



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

2016

ANNUAL REPORT

IMPORTANT NOTICE

1. The Board, the supervisory committee and the Directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the content of this annual report, guarantee that there are no false representations, misleading statements contained in, or material omissions from this report; and jointly and severally accept responsibility.

2. **Absent Directors**

Position held by the absent director	Name of the absent director	Reason for the director to be absent	Name of the proxy
Director	Wu Xin Hua	Due to business engagement	Shang Hong
Director	Hu Yu	Due to business engagement	Shang Hong

3. The annual financial report of the Company has been prepared in accordance with the PRC Accounting Standards and complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Hong Kong Listing Rules, and audited by Deloitte, which issued standard unqualified auditor's report thereon. Investors are advised to read the full text.

4. Mr. Chang Qing, Chairman of the Board, Mr. Gu De Jun, an executive director and General Manager, and Ms. Yu Lan Ying, Deputy General Manager and Financial Controller of the Company, make representations in respect of the truthfulness, accuracy and completeness of the financial report contained in the annual report.

5. **Profit distribution plan for the Reporting Period as approved by the Board:**

During the Reporting Period, the Group realized a net profit attributable to the shareholders of the parent company of RMB3,346,064,000 and earnings per share was approximately RMB0.6642. The Board of the Company proposed to distribute cash dividends of RMB0.42 (tax inclusive) per share in favour of all shareholders based on the total share capital of the Company of 5,037,747,500 shares.

6. **Risk Warning for Forward-looking Statements:**

Forward-looking statements in this annual report including development strategies and future plans do not constitute actual commitments of the Company to investors. There may be differences between the future actual results of the Company and these forward-looking statements. Investors and related parties are advised to keep sufficient risk awareness in this regard, and understand the difference among plans, predictions and commitments.

7. **The Company has no fund misused by the Controlling Shareholder and other related/connected parties for non-operating purpose.**

8. **The Company has no guarantee provided to any external party in violation of procedures.**

9. **Major Risk Alerts**

The risk factors that the Group may face in the operation and development of business in the future have been analyzed and described in this annual report. Investors are advised to refer to the part headed "Possible Risks" under Section IV "Discussion and Analysis of Operations" in this annual report.

10. **Unless otherwise specified, the financial figures involved in this annual report are expressed in RMB.**

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DEFINITIONS

Unless the context otherwise requires, the following expressions contained in this annual report shall have the meanings as follows:

Definitions of commonly used terms

Company	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)
Group	the Company and its subsidiaries
Controlling Shareholder or Communications Holding	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
China Merchants Expressway Network	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Huajian Highway Investments Company Limited (招商局華建公路投資有限公司)
Network Operation Company	Jiangsu Expressway Network Operation and Management Co., Ltd. (江蘇高速公路聯網營運管理有限公司)
Expressway Petroleum Company	Jiangsu Expressway Petroleum Development Co., Ltd. (江蘇高速公路石油發展有限公司)
Jiangsu Sundian	Jiangsu Sundian Engineering Co., Ltd. (江蘇現代路橋有限責任公司)
Guangjing Xicheng Company	Jiangsu Guangjing Xicheng Expressway Company Limited (江蘇廣靖錫澄高速公路有限責任公司)
Sujiahang Company	Suzhou Sujiahang Expressway Co., Ltd. (蘇州蘇嘉杭高速公路有限責任公司)
Yangtze Bridge Company	Jiangsu Yangtze Bridge Co., Ltd. (江蘇揚子大橋股份有限公司)
Ningchang Zhenli Company	Jiangsu Ningchang Zhenli Expressway Company Limited (江蘇寧常鎮溧高速公路有限公司)
Xiyi Company	Jiangsu Xiyi Expressway Company Limited (江蘇錫宜高速公路有限公司)
Jinghu Company	Jiangsu Jinghu Expressway Company Limited (江蘇京滬高速公路有限公司)
Runyang Bridge Company	Jiangsu Runyang Bridge Development Co., Ltd. (江蘇潤揚大橋有限責任公司)
Suhuaiyan Company	Jiangsu Suhuaiyan Highway Management Co., Ltd. (江蘇宿淮鹽高速公路管理有限公司)
Railway Development Company	Jiangsu Railway Development Co., Ltd. (江蘇鐵路投資發展有限公司)
Zhendan Company	Jiangsu Zhendan Expressway Company Limited (江蘇鎮丹高速公路有限公司)
Ninghu Investment	Jiangsu Ninghu Investment Development Co., Ltd. (江蘇寧滬投資發展有限責任公司)
Ninghu Properties	Jiangsu Ninghu Properties Co., Ltd. (江蘇寧滬置業有限責任公司)
Yanjiang Company	Jiangsu Yanjiang Expressway Co., Ltd. (江蘇沿江高速公路有限公司)
Kuailu Company	Jiangsu Kuailu Motor Transport Co., Ltd. (江蘇快鹿汽車運輸股份有限公司)
Sujiayong Company	Suzhou Sujiayong Expressway Co., Ltd. (蘇州蘇嘉甬高速公路有限責任公司)
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 Xiexin Gas	Jiangsu Xiexin Gas Co., Ltd. (江蘇協鑫寧滬天然氣有限公司)

