide all members of the Board with monthly updates to present the issuer's operating or financial performance and give a balanced and understandable assessment of the financial status and prospects in sufficient detail to enable the Directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.	Yes	<ul style="list-style-type: none"> According to the requirements of the new code provisions, the Company has submitted to each Director "Operations Bulletin" or other information that needs to be reviewed by Directors on a monthly basis from year 2012 and submitted general manager's work report on a quarterly basis, sufficient enough to allow the Directors to acquire details about the Company's interim operation and management.
C1.3 Directors should acknowledge their responsibility for preparing the accounts; there shall be a statement by the auditors about their reporting responsibilities in the report. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report	Yes	<ul style="list-style-type: none"> Directors are responsible for overseeing the preparation of annual accounts so that the accounts could give a true and fair view of the Group's results and cash flow in the relevant year. The auditors' report also stated the reporting responsibilities of Directors. The Company was not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
C1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	<ul style="list-style-type: none"> The Company included in its annual report a separate section containing a comprehensive and detailed discussion on the Company's business development environment, performance of each business, future risks and development strategies. For details, please refer to the section V headed "Report of the Directors" of this Annual Report.
C1.5 The Board should present a balanced, clear and understandable assessment of the Company's performance in periodic reports, price-sensitive announcements and other financial disclosures	Yes	<ul style="list-style-type: none"> The Board gave an objective, fair and clear presentation of the Group's position and prospects in all announcements issued to shareholders.
Recommended best practices:		
<ul style="list-style-type: none"> Apart from issuing reports on annual results and interim results, the Company has prepared and issued the results reports for the first and third quarters pursuant to the requirements of the SSE. The Company announced and issued quarterly financial results within 30 days after the end of the relevant quarter. The information disclosed would be sufficient for shareholders to assess the performance, financial position and prospects of the Company. 		
C2. Internal Control		
Code principle		<ul style="list-style-type: none"> The Board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.
The best corporate governance status		<ul style="list-style-type: none"> The Board has authorized the management of the Company to establish and implement the internal control system and conduct review on the financial, operating and regulatory procedures from time to time to safeguard the Group's assets and shareholders' interests. During the Reporting Period, the Board conducted a self-evaluation on the Company's internal control and did not find any significant weakness in the design or implementation of the internal control system. For details, please refer to the section "2013 Self-evaluation Report on Internal Control" in this Annual Report. The Company has established the internal audit department within the organization framework to conduct regular review, supervision and assessment on the financial position, operating and internal control activities according to different businesses and flow. It also engaged external audit institutions to regularly audit the financial reports and effectiveness of internal control of the Company and to offer independent and objective assessments and suggestions in the form of audit reports.



CORPORATE GOVERNANCE REPORT

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

Recommended best practices:

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

CORPORATE GOVERNANCE REPORT

C3. Audit Committee

Code principle

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

The best corporate governance status

- The Company has established the Audit Committee of the Board and Chen Dong Hua, Zhang Er Zhen and Du Wen Yi are members of the committee. All of them have expertise and experience in financial management. All members are non-executive Directors, of whom Chen Dong Hua and Zhang Er Zhen are independent Directors. Mr. Chen Dong Hua is an independent Director possessing professional qualifications and professional experience in financial management. He took up the position as chairman of the committee.
- The Audit Committee is principally responsible for supervising and implementing the internal audit system of the Company and its subsidiaries; examining the financial information and information disclosure of the Company and its subsidiaries; supervising the internal control system of the Company and its subsidiaries, including financial control and risk management; auditing material connected/related transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The terms of reference is specified clearly in the "Rules of Reference of the Audit Committee".
- The Audit Committee held six meetings in 2013, including four meetings to review periodic reports and one meeting to exchange opinions before the the 2013 annual results audit of the Group and to consider the Procurement Audit Implement Code (物資採購審計實施辦法) of the Company and the Implement Scheme of Following-up Audit throughout the Whole Process of Engineering Projects (工程項目全過程跟蹤審計實施方案) of the Company. At such meetings, all members attended, and the management and the financial controller reported on the financial position of the Company and major matters related to internal controls.
- During the Year, the Audit Committee made one direct contact with external auditors of the Company, before the preparation of the annual audit report, to understand the procedures and principles for the preparation of the auditors' report and to discuss the relevant issues with the auditors, so as to serve as a basis for evaluation.



CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

Q. Delegation by the Board

D1. Management Functions

Code principle	<ul style="list-style-type: none"> The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.
The best corporate governance status	<ul style="list-style-type: none"> The main functions and duties of the Board include convening the shareholders' general meetings; making decisions on the Company's operational plans, investment proposals and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at the shareholders' general meetings. The Articles of Association and the Rules of Procedure for the Board of Directors explicitly state the matters that required to be considered and approved by the Board. For the implementation of certain major project, the Board may, after its consideration and approval, set up a committee or panel consisting of two or more Directors as needed, and empower such committee or panel with some powers, authorities, and discretions vested in it to ensure the smooth implementation and efficient execution of relevant resolution. The committee or panel hereof must act within the scope of authorization and shall report to the Board of any act beyond the scope of authorization.



CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

D2. Board Committees

Code principle

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

The best corporate governance status

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

**Records of Attendance of Meetings of Specialized Committees in 2013
(Attendance/ Number of Meetings)**

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

For the 2013 work report of the respective committee, please refer to this Chapter.



CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
D2.1 The Board should give the committees sufficiently clear terms of reference to enable them to perform their functions properly.	Yes	<ul style="list-style-type: none"> The four committees under the Board have adopted their respective detailed rules of operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".
D2.2 The terms of reference of the committees should require them to report back to the Board on their decisions or recommendations,	Yes	<ul style="list-style-type: none"> The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.
D3. Corporate Governance Function		

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

E. Communication with Shareholders

E1. Effective Communication

Code principle	<ul style="list-style-type: none"> The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.
The best corporate governance status	<ul style="list-style-type: none"> The Board endeavours to maintain on-going communication with the shareholders and regarded annual general meetings and other extraordinary general meetings as major opportunities to contact individual shareholders. The Company dispatches shareholders' circular at least 21 days before a general meeting. The Company dispatches the notice for an annual general meeting, which set out the matters to considered at the meeting and the voting procedures in detail, at least 45 days before the meeting. All shareholders holding shares of the Company are entitled to attend a general meetings.

CORPORATE GOVERNANCE REPORT

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



CORPORATE GOVERNANCE REPORT

E2. Voting by Poll

Code principle

- The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

The best corporate governance status

- The Company has formulated the “Rules of Procedure for General Meetings” specifying the voting method and the voting procedures of shareholders’ general meetings and ensured that the procedures comply with the requirements contained in the Listing Rules and the “Articles of Association”. The Company also stated detailed procedures for the voting by poll in the notice of a general meeting.
- The Company confirmed the validity of all the voting shares present at the meetings and appointed external auditors and shareholders’ representatives as scrutineers and appointed lawyers to issue letters of legal opinions on the final voting results. The voting results have been published in designated newspapers and websites.

Code provision

Compliance Corporate governance procedures

E2.1 The chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting

Yes

- The notice of a general meeting and the related circular contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The chairman of the meeting disclosed the voting rights represented by proxies during voting. The chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.

F. Company Secretary

Code principle

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

The best corporate governance status

- The Company assigned a member of the senior management as the Secretary to the Board to assume the role of Company Secretary at Board meetings, and set up a specialized office of the Secretary to the Board in order to ensure the availability of resources for its smooth operation. The Company established the Work Rules for the Secretary to the Board, setting out its terms of reference and job responsibilities. The Secretary to the Board takes a major role in the operation of the Board and various specialized committees as well as in corporate governance. In addition, the Company engaged an external legal advisor to assist it dealing with the compliance matters relating to the Hong Kong Companies Ordinance and the Hong Kong Listing Rules.
- The Secretary to the Board received more than 15 hours’ professional training in 2013.

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
F1.1 The company secretary should be an employee of the issuer	Yes	<ul style="list-style-type: none"> The Secretary to the Board is concurrently served by Mr. Yao Yong Jia, Deputy General Manager of the Company. Pursuant to the relevant requirements of Hong Kong Stock Exchange, Mr. Yao Yong Jia ("Mr. Yao"), Secretary to the Board of the Company and Ms. Lee Wai Fun, Betty ("Ms. Lee"), a member of the Hong Kong Institute of Secretaries were appointed as the Joint Company Secretary in Hong Kong. As Mr. Yao has met the relevant qualifications of the Company Secretary in Hong Kong, Ms. Lee has resigned as the Company Secretary and Mr. Yao has held the position alone since 26 April 2013.
F1.2 The Board should approve the selection, appointment or dismissal of the company secretary.	Yes	<ul style="list-style-type: none"> The selection and appointment of the Secretary to the Board and the Company Secretary were in compliance with the relevant requirements of the code provision.
F1.3 The company secretary should report to the Board chairman or the chief executive.	Yes	<ul style="list-style-type: none"> The Secretary to the Board and the Company Secretary are responsible for regularly providing all information to the Directors and supervisors, including the documents for each meeting of the Board, specialized committees and supervisory committee, providing Company's business progress report, financial objectives, development plans and strategic programs as well as the latest information on the Listing Rules and other statutory requirements, and continuously improving the quality and timeliness of the information to ensure that Directors, supervisors and senior management staff are able to make decisions and fulfill the duties and responsibilities with the availability of such information.
F1.4 All directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.	Yes	<ul style="list-style-type: none"> The Secretary to the Board maintained close communication with all Directors and provided timely material information about the Company and the relevant updated rules, as well as contributed advice to the Directors on matters regarding corporate governance and rules compliance to ensure the Board's operation was in compliance with the procedures. In respect of the matters relating to the Hong Kong Listing Rules and Hong Kong Company Ordinance, the Secretary to the Board kept close contact with the Company Secretary.



CORPORATE GOVERNANCE REPORT

IV. Information Disclosure

The Company performs its statutory obligation of disclosing information faithfully and strictly in compliance with the reporting requirements and procedures for disclosing such information. In order to ensure that all shareholders are informed in an equal and comprehensive manner, the Company truthfully, accurately and completely discloses such information that may materially affect the decision-making of the public investors. The Secretary to the Board is responsible for performing information disclosure. Since listing, the Company has been striving to comply with the relevant laws and listing rules on the principles of fairness, equality and openness to dutifully perform its statutory disclosure obligations. On top of this, the Company has actively gained understanding of the key concerns of investors and enhanced the extent of voluntary disclosure. Moreover, it insisted on deeply and thoroughly analysing its operation and financial situation and the major reasons affecting business performance, and provided relevant risks in operation activities and its corresponding measures so as to increase investors' understanding of the Company's business, management and development prospects and increase transparency of the Company.

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

V. Investor Relations and Communications

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

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

CORPORATE GOVERNANCE REPORT

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

- ◇ Prompt responses were made to investors' inquiries through the investor hotline, company website and e-mail; operation information was sent to investors on a regular basis.
- ◇ Field trips to the Company by investors and analysts or specific teleconferences: 24 batches of visits to the Company by domestic and foreign investors (33 persons in total) were received during the Year.
- ◇ Various promotion activities including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face exchanges with investors were conducted. 5 major presentations were attended or organized in 2013 with details as follows:
 - January — Participated in the "Greater China Conference" organized by UBS AG in Shanghai
 - March — Held 2012 annual results presentation and investor roadshow activities in Hong Kong
 - June — Participated in the annual strategy seminar of China International Capital Corporation Limited (中金公司)
 - August — Held 2013 interim results presentation and investor roadshow activities in Hong Kong
 - November — Attended the Merrill Lynch China Investment Summit held in Beijing

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



CORPORATE GOVERNANCE REPORT

VI. Investor Return Mechanism

While achieving rapid development through the capital market, the Company also understands clearly that investors are the driving source for the development of the Company. The Company views bringing positive returns to shareholders as its important mission and business principle and strives to enable investors to better share the results from the development of the Company and guide investors to establish long-term investment and rational investment ideas for achieving a virtuous cycle of capital. The Company has set up a positive and stable dividend policy as set out in its Articles of Association, aiming to create higher returns for the shareholders.

In respect of its implementation, the Company formulated a reasonable dividend distribution mechanism by performing its social responsibility and repaying the society, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win investment and financing environments and value-investing atmosphere, and make due efforts and contributions to promoting the sustained and healthy development of capital markets. Since its listing, the Company has been paying cash dividends for 16 consecutive years. At the end of 2013, the Company had distributed an aggregate of RMB17.412 billion cash dividends, with average payout ratio reaching 75% and accumulated dividend per share amounting to RMB3.4617, thus enabling shareholders to enjoy good returns from the development of the Company. According to the 2012 research report released by the China Center for Market Value Management, the Company ranked first among all the A-share listed companies in terms of shareholder returns due to its high payout ratio over the years.

In 2013, the Company distributed a cash dividend of RMB0.38 per share, equivalent to approximately 78.96% of its distributable profit (based on the amount of net profit after transferring 10% to statutory reserve) for the Year, and the payout ratio reached 70.70%.

	2006	2007	2008	2009	2010	2011	2012	2013
Earnings per share (RMB)*	0.233	0.318	0.308	0.399	0.493	0.482	0.463	0.538
Dividend per share (tax inclusive) (RMB)	0.19	0.27	0.27	0.31	0.36	0.36	0.36	0.38
Payout ratio (%)	81.55	84.90	87.66	77.66	73.0	74.64	77.72	70.70

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

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

INTERNAL CONTROL

I. Development and Implementation of Internal Control

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

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

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

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

In 2013, the Company made a preliminary improvement to the self-evaluation model of internal control based on the summary of our practice in internal control assessment, to establish a regular system for internal control assessment. The internal control assessment comprises individual appraisal conducted by the Company and the self-evaluation conducted by certain secondary units and subsidiaries while the priority is given to the latter. The assessment system adopts a unified risk control matrix for internal control which will examine point on risk control one by one. With self-evaluation as its first checkpoint and individual appraisal as the second, the Company can control the risks from the very beginning, so as to enhance our management level and thus ensure a sound and effective corporate internal control. Regarding to weaknesses and common defects spotted by internal audit and self-evaluation, careful analysis will be conducted by the internal control department of the Company to figure out relevant improvement suggestions and measures while the rectification of the defects spotted in our internal control will be included in the list for key inspection, through which, inspection and rectification will be carried out one by one and the implementation thereof will be strictly followed up, so as to guarantee no occurrence of repeated and material defects as well as the effectiveness of rectification on common defects.



INTERNAL CONTROL

II. Relevant Details of Internal Control Audit

The Company has set up a special body responsible for the establishment of a sound internal control system and the supervision of the implementation of such system. The audit committee, as the leading supervising authority of internal control, is responsible for conducting an annual assessment of the establishment and implementation of internal control, prepares an annual assessment report in respect here and report the same to the Board. Meanwhile, the internal audit department, as the executing authority of internal control, is responsible for conducting ongoing supervision and regular review of the internal control system. At the end of 2013, the Company has set up a self-evaluation team of internal control in the Company to conduct review and evaluation on the effectiveness of the design and operation of important control pursuant to the requirements of the “Application Guidelines on Corporate Internal Control” and the “Guidelines on Evaluation of Corporate Internal Control” and in light of the actual operating situation of the Company. Such review and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection.

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

The external auditor of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP, also has carried out an audit on the effectiveness of the internal control in the financial report ended 31 December 2013 of the Company and issued an audit report in accordance with the relevant requirements of the Audit Guidelines on Enterprise Internal Control and China Auditing Standards. They considered that the Company had maintained the effective internal control in the financial report pursuant to the Audit Guidelines on Enterprise Internal Control and other relevant stipulations.

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

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

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

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

FINANCIAL REPORT

The financial report of the Group for 2013 were prepared under Accounting standard for Business Enterprises of China and audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP who issued standard unqualified auditor's report.

Major contents of the financial report include:

Consolidated Balance Sheet and Balance Sheet of the Company

Consolidated Income Statement and Income Statement of the Company

Consolidated Cash Flow Statement and Cash Flow Statement of the Company

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

Notes to the Financial Statements

Other Supplementary Financial Information

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



DOCUMENTS AVAILABLE FOR INSPECTION

The following documents were included:

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

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

Yang Gen Lin
Chairman of the Board
Jiangsu Expressway Company Limited

Nanjing, the PRC, 21 March 2014

CONFIRMATION OPINION TO 2013 ANNUAL REPORT BY DIRECTORS AND SENIOR MANAGEMENT

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

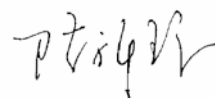
Directors



Yang Gen Lin



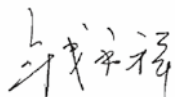
Zhang Yang



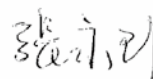
Chen Xiang Hui



Du Wen Yi




Qian Yong Xiang



Cheng Chang Yung Tsung, Alice



Fang Hung, Kenneth



Zhang Er Zhen



Xu Chang Xin



Gao Bo

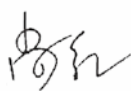


Chen Dong Hua

Senior Management Members



Zhao Jia Jun



Shang Hong



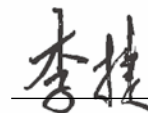
Tian Yafei



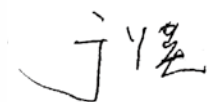
Yao Yong Jia



Wu Wei Ping

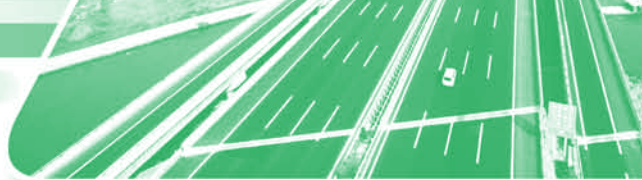


Li Jie



Yu Lan Ying

Jiangsu Expressway Company Limited
21 March 2014



AUDITOR'S REPORT

De Shi Bao (shen) Zi (14) No. P0310

To the Shareholders of Jiangsu Expressway Co., Ltd

We have audited the accompanying financial statements of Jiangsu Expressway Co., Ltd (the "Company"), which comprise the company's and consolidated balance sheets as at 31 December 2013, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and the company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

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

2. Auditor's responsibility

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

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

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

3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2013, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu Certified Public
Accountants LLP
Shanghai, China

Chinese Certified Public Accountant: Zhu Shao Fang
Chinese Certified Public Accountant: Bu Jun

21 March 2014

CONSOLIDATED BALANCE SHEET

31 December 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance (Restated)	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(VI)1	409,176,746	686,484,787	Short-term borrowings	(VI)19	3,220,000,000	2,550,000,000
Held-for-trading financial assets	(VI)2	20,175,395	18,065,458	Accounts payable	(VI)20	371,663,489	348,951,084
Notes receivable		149,843	0	Receipts in advance	(VI)21	412,906,626	107,873,796
Accountants receivable	(VI)4	51,443,626	83,407,096	Employee benefits payable	(VI)22	902,085	2,331,953
Prepayments	(VI)6	21,028,742	17,516,960	Taxes payable	(VI)23	155,966,927	230,006,346
Dividends receivable	(VI)3	4,989,960	4,989,960	Interest payable	(VI)24	71,283,765	56,575,256
Interest receivable		0	192,500	Dividends payable	(VI)25	62,903,610	122,614,536
Other receivables	(VI)5	1,227,304,888	1,156,828,707	Other payables	(VI)26	174,955,870	124,029,852
Inventories	(VI)7	2,844,577,736	1,945,199,470	Non-current liabilities due within one year	(VI)27	1,510,574	1,201,557,302
Other current assets	(VI)8	175,082,464	327,026,166	Other current liabilities	(VI)28	1,000,000,000	1,000,000,000
Total Current Assets		4,753,929,400	4,239,711,104	Total Current Liabilities		5,472,092,946	5,743,940,125
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets	(VI)9	1,290,725,956	284,565,956	Long-term borrowings	(VI)29	271,148,039	453,359,529
Long-term equity investment	(VI)10.11	3,787,359,931	3,492,801,367	Deferred tax liabilities	(VI)17	1,369,249	0
Investment properties	(VI)12	35,415,146	22,726,914	Bonds payable	(VI)30	991,074,397	496,482,241
Fixed assets	(VI)13	1,099,548,420	1,128,317,600	Total Non-current Liabilities		1,263,591,685	949,841,770
Construction in progress	(VI)14	127,708,416	30,794,305	TOTAL LIABILITIES		6,735,684,631	6,693,781,895
Intangible assets	(VI)15	15,721,750,642	16,637,621,860	Shareholders' Equity:			
Long-term prepaid expenses	(VI)16	1,166,864	519,565	Share capital	(VI)31	5,037,747,500	5,037,747,500
Deferred tax assets	(VI)17	16,307,595	12,198,968	Capital reserve	(VI)32	7,579,412,509	7,565,944,367
Total Non-current Assets		22,079,982,970	21,609,546,535	Surplus reserve	(VI)33	2,833,298,081	2,550,126,797
TOTAL ASSETS		26,833,912,370	25,849,257,639	Retained profits	(VI)34	4,146,025,799	3,535,043,036
				Total shareholders' equity attributable to equity holders of the Company		19,596,483,889	18,688,861,700
				Minority interests		501,743,850	466,614,044
				TOTAL SHAREHOLDERS' EQUITY		20,098,227,739	19,155,475,744
				TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,833,912,370	25,849,257,639

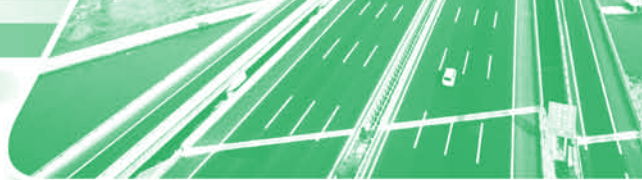
The accompanying notes form part of the financial statements.

The financial statements on pages 128 to 258 were signed by the following:

Legal Representative:
Yang Gen Lin

Person in Charge of the Accounting Body:
Qian Yong Xiang

Chief Accountant:
Yu Lan Ying



BALANCE SHEET OF THE COMPANY

31 December 2013

Unit: RMB

Item	Notes	Closing balance	Opening balance (Restated)	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(XII)1	220,826,123	400,877,755	Short-term borrowings	(XII)15	3,060,000,000	2,250,000,000
Accounts receivable	(XII)2	45,802,206	69,967,201	Accounts payable	(XII)16	76,808,330	109,261,208
Prepayments	(XII)4	15,691,980	11,846,942	Receipts in advance		3,972,672	45,821,172
Interest receivable		3,175,792	0	Employee benefits payable	(XII)17	760,992	2,187,532
Dividends receivable		4,989,960	88,916,380	Taxes payable	(XII)18	135,218,453	171,896,597
Other receivables	(XII)3	1,216,288,925	2,326,286,343	Interest payable		70,414,988	55,224,700
Inventories	(XII)5	20,374,149	19,863,144	Dividends payable		62,903,610	98,980,462
Other current assets		0	200,203,560	Other payables	(XII)19	145,258,608	96,743,542
				Non-current liabilities due within one year		1,510,574	1,201,557,302
				Other current liabilities		1,000,000,000	1,000,000,000
Total Current Assets		1,527,149,135	3,117,961,325	Total Current Liabilities		4,556,848,227	5,031,672,515
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets	(XII)6	1,008,915,500	5,835,500	Long-term borrowings		21,148,039	73,359,529
Long-term equity investment	(XII)7.8	4,763,269,798	4,553,514,277	Bonds payable		991,074,397	496,482,241
Fixed assets	(XII)9	902,823,903	917,827,778	Total Non-current liabilities		1,012,222,436	569,841,770
Construction in progress	(XII)10	103,702,042	24,138,828				
Intangible assets	(XII)11	14,228,288,066	15,027,998,027				
Deferred tax assets	(XII)12	4,048,559	4,173,559				
Other non-current assets	(XII)13	1,690,000,000	0				
Total Non-current Assets		22,701,047,868	20,533,487,969	TOTAL LIABILITIES		5,569,070,663	5,601,514,285
				Shareholders' Equity:			
				Share capital		5,037,747,500	5,037,747,500
				Capital reserve		7,561,972,087	7,547,519,135
				Surplus reserve	(XII)20	2,470,793,441	2,229,960,693
				Retained profits	(XII)21	3,588,613,312	3,234,707,681
				Total Shareholders' Equity		18,659,126,340	18,049,935,009
TOTAL ASSETS		24,228,197,003	23,651,449,294	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,228,197,003	23,651,449,294

The accompanying notes form part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Total operating income	(VI)35	7,614,226,717	7,795,942,681
Including: Operating income		7,614,226,717	7,795,942,681
Total operating costs		4,374,573,648	4,782,951,793
Including: Operating costs	(VI)35	3,694,143,781	4,054,626,690
Business taxes and levies	(VI)36	202,171,162	209,354,642
Selling expenses	(VI)37	9,832,355	8,525,073
Administrative expenses	(VI)38	176,140,246	177,535,368
Financial expenses	(VI)39	292,786,104	333,410,020
Impairment losses of assets	(VI)40	-500,000	-500,000
Add: Gains from changes in fair values	(VI)41	2,109,937	-1,011,970
Investment income (Loss is indicated by “-”)	(VI)42	315,399,461	161,448,206
Including: Income from investments in associates and joint ventures		265,462,186	133,212,868
II. Operating profit		3,557,162,467	3,173,427,124
Add: Non-operating income	(VI)43	102,541,001	10,127,498
Less: Non-operating expenses	(VI)44	32,206,354	37,864,698
Including: Losses from disposal of non-current assets		9,048,053	16,732,459
III. Total profit		3,627,497,114	3,145,689,924
Less: Income tax expenses	(VI)45	851,870,234	764,453,843
IV. Net profit		2,775,626,880	2,381,236,081
Net profit attributable to owners of the Company		2,707,743,147	2,333,344,558
Profit or loss attributable to minority interests		67,883,733	47,891,523
V. Earnings per share:	(VI)46		
(I) Basic earnings per share		0.5375	0.4632
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income	(VI)47	14,452,952	24,416,693
Items that may be reclassified subsequently to profit or loss:		14,452,952	24,416,693
1. Share of gains on available-for-sale financial assets of associates		14,452,952	24,416,693
Items that will not be reclassified to profit or loss:		0	0
VII. Total comprehensive income		2,790,079,832	2,405,652,774
Total comprehensive income attributable to owners of the Company		2,722,196,099	2,357,761,251
Total comprehensive income attributable to minority interests		67,883,733	47,891,523

The accompanying notes form part of the financial statements.

INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2013

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Total operating income	(XII)22	6,737,272,673	6,739,408,755
Less: Operating costs	(XII)22	3,382,239,498	3,537,822,462
Business taxes and levies	(XII)23	167,182,101	159,277,990
Administrative expenses	(XII)24	145,071,686	145,628,184
Financial expenses		257,150,740	318,747,934
Impairment loss of assets	(XII)25	-500,000	-500,000
Add: Investment income	(XII)26	291,447,762	373,098,101
Including: Income from investments in associates and joint ventures		162,370,703	111,954,241
II. Operating profit		3,077,576,410	2,951,530,286
Add: Non-operating income	(XII)27	100,194,023	8,747,898
Less: Non-operating expenses	(XII)28	27,641,775	34,413,515
Including: Losses from disposal of non-current assets		7,840,407	16,400,513
III. Total profit		3,150,128,658	2,925,864,669
Less: Income tax expenses	(XII)29	741,801,179	655,125,067
IV. Net profit		2,408,327,479	2,270,739,602
V. Earnings per share:			
(I) Basic earnings per share		0.4781	0.4507
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income	(XII)30	14,452,952	24,416,693
Items that may be reclassified subsequently to profit or loss:		14,452,952	24,416,693
1. Share of gains on available-for-sale financial assets of associates		14,452,952	24,416,693
Items that will not be reclassified to profit or loss:		0	0
VII. Total comprehensive income		2,422,780,431	2,295,156,295

The accompanying notes form part of the financial statements.

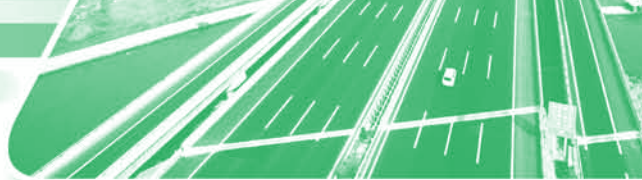
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		8,333,973,935	7,855,616,361
Other cash receipts relating to operating activities	(VI)48(1)	33,439,918	21,986,706
Sub-total of cash inflows from operating activities		8,367,413,853	7,877,603,067
Cash payments for goods purchased and services received		3,496,976,834	3,054,929,738
Cash payments to and on behalf of employees		533,206,614	488,150,591
Payments of various types of taxes		1,192,936,003	1,084,234,106
Other cash payments relating to operating activities	(VI)48(2)	60,132,242	60,878,706
Sub-total of cash outflows from operating activities		5,283,251,693	4,688,193,141
Net Cash Flow from Operating Activities		3,084,162,160	3,189,409,926
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		890,733,560	3,331,717,941
Cash receipts from investment income		158,243,780	138,883,677
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		85,042,666	45,580,626
Net cash receipts from disposals of subsidiaries and other business units		0	0
Other cash receipts relating to investing activities	(VI)48(3)	0	0
Sub-total of cash inflows from investing activities		1,134,020,006	3,516,182,244
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		240,842,115	165,157,916
Cash payments to acquire investments		1,858,047,432	4,661,417,941
Other cash payments relating to investing activities	(VI)48(4)	0	0
Sub-total of cash outflows from investing activities		2,098,889,547	4,826,575,857
Net Cash Flow from Investing Activities		-964,869,541	-1,310,393,613
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		5,236,385,000	2,335,000,000
Cash receipts from issue of bonds		4,000,000,000	3,500,000,000
Other cash receipts relating to financing activities	(VI)48(5)	0	0
Sub-total of cash inflows from financing activities		9,236,385,000	5,835,000,000
Cash repayments of borrowings		9,447,918,343	5,661,573,877
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,161,770,081	2,164,536,736
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		42,272,811	44,788,615
Other cash payments relating to financing activities	(VI)48(6)	23,297,236	7,550,840
Sub-total of cash outflows from financing activities		11,632,985,660	7,833,661,453
Net Cash Flow from Financing Activities		-2,396,600,660	-1,998,661,453
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		0	0
V. Net Increase (decrease) in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents		686,484,787	806,129,927
VI. Closing Balance of Cash and Cash Equivalents			
		409,176,746	686,484,787

The accompanying notes form part of the financial statements.



CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2013

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		7,100,361,694	7,080,379,395
Other cash receipts relating to operating activities	(XII)31(1)	18,260,981	8,157,209
Sub-total of cash inflows from operating activities		7,118,622,675	7,088,536,604
Cash payments for goods purchased and services received		2,555,845,625	2,772,804,814
Cash payments to and on behalf of employees		444,657,218	406,803,513
Payments of various types of taxes		976,937,878	927,818,079
Other cash payments relating to operating activities	(XII)31(2)	50,420,416	41,523,871
Sub-total of cash outflows from operating activities		4,027,861,137	4,148,950,277
Net Cash Flow from Operating Activities		3,090,761,538	2,939,586,327
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		200,203,560	2,300,000,000
Cash receipts from investment income		308,903,252	287,865,779
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		85,042,666	44,895,374
Net cash receipts from disposals of subsidiaries and other business units	(XII)31(3)	1,190,000,000	180,000,000
Other cash receipts relating to investing activities		1,784,149,478	2,812,761,153
Sub-total of cash inflows from investing activities		188,097,289	102,809,608
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,825,087,432	2,375,000,000
Cash payments to acquire investments	(XII)31(4)	0	120,000,000
Other cash payments relating to investing activities		3,013,184,721	2,597,809,608
Sub-total of cash outflows from investing activities		-1,229,035,243	214,951,545
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		4,826,385,000	1,535,000,000
Cash receipts from issue of bonds		4,000,000,000	3,500,000,000
Sub-total of cash inflows from financing activities		8,826,385,000	5,035,000,000
Cash repayments of borrowings		8,767,918,343	6,131,573,877
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,076,947,348	2,101,662,365
Other cash payments relating to financing activities	(XII)31(5)	23,297,236	7,550,840
Sub-total of cash outflows from financing activities		10,868,162,927	8,240,787,082
Net Cash Flow from Financing Activities		-2,041,777,927	-3,205,787,082
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		0	0
V. Net Increase (decrease) in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents		400,877,755	452,126,965
VI. Closing Balance of Cash and Cash Equivalents			
		220,826,123	400,877,755

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

31 December 2013

Unit: RMB

Item	Amount for the current year						Amount for the last year														
	Attributable to owners of the Company			Attributable to owners of the Company			Attributable to owners of the Company			Attributable to owners of the Company											
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Others	Minority interest	Total owners' equity	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Others	Minority interest	Total Owners' equity	
I. Closing balance of the preceding year	5,037,747,500	7,565,944,367		2,550,126,737	3,535,043,036		466,614,044	19,155,475,744		5,037,747,500	7,541,527,674		2,291,733,894	3,273,680,481		463,120,422	18,607,800,971				
II. Changes for the year																					
(I) Net profit					2,707,743,147		67,683,733	2,775,626,880						2,333,944,559		47,691,523	2,381,236,081				
(II) Other comprehensive income/(loss)		14,452,352					14,452,352				24,416,693						24,416,693				
Subtotal of (I) and (II)		14,452,352			2,707,743,147		67,683,733	2,790,079,932			24,416,693			2,333,944,559		47,691,523	2,405,652,774				
(III) Owners' contributions and reduction in capital																					
1. Capital contribution from owners																					
2. Share-based payment recognized in owners' equity																					
3. Others		-994,610					-14,115,190	-15,109,800													
(IV) Profit distribution																					
1. Transfer to surplus reserve													258,392,303								
2. Transfer to general reserve																					
3. Distributions to shareholders																					
4. Others																					
(V) Transfers within owners' equity																					
1. Capitalization of capital reserve																					
2. Capitalization of surplus reserve																					
3. Loss offset by surplus reserve																					
4. Others																					
(VI) Special reserve																					
1. Transfer to special reserve in the year																					
2. Amount utilized in the year																					
III. Closing balance of the current year	5,037,747,500	7,579,412,519		2,633,290,081	4,146,025,799		501,743,860	20,096,227,739		5,037,747,500	7,565,944,367		2,550,126,737	3,535,043,036		466,614,044	19,155,475,744				

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

31 December 2013

Unit: RMB

Item	Amount for the current year						Amount for the last year									
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Total owners' equity	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General reserve	Retained profits	Total owners' equity
I. Closing balance of the preceding year	5,037,747,500	7,547,519,135		2,229,960,693	3,234,707,881	18,049,935,009	5,037,747,500	7,523,102,442	2,002,886,733	3,004,631,139	17,588,367,814					
II. Changes for the year																
(I) Net profit					2,408,327,479	2,408,327,479									2,270,739,602	2,270,739,602
(II) Other comprehensive income/(loss)		14,452,992			14,452,992	14,452,992		24,416,693			24,416,693				24,416,693	
Subtotal of (I) and (II)		14,452,992			2,408,327,479	2,422,780,471		24,416,693			2,285,156,295				2,295,156,295	
(III) Owners' contributions and reduction in capital																
1. Capital contribution from owners																
2. Share-based payment recognized in owners' equity																
3. Others																
(IV) Profit distribution																
1. Transfer to surplus reserve				240,832,748	-240,832,748	0							227,073,960	-227,073,960		0
2. Transfer to general reserve																
3. Distributions to shareholders																
4. Others																
(V) Transfers within owners' equity																
1. Capitalization of capital reserve																
2. Capitalization of surplus reserve																
3. Loss offset by surplus reserve																
4. Others																
(VI) Special reserve																
1. Transfer to special reserve in the year																
2. Amount utilized in the year																
III. Closing balance of the current year	5,037,747,500	7,561,972,087		2,470,793,441	3,888,613,312	18,658,126,340	5,037,747,500	7,547,519,135	2,229,960,693	3,234,707,881	18,049,935,009					

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

I. BASIC INFORMATION ABOUT THE COMPANY

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

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

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

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

1. Basis of preparation of financial statements

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MOF”), and has early applied the new and revised ASBE that has been issued in 2014, detail please refer to Note II.22. The Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15— General Provisions on Financial Reporting (Revised in 2010). In addition, the Group also disclosed relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited.

Basis of accounting and principle of measurement

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

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2013, and the Company’s and consolidated results of operations and cash flows for the year then ended.

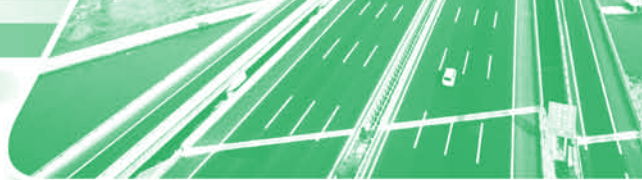
3. Accounting period

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

4. Functional currency

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

The Group adopts RMB to prepare its financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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 recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

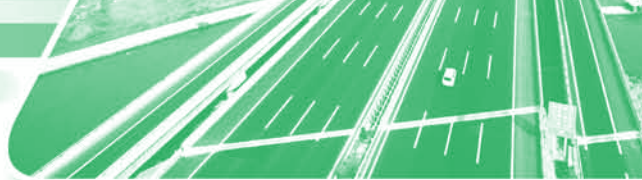
Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated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

8. Financial instruments

Financial assets and financial liabilities are recognized 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 recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

8.1. Determination of fair value

Fair value is the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. 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 year ended 31 December 2013

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 amortized 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 recognized and derecognized on a trade date basis.

The Group has no held-to-maturity investments.

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

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

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

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing 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. (3) it forms part of a contract containing one or more embedded derivatives, and ASBE No.39- Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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, other receivables and structural bank deposits recorded as other current assets.

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

8.3.3. *Available-for-sale financial assets*

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

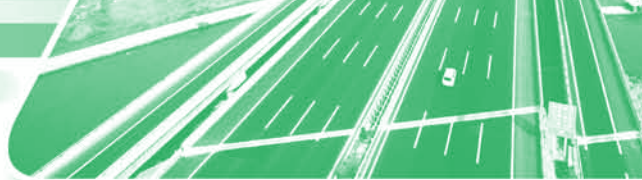
Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of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

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

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

8.4. Impairment of financial assets

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

8. Financial instruments *(continued)*

8.4. Impairment of financial assets *(continued)*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

8. Financial instruments *(continued)*

8.4. Impairment of financial assets *(continued)*

— Impairment of financial assets measured at amortized cost

If financial assets carried at amortized 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 recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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 recognized are not included in a collective assessment of impairment.

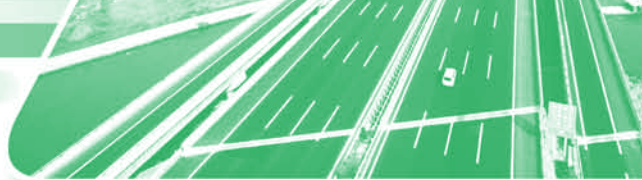
— Impairment of available-for-sale financial assets

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

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

— Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

8. Financial instruments *(continued)*

8.5. Transfer of financial assets

The Group derecognizes 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 recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes 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 recognized in other comprehensive income, is recognized in profit or loss.

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

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 amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

8. Financial instruments *(continued)*

8.6. Classification, recognition and measurement of financial liabilities *(continued)*

8.6.2. Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with ASBE No. 13 - Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in ASBE No. 14 - Revenue.

8.7. Derecognition of Financial Liabilities

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

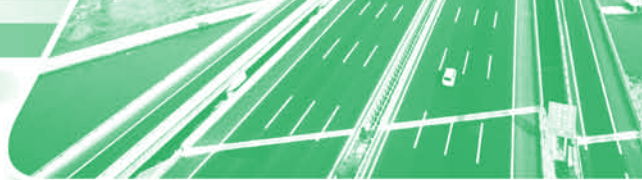
8.8. Offsetting financial assets and financial liabilities

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

8.9. Equity instruments

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

9. Receivables

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

Basis or monetary criteria for determining an individually significant receivable An accounts receivable that exceeds RMB 2,500,000 or an other receivable and a prepayment that exceeds RMB 750,000 is deemed as an individually significant receivable by the Group.

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

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

Basis for determining a portfolio

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

Bad debt provision method for a portfolio Percentage of total receivables outstanding

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

9. Receivables *(continued)*

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

Reasons for making individual bad debt provision	Those accounts receivables which exceed 2 years or there is significant financial difficulty of the obligor.
Bad debt provision 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 capitalized before project is ready for intended use, and other relevant costs during development. Cost of other inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

- 10.2. Valuation method of inventories upon delivery

The actual cost of real estate under development is calculated using the specific identification method. Other inventories are calculated using the first-in-first-out method.

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

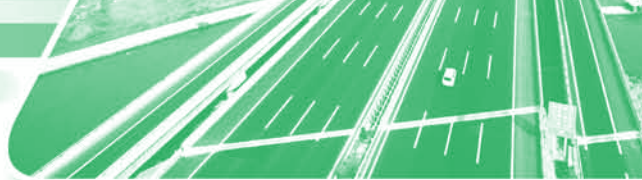
At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable 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 realizable 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 realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

- 10.4. Inventory count system

The perpetual inventory system is maintained for stock system.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

11. Long-term equity investments

11.1. Determination of investment cost

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

11.2. Subsequent measurement and recognition of profit or loss

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

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 recognized 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 a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

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

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

Under the equity method, the Group recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture, and the book value of long-term equity investments can be adjusted; the Group recognize the share of the distributed profit the investee declared or the calculated cash dividend, the book value of long-term equity investments can be decreased accordingly; For the changes in the owner's equity of the investee apart from changes in the profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investments can be adjusted and included in the Group's shareholder's equity. The Group recognizes 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. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized 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 recognized as other comprehensive income which is included in the capital reserve.

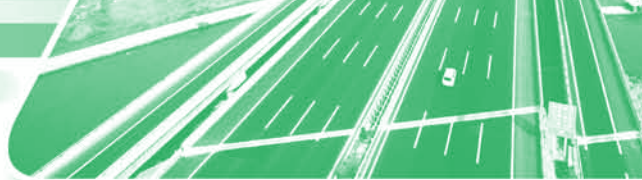
The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to 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 recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

11.2.3. Disposal of long-term equity investments

On disposal of a long term equity investment, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

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

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

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

12. Investment properties

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

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

Once an impairment loss is recognized 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 recognizes 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 recognized 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 derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 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

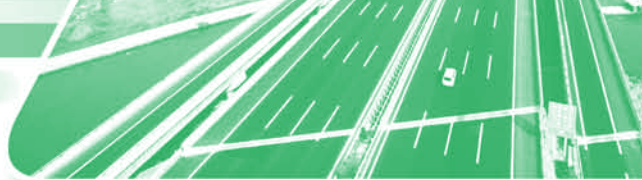
The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical 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 recognized in profit or loss for the period.

Once the impairment loss of such assets is recognized, 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 derecognized. 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 recognized in profit or loss for the period.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 capitalized 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 recognized in profit or loss for the period.

Once the impairment loss of construction in progress is recognized, 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 capitalized 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. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization 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. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized 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 capitalized 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 capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization 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 amortized 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

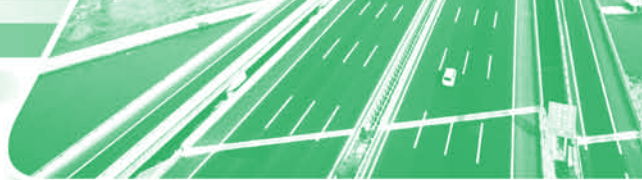
The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual 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 recognized 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 recognized, 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 amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 recognized 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 recognized when services are rendered.

18.3. Revenue from sale of goods

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

18.5. Interest income

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

19. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized 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 recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income, and evenly amortized 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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

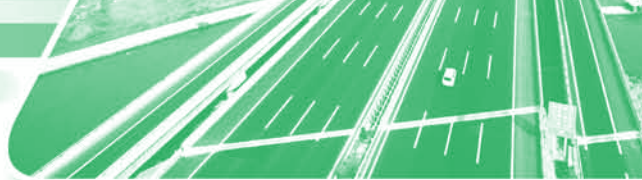
Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary 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 recognized.

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

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize 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 realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized 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 utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

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

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize 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 realize 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 recognized 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 recognized 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 capitalized when incurred, and are recognized 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 year ended 31 December 2013

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

22. Changes in significant accounting policies and accounting estimates

22.1. Changes in accounting policies

The Group has early applied the following new and revised ASBE that has been issued by MOF from January to March 2014:

Amendment to ASBE No.2- Long-term equity investment

According to the amendment to ASBE No. 2- Long-Term Equity Investments, long-term investments no longer include the investment which has no joint control or great influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably. Meanwhile, the revised standard clarify the calculating method of cost method and equity method, as well as the accounting treatments on the following special situations: when the investor can exert control, joint control or significant influence over the investee because of reasons such as increasing investments; when the investor lose control, joint control or significant influence over the investee because of reasons such as partial disposal of equity investments; and when classifying the equity investments of associates or joint ventures into assets held for sale entirely or partially. In accordance with the above amendment, the management classifies the investments of the Group which has no joint control or significant influence over the investee, no quoted price in an active market and the fair value of which cannot be measured reliably into available-for-sale financial assets, and the retroactive adjustments of the reclassification are conducted accordingly. For details, see Note VI 9,11, Note XII 6,8. Apart from the above impact, the adoption of this standard has no significant impact on the financial statements of the Group to the management of Company.

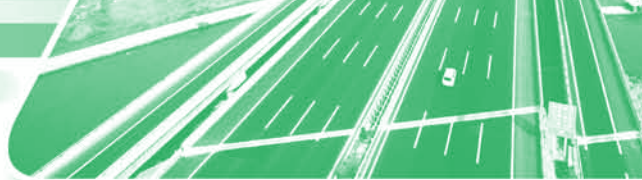
Amendment to ASBE No.9- Employee benefits

The amendments to ASBE No.9 has a clear definition of "short-term employee benefits", "short-term paid absences", "accumulating paid absences", "profit-sharing plan", "post-employment benefits", "termination benefits" and "other long-term employee benefits", adding the accounting treatment of post-employment and other long-term employee benefits, as well as modifying the accounting recognition point of termination benefits. Moreover, the amendments standardize the short-term employee benefits and other long-term employee benefits which the company is supposed to offer. According to the management of the Company, the adoption of this standard has no significant impact on the financial statements of the Group.

Amendment to ASBE No.30- Presentation of financial statements

The amendments to ASBE No.30 standardize the presentation the financial statements, including the financial statements related content such as held for sale and assets included in disposal groups, other comprehensive income, as well as the total amount of comprehensive income.

The Group has made additional disclosures in the Company and Consolidated income statement for the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

22. Changes in significant accounting policies and accounting estimates *(continued)*

22.1. Changes in accounting policies *(continued)*

ASBE No.39- Fair value measurement

ASBE No.39- Fair value measurement standardizes the definition of fair value, modifying "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction" into "the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions", which provides the guidance of confirming fair value, so as to import the disclosure requirements regarding the calculation of fair value. The adoption of the standards leads the Group to a more extensive disclosure of the fair value information in the financial statements this year. In addition, the adoption of this standard has no significant impact on the recognition and measurement of financial statements items.

ASBE No.40- Joint arrangements

ASBE No. 40- Joint arrangements standardize the definition and categorization of joint arrangements, as well as the accounting treatments of the rights and interests regarding different parties of the joint arrangements. Prior to the amendment, ASBE No.2-Long-term investments recognizes three broad categories of joint venture-jointly controlled operations, jointly controlled assets and jointly controlled entities. Jointly controlled operations refer to the situation that the Group uses its own assets or other economic resources to carry out certain economic activities jointly with other ventures (and such economic activities do not constitute an independent accounting entity), and exercises joint control over the economic activities under contractual arrangements; Jointly controlled assets refer to the situation that the Group and other ventures jointly contribute or acquire one or more assets, and exercise joint control over the assets under contractual arrangements; Jointly controlled entities refer to an entity over which the Group exercises joint control along with other investors. There are only two types of joint arrangements-jointly operations and joint ventures. Joint operation refers to a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. According to the management of the Company, the adoption of this standard has no significant impact on the financial statements of the Group.

Amendment to ASBE No.33- Consolidated financial statements

Amendment to ASBE No.33- Consolidated financial statements amends the definition of 'control', transforming from "Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities" into "Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns", and the amendments also includes the extensive guidance of complicated situations.

According to the management of the Company, the adoption of above standards has no significant impact on the financial statements of the Group. The financial statements have made presentations and disclosures according to above standards.

In January 2014, the Ministry of Finance issued the "Interpretation No.6 to the Accounting Standards for Enterprises" (the "Interpretation"), which took effect upon publication. According to the management of the Company, the employment of the Interpretation has no significant impact on the financial position and operating results of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

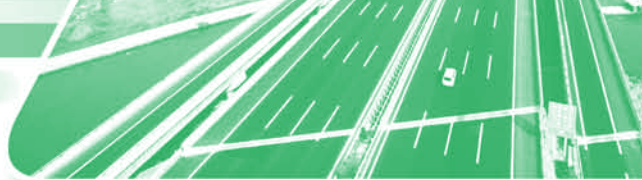
II. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (continued)

22. Changes in significant accounting policies and accounting estimates (continued)

22.2. Changes in accounting estimates

Unit: RMB

Changes in accounting estimates and reasons	Approval procedures	Financial statement items affected	Amounts affected
<p>The intangible asset is amortized 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.</p> <p>During the reporting period, the Group engaged an independent transport advisory and assessment institution to make a reassessment of predicted traffic volumes during the residual toll collection periods for all toll roads owned by the Group, and adjusted the provisions of amortization amounts for the standard traffic volumes on each road in accordance with the assessment results. The Company has adopted "prospective application" method to evaluate the accounting estimate from 1 Oct 2013.</p>	<p>Upon approval at the 13th meeting of the 7th Board of Directors on 21 March 2014</p>	<p>Prospective application method Company's financial statements: Intangible assets at 31 December 2013 Operating costs for 2013 Taxes payable at 31 December 2013 Income tax expenses for 2013 Consolidated financial statements: Intangible assets at 31 December 2013 Operating costs for 2013 Taxes payable at 31 December 2013 Income tax expenses for 2013 Minority interests at 31 December 2013 Profit or loss attributable to minority interests for 2013</p>	<p>Less: Intangible assets 18,209,279 Add: Operating costs 18,209,279 Less: Taxes payable 4,552,320 Less: Intangible assets 4,552,320 Less: Income tax expenses 15,028,555 Add: Operating costs 15,028,555 Less: Taxes payable 3,757,139 Less: Income tax expenses 3,757,139 Add: Minority interests 357,831 Add: Profit or loss attributable to minority interests 357,831</p>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

23. Other significant accounting policies, accounting estimates and preparation of financial statements

23.1. Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes 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 recognized 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 II, management had made the following estimation that have the most significant effect on the amounts recognized 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 period reviews the above judgment during each period, estimation and assumption. When the changes in accounting estimates affects that period only, the effect is recognized in that period; when the changes in accounting estimates affects that period and future periods, the effect is recognized in that period and prospectively.

— Key sources of estimation uncertainty

Amortization of toll road operation rights

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

The management exercises their judgment in estimating the total expected traffic volume of the toll roads during the operating period. When there is large difference between actual and expected traffic volume, the management will exercises their judgment in the accuracy of the expected traffic volume and adjust the future amortization per traffic volume. During the reporting period, the Group engaged an independent transport advisory and assessment institution to make a reassessment of predicted traffic volumes during the residual toll collection periods for all toll roads owned by the Group. The adjustment please refers to note II 22.2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 year ended 31 December 2013

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Subsidiaries established

Unit: RMB

Full name of the subsidiary	Type	Place of incorporation	Nature of business	Registered capital	Business scope	Actual capital contribution at the end of the year	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Consolidated or not consolidated	Minority interests	Amount of the minority interests used to absorb profits or losses attributable to minority interests	The balance after the amount of minority's share of current loss which is deducted from parent company's shareholders' equity exceeds the amount that the minority share the subsidiary's opening shareholders equity.
Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng")	Limited liability company	Nanjing	Service	850,000,000	Construction and operation of expressway	2,125,000,000	0	85	Yes	501,743,850	0	0
Wuxi Jingcheng Advertising Co., Ltd. (note 1)	Limited liability company	Wuxi	Service	1,000,000	Management and operation of advertising services	1,000,000	0	85	Yes	0	0	0
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment") (note 2)	Limited liability company	Nanjing	Investment and Service	100,000,000	Investment on infrastructure, advertising services, and real estate development	110,100,000	0	100	Yes	0	0	0
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan") (note 3)	Limited liability company	Kunshan	Real estate development	42,000,000	Real estate development	42,000,000	0	100	Yes	0	0	0
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	Nanjing	Real estate development	500,000,000	Real estate development, and consulting	500,000,000	0	100	Yes	0	0	0
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties") (note 4)	Limited liability company	Nanjing	Real estate development	200,000,000	Real estate development, and consulting	200,000,000	0	100	Yes	0	0	0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

V. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Information of subsidiaries (continued)

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

Note 2: The Group acquired 5% minority interest of the subsidiary Ninghu Investment from Suzhou City Investment Company Limited, at the cost of RMB15,100,000, resulting in Ninghu Investment being a wholly owned subsidiary by the Group.

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

Note 4: Kunshan Properties is the wholly owned subsidiary of Ninghu Properties, a subsidiary of the Group.

Note 5: None of the subsidiaries had issued any debt securities at the end of the year.

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			353,222			399,950
Bank balances:						
RMB			374,710,977			653,186,423
USD	1,371	6.0969	8,359	1,370	6.2855	8,611
HKD	1,327,050	0.7862	1,043,327	1,300,894	0.8108	1,054,765
Other currency funds:						
RMB			33,060,861			31,835,038
Total			409,176,746			686,484,787

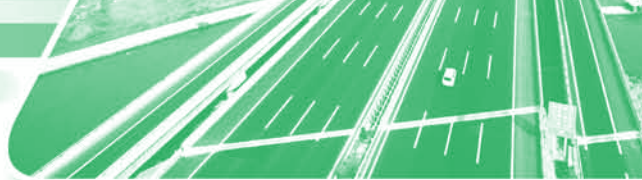
2. Held-for-trading financial assets

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

Unit: RMB

Item	Closing fair value	Opening fair value
Fund investments	20,175,395	18,065,458

The cost of fund investment is RMB 20,000,000; the closing fair value is RMB 20,175,395. The above information of closing market price was quoted by relevant open sourced information of the fund.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

3. Dividends Receivable

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Reasons for uncollected amounts	Whether the amount is impaired
Dividends receivable aged within 1 year	0	153,042,006	153,042,006	0	N/A	No
Including: Jiangsu Leasing Co., Ltd.	0	44,928,000	44,928,000	0	N/A	No
Jiangsu Yanjiang Expressway Co., Ltd.	0	9,038,440	9,038,440	0	N/A	No
Jiangsu Yangtze Bridge Co., Ltd.	0	56,983,566	56,983,566	0	N/A	No
Suzhou Sujiahang Expressway Co., Ltd.	0	42,092,000	42,092,000	0	N/A	No
Dividends receivable aged over 1 year	4,989,960	0	0	4,989,960	Declared but not distributed yet	No
Including: Jiangsu Kuailu Motor Transport Co., Ltd.	4,989,960	0	0	4,989,960	Declared but not distributed yet	No
Total	4,989,960	153,042,006	153,042,006	4,989,960		

4. 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	29,516,460	57	0	0	53,745,907	64	0	0
Accounts receivable for which bad debt provision has been assessed by portfolios	21,927,166	43	0	0	29,661,189	36	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	51,443,626	100	0	0	83,407,096	100	0	0

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

4. Accounts receivable (continued)

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

Explanations of categories of accounts receivable:

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

Aging analysis of accounts receivables is as follows:

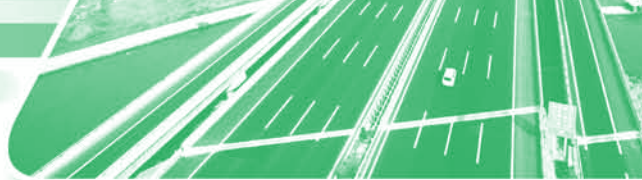
Unit: RMB

Aging	Closing balance			Carrying amount	Opening balance			Carrying amount
	Amount	Proportion (%)	Bad debt provision		Amount	Proportion (%)	Bad debt provision	
Within 1 year	51,443,626	100	0	51,443,626	83,407,096	100	0	83,407,096
More than 1 year but not exceed 2 years	0	0	0	0	0	0	0	0
More than 2 years but not exceeding 3 years	0	0	0	0	0	0	0	0
More than 3 years	0	0	0	0	0	0	0	0
Total	51,443,626	100	0	51,443,626	83,407,096	100	0	83,407,096

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

Name of portfolio	Carrying amount	Bad debt provision
Accounts receivable portfolios	21,927,166	0
Total	21,927,166	0

- (2) There are 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 year ended 31 December 2013

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

4. Accounts receivable (continued)

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the amount to the total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	Same ultimate shareholder	14,705,690	Within 1 year	29
Suzhou Sujiahang Expressway Co., Ltd.	Associate	7,259,979	Within 1 year	14
Suzhou Raocheng Expressway Co., Ltd.	Same ultimate shareholder	3,864,529	Within 1 year	8
The Third Yangtze River Bridge Co., Ltd.	Same ultimate shareholder	3,686,262	Within 1 year	7
Jiangsu Expressway Petroleum Development Co., Ltd.	Same ultimate shareholder	2,165,300	Within 1 year	4
Total		<u>31,681,760</u>		62

(4) Receivables due from related parties

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable (%)
Suzhou Sujiahang Expressway Co., Ltd.	Associate	7,259,979	14
Jiangsu Expressway Petroleum Development Co., Ltd.	Same ultimate shareholder	2,165,300	4
Jiangsu Kuailu Motor Transport Co., Ltd.	Associate	541,226	1
Jiangsu Yanjiang Expressway Co., Ltd.	Associate	135,097	0
Total		<u>10,101,602</u>	19

At 31 December 2013, besides the accounts receivable from related party stated above, there are split toll road fee receivables from Network Operation Company, Suzhou Raocheng Expressway Co., Ltd., The Third Yangtze River Bridge Co., Ltd. and other expressway companies within Jiangsu toll road network (the "Toll Road Network Companies") which amounted to RMB36,369,557. The ultimate shareholder of those Toll Road Network Companies is Jiangsu Communications Holding Company Limited, except for which the Company has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

5. Other receivables

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	1,233,172,551	99	15,812,140	98	1,159,892,978	99	16,312,140	98
Other receivable for which bad debt provision has been assessed by portfolios	10,327,406	1	382,929	2	13,630,798	1	382,929	2
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	0	0	0	0	0	0	0	0
Total	1,243,499,957	100	16,195,069	100	1,173,523,776	100	16,695,069	100

Explanations of categories of other receivables:

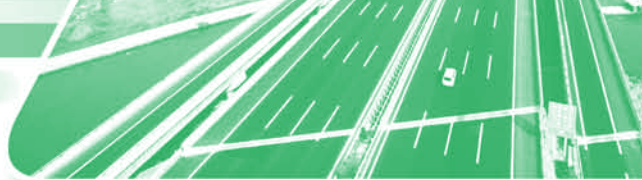
Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	97,815,540	8	371,300	97,444,240	1,139,454,968	97	367,413	1,139,087,555
More than 1 year but not exceed 2 years	1,124,652,998	90	0	1,124,652,998	669,231	0	1,901	667,330
More than 2 years but not exceed 3 years	157,650	0	0	157,650	58,097	0	162	57,935
More than 3 years	20,873,769	2	15,823,769	5,050,000	33,341,480	3	16,325,593	17,015,887
Total	1,243,499,957	100	16,195,069	1,227,304,888	1,173,523,776	100	16,695,069	1,156,828,707

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

Name of portfolio	Carrying amount	Bad debt provision
Other receivables portfolios	10,327,406	382,929



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

5. Other receivables (continued)

(2) Reversals and collections during the current period: (continued)

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

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

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

(5) Nature or content of significant other receivables

On 6 July 2012, the Company received the "Notice from the Office of Jiangsu Provincial Government in respect of the removal or relocation of certain toll stations and related issues" (Suzhengban Fa [2012] No. 126) (the "Notice") issued by the Office of the Jiangsu Provincial Government. According to the Notice, the Company removed Nanjing Toll Station, Luoshe Toll Station (including Yanqiao Toll Station) and Xilin Toll Station that along the 312 National Highway (the "312 Toll Stations"). Jiangsu Provincial Government issued "Approval on compensation for removal of the 312 Toll Stations" (Suzheng Fu [2012] No.115) on 31 December 2013 and committed to compensate for the loss incurred. The compensation was agreed to the net book value of related removed toll road operation rights. As a result, the Company recognized compensation receivables from Jiangsu Provincial Government at RMB1,124,177,798, and the relevant net book value of removed toll road operation rights is RMB1,124,177. By the end of the year, the Company has not received the amount.