DEFINITIONS

Hanwei Company	Nanjing Hanwei Property Development Company Limited (南京瀚威房地產開發有限公司)
Nanlin Hotel	Suzhou Nanlin Hotel Company Limited
Bank of Jiangsu	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)
Far East Shipping Company	Jiangsu Far East Shipping Co., Ltd. (江蘇遠東海運有限公司)
Group Finance Company	Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司)
Information Company	Jiangsu Expressway Information Engineering Technology Co., Ltd. (江蘇高速公路信息工程有限公司)
Ninghang Company	Jiangsu Ninghang Expressway Co., Ltd.
Shanghai-Nanjing Expressway	Jiangsu Section of Shanghai-Nanjing Expressway
G312 Shanghai-Nanjing Section	Shanghai-Nanjing Section of National Highway G312
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway
Guangjing Expressway	The north connection of Jiangyin Yangtze Bridge, Guangling-Jingjiang Section
Xicheng Expressway	The south connection of Jiangyin Yangtze Bridge, Jiangyin-Wuxi Section
Jiangyin Bridge	Jiangyin Yangtze River 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
Ningchang Expressway	Lishui Guizhuang Hub-South of Changzhou Interchange Expressway
Zhenli Expressway	Dantu Hub-Liyang Qianma Hub Expressway
Xiyi Expressway	Northern Wuxi-Yixing West Dock Hub Expressway
Luma Highway	Luqu Interchange-Mashan Expressway
Wuxi Huantaihu Expressway	Wuxi Shuofang Hub-Wuxi Nanquan Interchange Expressway
Sujiayong Expressway	Suzhou-Jiaxing-Ningbo Expressway
Changyi Expressway	Changzhou-Yixing Expressway
Reporting Period	the period of one year from 1 January 2016 to 31 December 2016
Year-on-year	as compared with the same period of 2015

DEFINITIONS

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 depository 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 Hong Kong Listing Rules
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
Fuanda Funds	Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司)
Husuzhe Company	Jiangsu Husuzhe Expressway Company Limited (江蘇滬蘇浙高速公路有限公司)
Taizhou Bridge Company	Jiangsu Taizhou Bridge Company Limited (江蘇泰州大橋有限公司)
Changkun Company	Suzhou Changkun Expressway Company Limited (蘇州常昆高速公路有限公司)
CDB Kai Yuan	CDB Kai Yuan Private Equity Fund Management Co., Ltd. (國開開元股權投資基金管理有限公司)
Corporate Governance Code	the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

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
Abbreviated Chinese and English Names	寧滬高速 Jiangsu Expressway
Legal Representative of the Company	Chang Qing

2. Contacts and Contact Methods

	Secretary to the Board/Company Secretary	Securities Officers
Name	Yao Yong Jia	Jiang Tao, Lou Qing
Correspondence Address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Telephone	8625-8446 9332	8625-8436 2700-301835, 301836
Fax	8625-8420 7788	8625-8446 6643
Email	jsnh@jsexpwy.com	

3. Basic Corporate Information

Registered Office and Place of Business of the Company	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

4. Information Disclosure and Places for Inspection

Newspapers for Information Disclosure	Shanghai Securities News, China Securities Journal
Websites Designated for Information Disclosure	www.sse.com.cn , www.hkexnews.hk , www.jsexpressway.com
Regular Reports Available at	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; Headquarters of the Company 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

5. Information on the Company's Shares

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

6. Particulars of Registration of the Company

Date of registration	1 August 1992
Address of registration	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
SAIC registration number of the Company	91320000134762764K
Tax registration number of the Company	91320000134762764K
Company organization code	91320000134762764K

7. Other Relevant Information

Auditors appointed by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Address	30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC
	Names of authorized accountants as signatories	Yu Yang, 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	Level 36, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC
Registrar of Share Transfer in Hong Kong	Name	Hong Kong Registrars Limited
	Address	Shops 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 AND PRINCIPAL FINANCIAL INDICATORS