In order to speed up the urbanization construction, Zhenjiang Government spent RMB 210,084,100 acquiring Ninghu Expressway (Jiangsu section) Zhenjiang branch ("Zhenjiang branch") in the current year. Zhenjiang Government signed the acquisition with the Company which included "Shanghai-Nanjing Expressway (Jiangsu section) Zhenjiang branch transfer contract" and "Shanghai-Nanjing Expressway (Jiangsu section) Zhenjiang branch transfer contract payment agreement. The Company completed the updating of the toll networking system of Zhenjiang branch by 30 June 2013, which marks the completion of the disposal of Zhenjiang branch. By the end of the current year, there is still RMB 84,033,640 which has not been received yet.

By the date of signing the financial statements, the management of the company is holding up a positive communication with sorts of parties to facilitate an early collection of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

5. Other receivables (continued)

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

Unit: RMB

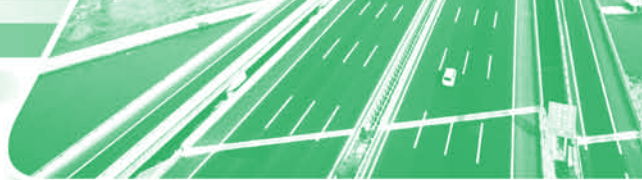
Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to total other receivables (%)
Jiangsu Provincial Government	Governance between government and enterprise	1,124,177,798	More than 1 year but not exceed 2 years	91
Zhenjiang Investment and Construction Development Company	Zhenjiang Branch Disposal	84,033,640	Within 1 year	7
Yicao Road Management Office	Investment liquidation receivables	15,812,140	More than 3 years	1
Changzhou Expressway Construction Headquarter	Business	5,000,000	More than 3 years	0
Kunshan Finance Bureau Huaqiao branch	Business	1,600,000	Within 1 year	0
Total		1,230,623,578		99

6. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	16,157,355	77	17,396,960	99
1-2 year	4,871,387	23	120,000	1
Total	21,028,742	100	17,516,960	100



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

6. Prepayments (continued)

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Reasons for unsettlement
Public Security Bureau Traffic Patrol Police Corps	Business	11,430,000	Within 1 year 7,620,000 More than 1 year but not exceed 2 years 3,810,000	Transaction not completed
Sinopec Jiangsu Petroleum Company	Business	2,818,344	Within 1 year	Transaction not completed
Jiangsu Electric Co., Ltd Kunshan branch	Business	1,209,334	Within 1 year	Transaction not completed
Kunshan Jingdian Advertisement Co., Ltd.	Business	700,000	Within 1 year	Transaction not completed
Suzhou Water Co., Ltd.	Business	689,700	Within 1 year	Transaction not completed
Total		16,847,378		

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

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Category	Closing balance	Opening balance
Individually significant prepayments	15,457,678	12,420,633
Other insignificant prepayments	5,571,064	5,096,327
Total	21,028,742	17,516,960

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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	2,204,581,864	0	2,204,581,864	1,855,841,275	0	1,855,841,275
Properties for sale	618,421,379	0	618,421,379	68,429,415	0	68,429,415
Spare parts for repair and maintenance	11,926,629	0	11,926,629	11,005,677	0	11,005,677
Petrol	9,647,864	0	9,647,864	9,923,103	0	9,923,103
Total	2,844,577,736	0	2,844,577,736	1,945,199,470	0	1,945,199,470

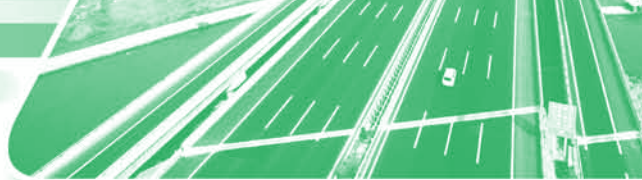
Unit: RMB

Details of properties under development are as follows:

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Huaqiao Urban Core Project	November 2010	May 2018	2,026,000,000	447,216,015	659,191,220
Suzhou Qingyuan	December 2010	December 2013	650,000,000	586,100,034	0
Suzhou Nanmen Road G25 Project	October 2014	March 2017	1,146,300,000	0	568,550,495
Baohua Hongyan Community AB Project	July 2012	April 2019	3,624,000,000	787,302,017	941,557,444
Huaqiao Urban Core B3 Guangmingjiezuo Project	December 2014	July 2017	353,000,000	35,223,209	35,282,705
Total			7,799,300,000	1,855,841,275	2,204,581,864

Details of properties for sale are as follows:

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Huaqiao Urban Core C4					
Tongcheng Hongqiao Mansion	August 2012	68,429,415	0	49,191,653	19,237,762
Suzhou Qingyuan	December 2013	0	599,183,617	0	599,183,617
Total		68,429,415	599,183,617	49,191,653	618,421,379



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

7. Inventories (continued)

Analysis of land use right in inventories by location and by useful life is as follows:

Unit: RMB

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10–50 years)	1,926,992,676	1,382,120,664

Details information of properties under development are as follows:

Project name	Address	Purpose	The acreage of land (square meter)	Attributable equity interest of the Group	Stage of completion	Completion date
Huaqiao Urban Core B3						
Guangmingjiezuo Project	Kunshan Huaqiao business core area	House	14,874	100	Not start	July 2017
Baohua Hongyan Community						
B1 Tongchengshijia Project		House	188,736	100	90%	April 2014
Baohua Hongyan Community						
B2 Tongchengshijia Project	Jurong Baohua Hongyan Community	House		100	Not start	June 2016
Baohua Hongyan Community	Xianlin East Road No. 8					
A1 Tongchengshijia Project		House	144,352	100	Not start	April 2018
Baohua Hongyan Community						
A2 Tongchengshijia Project		House		100	Not start	April 2019
Suzhou Nanmen Road G25 Project	Suzhou Nanmen Road	House	30,665	100	Not start	March 2017
Huaqiao Urban Core C7 Pujiang	Kunshan Huaqiao business core					
Building Project	Yunqiao Road No. 118	Office building	30,265	100	95%	April 2014
Huaqiao Urban Core C5Yuhuhao Project	Kunshan Huaqiao business core area	Hotel	20,837	100	15%	April 2016
Huaqiao Urban Core B4	Kunshan Huaqiao business					
Guangmingjiezuo Project	core Shangxiang Road No. 708	House	13,591	100	55%	April 2015
Huaqiao Urban Core B18						
Guangmingjiezuo Project	Kunshan Huaqiao business core area	House	13,818	100	Not start	May 2018
Huaqiao Urban Core B19						
Guangmingjiezuo Project	Kunshan Huaqiao business core area	House	13,844	100	Not start	July 2016

Details information of properties for sale are as follows::

Project name	Address	Purpose	The acreage of sold but not yet delivered (square meter)	The acreage of to be sold (square meter)	Attributable equity interest of the Group	Stage of completion	Completion date
Suzhou Qingyuan	Suzhou Xinshilu Road No. 298	House	15,037	0	100	Completed	December 2013
Huaqiao C4 Tongcheng Hongqiao Mansion	Kunshan Huaqiao business core Xiqiao Road No. 158	House	471	1,976	100	Completed	August 2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Financial management product	147,000,000	123,500,000
Structured bank deposits	0	200,203,560
Business taxes and levies related to real estate sales paid in advance	28,082,464	3,322,606
Total	175,082,464	327,026,166

Financial management product represents “Diandaichengjin” series, “Dingdingchengjin No. 68066” and “Suiyueliujin” series issued by China Merchants Bank and “Gongying No. 3” issued by Industrial and Commercial Bank of China. These products are non-capital preservation with floating income.

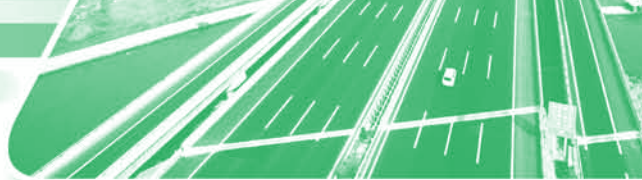
9. Available-for-sale financial assets

Unit: RMB

Item	Closing balance	Opening balance (Restated)
Available-for-sale debt instruments	0	0
Available-for-sale equity instruments	1,290,725,956	284,565,956
Others	0	0
Total	1,290,725,956	284,565,956

Classify	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Equity instruments cost / debt instruments at amortized cost	1,290,725,956	0	0	1,290,725,956
Closing fair value	N/A	0	0	N/A
Fair value change have been charged in the accumulated other comprehensive income	0	0	0	0
Impairment amount	0	0	0	0

At 31 December 2013, the available-for-sale equity instruments of the Group is the investment amounting RMB 1,000,000,000 on Bank of Jiangsu Co., Ltd. (“Bank of Jiangsu”) which is established in China and non-listed, and the investment ratio of which is 1.92%, as well as the investment amounting RMB 2,000,000 on Shenzhen Ruijin Co., Ltd. (“Shenzhen Ruijin”) at the investment ratio of 17.24%, the investment amounting RMB 270,898,456 on Jiangsu Leasing Co., Ltd. (“Jiangsu Leasing”) at the investment ratio of 10.66%, the investment amounting RMB 7,367,500 on Jiangsu Sundian Engineering Co., Ltd. (“Sundian”) at the investment ratio of 15.00% and the investment amounting RMB 10,460,000 on Jiangsu Expressway Network Operation and Management Co., Ltd. (“Network Operation Company”) at the investment ratio of 7.24%.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

9. Available-for-sale financial assets (continued)

At 31 December 2012, the available-for-sale equity instruments of the Group is the investment amounting RMB 2,000,000 on Shenzhen Ruijin which is established in China and non-listed, and the investment ratio of which is 17.24%, as well as the investment amounting RMB 270,898,456 on Jiangsu Leasing at the investment ratio of 10.66%, the investment amounting RMB 7,367,500 on Sundian at the investment ratio of 15.00% and the investment amounting RMB 4,300,000 on Network Operation Company at the investment ratio of 8.84%.

For the above available-for-sale equity instruments, since they have not quoted in an active market and the fair value could not be reliably measured, nor did they have any significant influence over the investee companies, the Group measures them based on the cost.

10. Investments in joint ventures and associates

Unit: RMB

Name of investee	Proportion of ownership interest held by the Group (%)	Investee's total assets at the end of the year	Investee's total liabilities at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
I. Joint ventures						
None						
II. Associates						
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.")	33.20	309,670,229	75,249,693	234,420,536	193,932,919	-4,773,086
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge")	26.66	9,004,472,330	5,451,265,960	3,553,206,370	1,043,945,917	277,376,536
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang")	33.33	4,027,332,005	1,793,536,546	2,233,795,459	1,098,058,456	275,214,747
Suzhou Sujiayong Expressway Co., Ltd. ("Sujiayong")	22.77	1,067,338,799	389,529,509	677,809,290	0	-55,706
Jiangsu Xiexin Gas Co., Ltd. ("Xiexin")	48.00	6,000,000	0	6,000,000	0	0
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	34.91	315,630,334	16,378,880	299,251,454	57,384,238	-7,310,654
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang")	29.81	7,570,828,346	2,974,643,327	4,596,185,019	1,314,035,363	327,375,391
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode")	39.00	11,641,719	55,094	11,586,625	0	-3,413,375

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

During the year, the Group invested Sujiayong, Xiexin and Luode in the way of cash contribution at the cost of RMB 114,027,432, RMB 2,880,000 and RMB5,850,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

11. Long-term equity investments

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

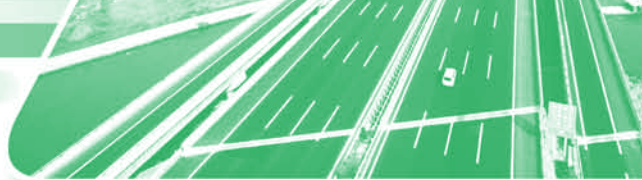
Unit: RMB

Investee	Accounting method	Investment cost	Opening balance (Restated)	Changes	Closing balance	Proportion of ownership interest in the investee (%)	Provision for impairment losses	Provision for impairment losses for the year	Cash dividends for the year
Associated companies									
— unlisted company									
Kuailu Co., Ltd.	Equity method	49,899,600	67,398,346	-3,217,281	64,181,065	33.20	0	0	0
Yangtze Bridge	Equity method	631,159,243	969,045,816	31,417,969	1,000,463,785	26.66	0	0	56,983,566
Sujiahang	Equity method	526,090,677	722,147,644	49,560,085	771,707,729	33.33	0	0	42,092,000
Sujiaoyong	Equity method	189,027,432	74,922,471	114,014,748	188,937,219	22.77	0	0	0
Xiexin (note 2)	Equity method	2,880,000	0	2,880,000	2,880,000	48.00	0	0	0
Nanlin Hotel	Equity method	160,000,000	171,911,570	-2,552,149	169,359,421	34.91	0	0	0
Yanjiang (note 3)	Equity method	1,466,200,000	1,487,375,520	97,936,408	1,585,311,928	29.81	0	0	9,038,440
Luode	Equity method	5,850,000	0	4,518,784	4,518,784	39.00	0	0	0
Total		3,031,106,952	3,492,801,367	294,558,564	3,787,359,931		0	0	108,114,006

Note 1: The foregoing companies are all unlisted company registered in PRC.

Note 2: During this year, because of the introduction of new shareholders Wujiang Communications Investment Group Co., Ltd, Wuzhong Transport Investment and Construction Co., Ltd and Kunshan Transportation Development Holdings Limited, the Group gave up the right of first refusal, the equity ratio in Su Jia Yong of the Group decreased from 30% to 22.77%. After the introduction of new shareholders, each shareholder increased capital at the same rate, while the Group increased capital RMB114,027,432, after which the Group's investment cost was up to RMB 189,027,432.

Note 3: During this year, because of the introduction of new shareholders Zhangjiagang Municipal Public Assets Management Co., the equity ratio in Yanjiang of the Group decreased from 32.26% to 29.81%. According to the Yanjiang amendment of Article, Zhangjiagang Municipal Public Assets Management Co., Ltd. only enjoyed 40% of the income (profits, losses, gains and losses on disposal of assets) of the Zhangjiagang Port Express, and does not enjoy any other income resulting in Yanjiang Express projects other than the Zhangjiagang Port Express. By the end of the year, Zhangjiagang Port Express is still under construction.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

12. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount				
1. Buildings	24,573,449	14,805,428	0	39,378,877
2. Land use rights	0	0	0	0
II. Total accumulated depreciation and amortization				
1. Buildings	1,846,535	2,117,196	0	3,963,731
2. Land use rights	0	0	0	0
III. Total net book value of investment properties				
1. Buildings	22,726,914	12,688,232	0	35,415,146
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	22,726,914	12,688,232	0	35,415,146
2. Land use rights	0	0	0	0

Depreciation and amortization for the current period is RMB 893,667.

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

The investment properties represent the Zhongshan Meilu villa, shops in Kunshan Huijie Yanyuan and AB floor store and 3 offices in Kunshan Huijie office building held by the Group.

The increase in the original carrying amount for the current period consists of acquisitions of RMB 369,502, an increase of RMB 14,435,926 transfer from owner-occupied properties.

The depreciation for the current period is RMB 893,667, an increase of RMB 1,223,529 transfer from owner-occupied properties.

(2) Detail information of Investment properties are as follows:

Project name	Address	Purpose	Term of lease
Zhongshan Meilu villa	Nangjing Qixia District Jinma Road No. 18	Commercial	Short-term
Kunshan Huijie office building and AB floor store and 3 offices	Kunshan People's south road No. 888	Commercial	Medium-term

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

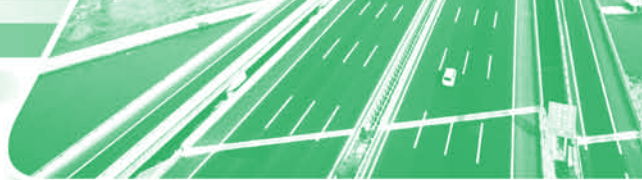
VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	2,417,353,452	162,719,718	137,333,915	2,442,739,255
Including: Buildings	869,525,028	29,861,897	23,513,510	875,873,415
Safety equipment	400,601,357	25,044,576	736,174	424,909,759
Communication and surveillance equipment	259,786,684	17,694,876	9,449,760	268,031,800
Toll and ancillary equipment	292,746,258	43,397,367	48,014,234	288,129,391
Motor vehicles	169,051,928	15,315,522	26,223,284	158,144,166
Other machinery and equipment	425,642,197	31,405,480	29,396,953	427,650,724
II. Total accumulated depreciation	1,289,035,852	169,269,605	115,114,622	1,343,190,835
Including: Buildings	297,243,783	33,116,229	4,355,925	326,004,087
Safety equipment	283,571,707	32,167,377	670,896	315,068,188
Communication and surveillance equipment	169,439,465	24,408,027	20,765,357	173,082,135
Toll and ancillary equipment	170,719,795	27,664,236	42,735,718	155,648,313
Motor vehicles	104,785,284	11,964,699	24,917,706	91,832,277
Other machinery and equipment	263,275,818	39,949,037	21,669,020	281,555,835
III. Total net book value of fixed assets	1,128,317,600			1,099,548,420
Including: Buildings	572,281,245			549,869,328
Safety equipment	117,029,650			109,841,571
Communication and surveillance equipment	90,347,219			94,949,665
Toll and ancillary equipment	122,026,463			132,481,078
Motor vehicles	64,266,644			66,311,889
Other machinery and equipment	162,366,379			146,094,889
IV. Total provision for impairment losses	0	0	0	0
Including: Buildings	0	0	0	0
Safety equipment	0	0	0	0
Communication and surveillance equipment	0	0	0	0
Toll 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	1,128,317,600			1,099,548,420
Including: Buildings	572,281,245			549,869,328
Safety equipment	117,029,650			109,841,571
Communication and surveillance equipment	90,347,219			94,949,665
Toll and ancillary equipment	122,026,463			132,481,078
Motor vehicles	64,266,644			66,311,889
Other machinery and equipment	162,366,379			146,094,889



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

13. Fixed assets (continued)

(1) Fixed assets (continued)

The depreciation for the current period is RMB169,269,605.

Construction in process transfer to Fix Assets for the current period is RMB84,876,610.

As at 31 December 2013, no fixed assets were restricted.

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	68,355,884	57,779,845

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

Unit: RMB

Item	Amount	Reasons why certificates of title have not been obtained	Expected timing of obtaining certificates of title
Ninghu expressway Lujia toll station	5,873,125	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Xuejia toll station	2,231,243	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Wuxi airport toll station	6,608,653	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Kunshan toll station	7,519,824	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Suzhou management offices	14,407,863	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Changzhou Luoshuwan buildings	3,945,846	Not obtained certification yet.	uncertain
Ninghu expressway Changzhou ETC customer service branch buildings	1,181,721	Not obtained certification yet.	uncertain
Service zone office buildings	4,085,315	Not obtained certification yet.	uncertain
Ninghu expressway Heyang toll station	18,029,096	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway South Network Centre and project management center houses	34,659,289	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Buildings in Guangjing Xicheng expressway service zone	95,076,821	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Total	193,618,796		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

13. Fixed assets (continued)

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

Description of fixed assets:

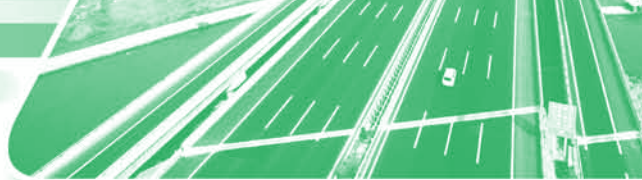
- (1) The increase in the original carrying amount for the current period consists of acquisitions of RMB 77,843,108, an increase of RMB 84,876,610 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current year consists of a decrease of RMB 122,897,989 on disposals and a decrease of RMB 14,435,926 on reclassification as investment properties.
- (3) The increase in accumulated depreciation for the current year consists of charge for the current year of RMB 169,269,605.
- (4) The decrease in accumulated depreciation for the current year consists of a decrease of RMB 113,891,093 on disposals and a decrease of RMB 1,223,529 on reclassification as investment properties.

14. 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
Information project	48,808,601	0	48,808,601	124,900	0	124,900
Housing projects of Toll stations and service zones	35,220,028	0	35,220,028	6,649,347	0	6,649,347
Jingjiang interoperability expansion project	19,700,000	0	19,700,000	0	0	0
Noise barrier construction project	9,044,736	0	9,044,736	0	0	0
Three big system construction project	4,242,800	0	4,242,800	5,161,510	0	5,161,510
Employees activity centre	515,000	0	515,000	400,000	0	400,000
Expansion project of expressway toll stations	0	0	0	8,169,777	0	8,169,777
Lighting system construction project	0	0	0	3,095,291	0	3,095,291
Expansion project of Jiangyin north toll station	0	0	0	4,140,000	0	4,140,000
The expansion of Huangtang toll station	0	0	0	1,580,000	0	1,580,000
Others	10,177,251	0	10,177,251	1,473,480	0	1,473,480
Total	127,708,416	0	127,708,416	30,794,305	0	30,794,305



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

14. Construction in progress (continued)

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount (‘0,000)	Opening balance	Increase in current year	Transfer to fixed assets	Other decreases	Amount injected as a proportion	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds	Closing balance
						of budget amount (%)						
Information project	7,953	124,900	51,265,499	2,581,798	0	65	In progress	0	0	0	Own funds	48,808,601
Housing projects of Toll stations and service zones	5,047	6,649,347	30,158,561	1,587,880	0	73	In progress	0	0	0	Own funds	35,220,028
Jingjiang interoperability expansion project	10,000	0	19,700,000	0	0	20	In progress	0	0	0	Own funds	19,700,000
Noise barrier construction project	6,500	0	9,044,736	0	0	14	In progress	0	0	0	Own funds	9,044,736
Three big system construction project	3,100	5,161,510	21,697,759	22,616,469	0	87	In progress	0	0	0	Own funds	4,242,800
Employees activity centre	221	400,000	1,024,988	909,988	0	64	In progress	0	0	0	Own funds	515,000
Expansion project of expressway toll stations	1,358	8,169,777	3,269,467	11,439,244	0	84	Completed	0	0	0	Own funds	0
Lighting system construction project	2,550	3,095,291	21,949,286	25,044,577	0	98	Completed	0	0	0	Own funds	0
Expansion project of Jiangyin north toll station	481	4,140,000	672,900	4,740,000	72,900	100	Completed	0	0	0	Own funds	0
The expansion of Huangtang toll station	158	1,580,000	0	1,532,280	47,720	100	Completed	0	0	0	Own funds	0
Others	N/A	1,473,480	23,128,145	14,424,374	0			0	0	0	Own funds	10,177,251
Total		30,794,305	181,911,341	84,876,610	120,620			0	0	0		127,708,416

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

(4) Construction progress of significant construction in progress

Unit: RMB

Item	Amount	Construction progress	Remarks
Information project	48,808,601	In progress	
Housing projects of Toll stations and service zones	35,220,028	In progress	
Jingjiang interoperability expansion project	19,700,000	In progress	
Noise barrier construction project	9,044,736	In progress	
Three big system construction project	4,242,800	In progress	
Employees activity centre	515,000	In progress	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

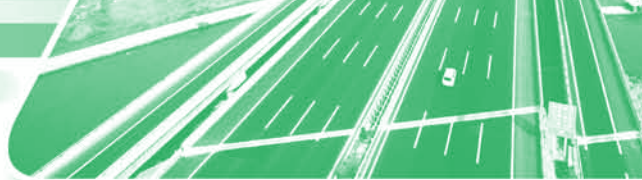
15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	23,574,554,258	0	169,638,504	23,404,915,754
Toll road operation rights	21,825,105,458	0	140,397,660	21,684,707,798
Land use right of				
Shanghai-Nanjing Expressway	1,710,521,846	0	29,240,844	1,681,281,002
Other land use rights	38,926,954	0	0	38,926,954
II. Total accumulated amortization	6,936,932,398	794,551,027	48,318,313	7,683,165,112
Toll road operation rights	6,084,068,178	731,018,063	30,448,909	6,784,637,332
Land use right of				
Shanghai-Nanjing Expressway	839,356,980	61,821,636	17,869,404	883,309,212
Other land use rights	13,507,240	1,711,328	0	15,218,568
III. Total net book value of intangible assets	16,637,621,860			15,721,750,642
Toll road operation rights	15,741,037,280			14,900,070,466
Land use right of				
Shanghai-Nanjing Expressway	871,164,866			797,971,790
Other land use rights	25,419,714			23,708,386
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
V. Total carrying amount of intangible assets	16,637,621,860			15,721,750,642
Toll road operation rights	15,741,037,280			14,900,070,466
Land use right of				
Shanghai-Nanjing Expressway	871,164,866			797,971,790
Other land use rights	25,419,714			23,708,386

The amortization for the current year is RMB 794,551,027.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

15. Intangible assets (continued)

(1) Intangible assets (continued)

Description of intangible assets:

- (1) At 31 December 2013, bank loans amounting to RMB 250,000,000 were secured by certain of the Group's toll road operation rights of approximately RMB 1,483,202,413. The amortization of such toll road operation rights during the current year was RMB 115,364,098.
- (2) The decrease in the original carrying amount for the current year consisted of a decrease of RMB 169,638,504 on disposal, mainly from the disposal of Zhenjiang branch-related toll road concession and land use right. Details please refer to note VI 5 (5).
- (3) The increase in accumulated amortization for the current year consisted of charge for the current year of RMB 794,551,027.
- (4) The decrease in accumulated amortization for the current year consisted of a decrease of RMB 48,318,313 on disposal, mainly from the disposal of Zhenjiang branch-related toll road concession and land use right. Details please refer to note VI 5 (5).

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

Unit: RMB

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10–50 years)	821,680,176	896,584,580

16. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the year	Amortization for the year	Other reductions	Closing balance	Reasons for other reductions
Decorations for buildings	519,565	1,085,125	437,826	0	1,166,864	N/A

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

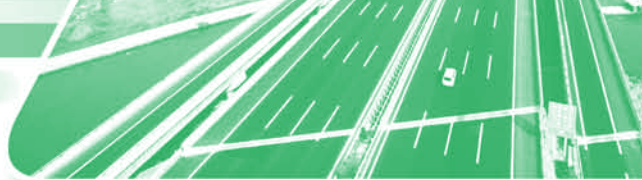
VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	Deferred tax assets or liabilities after offset at the end of the reporting period	Deductible or taxable temporary differences after offset at the end of the reporting period	Deferred tax assets or liabilities after offset at the beginning of the reporting period	Deductible or taxable temporary differences after offset at the beginning of the reporting period
Deferred tax assets:				
Deductible losses	6,444,943	25,779,771	3,070,782	12,283,129
Provision for impairment losses of assets	4,048,767	16,195,069	4,173,767	16,695,069
Valuation of financial instruments held for trading and derivatives	0	0	483,636	1,934,542
Prepayment of Enterprise business tax and land appreciation tax for real estate pre-sale and so on	0	0	4,470,783	17,883,132
Unrealized profits	5,813,885	23,255,542	0	0
Total	16,307,595	65,230,382	12,198,968	48,795,872
Deferred tax liabilities:				
Valuation of financial instruments held for trading and derivatives	43,849	175,396	0	0
Prepayment of Enterprise business tax and land appreciation tax for real estate pre-sale and so on	1,325,400	5,301,600	0	0
Total	1,369,249	5,476,996	0	0



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

17. Deferred tax assets/deferred tax liabilities (continued)

(2) Details of offsetting deferred tax assets and deferred tax liabilities

Unit: RMB

Item	Net Amount
Current year:	
Deductible losses and Prepayment of Enterprise business tax and land appreciation tax for real estate pre-sale and so on	1,084,903
Prior year:	
Deductible losses and Prepayment of Enterprise business tax and land appreciation tax for real estate pre-sale and so on	0

18. Details of provision for impairment losses of assets

Unit: RMB

Item	Opening carrying amount	Decrease in the current year		Closing carrying amount
		Increase in the current year	Reversals	
Bad debt provision	16,695,069	0	500,000	16,195,069

19. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured loans	1,220,000,000	550,000,000
Including: Bank loans	1,030,000,000	400,000,000
Trust loans	0	0
Entrusted loans	190,000,000	150,000,000
Short-term bonds(note)	2,000,000,000	2,000,000,000
Total	3,220,000,000	2,550,000,000

Note: Short-term bonds represent the bonds issued on 17 October 2013 and 18 November 2013, bear interest at 5.32% and 5.69% per annum respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

20. Accounts payable

- (1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	34,500,404	65,990,419
Construction payable for real estate project	291,549,972	225,753,070
Toll road fee payable	19,486,421	31,565,977
Daily purchase payable for service zones	23,444,457	24,828,975
Others	2,682,235	812,643
Total	371,663,489	348,951,084

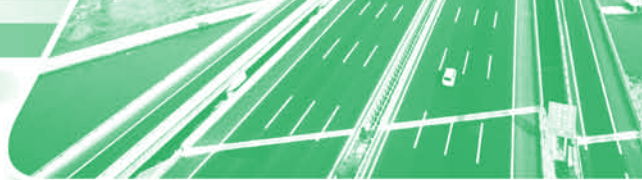
- (2) There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of accounts payable to related parties please refer to note VII (6) (2).

Description of significant accounts payable aged more than one year:

As at 31 December 2013, the accounts payable aged over 1 year of the group mainly represents the construction payable amounting to RMB34,500,404 and the construction payable for real estate amounting to RMB83,168,460. The amount keeps unpaid because the construction settlement procedure is long.

Aging analysis of accounts payable is as follows:

Item	Closing balance	Opening balance
Within 1 year	253,944,705	220,837,365
1-2 years	56,854,497	62,123,300
2-3 years	26,363,883	0
Over 3 years	34,500,404	65,990,419
Total	371,663,489	348,951,084



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

21. Receipts in advance

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

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	4,274,926	4,209,489
Advertising service fee received in advance	11,598,617	14,121,798
Income from properties for sales received in advance	396,937,132	47,445,689
Receipts in advance from transfer of Zhenjiang branch	0	42,016,820
Others	95,951	80,000
Total	412,906,626	107,873,796

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

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	412,826,626	100	85,400,336	79
1-2 year	0	0	22,393,460	21
2-3 years	0	0	0	0
Over 3 years	80,000	0	80,000	0
Total	412,906,626	100	107,873,796	100

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

Unit: RMB

Project name	Opening balance	Closing balance	Completion date	Proportion of advance sale
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	47,165,689	3,796,431	August 2012	95
Huaqiao Urban Core B4 Guangmingjiezuo Project	0	244,061,647	April 2015	97
Baohua Hongyan Community B1 Tongchengshijia Project	0	149,079,054	April 2014	53
Kunshan Huijie Yayuan project	280,000	0	April 2009	100
Total	47,445,689	396,937,132		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

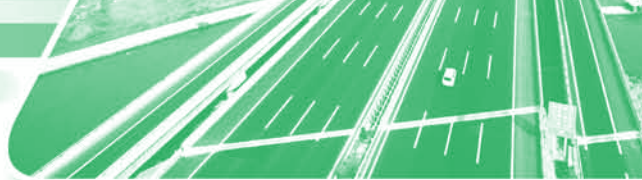
22. Employee benefits payable

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Wages or salaries, bonuses, allowances and subsidies	0	318,907,664	318,907,664	0
II. Staff welfare	0	26,297,483	26,297,483	0
III. Social security contributions	0	109,749,003	109,749,003	0
Including: Medical insurance	0	33,114,358	33,114,358	0
Basic pension insurance	0	45,749,972	45,749,972	0
Supplemental pension insurance	0	23,170,445	23,170,445	0
Unemployment insurance	0	3,738,924	3,738,924	0
Compo insurance	0	2,045,477	2,045,477	0
Bearing insurance	0	1,929,827	1,929,827	0
IV. Housing funds	0	26,600,381	26,600,381	0
V. Termination benefits	0	586,094	586,094	0
VI. Others	2,331,953	49,636,121	51,065,989	902,085
Outlay for Labor union and employees education	2,331,953	8,195,692	9,625,560	902,085
Non-monetary welfare	0	23,462,646	23,462,646	0
Others	0	17,977,783	17,977,783	0
Total	2,331,953	531,776,746	533,206,614	902,085

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB 8,195,692, compensations to employees for termination of employment relationship are RMB 586,094. Non-monetary benefits are RMB23,462,646, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

23. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	131,755,688	207,727,785
Business tax	15,941,345	13,630,500
Land appreciation tax	0	0
VAT	1,789,643	1,820,539
Property tax	497,866	517,190
Individual income tax	1,730,203	1,974,205
Others	4,252,182	4,336,127
Total	155,966,927	230,006,346

24. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	454,444	2,746,410
Interest payable of enterprise bond	48,856,322	24,549,583
Interest payable of short-term borrowings	3,787,444	1,064,250
Interest payable of short-term bond	18,185,555	28,215,013
Total	71,283,765	56,575,256

25. Dividends payable

Unit: RMB

Name of entity	Closing balance	Opening balance	Reasons dividends payable aged more than one year
Part of domestic shareholders	62,903,610	98,980,462	Some shareholders did not draw out the dividends
China Merchants Huajian Highway Investment Co., Ltd.	0	23,634,074	N/A
Total	62,903,610	122,614,536	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

26. Other payables

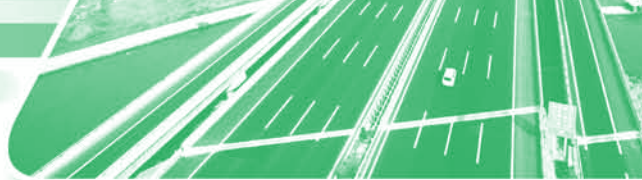
- (1) Details of other payables are as follows:

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	117,688,410	69,595,877
Others	47,267,460	44,433,975
Total	174,955,870	124,029,852

- (2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note VII (6) (2).
- (3) Description of significant other payables aged more than one year:

As at 31 December 2013, other payables aged more than one year mainly include 312 toll road operation right acquisition costs payable.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

27. Non-current liabilities due within one year

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,510,574	1,201,557,302

(2) Long-term borrowings due within one year

(a) Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans	1,510,574	1,557,302
Non-guaranteed loans	0	1,200,000,000
Total	1,510,574	1,201,557,302

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

Unit: RMB

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (%)	Closing balance		Opening balance	
					Amount in foreign currency	Amount in domestic currency	Amount in foreign currency	Amount in domestic currency
Bank of China	15/10/1998	18/07/2027	USD	2	247,761	1,510,574	247,761	1,557,302
Postal Savings Bank of China	20/06/2008	20/06/2013	RMB	5.12		0		1,200,000,000
Total					247,761	1,510,574	247,761	1,201,557,302

28. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Private Placement Bond	1,000,000,000	1,000,000,000

Other current liabilities represent the private placement bonds with 12 months maturity. The bonds were issued on 29 July 2013 and 27 August 2013 with code of 031369002 and 031369003 respectively. The par value were RMB600,000,000 and RMB400,000,000. Nominal interest rate was 5.3% and 5.5% respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

29. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured loans(note 1)	250,000,000	380,000,000
Guaranteed loans (note 2)	22,658,613	24,916,831
Non-guaranteed loans (note 3)	0	1,250,000,000
Sub-total	272,658,613	1,654,916,831
Less: Non-current liabilities due within one year (note VI(27))	1,510,574	1,201,557,302
Total long-term borrowings mature after 1 year	271,148,039	453,359,529

Description of categories of long-term borrowings:

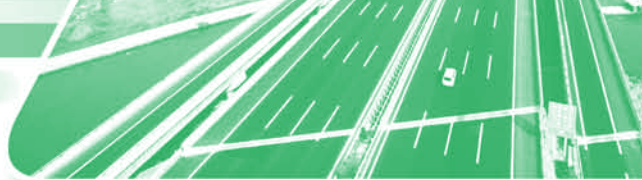
Note 1: A subsidiary of the Company, Guangjing Xicheng obtained bank loans amounting to RMB 400,000,000 from Bank of Communications Jiangsu branch in 2012 for the investment in Yanjiang. The bank loans were secured by toll road operation rights of Guangjing Xicheng. At the end of current year, Guangjing Xicheng has repaid in advance with RMB 150,000,000. The interest rate is floating with the benchmark interest rate announced by the Peoples Bank of China. During current year, the annual interest rate is 6.4%.

Note 2: The Company obtained bank credit limit of USD9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Jiangsu Communications Holding Company Limited. The credit limits include buyer's credit loan of USD4,900,000 and Spanish government loan of USD4,900,000. The buyer's credit loan has been paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 with annum interest rate of 2%. The USD denominated Spanish government loans were guaranteed by the Company's parent, Jiangsu Communications Holding, which is a state-owned enterprise incorporated in the PRC.

(2) Top five long-term borrowings

Unit: RMB

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (%)	Closing balance		Opening balance	
					Amount in foreign currency	Amount in domestic currency	Amount in foreign currency	Amount in domestic currency
Bank of Communications	28/06/2012	28/06/2017	RMB	6.4		250,000,000		380,000,000
Bank of China	15/10/1998	18/07/2027	USD	2	3,468,654	21,148,039	3,716,415	23,359,529
Industrial and Commercial Bank of China	28/04/2005	10/01/2013	RMB	5.895		0		50,000,000
Total						271,148,039		453,359,529



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

29. Long-term borrowings (continued)

(2) Top five long-term borrowings (continued)

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

Item	Current year	Prior year
1–2 years	1,510,574	51,557,302
2–5 years	254,531,722	384,671,906
Over 5 years	15,105,743	17,130,321
Total	271,148,039	453,359,529

30. Bond payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening interest payable	Accrued interest for the year	Interest paid during the year	Closing interest payable	Closing balance
Private Placement Bond	500,000,000	18 June, 2012	3 years	495,765,250	716,991	27,875,470	26,500,000	2,092,461	497,857,711
Medium Term Notes	500,000,000	19 June, 2013	5 years	492,500,000	0	716,686	0	716,686	493,216,686
Total	1,000,000,000			988,265,250	716,991	28,592,156	26,500,000	2,809,147	991,074,397

NOTES TO THE FINANCIAL STATEMENTS

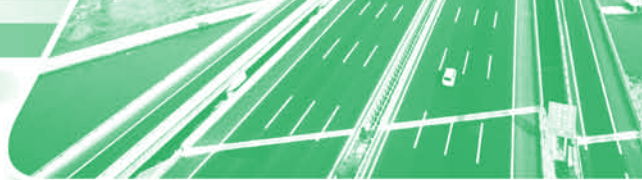
For the year ended 31 December 2013

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

31. Share capital

Unit: RMB

	Opening balance	New issue of shares	Bonus issue	Change for the year Capitalization of surplus reserves	Others	Subtotal	Closing balance
2013:							
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	46,908,745	0	0	0	-23,916,600	-23,916,600	22,992,145
4. Other foreign-owned shares	0	0	0	0	0	0	0
Total restricted tradable shares	46,908,745	0	0	0	-23,916,600	-23,916,600	22,992,145
II. Tradable shares							
1. Ordinary shares denominated in RMB	3,768,838,755	0	0	0	23,916,600	23,916,600	3,792,755,355
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	4,990,838,755	0	0	0	23,916,600	23,916,600	5,014,755,355
III. Total shares	5,037,747,500	0	0	0	0	0	5,037,747,500
2012:							
I. Restricted tradable shares							
1. State-owned shares	0	0	0	0	0	0	0
2. State-owned legal person shares	0	0	0	0	0	0	0
3. Other domestic-owned shares	50,202,745	0	0	0	-3,294,000	-3,294,000	46,908,745
4. Other foreign-owned shares	0	0	0	0	0	0	0
Total restricted tradable shares	50,202,745	0	0	0	-3,294,000	-3,294,000	46,908,745
II. Tradable shares							
1. Ordinary shares denominated in RMB	3,765,544,755	0	0	0	3,294,000	3,294,000	3,768,838,755
2. Foreign-owned shares listed domestically	0	0	0	0	0	0	0
3. Foreign-owned shares listed overseas	1,222,000,000	0	0	0	0	0	1,222,000,000
4. Others	0	0	0	0	0	0	0
Total tradable shares	4,987,544,755	0	0	0	3,294,000	3,294,000	4,990,838,755
III. Total shares	5,037,747,500	0	0	0	0	0	5,037,747,500



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

31. Share capital (continued)

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as A shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, part of them have been transferred to the category of tradable A share upon the granting of trading status on 16 May 2007, 14 June 2007, 27 July 2007, 28 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011, 17 August 2012 and 6 November 2013 separately. During the year, totaling 23,916,600 shares satisfied the conditions for circulation and completed the procedure.

The Group did not purchase, sale or repurchase shares of the Company for the current year.

32. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2013:				
Capital premium (note 1)	4,801,561,763	0	984,810	4,800,576,953
Including: Capital contributed by investors	4,801,561,763	0	984,810	4,800,576,953
Other comprehensive income (note 2)	81,405,369	14,452,952	0	95,858,321
Other capital reserve	2,682,977,235	0	0	2,682,977,235
Including: Transfer from capital reserve under the previous accounting system	2,682,977,235	0	0	2,682,977,235
Total	7,565,944,367	14,452,952	984,810	7,579,412,509
2012:				
Capital premium	4,801,561,763	0	0	4,801,561,763
Including: Capital contributed by investors	4,801,561,763	0	0	4,801,561,763
Other comprehensive income	56,988,676	24,416,693	0	81,405,369
Other capital reserve	2,682,977,235	0	0	2,682,977,235
Including: Transfer from capital reserve under the previous accounting system	2,682,977,235	0	0	2,682,977,235
Total	7,541,527,674	24,416,693	0	7,565,944,367

Description of capital reserve:

Note 1: The decrease of capital premium this year is mainly because of the acquisition of 5% minority interest of the subsidiary Ninghu Investment from Suzhou City Investment Company Limited, at the cost of RMB15,100,000. The difference between the fair value of acquisition price and the decreasing book value of equity of minority shareholder discounts the capital premium.

Note 2: During the year, other comprehensive income increased from the fair value adjustment of the available for sale financial assets of Yangtze Bridge, one of the associates of the Group. The Group adjusted capital reserve at the share proportion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2013:				
Statutory surplus reserve	2,550,126,797	283,171,284	0	2,833,298,081
2012:				
Statutory surplus reserve	2,291,733,894	258,392,903	0	2,550,126,797

34. Retained profits

Unit: RMB

Item	Amount	Proportion of appropriation
2013:		
Retained profits at the end of prior year	3,535,043,036	
Add: Net profit attributable to owners of the Company for the year	2,707,743,147	
Less: Appropriation to statutory surplus reserve	283,171,284	10%
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 0.36 per share
Retained profits at the end of the year	4,146,025,799	
2012:		
Retained profits at the end of prior year	3,273,680,481	
Add: Net profit attributable to owners of the Company for the year	2,333,344,558	
Less: Appropriation to statutory surplus reserve	258,392,903	10%
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 0.36 per share
Retained profits at the end of the year	3,535,043,036	

Note 1: Appropriation to statutory surplus reserve

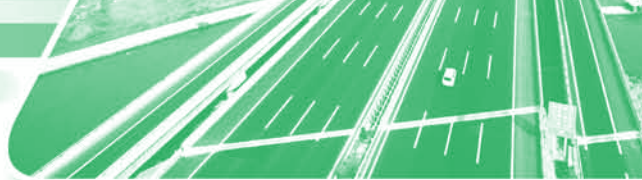
According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

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

In 2013, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 0.36 per share were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 21 March 2014, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2014, cash dividends of RMB 0.38 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

35. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	7,495,067,780	3,648,835,094	7,449,454,069	3,815,878,975
Including:				
Shanghai-Nanjing Expressway	4,521,752,601	1,085,364,846	4,291,575,932	1,023,712,916
312 National Highway	53,434,572	200,674,284	83,829,554	222,006,136
Guangjing Xicheng Expressway	733,053,058	244,875,293	683,080,003	246,546,155
Nanjing-Lianyungang Highway	36,689,037	18,031,586	33,536,822	16,567,614
Ancillary services	2,150,138,512	2,099,889,085	2,357,431,758	2,307,046,154
Real estate development	75,200,074	29,507,771	304,442,035	223,570,585
Advertising and others	43,958,863	15,800,916	42,046,577	15,177,130
Total	<u>7,614,226,717</u>	<u>3,694,143,781</u>	<u>7,795,942,681</u>	<u>4,054,626,690</u>

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

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

36. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Basis of calculation
Business tax	174,851,318	178,861,514	3% of toll revenue 5% of maintenance revenue 5% of advertisement revenue
City Construction and maintenance tax	13,358,306	13,388,570	7% of actual paid turnover taxes
Education surcharge	10,708,471	10,998,835	5% of actual paid turnover taxes
Land appreciation tax	<u>3,253,067</u>	<u>6,105,723</u>	progressive rates ranging from 30% to 60%
Total	<u>202,171,162</u>	<u>209,354,642</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

37. Selling expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salaries	106,992	115,543
Commission fee for agent of real estate sales	2,344,974	217,205
Advertisement fee	5,353,801	1,919,900
Consulting fee	1,658,691	1,639,473
Others	367,897	4,632,952
Total	9,832,355	8,525,073

38. Administrative expenses

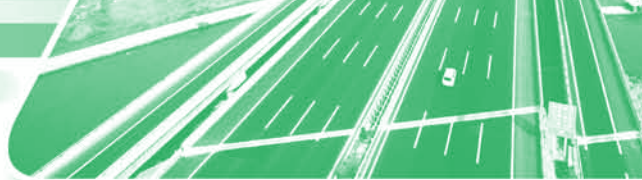
Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salaries	54,315,591	48,631,990
Depreciation and amortization	70,356,776	71,676,682
Audit fee	2,780,000	3,020,000
Consulting and intermediary service fee	9,909,212	12,243,166
Properties tax and other taxes	18,540,115	18,333,991
Entertainment fee	3,287,180	4,910,497
Maintenance and repair costs	2,491,984	3,646,411
Office expenses	758,281	2,737,147
Travelling expenses	1,720,842	1,814,232
Vehicle related expenses	2,361,444	2,436,993
Others	9,618,821	8,084,259
Total	176,140,246	177,535,368

39. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest of bond	158,314,176	124,539,094
Interest of bank loans	130,373,680	202,056,638
Include: Interest on bank loans within 5 years	129,932,453	201,541,621
Total interest expenses	288,687,856	326,595,732
Less: Capitalized interest expenses	0	0
Less: Interest income	7,051,553	8,144,164
Exchange differences	-2,780,748	2,998,486
Bond issue fee and other loan charges	13,297,236	11,550,840
Others	633,313	409,126
Total	292,786,104	333,410,020



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

40. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision reversal	-500,000	-500,000

41. Gains from changes in fair values

Unit: RMB

Source resulting in gains from changes in fair values	Amount incurred in the current year	Amount incurred in the prior year
Held-for-trading financial assets	2,109,937	-1,011,970

42. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year (Restated)
Income from long-term equity investments under equity method	265,462,186	133,212,868
Investment income from disposal of held-for-trading financial assets	0	656,389
Investment income from available-for-sale financial assets	49,937,275	27,578,949
Total	315,399,461	161,448,206

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

42. Investment income (continued)

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

Unit: RMB

Investee	Amount recognized in the current year	Amount recognized in the prior year	Reasons for increase or decrease in the current compared to the prior year
Yanjiang	106,974,848	21,175,520	The profit from associate
Sujiahang	91,652,085	67,588,862	The profit from associate
Yangtze bridge	73,948,583	48,013,877	The profit from associate
Sujiayong	-12,684	-77,529	The profit from associate
Luode	-1,331,216	0	New associate during current year
Nanlin Hotel	-2,552,149	83,107	The profit from associate
Kuailu Co., Ltd.	-3,217,281	-3,570,969	The profit from associate
Total	265,462,186	133,212,868	

There are no significant restrictions on remittance of investment income.

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

43. Non-operating income

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

Unit: RMB

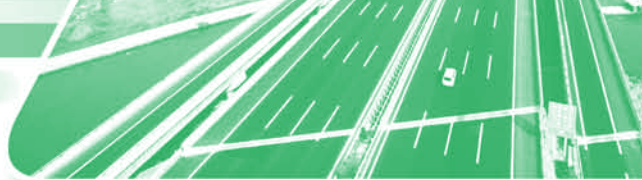
Item	Amount incurred in current year	Amount incurred in prior year
Total gains on disposal of non-current assets	90,210,095	1,057,746
Including: Gains on disposal of fixed assets	1,446,186	1,057,746
Gains on disposal of intangible asset (note)	88,763,909	0
Compensation income from damaged road	8,150,162	8,031,688
Government grants	600,000	192,000
Others	3,580,744	846,064
Total	102,541,001	10,127,498

Note: The gains on disposal of intangible assets are due from disposal of Zhenjiang branch, details please refer to note VI (15).

- (2) Details of government grants

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Related to income/Assets
Research funding subsidies	600,000	0	Related to income
Environmental subsidies	0	192,000	Related to income
Total	600,000	192,000	



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

44. Non-operating expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total losses on disposal of non-current assets	9,048,053	16,732,459
Including: Losses on disposal of fixed assets	9,048,053	16,732,459
Repair expenditure of damaged road	17,579,287	15,800,751
Donation	912,000	1,105,810
Others	4,667,014	4,225,678
Total	32,206,354	37,864,698

45. Income tax expense

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Current tax expense calculated according to tax laws and relevant requirements - PRC	847,645,369	769,955,478
Adjustments to deferred tax	-2,739,378	-3,809,515
Less (Over) provision of prior years' tax	6,964,243	-1,692,120
Total	851,870,234	764,453,843

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

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

Unit: RMB

	Amount incurred in current year	Amount incurred in prior year
Accounting profit	3,627,497,114	3,145,689,924
Income tax expenses calculated at 25% (prior year: 25%)	906,874,278	786,422,481
Effect of expenses that are not deductible for tax purposes	12,265,538	15,975,381
Effect of tax-free income	-74,233,825	-36,251,899
Less (Over) provision of prior years' tax	6,964,243	-1,692,120
Total	851,870,234	764,453,843

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

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

Unit: RMB

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to ordinary shareholders	2,707,743,147	2,333,344,558
Including: Net profit from continuing operations	2,707,743,147	2,333,344,558
Net profit from discontinued operations	0	0

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

Unit: RMB

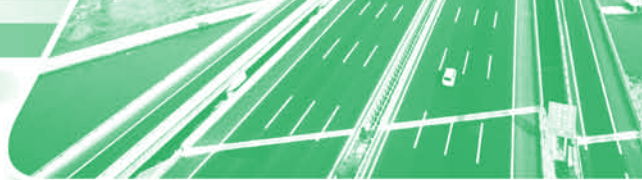
	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of year	5,037,747,500	5,037,747,500
Add: Weighted average number of ordinary shares issued during the year	0	0
Less: Weighted average number of ordinary shares repurchased during the year	0	0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

Earnings per share

Unit: RMB

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.5375	0.4632
Diluted earnings per share	N/A	N/A
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.5375	0.4632
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

Note: At 31 December 2013, there were no dilutive potential ordinary shares issued by the Group.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

47. Other comprehensive income

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Share of other comprehensive income of the investee accounted for using the equity method	14,452,952	24,416,693

48. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Receipts from compensation of damaged road and non-operating income items, etc.	26,388,365	14,035,042
Receipts from interest income of bank deposit	7,051,553	7,951,664
Total	33,439,918	21,986,706

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Payment of non-salary and other expenditure	60,132,242	60,878,706
Total	60,132,242	60,878,706

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

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

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

(6) Other cash payments relating to financing activities:

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Bond issue fee and other charges of loans	23,297,236	7,550,840
Total	23,297,236	7,550,840

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

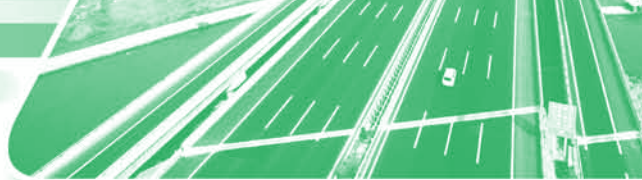
VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,775,626,880	2,381,236,081
Add: Reversals of provision for impairment losses of assets	-500,000	-500,000
Depreciation of fixed assets	169,269,605	165,555,107
Amortization of intangible assets	794,551,027	811,852,058
Amortization of long-term prepaid expenses	437,826	426,975
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	-81,162,042	15,674,713
Losses on changes in fair values (gains are indicated by "-")	-2,109,937	1,011,970
Financial expenses (income is indicated by "-")	299,204,344	341,145,058
Losses arising from investments (gains are indicated by "-")	-315,399,461	-161,448,206
Decrease in deferred tax assets (increase is indicated by "-")	-4,108,627	-3,809,515
Increase in deferred tax liabilities (decrease is indicated by "-")	1,369,249	0
Decrease in inventories (increase is indicated by "-")	-899,378,266	-31,464,479
Decrease in receivables from operating activities (increase is indicated by "-")	17,599,448	-16,354,423
Increase in payables from operating activities (decrease is indicated by "-")	327,868,447	-314,575,475
Others- depreciation of investment properties	893,667	660,062
Net cash flow from operating activities	3,084,162,160	3,189,409,926
2. Significant investing and financing activities that do not involve cash receipts and payments:	0	0
3. Net changes in cash and cash equivalents:		
Closing balance of cash	409,176,746	686,484,787
Less: Opening balance of cash	686,484,787	806,129,927
Net increase (decrease) in cash and cash equivalents	-277,308,041	-119,645,140



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: RMB

Name of the parent	Related party relationship	Whether a connected party	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)	Ultimate controlling party of the Company	Organization 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 (%)	Organization code
Guangjing Xicheng	Non-wholly owned subsidiary	Limited liability company	Nanjing	Chang Qing	Service	850,000,000	85	71408945-7
Wuxi Jingcheng Advertising Co., Ltd.	Non-wholly owned subsidiary	Limited liability company	Wuxi	Xu Ze Min	Service	1,000,000	85	72352469-9
Ninghu Investment	Wholly owned subsidiary	Limited liability company	Nanjing	Qian Yong Xiang	Investment and service	100,000,000	100	74236487-4
Kunshan Fengyuan	Wholly owned subsidiary	Limited liability company	Kunshan	Qian Yong Xiang	Real estate	42,000,000	100	78765432-2
Ninghu Properties	Wholly owned subsidiary	Limited liability company	Nanjing	Qian Yong Xiang	Real estate	500,000,000	100	67763731-0
Kunshan Properties	Wholly owned subsidiary	Limited liability company	Kunshan	Chen Hong Tu	Real estate	200,000,000	100	69449070-1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 (%)	Whether a connected Party	Related party relationship	Organization code
I. Joint ventures									
N/A									
II. Associates									
Kuailu Co., Ltd.	State owned	Nanjing	Sun Hong Ning	Service	150,300,000	33.20	No	Associate	13478934-2
Yangtze Bridge	State owned	Nanjing	Chen Xiang Hui	Service	2,137,248,000	26.66	Yes	Associate	13476509-2
Sujiahang	State owned	Suzhou	Yao Zhen Kang	Service	1,578,600,000	33.33	Yes	Associate	13776920-8
Suiyayong	State owned	Suzhou	Qian Jin Long	Service	100,000,000	22.77	No	Associate	59698120-8
Xiexin	State owned	Nanjing	Tang Cheng	Service	30,000,000	48.00	No	Associate	08803261-2
Nanlin Hotel	State owned	Suzhou	Sun Hong Ning	Service	227,715,968	34.91	Yes	Associate	13773558-5
Yanjiang	State owned	Suzhou	Yang Fei	Service	3,355,000,000	29.81	Yes	Associate	73072605-7
Luode	State owned	Nanjing	Qian Yongxiang	Service	30,000,000	39.00	No	Associate	06708083-4

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company	Whether a connected party	Organization 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
Jiangsu Communications Holding Group Finance Company Limited ("Group Finance Company")	Same ultimate shareholder	Yes	58843422-0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions

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

Unit: RMB

Related party	Type of related party transactions	Whether a connected transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current year		Amount for the prior year	
					Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
Kuailu Co., Ltd.	Goods sold	No	Petrol fee	For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.	12,743,944	1	22,115,257	1
Kuailu Co., Ltd.	Service provided	No	Toll road fee		7,800,000	0	7,800,000	0
Network Operation Company*	Service received	Yes	Management fee for toll road system management and maintenance		28,701,701	100	23,535,634	100
Sundian*	Service received	Yes	Road maintenance fee		50,957,442	27	23,078,296	14
Nanlin Hotel*	Service received	Yes	Food and beverage		297,447	0	32,658	0
Far East Shipping*	Financing	Yes	Entrusted loans' interest expense		11,400,722	4	12,758,333	4
Group Finance Company *	Financing	Yes	Liquidity loans' interest expense		2,148,822	1	0	0
Communications Holding*	Assets sold	Yes	Building sold		0	0	1,597,018	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(2) Leases with related parties