8. Principal Accounting Data and Financial Indicators

(1) Principal accounting data

Unit: Yuan

Principal accounting data	2016	2015	Increase/ decrease for the Reporting Period as compared with the previous year (%)	2014	2013	2012
	As at the end of 2016	As at the end of 2015	Increase/ decrease as at the end of the Reporting Period as compared with the end of previous year (%)	As at the end of 2014	As at the end of 2013	As at the end of 2012
Operating revenue	9,201,297,066	8,761,321,186	5.02	8,830,860,795	7,614,226,717	7,795,942,681
Net profit attributable to the shareholders of the Company	3,346,063,867	2,506,629,408	33.49	2,227,907,831	2,707,743,147	2,333,344,558
Net profit attributable to the shareholders of the Company net of non-recurring profit or loss	3,316,405,373	2,692,979,266	23.15	2,228,136,341	2,648,402,925	2,342,604,374
Net cash flow incurred by operating activities	5,463,748,504	4,475,893,125	22.07	3,741,645,416	3,084,162,160	3,189,409,926
Net assets attributable to the shareholders of the Company	22,209,756,185	20,476,159,276	8.47	21,015,980,062	19,596,483,889	18,688,861,700
Total liabilities	13,340,716,540	15,289,867,555	-12.75	15,781,633,851	6,735,684,631	6,693,781,895
Total assets	36,282,573,529	36,476,039,663	-0.53	37,481,216,616	26,833,912,370	25,849,257,639
Total share capital at the end of the period	5,037,747,500	5,037,747,500	0	5,037,747,500	5,037,747,500	5,037,747,500

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

(2) Principal financial indicators

Unit: Yuan

Principal financial indicators	2016	2015	Increase/ decrease for the Reporting Period as compared with the previous year (%)	2014	2013	2012
Basic earnings per share	0.6642	0.4976	33.49	0.4422	0.538	0.463
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A	N/A
Basic earnings per share net of non-recurring profit/loss	0.6583	0.5346	23.15	0.4423	0.526	0.465
Weighted average return on net assets (%)	16.06	12.45	Increased by 3.61 percentage points	10.96	14.49	12.99
Weighted average return on net assets net of non-recurring profit or loss (%)	15.92	13.38	Increased by 2.54 percentage points	10.96	14.17	13.04

The definitions and calculation methods of the aforesaid indicators are consistent with those information disclosed in the financial report for the same period last year, and no adjustment was made to the figures in the financial statements.

9. Principal Financial Data for 2016 by Quarters

Unit: Yuan

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating income	2,046,758,024	2,018,629,831	2,200,901,311	2,935,007,900
Net profit attributable to shareholders of the Company	773,690,286	786,129,032	879,837,020	906,407,529
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	772,335,590	777,147,263	877,304,570	889,617,950
Net cash flow incurred by operating activities	1,442,033,240	1,473,189,006	1,334,288,219	1,214,238,039

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

10. Items and Amounts of Non-recurring Profit/Loss

Unit: Yuan

Items of non-recurring profit or loss	Amount in 2016	Note (if applicable)	Amount in 2015	Amount in 2014
Gain or loss from disposal of non-current assets	-3,570,996		-628,207,181	-2,606,420
Government grant recorded in profit or loss in the current period (except for government grants which are closely related to the Company's normal business, comply with requirements of the state policy, and continuously available to be enjoyed according to certain standardised amounts or quotas)	16,017,251	Subsidies received for energy conservation and emission reduction, employment stabilization as well as environment protection, and compensation recognized during the Reporting Period for construction of Ningchang Expressway	1,813,793	8,990,189
Profits or loss from changes in fair value of trading financial assets and trading financial liabilities, and investment gains from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities associated with normal business operations of the Company	5,067,706		35,967,519	10,866,275
Net profits or losses of subsidiaries from the business combinations involving enterprises under common control from the beginning of the Reporting Period to the date of combination	0		230,688,998	0
Reversal of provision for depreciation of accounts receivable which were tested for impairment losses individually	0		161,574	234,493
Other non-operating income and expenses other than the aforesaid items	1,748,474		9,603,213	-18,052,843
Other profit/loss falling within the definition of non-recurring profit/loss	20,176,710	Income from shareholder's loans provided by the Group to Hanwei Company, a joint venture, during the Reporting Period	24,846,638	0
Effects attributable to minority interests	79,135		-178,023	197,719
Effects of income tax	-9,859,786		138,953,611	142,077
Total	29,658,494		-186,349,858	-228,510

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

11. Items Measured at Fair Value

Unit: Yuan

Items	Balance at the beginning of the Reporting Period	Balance at the end of the Reporting Period	Change during the Reporting Period	Amount affecting the profit of the Reporting Period
Fund investment	22,458,653	17,349,959	-5,108,694	-5,108,694
Wealth management products	417,000,000	262,504,747	-154,495,253	7,852,138
Gold investment	13,428,398	15,862,758	2,434,360	2,324,262
Total	452,887,051	295,717,464	-157,169,587	5,067,706

During the Reporting Period, the financial assets measured at fair value held by the Group were fund investments, gold investments and wealth management products. The fair value as at the end of the Reporting Period amounted to RMB295,717,000. The fair value of fund investment and gold investment were recognized based on the net value of relevant funds and gold available in the open market at the end of the Reporting Period; the fair value of the wealth management products was recognized as the discounted future cash flow using the expected profit margin.