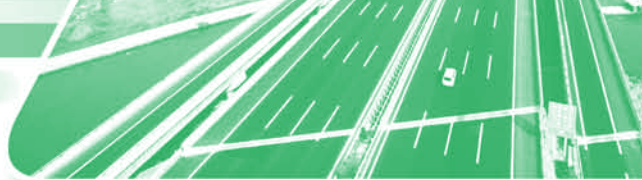
Unit: RMB

Name of lessor	Name of lessee	Whether a connected transaction	Type of leased assets	Lease income recognized in the current year	Leasing begin date	Leasing ending date	Lease income recognized in the current year	Basis of determining the lease income	Effect to the Group
The Company	Network Operation Company*	Yes	Buildings lease	16,545,030	1 September 2011	31 August 2014	4,460,000	Base on cost recovery principle, and tax effect considered as well	Not significant
The Company	Sundian*	Yes	Buildings lease	11,053,518	1 September 2011	31 August 2014	1,690,000	Base on cost recovery principle, and tax effect considered as well	Not significant
Guangjing Xicheng	Jiangsu Petroleum Company*	Yes	Petrol business lease	1,195,147	1 January 2012	31 December 2014	3,978,600	The leasing fee is calculated on the basis of the sales volume of the petroleum products at RMB100 per ton, with the minimum leasing fee amounted to RMB500,000 per annum.	Not significant

(3) Guarantees with related parties

Unit: RMB

Guarantor	Whether a connected transaction	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	Yes	The Company	22,658,613	15 October 1998	18 July 2027	Not completed



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

(4) Borrowings/loans with related parties

During the year:

Unit: RMB

Related party	Whether a connected transaction	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current year	Remarks
Borrowed from:						
Far East Shipping*	Yes	40,000,000	29 March 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	Yes	50,000,000	10 May 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	Yes	100,000,000	25 June 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	Yes	190,000,000	30 August 2013	30 August 2014	190,000,000	Entrusted loan with annual interest rate of 6%
Group Finance Company*	Yes	80,000,000	12 July 2013	11 July 2014	80,000,000	Liquidity loan with annual interest rate of 5.7%

Lend to:

N/A

In the prior year:

Unit: RMB

Related party	Whether a connected transaction	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current year	Remarks
Borrowed from:						
Far East Shipping*	Yes	100,000,000	10 May 2012	10 May 2013	50,000,000	Entrusted loan with annual interest rate of 6.56%
Far East Shipping*	Yes	100,000,000	4 July 2012	25 June 2013	100,000,000	Entrusted loan with annual interest rate of 6.31%

Lend to:

N/A

* Representing the continuing connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Related party transactions (continued)

- (5) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	2,537,595	1,916,866

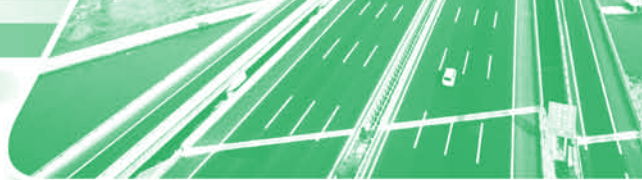
6. Amounts due from / to related parties

- (1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accountants receivable (note)	Sujiahang	7,259,979	0	9,064,124	0
	Jiangsu Petroleum Company	2,165,300	0	2,031,600	0
	Kuailu Co., Ltd.	541,226	0	2,463,438	0
	Yangtze Bridge	135,097	0	159,423	0
	Yanjiang	0	0	223,780	0
Subtotal		10,101,602	0	13,942,365	0
Dividends receivable	Kuailu Co., Ltd.	4,989,960	0	4,989,960	0

Note: At 31 December 2013, besides the accounts receivable from related party stated above, there are split toll road fee receivables from other expressway companies within the Toll Road Network Companies which amounted to RMB36,369,557 (31 December 2012: RMB 67,842,195). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

6. Amounts due from / to related parties (continued)

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable (note)	Sujiahang	2,078,205	1,951,329
	Yanjiang	1,944,738	4,334,251
	Yangtze Bridge	1,221,044	5,239,573
Subtotal		5,243,987	11,525,153
Receipts in advance	Sundian	361,667	361,667
Other payables	Sundian	12,923,196	3,857,482
	Network Operation Company	7,379,868	2,710,293
Subtotal		20,303,064	6,567,775
Short-term borrowings	Far East Shipping	190,000,000	150,000,000
	Group Finance Company	80,000,000	0
Subtotal		270,000,000	150,000,000
Interest payable	Far East Shipping	348,333	289,208
	Group Finance Company	137,425	0
Subtotal		485,758	289,208

Note: At 31 December 2013, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB14,242,434 (31 December 2012: RMB20,040,824). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

7. Directors' emoluments

2013	Qian	Fang	Cheng	Xu	Chen	Gao Bo*	Zhang	Yan	Shao Li#	Total
	Yong Xiang	Hung*	Chang Yung Tsung*	Chang Xin*	Dong Hua*		Er Zhen*	Shi Ming#		
Director's fee	0	236,452	236,452	60,000	60,000	60,000	60,000	0	0	712,904
Salaries and other benefits	497,500	0	0	0	0	0	0	298,500	298,500	1,094,500
Pension schemes	41,458	0	0	0	0	0	0	24,875	24,875	91,208
Total	538,958	236,452	236,452	60,000	60,000	60,000	60,000	323,375	323,375	1,898,612

2012	Qian	Fang	Cheng	Xu	Fan	Chen	Gao Bo*	Zhang	Yan	Shao Li#	Total
	Yong Xiang	Hung*	Chang Yung Tsung*	Chang Xin*	Cong Lai*	Dong Hua*		Er Zhen*	Shi Ming#		
Director's fee	0	243,443	243,443	60,000	30,000	60,000	60,000	30,000	0	0	726,886
Salaries and other benefits	457,700	0	0	0	0	0	0	0	270,000	270,000	997,700
Pension schemes	33,333	0	0	0	0	0	0	0	20,000	20,000	73,333
Total	491,033	243,443	243,443	60,000	30,000	60,000	60,000	30,000	290,000	290,000	1,797,919

* Independent director

Supervisor

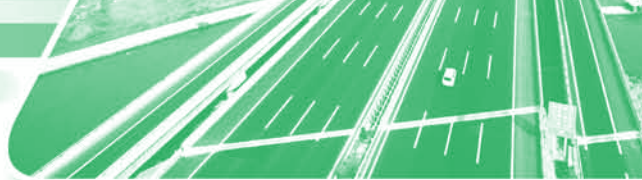
8. Five individuals with the highest emoluments

One (2012: one) of the five individuals with the highest emoluments in the Group is a director of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining four (2012: four) individuals were as follows:

	Current year	Prior year
Salaries	1,513,229	1,327,500
Social insurance	126,102	98,333
Total	1,639,331	1,425,833

Their emoluments were within the following bands:

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

VIII. CONTINGENCIES

Ninghu Real Estate, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Huaqiao C4 Tongcheng Hongqiao Mansion, Huaqiao Urban Core B4 Guangmingjiezuo Project and Baohua Hongyan Community B1 Tongchengshijia Project. The obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 31 December 2013, the outstanding guarantees amounted to approximately RMB83,921,525 (31 December 2012: RMB 11,242,012).

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 recognized in the financial statements:		
— Commitment for acquisition and construction of long-term assets	229,210,392	44,087,260
Capital commitments that have been approved by management but not been entered into contracts	0	0
Total	229,210,392	44,087,260

(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	3,150,441	4,901,596
2nd year subsequent to the balance sheet date	1,605,240	2,629,167
3rd year subsequent to the balance sheet date	0	1,575,000
Subsequent periods	0	0
Total	4,755,681	9,105,763

(3) Other commitments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

Unit: RMB

	Amount
Proposed distributions of profits or dividends	1,914,344,050
Distributions of profits or dividends authorized and declared	0

XI. OTHER SIGNIFICANT EVENTS

1. Main component and significant changes of annuity scheme

In the year of 2013, the corporate annuities have been paid according with relevant regulations. The contribution base of corporate annuities was calculated upon average monthly salary of 2012, and the individual annuities were as 10% of the contribution base of corporate annuities.

2. Retirement benefits scheme

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

The total cost charged to the consolidated income statement of RMB 45,749,972 (2012: RMB 40,725,012) represents contributions payable to these schemes by the Group in respect of the current accounting period. All the contributions had been paid over to the scheme as at 31 December 2013 and 2012.

3. Operating leases

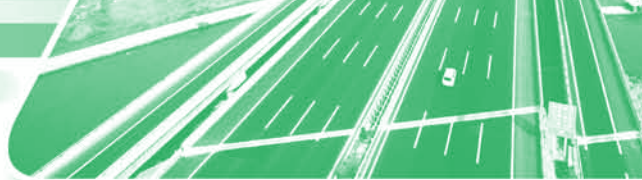
Property rental income earned during the year:

	Current year	Prior year
Buildings	4,756,352	5,409,879

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

	Closing balance	Opening balance
Current assets	4,753,929,400	4,239,711,104
Total assets	26,833,912,370	25,849,257,639
Less: current liabilities	5,472,092,946	5,743,940,125
Net current liabilities (note)	-718,163,546	-1,504,229,021
Total assets less current liabilities	21,361,819,424	20,105,317,514

Note: The Group closely monitors its cash position from its operation and the directors consider that the Group has sufficient liquid assets generated from its operations and sufficient available undrawn borrowing facilities at 31 December 2013 of approximately RMB 6,600,000,000 (31 December 2012: borrowing facilities: RMB 5,450,000,000) to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, although the Group had net current liabilities of RMB718,163,546 (31 December 2012: RMB 1,504,229,021) at the end of the reporting period, the Group has well managed the liquidity risk.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

5. Net Profit for the year has been arrived at after charging:

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs (Include: directors' emoluments)	462,856,329	421,905,866
Retirement benefits scheme contributions	68,920,417	62,053,025
Total staff costs	531,776,746	483,958,891
Audit fee	2,780,000	3,020,000
Depreciation and amortization (Included in operating costs and administrative expenses)	901,619,161	913,419,899
Losses on disposal of non-current assets	-81,162,042	15,674,713
Amortization of land use rights (Included in operating costs and administrative expenses)	63,532,964	65,074,303
Cost of inventories recognised as an expense	1,950,222,413	2,375,112,085

6. Others

6(1) Segment

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 7 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, Real estate development and Advertising and others.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

Unit: RMB

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(1) Segment (continued)

Segment information

	Shanghai-Nanjing Expressway		312 National Highway		Nanjing-Lianyungang Highway		Guangxi-Vichang Expressway		Auxiliary services		Real estate development		Advertising and others		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	Current year	Prior year
Operating income	4,321,752,801	4,291,555,932	534,434,572	83,893,554	36,680,037	33,538,822	753,053,059	683,000,003	2,150,138,512	2,357,451,739	75,200,074	304,442,025	43,888,863	42,046,577	0	0	7,641,228,171	7,705,942,881
Operating costs	1,085,384,846	1,023,782,916	200,674,284	222,006,136	18,039,586	16,567,614	244,875,239	246,546,155	2,099,869,065	2,307,046,154	29,507,771	228,570,365	15,800,316	15,177,139	0	0	3,864,143,781	4,054,626,890
Including: Amortization of toll roads operation rights	555,425,880	492,267,207	98,457,410	111,007,709	11,769,675	10,866,554	15,524,039	13,184,391	0	0	0	0	0	0	0	0	79,101,603	748,777,265
Costs of period and other goods sold in service zones	0	0	0	0	0	0	0	0	1,947,629,330	2,153,023,048	0	0	0	0	0	0	1,947,629,330	2,153,023,048
Segment operating profit (loss)	3,495,387,255	3,267,780,016	-47,239,712	-138,176,582	18,657,451	16,969,208	488,177,025	436,453,848	30,249,427	50,895,694	45,692,303	80,871,660	28,575,247	26,869,447	0	0	3,390,082,699	3,741,315,981
Reconciling items:																		
Business taxes and levies	151,930,287	144,495,951	2,920,238	4,694,455	1,222,752	1,128,827	2,439,559	22,951,468	12,454,538	10,517,871	7,448,339	21,653,811	1,461,757	3,007,109	0	0	262,171,162	238,541,842
Selling expenses	0	0	0	0	0	0	0	0	0	0	9,257,996	6,029,546	574,989	465,527	0	0	9,832,955	6,825,073
Administrative expenses	61,821,685	63,362,975	0	0	0	0	0	0	0	0	0	0	0	114,918,810	114,102,393	116,402,246	177,535,388	
Financial expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	292,786,194	333,410,020	267,788,104	333,410,020	
Impairment loss of assets	0	0	0	0	0	0	0	0	0	0	0	0	0	-500,000	-500,000	-500,000	-500,000	
Gains from changes in fair values	0	0	0	0	0	0	0	0	0	0	0	0	0	2,109,387	2,109,387	-1,011,970	2,109,387	
Investment income	0	0	0	0	0	0	0	0	0	0	0	0	0	315,339,461	161,446,206	315,339,461	161,446,206	
Operating profit	3,222,633,232	3,060,303,090	-50,232,048	-142,871,027	17,429,699	15,842,271	463,541,182	413,592,360	37,794,889	39,867,733	23,366,028	49,391,973	26,101,801	23,368,811	-80,055,316	-266,846,177	3,357,163,467	3,173,427,214
Non-operating income	88,763,393	0	0	0	0	0	0	0	0	0	0	0	0	0	13,777,022	10,127,498	102,541,001	101,271,486
Non-operating expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32,206,354	37,766,698	32,206,354	37,766,698
Total profit	3,311,396,141	3,060,303,090	-50,232,048	-142,871,027	17,429,699	15,842,271	463,541,182	413,592,360	37,794,889	39,867,733	23,366,028	49,391,973	26,101,801	23,368,811	-67,278,294	-174,383,377	3,327,497,114	3,145,989,314
Income tax expenses	3,311,396,141	3,060,303,090	-50,232,048	-142,871,027	17,429,699	15,842,271	463,541,182	413,592,360	37,794,889	39,867,733	23,366,028	49,391,973	26,101,801	23,368,811	-65,934,892	-173,897,220	2,765,638,880	2,831,938,811
Net profit	13,444,638,917	14,665,464,471	1,951,023,699	1,251,861,729	316,070,055	327,663,111	1,530,754,150	1,654,929,212	399,390,657	401,810,282	2,624,922,699	1,967,799,823	324,936,444	305,452,241	6,829,443,999	5,622,893,898	26,893,972,270	25,849,657,699
Total segment assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,739,684,831	6,739,684,831
Total segment liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,739,684,831	6,739,684,831

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(1) Segment (continued)

Segment information

Unit: RMB

	Shanghai-Nanjing Expressway		312 National Highway		Nanning-Lanyangang Highway		Guangdong-Vichang Expressway		Auxiliary services		Real estate development		Advertising and others		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	Current year	Prior year
Supplementary information:																		
Depreciation and amortization	67570.286	60,265,006	97,540.082	11,767.675	10,666.554	137,745.003	139,330.468	20,595.777	20,893.477	1,102.296	626.849	8,007.308	8,712.330	7,828.786	21,294.876	965,152.125	979,494.202	
Interest income	0	0	0	0	0	0	0	0	0	0	0	0	0	7,051.553	8,144.164	7,051.553	8,144.164	
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	288,887.865	305,265.732	288,887.865	305,265.732	
Investment income																		
Income from long-term equity investment	0	0	0	0	0	0	0	0	0	0	0	0	0	265,462.307	133,272.898	265,462.307	133,272.898	
Non-current assets other than long-term equity investments	13,416,638.817	14,085,468.171	1,541,023.069	316,071.035	327,683.711	1,530,754.150	1,654,692.512	339,539.057	401,910.282	10,584,348	10,499,395	61,035.361	67,307.590	1,465,120.320	317,597.875	13,263,623.039	13,116,745.168	
Capital expenditure	180,675.184	84,941,170	1,927,429	1,752,302	0	37,598,469	17,600,864	9,593,545	16,912,294	2,511,098	2,010,884	5,545,322	2,443,341	2,785,877	40,262,341	280,842,115	165,157,916	
Income from disposal of non-current assets																		
Income from disposal of non-current assets in progress	148,714.671	49,300,372	0	0	0	237,193.968	0	3,862,701	13,196,706	0	0	4,614,381	2,386,221	2,785,877	40,262,341	84,697,218	105,682,289	
Expenditure arising from purchase of fixed assets	31,260,513	34,363,798	1,927,429	1,752,302	0	13,849,072	17,600,864	5,665,644	37,115,520	2,511,098	2,010,884	80,341	55,120	0	0	56,144,687	63,593,817	
Expenditure arising from purchase of intangible asset	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Segment profit represents the gross profit earned by each segment without allocation of finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than available-for-sale financial assets, long-term equity investment, held-for-trading financial assets and cash and bank balances etc.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

6(1) Segment *(continued)*

(2) *External revenue by geographical area of source and non-current assets by geographical location*

All income and assets of the Group are from/located in Jiangsu province.

(3) Degree of reliance on major customers

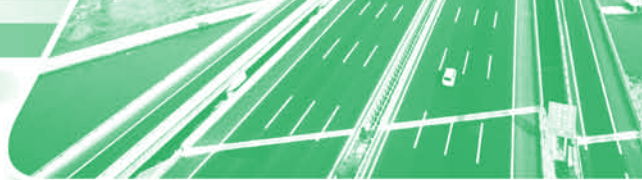
The principle activities are toll roads operation and ancillary services along toll roads etc. therefore there is no reliance on specific customers.

6(2) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note VI (19), (27), (28), (29) and (30), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits disclosed in note VI (32), (33) and (34).

The directors of the Company review the capital structure on timely basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management

1. Risk management objectives and policies

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

1.1 Market risk

1.1.1. Foreign currency risk

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

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

Unit: RMB

Item	Liabilities		Assets	
	2013	2012	2013	2012
USD	22,658,613	24,916,831	8,359	8,611
HKD	0	0	1,043,327	1,054,765

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.1. Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to fluctuations in the exchange rates between USD/HKD and RMB.

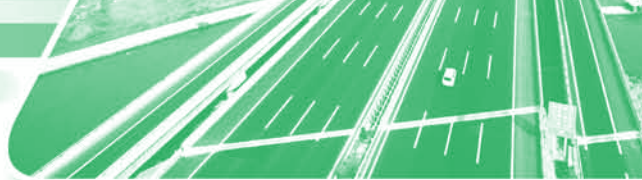
The following table details the Company's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates:

Unit: RMB

Increase (decrease) in profit for the year	USD impact		HKD impact	
	2013	2012	2013	2012
if RMB weakens against foreign currency	-849,384	-934,058	39,125	39,554
if RMB strengthens against foreign currency	849,384	934,058	-39,125	-39,554

1.1.2. Interest rate risk - risk of changes in fair value

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate short-term bank borrowings and other borrowings (see Note VI (19), (27), (28), (29) and (30) for details). In this regard, the directors of the Group consider that the Group's exposure to fair value interest rate risk is not significant. The Group currently does not have an interest rate hedging policy.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.3. Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings (see Note VI (29) for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate long-term bank borrowings (refer to note VI (29) for details of these borrowings), the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year 2013 would decrease/increase by RMB1,425,000 (2012: decrease/increase by RMB6,112,500). This is mainly attributable to the Group's exposure to interest rates on its variable-rate long-term bank borrowings.

1.1.4. Other price risk

The Group's held-for-trading investments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to price risk. The Group established an internal investment division and a designated team are assigned to monitor closely the price movement of its investment. In this regard, the directors of the Group consider that the Group's price risk is mitigated.

Sensitivity analysis

As at 31 December 2013, if the price of the held-for-trading investments the Group holds had increased/decreased by 50%, shareholders' equity would have been increased/decreased by approximately RMB7,565,774 (31 December 2012: RMB6,774,547).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS *(continued)*

6. Others *(continued)*

6(3) Financial instruments and risk management *(continued)*

1. Risk management objectives and policies *(continued)*

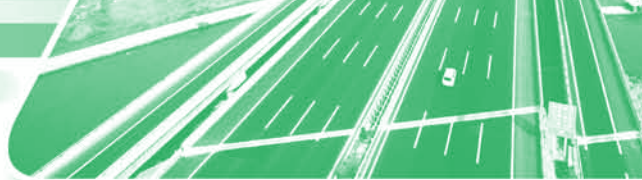
1.2. Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- The amount of financial guarantees contract related to real estate sales disclosed in Note VIII "Contingencies".

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual other debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.3. Liquidity risk

When managing the liquidity risk, the management of the Group monitors the cash flow to meet the demand of the Group operation and reduce the liquidity risk. The management monitors the usage of bank borrowings and ensures the abidance by the agreement.

The Group takes bank borrowings as important source of funding. At 31 December 2013, the undrawn borrowing facilities from the signed credit contract are RMB 6,600,000,000 (31 December 2012: RMB 5,450,000,000).

As at 31 December 2013, the Group had net current liabilities of RMB718,163,546 (31 December 2012: RMB1,504,229,021), the Group has taken the following measures to reduce liquidity risk.

- In 2013, the Group issued RMB 2,000,000,000 short-term bonds, RMB 1,500,000,000 private placement bonds, and RMB 500,000,000 mid-term notes at a relatively low interest rate.
- The undrawn borrowing facilities from the signed credit contract with a time limit over one year is RMB 3,500,000,000.
- The management is confident about the repayment of the borrowings as scheduled and the acquiring of new cycle borrowings.

To sum up, the management considers that the liquidity risk of the Group is greatly reduced, which has no significant impact on the Group's operation and the financial statements. The financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

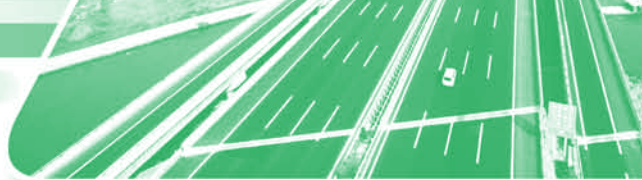
1. Risk management objectives and policies (continued)

1.3. Liquidity risk (continued)

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

	No maturity	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Held-for-trading financial investments	20,175,395	0	0	0	0	0
Note Receivable	0	0	0	149,843	0	0
Accounts receivable	0	51,443,626	0	0	0	0
Other receivables	0	0	0	1,227,304,888	0	0
Bank and cash balances	0	409,176,746	0	0	0	0
Other current assets (other than sales tax related to real estate advance sale)	0	147,000,000	0	0	0	0
Available-for-sale financial assets	1,290,725,956	0	0	0	0	0
Total	1,310,901,351	607,620,372	0	1,227,454,731	0	0
Accounts payable	0	371,663,489	0	0	0	0
Other payables	0	174,955,870	0	0	0	0
Interest payable	0	1,664,444	2,577,444	67,041,877	0	0
Short-term borrowings	0	100,444,932	50,652,055	3,194,614,027	0	0
Other current liabilities	0	0	0	1,032,701,370	0	0
Long-term borrowings and non-current liabilities due within 1 year	0	773,911	0	16,997,393	297,745,397	19,174,360
Bonds payable	0	0	0	25,219,993	1,133,740,953	0
Total	0	649,502,646	53,229,499	4,336,574,660	1,431,486,350	19,174,360



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

XI. OTHER SIGNIFICANT EVENTS (continued)

6. Others (continued)

6(3) Financial instruments and risk management (continued)

2. Fair value

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Certain of the Group's financial assets in the group measured at fair value at the end of each reporting period.

Unit: RMB

Financial assets	Closing balance fair value	fair value measurement hierarchy	Fair value measurement basis	Unobservable inputs
Held-for-trading financial investments	20,175,395	Level 1	According to year end public's fund net value	N/A

There were no transfers between Level 1 and 2 in the current and prior years.

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

The consolidated financial statements consist of equity instruments investment which is not quoted in active markets. With no public market value, a reasonable assessment of its fair value will result in high cost, therefore the Group does not disclosure its fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

1. Cash and bank balances

Unit: RMB

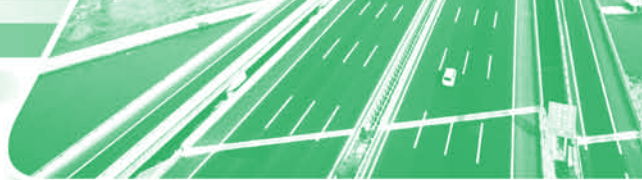
Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			125,067			209,879
Bank balances:						
RMB			219,649,370			399,604,500
USD	1,371	6.0969	8,359	1,370	6.2855	8,611
HKD	1,327,050	0.7862	1,043,327	1,300,815	0.8108	1,054,765
Total			<u>220,826,123</u>			<u>400,877,755</u>

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	27,225,266	59	0	0	48,117,672	69	0	0
Accounts receivable for which bad debt provision has been assessed by portfolios	18,576,940	41	0	0	21,849,529	31	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	<u>45,802,206</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>69,967,201</u>	<u>100</u>	<u>0</u>	<u>0</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2. Accounts receivable (continued)

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

Explanations of categories of accounts receivable:

Aging analysis of accounts receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	45,802,206	100	0	45,802,206	69,967,201	100	0	69,967,201
More than 1 year but not exceed 2 years	0	0	0	0	0	0	0	0
More than 2 years but not exceeding 3 years	0	0	0	0	0	0	0	0
More than 3 years	0	0	0	0	0	0	0	0
Total	45,802,206	100	0	45,802,206	69,967,201	100	0	69,967,201

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

Name of portfolio	Carrying amount	Bad debt provision
Accounts receivable portfolios	18,576,940	0
Total	18,576,940	0

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

Unit: RMB

Content of accounts receivable	Carrying amount	Amount of bad debt	Proportion of provision (%)	Reasons for the provision
N/A				

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

2. Accounts receivable (continued)

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

Unit: RMB

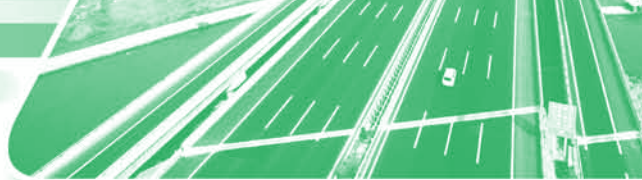
Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total accounts receivable (%)
Network Operation Company	Same ultimate shareholder	12,501,246	Within 1 year	27
Sujiahang	Associate	7,259,979	Within 1 year	16
Suzhou Raocheng Expressway Co., Ltd.	Same ultimate shareholder	3,864,529	Within 1 year	9
The Third Yangtze River Bridge Co., Ltd.	Same ultimate shareholder	3,599,512	Within 1 year	8
Nanjing Raoyue Southeast Expressway Co., Ltd	Same ultimate shareholder	1,953,765	Within 1 year	4
Total		<u>29,179,031</u>		<u>64</u>

(4) Receivables due from related parties

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable (%)
Sujiahang	Associate	7,259,979	16
Guangjing Xicheng	Subsidiary	1,752,494	4
Kuailu Co., Ltd.	Associate	541,226	1
Yangzi	Associate	178,198	0
Ninghu Investment	Subsidiary	15,650	0
Total		<u>9,747,547</u>	<u>21</u>

At 31 December 2013, besides the accounts receivable from related party stated above, there are split toll road fee receivables from Network Operation Company, Suzhou Raocheng Expressway Co., Ltd., The Third Yangtze River Bridge Co., Ltd., Nanjing Raoyue Southeast Expressway Co., Ltd. and other Toll Road Network Companies which amounted to RMB33,155,205. The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

3. Other receivables

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	1,225,341,812	99	15,812,140	98	2,332,621,800	99	16,312,140	98
Other receivable for which bad debt provision has been assessed by portfolios	0	0	0	0	0	0	0	0
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	7,141,350	1	382,097	2	10,358,780	1	382,097	2
Total	1,232,483,162	100	16,194,237	100	2,342,980,580	100	16,694,237	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	92,481,595	8	370,468	92,111,127	1,256,645,806	54	367,067	1,256,278,739
More than 1 year but not exceed 2 years	1,124,177,798	91	0	1,124,177,798	40,009,505	2	1,901	40,007,604
More than 2 years but not exceed 3 years	0	0	0	0	430,000,000	18	0	430,000,000
More than 3 years	15,823,769	1	15,823,769	0	616,325,269	26	16,325,269	600,000,000
Total	1,232,483,162	100	16,194,237	1,216,288,925	2,342,980,580	100	16,694,237	2,326,286,343

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

Name of portfolio	Carrying amount	Bad debt provision
Other receivables portfolios	7,141,350	382,097

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

3. Other receivables (continued)

- (2) Reversals and collections during the current period:

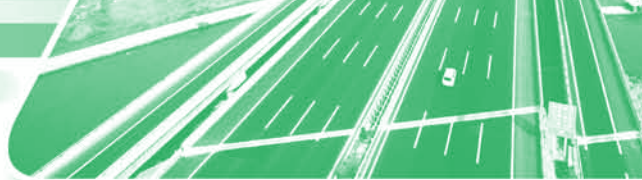
Unit: RMB

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

- (3) No other receivables written off in the reporting period.
- (4) No other receivables due from shareholders holding at least 5% of the Company's shares with voting power in the reporting period
- (5) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the amount to the total other receivables (%)
Jiangsu Provincial Government	Governance between government and enterprise	1,124,177,798	More than 1 year but not exceed 2 years	91
Zhenjiang Investment and Construction Development Company	Zhenjiang Branch Disposal Investment liquidation receivables	84,033,640	Within 1 year	7
Yicao Road Management Office		15,812,140	Over 3 years	1
Changzhou Expressway Construction Headquarter	Business	1,318,234	Within 1 year	0
Kunshan Finance Bureau branch	Business	264,000	Within 1 year	0
Total		<u>1,225,605,812</u>		<u>99</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

3. Other receivables (continued)

- (6) Receivables due from related parties

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable (%)
Ninghu Investment	Subsidiary	29,997	0
Total		<u>29,997</u>	<u>0</u>

4. Prepayments

- (1) Aging analysis of prepayments is as follows

Unit: RMB

	Closing balance		Opening balance	
	Aging	Amount (%)	Proportion	Amount (%)
Within 1 year	11,881,980	76	11,846,942	100
1-2 years	3,810,000	24	0	0
Total	<u>15,691,980</u>	<u>100</u>	<u>11,846,942</u>	<u>100</u>

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

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Reasons for unsettlement
Public Security Bureau Traffic Patrol Police Corps	Business	11,430,000	Within 1 year 7,620,000 More than 1 year but not exceed 2 years 3,810,000	Transaction not completed
Sinopec Jiangsu Petroleum Company	Business	2,818,344	Within 1 year	Transaction not completed
Suzhou Electric Co., Ltd.(Yangchenghu)	Business	258,634	Within 1 year	Transaction not completed
Jiangsu Wuxi Electric Co., Ltd.	Business	326,195	Within 1 year	Transaction not completed
Jiangsu Tianmao Construction Co., Ltd.	Business	300,000	Within 1 year	Transaction not completed
Total		<u>15,133,173</u>		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

4. Prepayments (continued)

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

(4) Explanations of prepayments:

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Category	Closing balance	Opening balance
Individually significant prepayments	14,248,344	10,401,936
Individually insignificant prepayments but with significant risks after being grouped according to credit risk characteristics	0	0
Other insignificant prepayments	1,443,636	1,445,006
Total	15,691,980	11,846,942

5. Inventories

Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Spare parts for repair and maintenance	10,726,286	0	10,726,286	9,940,041	0	9,940,041
Petrol	9,647,863	0	9,647,863	9,923,103	0	9,923,103
Total	20,374,149	0	20,374,149	19,863,144	0	19,863,144

6. Available-for-sale financial assets

Unit: RMB

Item	Closing balance	Opening balance (Restated)
Available-for-sale debt instruments	0	0
Available-for-sale equity instruments	1,008,915,500	5,835,500
Others	0	0
Total	1,008,915,500	5,835,500

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

6. Available-for-sale financial assets (continued)

Classify	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Equity instruments cost / debt instruments at amortized cost	1,008,915,500	0	0	1,008,915,500
Closing fair value	N/A	0	0	N/A
Fair value change have been charged in the accumulated other comprehensive income	0	0	0	0
Impairment amount	0	0	0	0

At 31 December 2013, the available-for-sale equity instruments of the Company is the investment amounting RMB 1,000,000,000 on Bank of Jiangsu which is established in China and non-listed, and the investment ratio of which is 1.92%, as well as the investment amounting RMB 3,685,500 on Sundian at the investment ratio of 7.50%, and the investment amounting RMB 5,230,000 on Network Operation Company at the investment ratio of 3.62%.

At 31 December 2012, the available-for-sale equity instruments of the Company is the investment amounting RMB 3,685,500 on Sundian which is established in China and non-listed, and the investment ratio of which is 7.50%, as well as the investment amounting RMB 2,150,000 on Network Operation Company at the investment ratio of 4.42%.

For the above available-for-sale equity instruments, since they have not quoted in an active market and the fair value could not be reliably measured, nor did they have any significant influence over the investee companies, the Company measures them based on the cost.

7. Investments in joint ventures and associates

Unit: RMB

Name of investee	Type of enterprise	Registered location	Legal representative	Nature of service	Registered capital	Proportion of ownership interest held by the Group (%)	Investee's total assets at the end of the year	Investee's total liabilities at the end of the year	Total net assets at the end of the year	Total operating income for the year	Net profit for the year
Joint ventures:											
None											
Associates:											
Kuailu Co., Ltd.	State owned	Nanjing	Sun Hong Ning	Service	150,300,000	33.20	309,670,229	75,249,693	234,420,536	193,932,919	-4,773,086
Yangtze Bridge	State owned	Nanjing	Chen Xiang Hui	Service	2,137,248,000	26.66	9,004,472,330	5,451,265,960	3,553,206,370	1,043,945,917	277,376,536
Sujiahang	State owned	Suzhou	Yao Zhen Kang	Service	1,578,600,000	33.33	4,027,332,005	1,793,536,546	2,233,795,459	1,098,058,456	275,214,747
Sujiaiyong	State owned	Suzhou	Qian Jin Long	Service	100,000,000	22.77	1,067,338,799	389,529,509	677,809,290	0	-55,706
Xiexin	State owned	Nanjing	Tang Cheng	Service	30,000,000	48.00	6,000,000	0	6,000,000	0	0

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

B. Long-term equity investments

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

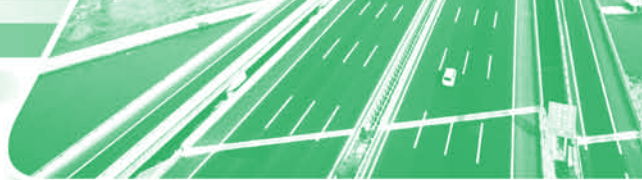
Unit: RMB

Investee	Accounting method	Investment cost	Opening balance (Restated)	Changes	Closing balance	Proportion of ownership interest in the investee (%)	Provision for impairment losses	Provision for impairment losses for the year	Cash dividends for the year
Associates:									
Kuailu Co., Ltd.	Equity method	49,899,600	67,398,346	-3,217,281	64,181,065	33.20	0	0	0
Yangtze Bridge	Equity method	631,159,243	969,045,816	31,417,969	1,000,463,785	26.66	0	0	56,983,566
Sujiahang	Equity method	526,090,677	722,147,644	49,560,085	771,707,729	33.33	0	0	42,092,000
Sujiayong	Equity method	189,027,432	74,922,471	114,014,748	188,937,219	22.77	0	0	0
Xiexin	Equity method	2,880,000	0	2,880,000	2,880,000	48.00	0	0	0
Subsidiaries:									
Guangjing Xicheng	Cost method	2,125,000,000	2,125,000,000	0	2,125,000,000	85.00	0	0	105,619,508
Ninghu Investment	Cost method	110,100,000	95,000,000	15,100,000	110,100,000	100.00	0	0	0
Ninghu Properties	Cost method	500,000,000	500,000,000	0	500,000,000	100.00	0	0	0
Total		4,134,156,952	4,553,514,277	209,755,521	4,763,269,798				204,695,074

(2) List of associates and principle financial information refer to note VI 10 and 11.

(3) As at 31 December 2013, the ability of capital transfer from those long-term equity investment companies to the Company is not restricted.

The foregoing companies are all unlisted company registered in PRC.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

9. Fixed asset

(1) Fixed assets

Item	Unit: RMB			
	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	1,889,950,798	135,651,278	86,805,482	1,938,796,594
Including: Buildings	667,518,953	22,054,717	8,127,822	681,445,848
Safety equipment	320,490,058	25,044,576	736,173	344,798,461
Communication and surveillance equipment	206,976,193	16,512,140	6,407,047	217,081,286
Toll and ancillary equipment	241,804,817	42,516,667	40,693,905	243,627,579
Motor vehicles	132,618,112	9,259,555	21,388,687	120,488,980
Other machinery and equipment	320,542,665	20,263,623	9,451,848	331,354,440
II. Total accumulated depreciation	972,123,020	136,567,810	72,718,139	1,035,972,691
Including: Buildings	212,998,061	21,787,542	3,031,522	231,754,081
Safety equipment	209,772,610	31,025,937	670,896	240,127,651
Communication and surveillance equipment	120,931,040	20,171,033	4,647,922	136,454,151
Toll and ancillary equipment	154,394,695	22,928,051	36,034,513	141,288,233
Motor vehicles	79,763,268	9,677,577	20,399,575	69,041,270
Other machinery and equipment	194,263,346	30,977,670	7,933,711	217,307,305
III. Total net book value of fixed assets	917,827,778			902,823,903
Including: Buildings	454,520,892			449,691,767
Safety equipment	110,717,448			104,670,810
Communication and surveillance equipment	86,045,153			80,627,135
Toll and ancillary equipment	87,410,122			102,339,346
Motor vehicles	52,854,844			51,447,710
Other machinery and equipment	126,279,319			114,047,135
IV. Total provision for impairment losses	0	0	0	0
Including: Buildings	0	0	0	0
Safety equipment	0	0	0	0
Communication and surveillance equipment	0	0	0	0
Toll 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	917,827,778			902,823,903
Including: Buildings	454,520,892			449,691,767
Safety equipment	110,717,448			104,670,810
Communication and surveillance equipment	86,045,153			80,627,135
Toll and ancillary equipment	87,410,122			102,339,346
Motor vehicles	52,854,844			51,447,710
Other machinery and equipment	126,279,319			114,047,135

The depreciation for the current year is RMB 136,567,810.

The increase in the original carrying amount for the current year consists of RMB 74,014,157 transferred from construction in progress.

(2) Fixed assets leased out under operating leases

Item	Unit: RMB	
	Closing balance	Opening balance
Buildings	40,992,269	41,262,870

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

9. Fixed asset (continued)

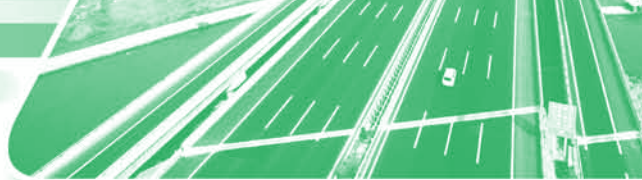
(3) Fixed assets of which certificates of title have not been obtained

Unit: RMB

Item	Amount	Reasons why certificates of title have not been obtained	Expected timing of obtaining certificates of title
Ninghu expressway Lujia toll station	5,873,125	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Xuejia toll station	2,231,243	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Wuxi airport toll station	6,608,653	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Kunshan toll station	7,519,824	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Suzhou management offices	14,407,863	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Ninghu expressway Changzhou Luoshuwan buildings	3,945,846	Not obtained certification yet.	uncertain
Ninghu expressway Changzhou ETC customer service branch buildings	1,181,721	Not obtained certification yet.	uncertain
Service zone office buildings	4,085,315	Not obtained certification yet.	uncertain
Ninghu expressway Heyang toll station	18,029,096	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Expressway south network center and engineering management center housing	34,659,289	Incorporated into communication facilities and cannot obtain certification at present.	uncertain
Total	<u>98,541,975</u>		

Description of fixed assets:

- (1) The increase in the original carrying amount for the current year consists of acquisitions of RMB 61,637,121, an increase of RMB 74,014,157 transferred from construction in progress.
- (2) The decrease in the original carrying amount for the current year consists of a decrease of RMB 86,805,482 on disposals.
- (3) The increase in accumulated depreciation for the current year consists of charge for the current year of RMB 136,567,810.
- (4) The decrease in accumulated depreciation for the current year consists of a decrease of RMB 72,718,139 on disposals.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

10. 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
Information project	48,808,601	0	48,808,601	124,900	0	124,900
Housing projects of Toll stations and service zones	35,220,028	0	35,220,028	6,649,347	0	6,649,347
Noise barrier construction project	9,044,736	0	9,044,736	0	0	0
Three big system construction project	4,242,800	0	4,242,800	5,161,510	0	5,161,510
Expansion project of expressway toll stations	0	0	0	8,169,777	0	8,169,777
Lighting system construction project	0	0	0	3,095,291	0	3,095,291
Others	6,385,877	0	6,385,877	938,003	0	938,003
Total	103,702,042	0	103,702,042	24,138,828	0	24,138,828

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount (/0,000)	Opening balance	Increase in current year	Transfer to fixed assets	Other decreases	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: interest for the year	Interest capitalization rate for the year (%)	Source of funds	Closing balance
Information project	7,953	124,900	51,265,499	2,581,798	0	65	In progress	0	0	0	Own funds	48,808,601
Housing projects of Toll stations and service zones	5,047	6,649,347	30,158,561	1,587,880	0	73	In progress	0	0	0	Own funds	35,220,028
Noise barrier construction project	6,500	0	9,044,736	0	0	14	In progress	0	0	0	Own funds	9,044,736
Three big system construction project	3,100	5,161,510	21,697,759	22,616,469	0	87	In progress	0	0	0	Own funds	4,242,800
Expansion project of expressway toll stations	1,358	8,169,777	3,269,467	11,439,244	0	84	Completed	0	0	0	Own funds	0
Lighting system construction project	2,550	3,095,291	21,949,286	25,044,577	0	98	Completed	0	0	0	Own funds	0
Others	N/A	938,003	16,192,063	10,744,189	0			0	0	0	Own funds	6,385,877
Total		24,138,828	153,577,371	74,014,157	0			0	0	0		103,702,042

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

11. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	21,171,457,891	0	169,638,505	21,001,819,386
Toll road operation rights	19,440,748,174	0	140,397,661	19,300,350,513
Land use right of Shanghai-Nanjing Expressway	1,710,521,846	0	29,240,844	1,681,281,002
Other land use rights	20,187,871	0	0	20,187,871
II. Total accumulated amortization	6,143,459,864	678,389,769	48,318,313	6,773,531,320
Toll road operation rights	5,295,875,375	615,653,965	30,448,909	5,881,080,431
Land use right of Shanghai-Nanjing Expressway	839,356,980	61,821,636	17,869,404	883,309,212
Other land use rights	8,227,509	914,168	0	9,141,677
III. Total net book value of intangible assets	15,027,998,027			14,228,288,066
Toll road operation rights	14,144,872,799			13,419,270,082
Land use right of Shanghai-Nanjing Expressway	871,164,866			797,971,790
Other land use rights	11,960,362			11,046,194
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
V. Total carrying amount of intangible assets	15,027,998,027			14,228,288,066
Toll road operation rights	14,144,872,799			13,419,270,082
Land use right of Shanghai-Nanjing Expressway	871,164,866			797,971,790
Other land use rights	11,960,362			11,046,194

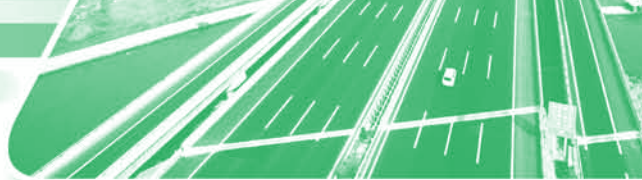
The amortization for the current year is RMB 678,389,769.

Description of intangible assets:

- (1) The decrease in the original carrying amount for the current year consists of RMB 169,638,505 due from disposal.
- (2) The increase in accumulated amortization for the current year consists of charge for the current year of RMB 678,389,769.
- (3) The decrease in accumulated amortization for the current year consists of RMB 48,318,313 due from disposal.

Analysis of land use right by location and by useful life is as follows:

Located in PRC	Closing balance	Opening balance
Medium-term land use rights (10-50 years)	809,017,984	883,125,228



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

12. Deferred tax assets/deferred tax liabilities

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

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Provision for impairment losses of assets	4,048,559	4,173,559

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

Unit: RMB

Item	Amount
Closing balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment losses of assets	16,194,237
Opening balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment losses of assets	16,694,237

13. Other none current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans	1,690,000,000	0

The entrusted loans at year end are for the subsidiary Ninghu Real Estate from China Merchants Bank(Nanjing Branch), Shanghai Pudong Development Bank (Nanjing Branch) and China CITIC Bank(Nanjing Branch) entrusted by the Group, at the annual interest rate of 6.15%.

14. Details of provision for impairment losses of assets

Unit: RMB

Item	Opening carrying amount	Decrease in the current year			Closing carrying amount
		Increase in the current year	Reversals	Write-off	
Bad debt provision	16,694,237	0	500,000	0	16,194,237

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

15. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured loans	1,060,000,000	250,000,000
Including: Bank loans	800,000,000	100,000,000
Entrusted loans	260,000,000	150,000,000
Short-term bonds (note)	2,000,000,000	2,000,000,000
Total	3,060,000,000	2,250,000,000

Note: Short-term bonds represent the bonds issued on 17 October 2013 and 18 November 2013, bear interest at 5.32% and 5.69% per annum respectively.

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

16. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	34,500,404	65,990,419
Toll road fee payable	19,294,031	18,871,416
Daily purchase payable for service zones	23,013,895	24,399,373
Total	76,808,330	109,261,208

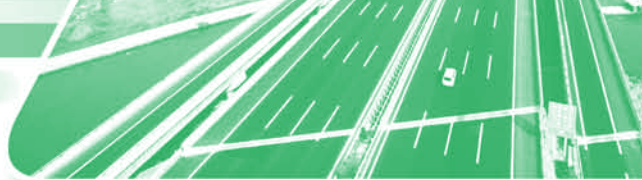
(2) There is no accounts payable to shareholders holding at least 5% of the Company's shares with voting power in the reporting period. Details of accounts payable to related parties please refer to note XII (32) (7).

Description of significant accounts payable aged more than one year:

As at 31 December 2013, the accounts payable aged over 1 year of the group mainly represent the construction payable amount to approximately RMB 34,500,404. The amount keeps unpaid because the construction settlement procedure is long.

Aging analysis of accounts payable is as follows:

Item	Closing balance	Opening balance
Within 1 year	42,307,926	43,270,789
More than 1 year but not exceed 2 years	0	0
More than 2 years but not exceed 3 years	0	0
More than 3 years	34,500,404	65,990,419
Total	76,808,330	109,261,208



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

17. Employee benefits payable

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Wages or salaries, bonuses, allowances and subsidies	0	264,727,514	264,727,514	0
II. Staff welfare	0	21,825,141	21,825,141	0
III. Social security contributions	0	92,475,468	92,475,468	0
Including: Medical insurance	0	28,583,922	28,583,922	0
Basic pension insurance	0	37,626,739	37,626,739	0
Supplemental pension	0	19,939,806	19,939,806	0
Unemployment insurance	0	3,243,357	3,243,357	0
Compo insurance	0	1,488,518	1,488,518	0
Bearing insurance	0	1,593,126	1,593,126	0
IV. Housing funds	0	22,553,328	22,553,328	0
V. Termination benefits	0	586,094	586,094	0
VI. Others	2,187,532	41,063,133	42,489,673	760,992
Outlay for Labor union and employees education	2,187,532	6,708,440	8,134,980	760,992
Non-monetary welfare	0	19,005,419	19,005,419	0
Others	0	15,349,274	15,349,274	0
Total	2,187,532	443,230,678	444,657,218	760,992

The overdue employee benefits payable is: N/A.

Union running costs and employee education costs are RMB 6,708,440, compensations to employees for termination of employment relationship are RMB 586,094. Non-monetary benefits are RMB19,005,419, which represent purchased non-monetary holiday gifts that distributed to employee etc., calculating on a certified basis of purchase costs.

18. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	115,700,446	154,132,019
Business tax	13,197,510	11,228,604
VAT	1,381,261	1,449,651
Property tax	301,175	372,750
Individual income tax	1,714,516	1,932,135
Others	2,923,545	2,781,438
Total	135,218,453	171,896,597

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

19. Other payables

(1) Details of other payables are as follows:

Unit: RMB

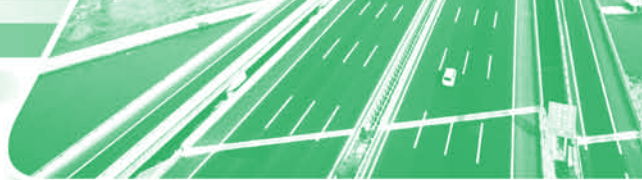
Item	Closing balance	Opening balance
Construction quality warrantee fee payable	98,218,586	45,389,514
312 toll road operation right acquisition costs payable	10,000,000	10,000,000
Others	37,040,022	41,354,028
Total	145,258,608	96,743,542

(2) There are no other payables to shareholders holding at least 5% of the Company's shares with voting power. Details of other payables to related parties please refer to note XII (32)(7).

20. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2013:				
Statutory surplus reserve	2,229,960,693	240,832,748	0	2,470,793,441
2012:				
Statutory surplus reserve	2,002,886,733	227,073,960	0	2,229,960,693



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

21. Retained profits

Unit: RMB

Item	Amount	Proportion of appropriation
2013:		
Retained profits at the end of prior year	3,234,707,681	
Add: Net profit attributable to owners of the Company for the year	2,408,327,479	
Less: Appropriation to statutory surplus reserve	240,832,748	10%
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 0.36 per share
Retained profits at the end of the year	3,588,613,312	
2012:		
Retained profits at the end of prior year	3,004,631,139	
Add: Net profit attributable to owners of the Company for the year	2,270,739,602	
Less: Appropriation to statutory surplus reserve	227,073,960	10%
Declaration of dividends on ordinary shares	1,813,589,100	Cash dividends of RMB 0.36 per share
Retained profits at the end of the year	3,234,707,681	

Note 1: Appropriation to statutory surplus reserve

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

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

In 2013, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share), dividends in cash of RMB 0.36 per share were distributed to all the shareholders.

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 21 March 2014, on the basis of 5,037,747,500 issued shares (with the par value of RMB 1 per share) in 2014, cash dividends of RMB 0.38 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

22. Operating income and operating costs

(1) Operating income

Unit: RMB

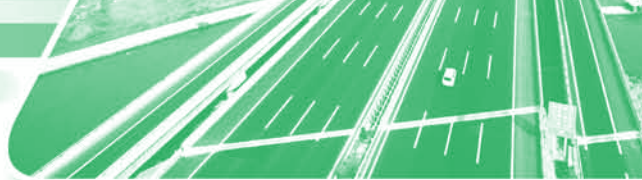
Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income				
Including:				
Shanghai-Nanjing Expressway	4,521,752,601	1,085,364,846	4,291,575,932	1,023,712,916
312 National Highway	53,434,572	200,674,284	83,829,554	222,006,136
Nanjing-Lianyungang Highway	36,689,037	18,031,586	33,536,822	16,567,614
Ancillary services	2,125,396,463	2,078,168,782	2,330,466,447	2,275,535,796
Total	<u>6,737,272,673</u>	<u>3,382,239,498</u>	<u>6,739,408,755</u>	<u>3,537,822,462</u>

- (2) Principal operating activities (classified by geographical areas) The principal operation activities of the Group are held in Jiangsu Province.
- (3) Operating income from the Company's top five customers: the operating income principally include the toll road income, ancillary services, advertisement and real estate business. The Group is unable to present top five customers because of the nature of the business.

23. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Basis of calculation
Business tax	147,592,523	140,452,949	3% of toll revenue 5% of maintenance revenue
City Construction and maintenance tax	11,392,023	10,944,263	7% of actual paid turnover taxes
Education surcharge	8,197,555	7,880,778	5% of actual paid turnover taxes
Total	<u>167,182,101</u>	<u>159,277,990</u>	



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

24. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salaries	35,636,561	30,686,351
Depreciation and amortization	68,827,415	70,056,321
Audit fee	2,780,000	3,020,000
Consulting and intermediary service fee	9,810,055	10,691,286
Properties tax and other taxes	14,657,250	14,675,750
Entertainment fee	1,076,994	1,922,693
Maintenance and repair costs	2,377,654	3,619,257
Office expenses	266,241	2,032,574
Travelling expenses	1,078,476	1,168,841
Vehicle related expenses	1,069,059	1,119,914
Others	7,491,981	6,635,197
Total	145,071,686	145,628,184

25. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision reversal	-500,000	-500,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

26. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments under cost method	105,619,508	251,588,104
Income from long-term equity investments under equity method	162,370,703	111,954,241
Investment income from available-for-sale financial assets	202,009	9,555,756
Income from entrusted loans' interest income	23,255,542	0
Total	291,447,762	373,098,101

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

Unit: RMB

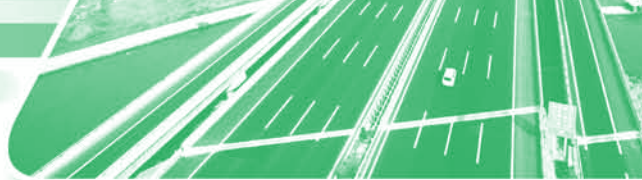
Investee	Amount recognized in the current year	Amount recognized in the prior year	Reasons of change
Guangjing Xicheng	105,619,508	251,588,104	Dividends declared

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

Unit: RMB

Investee	Amount recognized in the current year	Amount recognized in the prior year	Reasons for increase or decrease in the current compared to the prior year
Kuailu Co., Ltd.	-3,217,281	-3,570,969	The profit from associate
Yangtze bridge	73,948,583	48,013,877	The profit from associate
Sujiahang	91,652,085	67,588,862	The profit from associate
Sujiayong	-12,684	-77,529	The profit from associate
Total	162,370,703	111,954,241	

The investment income of current and prior year is generated from non-listed investments.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

27. Non-operating income

Details of non-operating income are as follows:

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total gains on disposal of non-current assets	89,304,144	718,130
Including: Gains on disposal of fixed assets	540,235	718,130
Gains on disposal of intangible assets	88,763,909	0
Compensation income from damaged road	6,919,424	6,993,404
Government grants	600,000	192,000
Others	3,370,455	844,364
Total	100,194,023	8,747,898

28. Non-operating expenses

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Total losses on disposal of non-current assets	7,840,407	16,400,513
Including: Losses on disposal of fixed assets	7,840,407	16,400,513
Repair expenditure of damaged road	15,134,795	13,548,917
Donation	400,000	673,810
Others	4,266,573	3,790,275
Total	27,641,775	34,413,515

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

29. Income tax expense

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Current tax expense calculated according to tax laws and relevant requirements — PRC	735,951,620	656,875,605
Less (Over) provision of prior years' tax	5,724,559	-1,875,538
Adjustments to deferred tax	125,000	125,000
Total	741,801,179	655,125,067

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

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

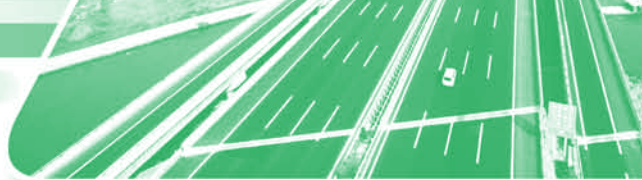
Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Accounting profit	3,150,128,658	2,925,864,669
Income tax expenses calculated at 25% (prior year: 25%)	787,532,165	731,466,167
Effect of expenses that are not deductible for tax purposes	15,542,008	16,420,024
Effect of tax-free income	-66,997,553	-90,885,586
Less (Over) provision of prior years' tax	5,724,559	-1,875,538
Total	741,801,179	655,125,067

30. Other comprehensive income

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Share of other comprehensive income of the investee accounted for using the equity method	14,452,952	24,416,693



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

31. Notes to items in the cash flow statement

- (1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Receipts from compensation of damaged road and non-operating income items, etc.	15,420,936	5,592,509
Receipts from interest income of bank deposit	2,840,045	2,564,700
Total	18,260,981	8,157,209

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Payment of non-salary and other expenditure	50,420,416	41,523,871

- (3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Other receivables from Ninghu Properties collected	1,190,000,000	180,000,000

- (4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Payment to Ninghu Properties as other receivables	0	120,000,000

- (5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Bond issue fee and other loan charges	23,297,236	7,550,840

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

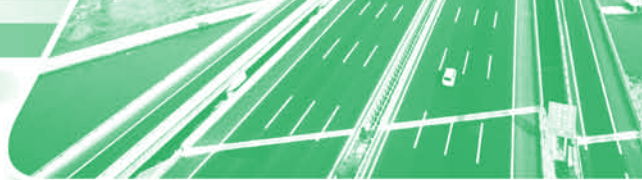
XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

32. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,408,327,479	2,270,739,602
Add: Reversals of provision for impairment losses of assets	-500,000	-500,000
Depreciation of fixed assets	136,567,810	135,615,589
Amortization of intangible assets	678,389,769	679,208,507
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	-81,463,737	15,682,383
Financial expenses	259,636,201	320,993,147
Losses arising from investments (gains are indicated by "-")	-291,447,762	-373,098,101
Decrease in deferred tax assets (increase is indicated by "-")	125,000	125,000
Decrease in inventories (increase is indicated by "-")	-511,005	-5,613,034
Decrease in receivables from operating activities (increase is indicated by "-")	24,851,015	-40,254,447
Increase in payables from operating activities (decrease is indicated by "-")	-43,213,232	-63,312,319
Net cash flow from operating activities	3,090,761,538	2,939,586,327
2. Significant investing and financing activities that do not involve cash receipts and payments:	0	0
3. Net changes in cash and cash equivalents:		
Closing balance of cash	220,826,123	400,877,755
Less: Opening balance of cash	400,877,755	452,126,965
Net increase (decrease) in cash and cash equivalents	-180,051,632	-51,249,210



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

- (1) Relevant information of subsidiaries and other related parties please refer to note VII.
 (2) Sales and purchase of goods, provision and receipt of services

Unit: RMB

Related party	Type of related party transactions	Whether a connected transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current year		Amount for the past year	
					Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
Kuailu Co., Ltd.	Goods sold	No	Petrol fee	For significant related party transactions, the price is settled by public tender bid	12,743,944	1	22,115,257	1
Kuailu Co., Ltd.	Service provided	No	Toll road fee	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.	7,800,000	0	7,800,000	0
Sundian*	Service received	Yes	Road maintenance fee		28,000,000	19	19,600,000	15
Network Operation Company*	Service received	Yes	Management fee for toll road system management and maintenance		24,255,361	100	20,222,603	100
Guangjing Xicheng	Financing	No	Entrusted loans' interest expense		729,589	0	5,702,907	2
Far East Shipping*	Financing	Yes	Entrusted loans' interest expense	The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.	11,400,722	5	12,758,333	4
Ninghu Investment	Financing	No	Entrusted loans' interest expense		0	0	1,611,111	1
Ninghu Real Estate	Financing	No	Entrusted loans' interest income		23,255,542	100	0	0
Nanlin Hotel*	Service received	Yes	Food and beverage		297,447	0	0	0
Communications Holding*	Assets sold	Yes	Building sold		0	0	1,597,018	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Leases with related parties

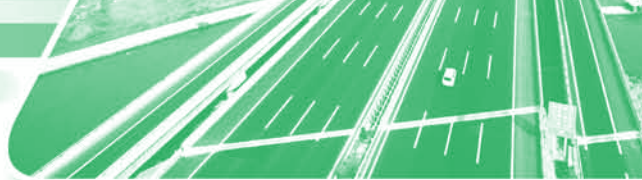
Unit: RMB

Name of lessor	Name of lessee	Whether a connected transaction	Type of leased assets	Amount of leased assets	Leasing begin date	Leasing ending date	Lease income recognized in the current year	Basis of determining the lease income	Effect of the Group
The Company	Network Operation Company*	Yes	Buildings lease	16,545,030	1 September 2011	31 August 2014	4,460,000	Base on cost recovery principle, and tax effect considered as well	Not significant
The Company	Sundian*	Yes	Buildings lease	11,053,518	1 September 2011	31 August 2014	1,690,000	Base on cost recovery principle, and tax effect considered as well	Not significant
Ninghu Investment	The Company	No	Buildings lease	14,598,286	1 January 2011	31 December 2014	770,000	Base on cost recovery principle, and tax effect considered as well	Not significant

(4) Guarantees with related parties

Unit: RMB

Guarantor	Whether a connected transaction	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	Yes	The Company	22,658,613	15 October 1998	18 July 2027	Not completed



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Borrowings/loans with related parties

During the year:

Unit: RMB

Related party	Amount of borrowing/loan	Whether a connected transaction	Inception date	Maturity date	Amount at the end of the current year	Remarks
Borrowed from:						
Far East Shipping*	40,000,000	Yes	29 March 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	50,000,000	Yes	10 May 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	100,000,000	Yes	25 June 2013	29 August 2013	0	Entrusted loan with annual interest rate of 6%
Far East Shipping*	190,000,000	Yes	30 August 2013	30 August 2014	190,000,000	Entrusted loan with annual interest rate of 6%
Guang Jing Xi Cheng	70,000,000	No	25 September 2013	24 March 2014	70,000,000	Entrusted loan with annual interest rate of 5.6%
Lend to:						
Ninghu Real Estate	200,000,000	No	24 October 2013	23 October 2016	200,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	140,000,000	No	15 November 2013	14 November 2016	140,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	500,000,000	No	4 September 2013	3 September 2016	500,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	250,000,000	No	11 November 2013	11 November 2013	250,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	300,000,000	No	24 October 2013	24 October 2016	300,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	150,000,000	No	17 October 2013	17 October 2016	150,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Real Estate	150,000,000	No	17 October 2013	17 October 2015	150,000,000	Entrusted loan with annual interest rate of 6.15%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(5) Borrowings/loans with related parties (continued)

In the prior year:

Unit: RMB

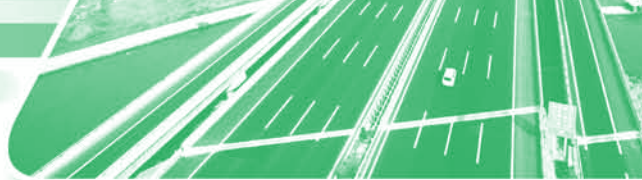
Related party	Amount of borrowing/loan	Whether a connected transaction	Inception date	Maturity date	Amount at the end of the current year	Remarks
Borrowed from:						
Far East Shipping*	100,000,000	Yes	10 May 2012	10 May 2013	50,000,000	Entrusted loan with annual interest rate of 6.56%
Far East Shipping*	100,000,000	Yes	4 July 2012	25 June 2013	100,000,000	Entrusted loan with annual interest rate of 6.31%
Ninghu Investment	50,000,000	No	20 January 2012	6 September 2012	0	Entrusted loan with annual interest rate of 4%
Lend to;						
Ninghu Real Estate	1,190,000,000	No	N/A		1,190,000,000	Inter group financing without interest

* Representing the continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	2,537,595	1,916,866



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(7) Amounts due from / to related parties

Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable (note)					
	Guangjing Xicheng	1,752,494	0	2,928,856	0
	Ninghu Investment	15,650	0	0	0
	Kuailu Co., Ltd.	541,226	0	2,463,438	0
	Sujiahang	7,259,979	0	8,043,967	0
	Yangtze Bridge	178,198	0	0	0
Subtotal		9,747,547	0	13,436,261	0
Other receivables					
	Ninghu Investment	29,997	0	35,114	0
	Ninghu Real Estate	0	0	1,190,000,000	0
Subtotal		29,997	0	1,190,035,114	0
Other non-current assets					
	Ninghu Real Estate	1,690,000,000	0	0	0
Interest receivables					
	Ninghu Real Estate	3,175,792	0	0	0
Dividends receivables					
	Kuailu Co., Ltd.	4,989,960	0	4,989,960	0
	Guangjing Xicheng	0	0	83,926,420	0
Subtotal		4,989,960	0	88,916,380	0

Note: At 31 December 2013, besides the accounts receivable from related party stated above, there are split toll road fee receivable from the Toll Road Network Companies which amounted to RMB 33,155,205 (31 December 2012: RMB 56,150,625). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

33. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(7) Amounts due from / to related parties (continued)

Amounts due to related parties

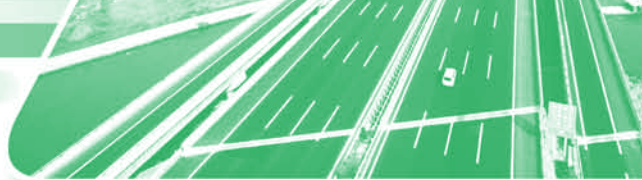
Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable (note)	Guangjing Xicheng	989,807	698,334
	Sujiahang	2,048,621	1,441,986
	Yangtze Bridge	1,221,044	1,172,921
	Yanjiang	0	2,480,124
Subtotal		4,259,472	5,793,365
Receipts in advance	Sundian	361,667	361,667
Short-term borrowings	Far East Shipping	190,000,000	150,000,000
	Guangjing Xicheng	70,000,000	0
Subtotal		260,000,000	150,000,000
Interest payable	Guangjing Xicheng	119,778	0
	Far East Shipping	348,333	289,208
Subtotal		468,111	289,208
Other payables	Network Operation Company	5,897,529	1,798,623
	Sundian	9,351,616	1,445,902
Subtotal		15,249,145	3,244,525

Note: At 31 December 2013, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB 15,034,559 (31 December 2012: RMB 13,078,051). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

XIII. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorized for issue on 21 March 2014.



SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount
Net profit	2,775,626,880
Add(less): non-recurring items	
— Losses (gains) on disposal of non-current assets	-81,162,042
— Government grants	-600,000
— Profit on disposal of held-for-trading financial investments	0
— Profit on disposal of available-for-sale financial assets	-5,009,275
— Loss (gain) on changes in the fair value	-2,109,937
— Reversal of provision for accounts receivable which were tested for impairment losses individually	-500,000
— Other net non-operating income or expenses other than the above	11,427,395
Subtotal	-77,953,859
Income tax effect of non-recurring items	18,835,980
Net profit after non-recurring profit or loss	2,716,509,001
Including: attributable to owners of the Company	2,648,402,925
attributable to minority interests	68,106,076

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

The return on net assets and EPS have been prepared by Jiangsu Expressway Co., Ltd in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

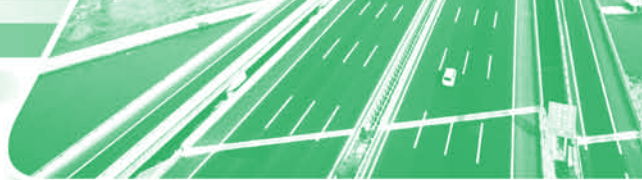
Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	14.49%	0.5375	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	14.17%	0.5257	N/A

SUPPLEMENTARY INFORMATION

3. Abnormal financial statements items (“F/S items”) and description of reasons

Unit: RMB

F/S items	2013	2012	Change by %	Cause for the change
1 Accountants receivable	51,443,626	83,407,096	-38%	Since the Finance Company affiliated to Communications Holding involved in remittance and payment of the tolls from the beginning of the current year, the efficiency of the tolls receivable and payable settlement increases greatly.
2 Inventory	2,844,577,736	1,945,199,470	46%	The subsidiary Ninghu Real Estate has multiple projects under development, so the amount of properties under development and properties for sale increase.
3 Other current assets	175,082,464	327,026,166	-46%	Because of the further investment of Sujjayong and the investment of non-listed company in the current year, the Company had not much idle capital to acquire prudent financial management product.
4 Available-for-sale financial assets	1,290,725,956	284,565,956	354%	The Company invested a non-listed company which is based in China, at the investment ratio of 1.92%; in addition, the Group increased the capital on Network Operation Company at the amount of RMB 6,160,000.
5 Investment Property	35,415,146	22,726,914	56%	Because Ninghu Investment used the occupied real estate for rental, this part transfers from Fixed Assets to Investment Property.
6 Construction in progress	127,708,416	30,794,305	315%	Because many projects are under construction at the current year end, the closing balance of construction in progress increases.
7 Intangible assets	15,721,750,642	16,637,621,860	-6%	The Company sold Zhenjiang Branch to Zhenjiang Government in the current year, so this part of carrying value transferred out.
8 Short-term borrowing	3,220,000,000	2,550,000,000	26%	To optimize the Company's debt structure and reduce the financial cost, the company repaid long term loans and added short-term loans.
9 Receipts in advance	412,906,626	107,873,796	283%	Huaqiao Urban Core B4 Guangmingjiezuo Project and Baohua Hongyan Community B1 Tongchengshijia Project of Ninghu Real Estate began to pre-sale in the current year.
10 Taxes Payable	155,966,927	230,006,346	-32%	The Company increased prepaid income tax in the current year, resulting in the reduction of the amount of tax payable.
11 Dividends payable	62,903,610	122,614,536	-49%	Part of the non-tradable shareholders received the Company cumulative distribution of dividends declared.
12 Non-current liabilities due within one year	1,510,574	1,201,557,302	-100%	The Company has repaid the expired long-term borrowings in the current year.
13 Long-term borrowings	271,148,039	453,359,529	-40%	To reduce the financial costs and optimize the debt structure, the Company repaid expired long-term borrowings



SUPPLEMENTARY INFORMATION

3. Abnormal financial statements items (“F/S items”) and description of reasons (continued)

	F/S items	2013	2012	Change by %	Cause for the change
14	Bonds payable	991,074,397	496,482,241	100%	The Company issued 5-year private placement bonds with lower interest rate in the consideration of optimizing debt structure and reducing financial cost.
15	Operating income	7,614,226,717	7,795,942,681	-2%	As the implementation of the national oil company uniform policy in the current year, the Company lost the price advantage, therefore the oil revenues reduced; the revenue of Ninghu Real Estate is mainly from the closing sales of Huaqiao C4 Tongcheng Hongqiao Mansion; the toll revenue increased slightly compared to last year. The above factors result in the operating income decline.
16	Operating costs	3,694,143,781	4,054,626,690	-9%	The decline in revenue led to the oil procurement costs fall, the sale of Huaqiao C4 Tongcheng Hongqiao Mansion is near completion. Compared with last year, the corresponding cost declines. The above factors result in the operating costs decline.
17	Investment income	315,399,461	161,448,206	95%	The increase of net profits from associates Yangtze Bridge, Sujiahang and Yanjiang Expressway led to the increase of confirmed shares of results from associates.
18	None Operating income	102,541,001	10,127,498	913%	The increase of none operating income is mainly from the selling Zhengjiang branch to Zhengjiang Government, the net income is RMB 88,763,909.

SUPPLEMENTARY INFORMATION

4. The Group's Summary of performance, assets and liabilities in the past five accounting years

Unit: RMB

Item	2013	2012	2011	2010	2009
I. Total operating income	7,614,226,717	7,795,942,681	7,401,310,221	6,756,244,112	5,741,346,281
Including: Operating income	7,614,226,717	7,795,942,681	7,401,310,221	6,756,244,112	5,741,346,281
II. Total operating costs	4,374,573,648	4,782,951,793	4,331,124,736	3,668,539,923	3,200,322,717
Including: Operating costs	3,694,143,781	4,054,626,690	3,635,778,535	2,958,850,331	2,493,620,465
Business taxes and levies	202,171,162	209,354,642	186,635,646	178,628,022	154,459,518
Selling expenses	9,832,355	8,525,073	8,569,902	5,122,187	1,128,671
Administrative expenses	176,140,246	177,535,368	183,773,114	163,628,525	164,588,636
Financial expenses	292,786,104	333,410,020	316,953,136	362,390,858	387,025,427
Impairment losses of assets	-500,000	-500,000	-585,597	-80,000	-500,000
Add: Gains from changes in fair values	2,109,937	-1,011,970	-922,572	1,269,570	12,154,800
Investment income (Loss is indicated by "—")	315,399,461	161,448,206	201,464,314	243,081,651	175,362,049
Including: Income from investments in associates and joint ventures	265,462,186	133,212,868	190,114,061	213,787,396	174,211,776
III. Operating profit	3,557,162,467	3,173,427,124	3,270,727,227	3,332,055,410	2,728,540,413
Add: Non-operating income	102,541,001	10,127,498	33,448,015	27,541,056	17,452,593
Less: Non-operating expenses	32,206,354	37,864,698	40,947,911	27,405,424	34,092,327
Including: Losses from disposal of non-current assets	9,048,053	16,732,459	24,085,345	10,499,321	18,036,005
IV. Total profit	3,627,497,114	3,145,689,924	3,263,227,331	3,332,191,042	2,711,900,679
Less: Income tax expenses	851,870,234	764,453,843	783,532,809	792,651,947	650,476,780
V. Net profit	2,775,626,880	2,381,236,081	2,479,694,522	2,539,539,095	2,061,423,899
Net profit attributable to owners of the Company	2,707,743,147	2,333,344,558	2,429,750,207	2,484,404,028	2,010,972,463
Profit or loss attributable to minority interests	67,883,733	47,891,523	49,944,315	55,135,067	50,451,436
VI. Earnings per share:					
(I) Basic earnings per share	0.5375	0.4632	0.4823	0.4932	0.3992
(II) Diluted earnings per share	N/A	N/A	N/A	N/A	N/A
VII. Other comprehensive income (loss)	14,452,952	24,416,693	-35,194,761	-115,550,005	136,868,975
VIII. Total comprehensive income	2,790,079,832	2,405,652,774	2,444,499,761	2,423,989,090	2,198,292,874
Total comprehensive income attributable to owners of the Company	2,722,196,099	2,357,761,251	2,394,555,446	2,368,854,023	2,147,841,438
Total comprehensive income attributable to minority interests	67,883,733	47,891,523	49,944,315	55,135,067	50,451,436

Unit: RMB

Item	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Total Assets	26,833,912,370	25,849,257,639	25,375,438,896	24,897,493,133	25,496,204,352
Total Liabilities	6,735,684,631	6,693,781,895	6,767,628,925	6,873,448,705	8,289,407,386
Minority interests	501,743,850	466,614,044	463,120,422	460,321,225	450,226,061
Total shareholders' equity attributable to equity holders of the Company	19,596,483,889	18,688,861,700	18,144,689,549	17,563,723,203	16,756,570,905



APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

2013 Evaluation Report on Internal Control of Jiangsu Expressway Company Limited

To Shareholders of Jiangsu Expressway Company Limited:

In accordance with the “Basic Standards for Enterprise Internal Control” and its supporting guidelines and other internal control supervision requirements (hereinafter referred to as “the Corporate Internal Control Standard System”), combined with the internal control system and evaluation method of the Company (hereinafter referred to as “the Company”) and on the basis of daily supervision and special supervision over internal control, we’ve evaluated the effectiveness of internal control of the Company ended December 31, 2013 (base day of the internal control evaluation report).

I. Important Notice

The Board of the Company is responsible for establishing and improving internal control and the effective implementation of such internal control in accordance with the Corporate Internal Control Standard System, evaluating its effectiveness and truthfully disclose the internal control evaluation report; the Supervisory Committee of the Company supervises the establishment and implementation of internal control by the Board; and the management of the Company is responsible for arranging and leading the daily operation of the Company’s internal control. The Board and directors, the Supervisory Committee and supervisors as well as senior managers of the Company pledge that the contents of this report does not contain any false, misleading statements or material omissions, and shall be liable for the truthfulness, accuracy and completeness of the contents of the report jointly and severally.

The objectives of internal control of the Company are to give a reasonable assurance that the Company’s operation management is lawful and compliant, the assets are safe and that the financial reporting and related information are true and complete; to improve operational efficiency and effectiveness; and to facilitate the achievement of development strategy. Given the fact that internal control has its inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policy or procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of an internal control evaluation.

II. Conclusion of Internal Control Evaluation

According to the results of identifying significant defects in internal control over financial reporting of the Company, there is no significant defects in internal control over financial reporting on the base day of the internal control evaluation report, and the Board considers that the Company has maintained effective internal control over financial reporting in all material respects in accordance with the Corporate Internal Control Standard System and related provisions.

According to the results of identifying significant defects in internal control over non-financial reporting of the Company, there is no significant defects in internal control over non-financial reporting on the base day of the internal control evaluation report,

From the base day of the internal control evaluation report to the day when the internal control evaluation report is issued, there are no factors to affect the conclusion that the internal control evaluation is effective.

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

III. About the Work of Internal Control Evaluation

(A) Scope of internal control evaluation

In accordance with the risk-oriented principle, the Company identified the the major entities, business and issues as well as high-risk areas to be included into the scope of the evaluation. Major entities that were included into the scope of the evaluation are Jiangsu Expressway Company Limited (parent company), Jiangsu Ninghu Properties Co., Ltd. (100% owned), Jiangsu Ninghu Investment Development Co., Ltd. (100% owned) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. (85% owned). The total assets of the entities included in the scope of evaluation accounted for 100% of the total assets of the Company's combined financial statements, with operating revenues accounting for 100% of the total operating revenues of the Company's combined financial statements. Major business and issues included into the scope of the evaluation include:

Corporate governance: internal environment (organizational structure, development strategy, human resources, corporate culture, social responsibility), risk assessment, information and communication (internal information transfer, information system), and internal oversight;

Business process: financial reporting, financial activities, procurement, inventory management, fixed asset management, road and bridge toll, engineering projects, business outsourcing, overall budget, contract management, and salary management.

The above entities, business and issues as well as high-risk areas included into the scope of evaluation covered the major aspects of the Company's operation management, with the absence of material omissions.

(B) Basis of internal control evaluation and standard of defect identification in internal control

The Company organized the work of internal control evaluation pursuant to the Corporate Internal Control Standard System and the Company's "Internal Control System" and "Internal Control Evaluation Method" and combined with its own business model.



APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

In accordance with the requirements of the Corporate Internal Control Standard System on identification of material defects, major defects and general defects and combined with the Company's size, industry characteristics, risk appetite, risk tolerance and other factors, the Board of the Company made a distinction between internal control over financial reporting and internal control over non-financial reporting, studied and established a specific defect identification standard which was applicable to internal control of the Company and consistent with those in the previous years. The internal control defect identification standard identified by the Company is as follows:

Criteria	Quantitative		Qualitative	
	Financial reporting	Non-financial reporting	Financial reporting	Non-financial reporting
Material defects	Misreported amount in financial report is greater than or equal to the smaller amount between 10% of the net profit before tax and 2% of the total asset in audited consolidated financial report of last fiscal year	Loss amount in assets is greater than or equal to the smaller amount between 10% of the net profit before tax and 2% of the total asset in audited consolidated financial report of last fiscal year	<ul style="list-style-type: none"> — The Company's directors, supervisors, general managers, vice general managers, or the senior management of the same level are found to have fraud behavior; — The audit committee, internal audit committee fail to discharge corresponding supervising obligation of internal control; — The Company's financial report (quarterly report, interim report, annual report) need to conduct major aftermath adjustments due to failure to find mistakes in time, resulting in restatement of the financial report. 	<ul style="list-style-type: none"> — Exert a significant influence on the establishment and implementation of the Company's strategy and operation; — Fail to achieve critical operation objectives or key performance indicators. — Have material negative consequences on the Company's reputation; — Material non-compliance incidents.
Major defects	Misreported amount in financial report is greater than or equal to 20% of the amount stated in the criteria for material defects, but less than the amount stated in the criteria for material defects	Loss amount in assets is greater than or equal to 20% of the amount stated in the criteria for material defects, but less than the amount stated in the criteria for material defects	<ul style="list-style-type: none"> — Presence of one or more defect items in the control of the process of final financial reporting and fail to reasonably ensure that the preparation financial statements can achieve the true and accurate target — Exert a medium influence on the establishment and implementation of the Company's strategy and operation; — Exert partial negative influence on the achievement of operation objectives or key performance indicators — Have medium negative consequences on the Company's reputation; — Individual event which is penalized by the government authorities or regulators. 	

APPENDIX I. SELF-EVALUATION REPORT ON INTERNAL CONTROL

Criteria	Quantitative		Qualitative	
	Financial reporting	Non-financial reporting	Financial reporting	Non-financial reporting
General defects	Misreported amount in financial report is lower than the amount stated in the criteria for major defects	Loss amount in assets is lower than the amount stated in the criteria for major defects	Other control defects apart from the above material defects and major defects. <ul style="list-style-type: none"> — Exert a slight influence on the establishment and implementation of the Company's strategy and operation; — Gear down the operation, but only exert a slight influence on the achievement of operation objectives; — Have slight negative consequences on the Company's reputation; — Individual event which is blamed by the government authorities or regulators. 	

(C) Internal control defect identification and rectification

1. Defect identification in internal control over financial reporting and rectification

In accordance with the above-mentioned criteria of identifying defects in internal control over financial reporting, there were no material or major defects in internal control over financial reporting during the report period.

2. Defect identification in internal control over non-financial reporting and rectification

In accordance with the above-mentioned criteria of identifying defects in internal control over non-financial reporting, there were no material or major defects in internal control over non-financial reporting during the report period.

IV. Explanation for other major events related to internal control

During the reporting period, there was no other internal control information that was likely to have a significant impact on the investors' investment decisions by means of understanding about the internal control evaluation report and evaluating the internal control conditions.

Chairman: Yang Genlin
Jiangsu Expressway Company Limited
 21 March 2014



APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

Jiangsu Expressway Company Limited 2013 Corporate Social Responsibility Report

The Board of Directors (the “Board”) of the Company and its members confirm that this report does not contain any false information, misleading statements or material omissions and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Prepared by

Jiangsu Expressway Company Limited

Reporting Period

From 1 January 2013 to 31 December 2013, with some contents extended beyond this time frame in order to follow the principles of completeness and continuity for information disclosure.

Basis of Preparation

This report is prepared with reference to related rules and the requirements of the Guidelines on Preparation of Corporate Social Responsibility Report (《公司履行社會責任的報告編制指引》) issued by the Shanghai Stock Exchange and elaborated from the perspective of stakeholders.

Purposes of the Report

This 2013 Social Responsibility Report of the Company reflects the Company’s commitment to promoting the sustainable economic and social development and environmental protection and actively fulfilling its social responsibilities to stakeholders including shareholders, creditors, employees and clients of the Company based on the principles of honesty and trustworthiness. We hope that this report will serve as a bridge of communication and exchange with all sectors of the community, and will deepen these sectors’ understanding of the Company. We also hope that with this report, we are subject to supervision by all parties, who will encourage us to constantly improve in serving the community and the public and in carrying out harmonious development.



APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

Consideration and Approval

This report was considered and approved at the 13th meeting of the session of the Board on 21 March 2014.

I. Corporate Social Responsibility

1. The Company's understanding of social responsibility

By corporate social responsibility, a company should undertake responsibilities towards society, employees, customers and environment while creating profits and undertaking legal responsibilities towards shareholders. As the economy develops and society progresses, there is growing concern on the social responsibilities of a corporation, which has become a significant standard in measuring the quality of a corporation.

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, Jiangsu Expressway Company Limited has always believed that aside from making profit and protecting the interests of our shareholders, we carry a wide range of social responsibilities, including responsibilities towards our stakeholders such as our employees and consumers as well as the community and the environment.

Guided by the principle of people-oriented and scientific development, the Company strives to pursue the maximisation of the enterprise's comprehensive values in terms of economy, society and environment in order to attain the sustainable development of the enterprise comprehensively in coordination with the society and the environment.

Based on the above understanding, the Company has made effective efforts in continuously creating good investment returns for shareholders and in creating benefits for stakeholders including the employees, clients and business partners. It also has actively established an environmental friendly enterprise. The 2013 Corporate Social Responsibility Report of Jiangsu Expressway Company Limited truly and objectively reflects the important information on how the Company fulfills its social responsibilities in its operations and management.





APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

2. The Company's responsibilities towards stakeholders

The Company cares and respects all stakeholders. We pay special attention to bridging communication with the government, investors, customers, employees, suppliers and non-governmental organisations, and seek to maintain good relationships with all stakeholders while striking a balance of interests among them so that other parties could understand and care more about the Company and actively participates in and support for the development of the Company.

Stakeholder	Our Responsibilities	Major Means of Communication
Government	* Abide by laws and regulations and observe the regulatory requirements of the government	* Regular reporting
	* Carry out operations in a regulated manner and pay taxes according to law	* Social media * Being supervised and checked * Participating in policy research and implementation of policies
Shareholders	* Equal right to information	* General meetings
	* Timely, true and accurate information disclosure	* Investor exchange activities * Disclosure of information
Customers	* A high and stable dividend payout ratio	
	* A safe, convenient and comfortable transportation environment	* Collect comments from customer and provide feedback * Call back on customers' feedbacks on services * Electronic information platform * Handle customer complaints
Employees	* High-quality services to raise the level of customer satisfaction	
	* Stable and reasonable remuneration packages	* Trade union; convene workers' conference * Collect and research employees' comments, suggestions and feedback
Community and environment	* Provide opportunities for career development	* Staff training
	* Protect lawful rights and interests of employees	* Merits and awards
Community and environment	* Preserve resources, conserve energy and reduce consumption	* Maintain communication with the environmental protection departments
	* Focus on environmental protection	* Promote learning and exchange of advanced experience from home and abroad
Community and environment	* Proactively engage in charitable activities and promote harmonious development of society	

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

II. Continuously Enhancing Public Service Abilities

The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges. We have the social responsibilities to facilitate social and economic developments by providing transportation services.

1. Modern road network promotes the development of the regional economy

As an important component of the modern transportation system, expressways play a fundamental role in supporting economic growth, guiding the layout of productivity, connecting the urban and rural areas and protecting national security and social stability. They enable the interaction of economic and social activities and contribute much to economic and social developments.

As at the end of 2013, the highway network owned or invested by the Group exceeded 850km, including 569km of expressways, representing approximately 13% of the total mileage of expressways in the province and 38.55% of the road network of the southern Jiangsu. The roads and bridges are major passages linking east-to-west and south-to-north in Jiangsu province, playing an important role in the regional transportation network. Since the operation of the Company, the problem of heavy traffic along our highways as been much alleviated and the infrastructure in the southern Jiangsu region as well as the whole Jiangsu Province has been substantially enhanced, promoting the rapid social and economic developments of the areas along the highways. Since the Company's commencement of operation, it has paid an aggregated tax contribution of RMB10.091 billion (In 2013: 1.193 billion) and has contributed significantly to the national finances.

In 2011, Jiangsu province proposed the goal of achieving basic modernisation ahead of most regions in China by 2020. In the year, the Company actively supported the general modernisation and the smooth flow of information in the management and service of Shanghai-Nanjing Expressway in a bid to make the society more satisfied and become an industrial leader in the general modernisation in Jiangsu province.

2. Building "intelligent expressways"

In 2013, as a model company in comprehensive management and information-based public service of expressways and a model company in intelligent operation and service-based public service of expressways in Jiangsu Province in "smart transportation '232 smooth network' project of Jiangsu" (江蘇智慧交通「232暢通網」), the Company, after taking into consideration of the industry development trend and by learning from advanced international management experience, has established a modernised benchmark system for the operational management of Shanghai-Nanjing Expressway in an effort to build "intelligent expressways", meet the need of the public for transportation in all aspects and actively promote regional economic construction and social development.

The Company facilitates the "smart" upgrade of Shanghai-Nanjing Expressway with information technology, which is expected to achieve four "intelligent" functions such as "dynamic perception, in-depth integration, multi services and efficient decision-making". In 2013, based on the establishment of information system, the Company focused on improving the operational efficiency of traffic, enhancing the travelling experience of the public and responding to accident response and emergency management. It has achieved certain progress in exploring ideas for smart application for the operation of expressways and establishing an influential brand image as a smart expressway. The Company has made a general plan for the establishment of information technology, which became the general direction of the application of information technology in the coming three to five years. By the end of 2013, it finished most of the infrastructure, systematic development and coordination.

3. Maintenance of high quality of roads

In order to give full play to the regional advantage of Shanghai-Nanjing Expressway as the "major artery" and facilitate the economic growth of the nearby regions, the Company attached great importance to maintenance of high quality of roads and conducted research on the maintenance technology for road surface and bridges. By improving the dynamic management for the road surface and bridges and the monitoring and analysis for the defects, the Company conducted maintenance in a preventive and timely manner and actively promoted the innovation for the maintenance technology.

In 2013, the Company increased the investment in road maintenance, enhanced the separation of maintenance from management, optimised work division, improved and upgraded the data bank and bridge monitoring network on a timely basis and form a full-blown maintenance mechanism. It focused on the on-site management of the maintenance operation process and special repair projects, conducted intensive operation at work zones in key and congested road sections. It also set up a maintenance project pre-reporting system, requiring publication of information in advance through the monitor centre and rules-based on-site operation, so as to reduce the impact on traffic flow.



APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

4. Continuously improving the traffic flow

Emergency response capability is the focus of public concern and is a key to the Company's mission of ensuring smoothness. To cope with the high traffic volume which has become normal in recent years, the Company set up and improved the emergency response mechanism along expressways, took multiple measures to enhance passage efficiency under high traffic volume conditions, particularly during holidays and in case of emergencies. In 2013, in response to the normalisation of the large traffic flows, the Company increased the investment in personnel and equipments measuring against the requirements for keeping roads smooth and the modernisation of rescue services. The Company also tried to improve the on-site coordination on the roads so as to make the services under heavy traffic smoother.

The Company focused on various indicators such as "arrival timeliness" and "rate of smooth traffic flows". The Company applied scientific means such as GPS systems, supervision systems and accident monitoring systems, stepped up efforts for publication of traffic information through various channels, strengthened 24-hour monitoring and enhanced proactive identification of road abnormalities and the ability to respond to emergencies to ensure safe and smooth passage with no blind spot. In the meantime, the Company worked out contingency plans for severe weather, toll-free travel, hazardous chemical spills, etc. to tackle emergencies or extraordinary events and organised regular staff training and exercises to ensure timely and effective implementation of the plans. In 2013, for hindrance clearance, the average rate of arrivals within 20 minutes was approximately 94.4%, and the average rate of smooth traffic flows within 60 minutes reached 94.5%, both higher than those in 2012.

During the period of major holidays, in order to address the excessive traffic flow within a short time brought about by the implementation of toll-free policy for small-sized passenger vehicles, the Company established and operated a management mechanism for diverting the traffic flow during peak hours and emergency response. The aim is to improve the capacity for the flow in the road network and ensure the smooth and safe flow of traffic during holidays and peak hours. To address the need of the public for information when travelling, the Company proactively communicated with the media and timely released traffic information through broadcasting, television, internet and real time information plates along the road to guide the vehicles choosing the passages in a reasonable manner. It added over ten temporary stations and several mobile stations, making the hindrance clearing stations over 20, which sped up the hindrance clearance and rescue. It strengthened cooperation with the traffic administrations, explored quick methods for handling minor accidents on site to effectively reduce the time for on-site clearance and prevent further accidents caused thereby.

5. Strictly implementing toll policy

With the operational philosophy of "the governance of enterprises with ethics, the establishment of the career with integrity and the priority of customers", the Company strictly implemented the toll collection standards issued by the provincial government to regulate toll collection, publicise the service standards and exclude the difficulty and anxiety of the drivers and passengers.

To carry out the favourable policies of the government for agriculture and the peasants, Shanghai-Nanjing Expressway has opened up a "Green Passage" in March 2008. Special lanes for "Green Passage" have been set up at all toll stations to waive the toll fee for vehicles carrying fresh and livestock in compliance with policies, by which the Company has fulfilled its social responsibilities as an expressway serving the community. In 2013, the toll uncharged for vehicles in free green lanes by the Group amounted to RMB91.8 million.

In 2013, the Company continued to carry out the toll-free policy for small sized passenger cars during major holidays. The toll uncharged for small sized passenger cars in aggregate 20 days of important festivals throughout the year amounted to RMB200 million, accounting for nearly 4% of the total toll revenue for this year. Taking smooth passage as its top priority in response to the extra high traffic volume, the Company created special lanes for toll-free cars at all toll stations with clear guiding signs, opening all lanes at the entrances and exits; encrypting road monitoring devices, using more videos; increasing hindrance clearance points, designating personnel to guide the traffic at key road sections and major stations; working on continuous stand-by status; taking multiple measures to ensure the rapid passage at toll stations as well as safe and timely on-site rescue.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

III. Improving Service Quality to Meet Customers' Needs

The Company has always been committed to providing “people-focused” services and catering to customers' needs, and deems it our mission to meet public transport demand. By implementing the overall internal control management, improving the operational processes and service standards of all service posts, aggressively expanding value-added services, improving channels for customer feedback and other measures in 2013, the Company further improved service quality and customer satisfaction.

I. Enhancing “attentive Shanghai-Nanjing Expressway” services

In 2013, the Company continued to further promote standardized services according to the overall requirement of “Smooth and Caring Shanghai-Nanjing Expressway”. It established a “customer satisfaction appraisal system” based on standardized services and activities to arrive an objective and fair evaluation of the quality of services provided by our staff.

In order to promote renewal philosophy, the Company continued to carry out the “star” toll collectors election campaign and level certification for maintenance and hindrance clearing personnel in strict compliance with the Measures on Star Toll Staff Assessment, which not only delivered a consolidated evaluation on achievements contributed by toll staff, but also encourage our staff to dedicate themselves to their jobs and improve their professional skills. Greater efforts were also made to push forward the work of service standardization at Sutong Card service center by installing customer rating systems, initiating business consulting services for Sutong Cards and offering a variety of handy services for the public, through which, Sutong Card service center saw significant improvements at various aspects, including external environment, service level, business promotion as well as inspection and assessment. In addition, the Company refined employees' work experience in the business model with “work procedures” for promotion, so as to continuously improve the working skills of employees and thus steadily increase the level of courtesy counter services.

II. Insisting on providing credible services with standardized operation

The Company conscientiously enforced management of the operation of expressway service areas in respect of price, measurement and quality. During the year, the Company continuously launched campaigns selecting “satisfactory service areas” by the yardsticks of environments, convenient measures and civilized services while striving to meet various demand of customers with supply of guarantee to service areas. In 2013, our services areas introduced Unionpay service for the sales of catering, goods and oils, providing convenience to passengers.

Regarding food and beverage sales, the Company gives top priority to food safety by exercising stringent control over the channels for the purchase of raw materials, tightening supplier management, aiming to maintain quality of purchased materials and prevent fake and inferior products entering the service areas. The operation of the catering business at each service area was explicitly positioned. Food quality was improved through innovation in ingredients and cooking methods while unified allocation and supply were conducted for bulk ingredients such as rice and cooking oil, so as to enhance catering quality and economic benefits. With the purpose to cater the actual demand of customers, the Company launched the pilot operation of a fast food model named “a specific price for a specific dish” at Xianrenshan service area in 2013.

With respect to the supply of petroleum products, a total of 12 gas stations along the Shanghai-Nanjing Expressway, have won the trust of customers by consistently providing accurate and quality gas services for more than a decade. In 2013, the Company coped with the imbalance between supply and demand during the peak period of gas stations, such as the Lunar New Year and the National Day holidays by adopting certain means including strengthening the bond with oil suppliers as well as applying on-site personnel scheduling and setting maximum cap for fuel charging at all of its stations, so as to ensure both the oil supply and safety production on the rails.

In commodity sales, commodity price control was intensified while the business principle of “equal price in the same city” was finalized. The Company adjusted the prices of hundreds of public goods under six major categories before the National Day holidays to ensure the retail prices at the service area basically equivalent to those in the city where it is located, which received positive response from customers.

With respect to the management of public service facilities in the service areas, the Company offered free parking space and washroom facilities for customer use, and paid particular attention to maintaining a clean and appealing exterior environment. The Company identified and solved problems through its quality management system and the “Mystery Customer” evaluation mechanism.

After years of good-faith operation, the Company has created a great business environment with the notion of “winning with quality services and convincing others with corporate reputation”. The Shanghai-Nanjing Expressway Economic Development Company (滬寧高速公路經營發展公司), a subsidiary of the Company, was named an “Outstanding Fast Food Enterprise of Jiangsu” by Jiangsu Province Dining Profession Association while the Yangcheng Lake service area of Shanghai-Nanjing Expressway was rated as a four diamond restaurant at national level in 2013.



APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

III. Strengthening customer relationship management

The Company is always customer-oriented, attaching great importance to improving services and customer satisfaction. In order to enhance exchanges and communication with clients, timely deal with clients' complaints and improve service quality, the Company perfected the process for complaints handling and evaluation methods within the internal control system, implementing the "first customer-service representative accountability" system, conducting regular analysis, assessment and evaluation in respect of complaints against all entities, posting the 24-hour complaints hotline on media, billboard at toll stations and the Company's website and promising reply about results within a prescribed timeframe .

At the same time, the Company has been carrying out research on the level of customer satisfaction by employing trade ethos inspectors and "Mystery Customer". Consistency and comparability are maintained in aspects including assessment methods and indexing system so as to strengthen scientific research results and the guiding effect on actual work. During the past few years, the level of customer satisfaction has been rising continuously.

In 2013, with a view to enhance our overall performance and management ability as well as to increase satisfaction of the social conditions, the Company introduced an excellent performance control system and provided trainings about knowledge and concept of excellent performance for our managers and key personnel. It also invited specialists to analyze the current condition of the Company and deliver a diagnosis report. Upon completion of the self-evaluation system, the Company submitted a quality awards application to Nanjing municipal government. Given these, the overall management of the Company was improved.

IV. Caring for Employees to Achieve Common Growth

The Company deems over 3,000 employees valuable treasures because they are what the Company relies on for survival and development. The Company is people-oriented, respects the employee's efforts, strives to create a safe and healthy working environment and provides comprehensive medical, retirement and other benefits for employees. The Company endeavored to increase our staff's sense of happiness and belonging through various channels such as improving their comprehensive ability by offering more learning opportunities and trainings, which enable both the staff and the Company to grow in a harmonious internal environment.

I. Establishing a people-oriented and harmonious labor-capital relationship

The Company adopts a position-based salary system with performance being a motivating factor. Salaries are determined in accordance with the comprehensive performance appraisal results of each staff, with reference to the principle of "Salary by Position, Award by Performance", thereby enhancing the fairness and competitiveness of the salary system. In 2013, the quantity-quality evaluation and motivation system designed for our frontline staff was further improved. The introduction of "star" toll collectors election campaign and level certification for maintenance and hindrance clearing personnel significantly enhanced the sense of responsibility of our frontline staff and triggered their enthusiasm to work. Every year, the Company selects a group of outstanding staff, exemplary toll collection staff and exemplary service staff. Spiritual and material rewards are granted to commend such staff for their excellence and to motivate the work passion of other staff.

In 2013, the reform of remuneration system was further developed by the Company. Through engaging a professional institution to provide advice and evaluation on the design of our broadband salary system and competence for the posts, not only the initiative of staff was motivated, their access to promotion was also broadened.

In addition to pension, medical, unemployment, occupational injury and maternity insurance according to relevant requirements of the Labor Law and the Labor Contract Law, the Company also takes out complementary medical, casualty and other commercial insurances for employees. Except for statutory public holidays, our staff also enjoy annual paid leave and other vacations. These, coupled with our corporate annuity scheme aimed at improving employees' post-retirement lives, allow longstanding trust relationship built up between the Company and the employees.

APPENDIX II. CORPORATE SOCIAL RESPONSIBILITY REPORT

II. Placing emphasis on trainings to improve overall quality of our staff

Employees and high-caliber talents are backbones underpinning corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuing learning and encourages employees to uplift their own work capabilities and competitiveness, thereby realizing added value on human resources.

In 2013, the Company provided, at different levels and based on professional expertise, training for internal trainers, including trainings on enhancing executive ability of the management, writing skills of press releases, standard implementation of audit and internal audit as well as team building, which helped enhance the professionalism of the management and the adaptability of re-designated employees. Total spending on these training sessions for the year amounted to approximately RMB2,897,000 (2012: RMB3,196,000), for 7,123 person-times (2012: 6,162 person-times) and involving staff of various levels from junior servicing staff to senior management members.

In the meantime, the Company provided more opportunities to employees for competitive selection for internal posts. Subject to specific conditions such as education level and area of expertise, candidates can be any staff of the Company. Such open competitive selection was won recognition of our staff.

III. Advancing democratic management with opening corporate affairs

The Company highly concerned about staff's right to have access to information relating to the corporate management. It adopted policies including opening corporate affairs, staff representative inspection systems, employee consulting meetings and rational advices collection, as the crucial methods and means to monitor the management. In 2013, the pattern of opening corporate affairs was consolidated at the company, administrative office of and station area levels. Each of notice boards for opening corporate affairs was placed at a specific place with unified format and complete content. Such information was published in a timely manner with explicit responsibility and sound accounts. The qualified rate of opening corporate affairs exceeded 97% according to the inspection conducted by staff representatives. In the meantime, the Company proactively improved the face-to-face consulting policy, through which, a total of 590 rational advices were collected from staff, demonstrating a significant improvement on the cohesion of the Company.

The occupation health safety management system was implemented at every level in the Company. A dynamic management was adopted for safety production and organization while safety production control system was under normal operation. In the current year, with basically achieving modernization as its guidance and the information construction of expressways as its focus, the Company strictly implemented safety production responsibility system, further developed contingency plan system, thoroughly inspected and rectified potential safety hazards and strengthened safety education and training. It identifies hazard sources and environmental factors annually plus risk evaluation and risk control. With this management method, the Company is able to control hazard factors, ensures that the entire production and operation process is safeguarded, and thus guarantees the staff's occupational health and safety. Moreover, in order to improve safety awareness among the staff, the Company conducted occupational safety and technical training in a number of ways, covering basic knowledge about safety, safe operating skills, handling of accidents and emergencies, self-rescue and first aid for injuries, and required all staff on special positions to hold relevant certificates.

IV. Caring employees, embodying our humanistic care

The Company takes active measures to provide employees with comfortable working and living environment. The entertainment facilities in our primary units were further enhanced by providing reading rooms, gymnasiums, playgrounds and ball game rooms. The Company staged various uplifting cultural and sports activities to create a happy working environment. Staff health standard campaigns were also organised, through which, the health condition of our staff was improved.

In 2013, the Company intensified the construction of "Staff Home" by promoting "e-reading room" and "psychological post". So far, all the 43 third-level labor unions of the Company have set up their "Staff Home" while 18 toll stations have been equipped with e-reading rooms and improved relevant system. There is "Mind House" (psychological consulting room) in 14 primary units the effectiveness of which is highly recognized by our staff.

The Company cares about employees' health, arranging physical examination ever year. The Company also voluntarily help employees out by providing timely assistance for those in difficulties, giving consolation money or launching fundraising to meet their urgent needs. In 2013, the Company improved the rules for management of support fund. Such fund met the overall funding demand arising from major contingent events in our employee's family as well as employees with or after suffering from serious illness, and thus received good response from employees.



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Chapter V. Achieving a Win-Win Result with Investors through Sustained Enhancement of Governance

Good corporate governance is the cornerstone of a long-term healthy and stable development for enterprises, while sustained enhancement of governance is indispensable for companies to maintain healthy development. As such, the Company, adhering to its corporate philosophy of integrity and diligence, has continuously enhanced its corporate governance level by timely improving its governance system and operational process on a sustained basis pursuant to the work arrangements of regulatory authorities and the latest rules and regulations, and stepped into a virtuous cycle. Meanwhile, guided by the “Basic Standards for Enterprise Internal Control” and other guidelines, the Company has stepped up construction and implementation of its internal control system, and continuously boosted the operation and management level and risk prevention capability, thus providing strong guarantee for the Company to realize strategic transformation.

I. Continuously improving the governance structure

The Company has always been committed to adhering to a good corporate governance principle. It has established a sound governance structure and carries out its operations in a regulated manner. Meetings of shareholders, the Board and Supervisory Committee of the Company functioned in a normal and orderly manner, while general meetings of shareholders, the Board of Directors and its special committees, as well as the Supervisory Committee, discharged their own duties, coordinated with each other and exercised effective checks and balances in accordance with regulations and governance rules, providing a boost to the Company’s scientific decision-making, regulated operation and management upgrade on an ongoing basis.

In 2013, the Company created the internal environment in favour of value management through optimizing corporate governance structure, continuously improved the management and control system formed by shareholders, Directors and operators, defined the responsibilities and obligations of all parties, and guaranteed the effectiveness of corporate governance through standardizing and implementing the “three-meeting” decision making mechanism (「三會」決策機制). The general meetings of shareholders, the Board and its special committees, as well as the Supervisory Committee, discharged their own duties, coordinated with each other and exercised effective checks and balances in accordance with regulations and governance rules, which improved the governance standards and decision-making efficiency of the Company. In addition, the Company continuously promoted its governance level on the basis of understanding the advanced ideas and innovative practices in respect of governance of other listed companies through horizontal comparison, finding out the aspects of the Company to be improved and enhanced through comparison, learning from others’ strong points to offset its own weakness and for continuous improvement.

The Company is strict in its corporate governance. In addition to complying with the Code on Corporate Governance Practices, the Company has devised various governance policies which are stricter than the standards of the current and proposed rules of the securities regulators in a number of aspects. During the reporting period, pursuant to the requirements of the Hong Kong Stock Exchange, the Company formulated the Board Diversity Policy and amended the Rules of Procedures of the Nomination Committee. Such work provided reference for the diversity of the Board, and improved the scientific decision-making as well as the effective operation of the Board, so as to achieve high-standard corporate governance.

During the Reporting Period, the actual situation of the Company’s corporate governance did not deviate significantly from the requirements of the “Code of Corporate Governance for Listed Companies”, and the Company has fully adopted all the provisions of the “Corporate Governance Code”, and met the requirements of the recommended best practices in certain aspects. In November 2013, the Company won the award of “Listed Companies with the Best Return for Shareholders (最佳股東回報上市公司)” in the “Reputation List of Chinese Listed Companies of the Year 2013” assessment sponsored by National Business Daily.

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II. Carrying out testing on risk management and corporate internal control comprehensively

The Company gives high priority to risk management control. In 2011, It established the “integrated four-standard” internal control management system, and on the basis of realizing internal control throughout the entire operation process, the Company formulated and improved during the year the Regulation for Internal Audit, the Regulation for the Appraisal of Internal Control, and the Standards for Determination of Defects in Internal Control, placing the focus on promoting the Company’s development, enhancing management and profit, and strengthening internal control and preventing risks.

Meanwhile, the Company further strengthened day-to-day risk monitoring and management, analyzed internal operating conditions, collected external information on a regular basis, issued early warnings and exercised control in accordance with pre-arranged risk management plans, and promptly modified risk management in line with internal and external business circumstances and trends in the changes in the risk environment. The Company ensured that its internal control systems operated effectively by checking its improvement progress through continuous monitoring and self-evaluation of members of management on an annual basis, which gradually fused the internal control systems with the Company’s daily operations management, improved the implementation of the internal control system and standardization system and strengthened supervision and inspection of internal control so as to formulate a long-term internal control mechanism for the Company.

At the end of 2013, the Company has set up a self-evaluation team of internal control in the Company, to conduct review and evaluation on the effectiveness of the design and operation of important control pursuant to the requirements of the “Application Guidelines on Corporate Internal Control” and the “Guidelines on Evaluation of Corporate Internal Control” and in light of the actual operating situation of the Company. Such review and evaluation were carried out according to five aspects including control environment, risk identification and assessment, control measures, information and communication, and supervision and inspection. The team was of the opinion that the Company’s internal control system and its implementation were basically sound and effective, and has fulfilled the requirements of various aspects including corporate governance, operation, management, finance, investment and administration and human resources management, effectively controlling various operations management risks of the Company. No major defects were identified in the design and implementation of the internal control system.

III. Establishing the mechanism on long-term returns to investors

While leveraging the rapid development of the capital market, the Company is also clearly aware that investors are the source of its development, so the Company shall make it a key mission and operational philosophy to actively create returns for shareholders, make shareholder better enjoy the benefit of the Company’s development, guide them to develop the concepts of long-term investment and rational investment to realize virtuous cycle of capital. The Company laid down a proactive and stable dividend distribution policy and the decision-making procedures and mechanism concerning cash distribution in the Articles of Association to bring high return to shareholders.

As for specific implementation, the Company took the initiative to perform its responsibility to repay the society, formulated reasonable distribution mechanism, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win investment and financing environments and value-investing atmosphere, and make due efforts and contributions to promoting the sustained and healthy development of capital markets. The Company has been distributing cash dividends for 16 consecutive years since its listing. As at the end of 2013, total cumulative cash dividends of RMB17.412 billion, or RMB3.4617 per share, were paid. The average dividend payout ratio reached approximately 75%. Shareholders are awarded with satisfactory returns from the development of the Company. According to the research report of the China Center for Market Value Management for 2012, the Company, with its consecutive high-ratio cash dividend, ranked at the top of all the listed A-share companies in terms of shareholder return intensity.

For 2013, the Company distributed a cash dividend of RMB0.38 per share, equivalent to approximately 78.96% of its distributable profit (based on the amount of net profit after transferring 10% to statutory reserve) for the year, with payout ratio at 70.70%.



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IV. Maintaining good investor relations through effective communication

The Company attaches great importance to management of investor relations. Through active and transparent information disclosure, and the two-way, interactive exchange with investors, it strengthens investors' understanding on the Company's businesses to help investors make objective and accurate investment decisions.

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

The core of investor relations is effective communication. The Company fosters the market investment atmosphere, passes positive signals and stabilizes market investment confidence by means of proactive investor relations events. In 2013, the Company kept close contact with domestic and foreign media and investors through various means such as results announcement presentations, press conferences, domestic and overseas road shows, regular meetings with visiting investors and analysts, teleconferences and so forth. Major events were carried out in the following ways:

- ◇ Investors' inquiries through the investor hotline, company website and e-mail were responded to in a timely manner and operation information was dispatched to investors regularly on our own initiative. .
- ◇ Field trips to the Company or specific teleconferences by investors and analysts: 24 batches of visits to the Company by domestic and foreign investors (33 persons in total) were received during the year.
- ◇ Various promotion activities including roadshows and press conferences for results announcement presentations, overseas roadshows, various investor forums and face-to-face communications were conducted with investors. 5 major presentations were attended or organized in 2013 with details as follows:

January	— Participated in the "Greater China Conference" organized by UBS in Shanghai
March	— Held 2012 annual results presentation and investor roadshows in Hong Kong
June	— Participated in the seminar on annual strategy organized by CICC
August	— Held 2013 interim results presentation and investor roadshows in Hong Kong
November	— Participated in the "China Investment Summit" organized by Merrill Lynch Securities in Beijing

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

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VI. Actively Performing Corporate Responsibility for the Environment

The Company views environmental protection as an essential component of the sustainable development strategy of an enterprise; based on comprehensive practice of ISO14001 Environmental Management System, integrates management system documents regarding quality, environment, occupational health and safety with corporate internal control documents to improve the management level of the Company in 2013; effectively performs its responsibility for the environment based on its actual production conditions, by way of environmental protection, energy saving and scientific scheduling, so as to achieve the sustainable development of the Company.

I. Promoting environmental protection concepts and increasing awareness of environmental protection

The Company places emphasis on cultivating its employees' environmental protection awareness, implements the environmental protection concept throughout the whole process of operation and management, and actively guides the employees to start from themselves and details and incorporate environmental protection and conservation into operation of the enterprise.

In respect of cost saving and consumption reduction, the Company implemented the paperless office by fully sharing information system resources. Electronic and network-based operation modes including the Office Automation System and video conference system were successfully set up, allowing full capitalization on modern information technologies. The Company applied various initiatives to control the consumption of energy and materials such as water, electricity, gas and oil by the maintenance and hindrance clearance facilities as well as vehicles, maintaining a good control foundation.

In 2013, the Company gave great impetus to QC teams' work and tightly adhered to the management concept of energy saving and consumption reducing, management quality enhancement and work efficiency improvement. 9 QC teams of the Company won the title of "Excellent QC Team in Transportation Industry of Jiangsu Province", 4 teams and groups won the title of "Quality Credit Team and Group in Transportation Industry of Jiangsu Province" and 2 QC teams obtained the First Prize of QC Results Conference in Transportation Industry of Jiangsu Province.



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II. Focusing on ecological protection and strengthening pollution prevention and control

To strengthen environment protection and management of the Company and comprehensively practice the strategy of sustainable development, the Company formulated a series of environmental protection and internal control system documents such as Measures on the Administration of Environmental Protection (《環境保護管理辦法》), Identification of Environmental Factors and Procedures of Risk Assessment and Risk Control (《環境因素辨識、風險評估和風險控制程序》), Procedures for Treatment and Disposal Control of Solid Waste (《固體廢棄物處理處置控制程序》), Procedures for Control and Management of Energy and Resources (《能源、資源控制管理程序》) and so forth, pursuant to PRC Environmental Protection Law (《中華人民共和國環境保護法》). The Company established environmental protection committee with the general manager as its main person responsible for the comprehensive practice of three-level environmental protection system of the Company, secondary units and grass-roots units.

Requirements for environmental protection are included in our tenders for road construction and maintenance projects. The Company makes a comprehensive evaluation of the potential environmental impact of the project on the areas along expressways; and with particular respect to the degree and extent of any adverse impact, propose in the design and construction scheme any measures and counterplans for the prevention and control of pollution, minimization of environmental impact and improvement of existing environmental issues. The Company also strengthens protection to land resources. Restoration measures including backfill, re-cultivation and plantation will be adopted to restore the lands affected in road construction. In respect of river protection, the Company adopts construction techniques which are free of or with minimal water pollution. Sewage is collected and treated before discharge. As for noise prevention, the Company arranges its construction program for different locations at reasonable time period to minimize the impact of noises from machinery and vehicles upon residents in the neighborhood. The areas along the expressways of the Company as well as the interchanges, road foundation slopes, slope platforms and service areas have extensive plantation. Plantation can prevent the erosion of land, reduce noise, purify air and beautify the environment.

The Company adopts measures to reduce noise from the operation of its expressways. In 2013, new noise barriers of approximately 13.95 km were constructed along Shanghai-Nanjing Expressway, the total of which amounted to nearly 30 km, thereby having effectively alleviated the impact of transportation noise to the normal life of local residents. In addition, the Company is aware of the management of transportation of toxic and hazardous chemicals on the expressways. The vehicles are registered at the entrance to limit the damage of leakage. Drainage systems are installed in bridges running over major rivers, lakes and reservoirs and warning signs are also erected to prevent contamination from leakages of hazardous materials from vehicles.

In the development of production and operation, the Company adopts various effective measures for ecological protection and pollution prevention. We strive to minimize the impact of road operations on the surrounding environment, and realize sustainable development of the Company by maintaining a balance among corporate value, the living environment and natural resources. In 2013, the Company further strengthened environment management and courageously shouldered its social responsibility. By actively contacting local environmental protection departments and injecting special funds, the Company conducted studies over the plan for, technical renovation of and technological adjustment to the sewage pipe networks in its service areas of Huanglishu (黃栗墅), Xianrenshan (仙人山) and Fangmaoshan (芳茂山). By setting up the sewage treatment model, monitoring and testing water quality conditions, the Company realized sewage treatment upgrade and renovation, with treated sewage reaching the government's level-1 discharge standard, which effectively protected the quality of living environments of the surrounding residents. Meanwhile, the Company also unified the entity which tests the discharged water sample after sewage treatment, and monitored sewage treatment status at its toll stations and service areas along its expressways so as to timely and accurately stay updated on sewage discharge status, and hence realized its target of sustained improvement and raised its environmental protection management levels.

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VII. Devotion to Public Welfare to build a Harmonious Society

While pressing ahead with business operation and development, the Company has actively participated in social and public services, performed the obligation as a corporate citizen and encouraged its employees to devote themselves and pay back to the society with concrete actions. A motion is tabled at the Company's annual Board meeting every year on proposed charitable donation projects for each year. In 2013, the Company donated an aggregate of approximately RMB912,000 to various community services, including various poverty alleviation funds, education funds, charitable funds and funds for acts of justice and courage.

Regarding charitable causes, the Company has been offering assistance to the development of less developed regions by making focused, targeted donations and subsidies to education projects, especially in the development of cultural and educational programmes. In 2003, the Company contributed donations to the construction of the Hope Primary School in Tuhe Village, Guanyun County, and offered subsidies to buy supplies every year. The donations amounted to RMB800,000 in 2013. The Company is concerned with business regarding juveniles and donated RMB100,000 to Youth Virtue Fund (青少年美德基金會) of the province. Meanwhile, the Company has established a contact person scheme for the recipients of these donations, through which the Company is able to attain an understanding of the situation on a regular basis. Together with the practical support of human, material and financial resources, the Company assists in the development and construction of schools, endeavoring to take practical actions to contribute to society alongside the development of the Company.

Moreover, the Company emphasizes the cultivation of its employees' sense of social responsibility and encourages them to participate in various community services. As Yaan suffered from earthquake in April during the year, league members of the Company took positive actions to donate over RMB33,000 and nearly 8,000 ml of blood. In June of this year, the Company specially organised a large volunteer activity named "Blood Donation, the Best Gift to Life", nearly 400 employees of the Company actively participated in the voluntary blood donation activity and the accumulative total of blood reached 64,500 ml, which fully embodied selfless dedication of the Company's employees and their courage to take social responsibilities.

In the meantime, party branches at the grass-root level established 40 "learning from Leifeng voluntary service teams". Employees of the Company performed voluntary duties such as showing drivers and passengers the way, pushing broken-down cars, providing free tea and dispersing traffic jam, and actively entered engage with the community to carry out a series of activities such as helping children out of school, visiting old folks' home, extending regards to elderly persons without families, blood donation without payment, voluntary service and so forth. The Company carried out 52 times of learning from Leifeng voluntary activities in the year.

VIII. Conclusion

The Company considers it a bounden duty and obligation to assume social responsibilities. We will take this opportunity of releasing the social responsibility report to accept the supervision of government departments and all communities of the society, firmly implement the scientific outlook on development, continuously improve the construction of the social responsibility management system, and better perform our economic responsibility, social responsibility and environmental responsibility.

The Company is committed to being a responsible corporate citizen with integrity through unremitting efforts. Meanwhile, we recognize that major social responsibilities of a corporation and the interests of relevant parties are constantly changing in different development stages. In this regard, we will regularly reassess our social responsibilities, enhance our self-awareness and review our measures to make further improvements in response to the needs of the society.

In the future, the Company will further sharpen its mission in social responsibilities, be people-oriented, solid and innovative, provide safe, expedite and comfortable transportation services to the society, satisfy the need of social development for transportation efficiency, and drive the economic growth of surrounding areas. Moreover, the Company will further take into account the respective interests of its shareholders, customers, employees, the government and the communities to achieve a harmonious and win-win scenario between the Company and relevant stakeholders within its reach, continue to pay attention to the environment, build a nice and harmonious home, and fulfill common development between the enterprise and the society.



Jiangsu Expressway Company Limited