SUMMARY ON THE BUSINESS OF THE COMPANY

I. Statement on the Principal Business, Operation Model and Industry Involved in by the Company during the Reporting Period

(1) Statement on the principal business

Established on 1 August 1992 in the Jiangsu Province of the People's Republic of China, 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 the Level I American Depositary Receipt ("ADR") program 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 2016, the total share capital of the Company was 5,037,747,500 shares with a par value of RMB1 each.

The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges within Jiangsu Province and the development and operation of ancillary service areas along such toll roads and bridges (including refueling, catering, shopping, advertising and accommodation, etc.). 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 Ningchang Expressway, Zhenli Expressway, Xiyi Expressway, Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jianguyin Bridge and Sujiahang Expressway. As at 31 December 2016, 15 road and bridge projects were directly operated and invested by the Company, and the highway mileage owned or invested by the Company exceeded 820 kilometers.

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

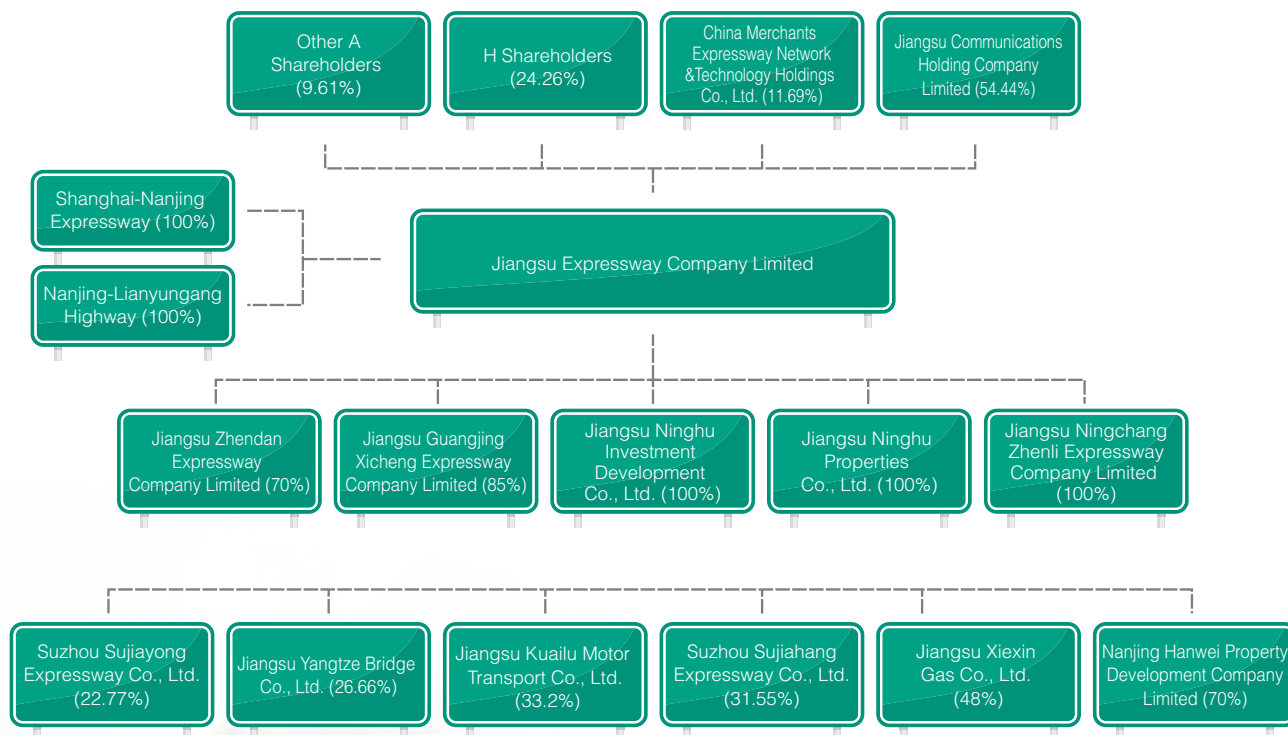
In addition, the Group is actively exploring and venturing into new business fields, such as property investment and development, distribution of advertising media along expressways as well as other finance, quasi-finance and industrial investment, aiming to further increase profit contributors and achieve sustainable development of the Group. As at 31 December 2016, the Company has three wholly-owned subsidiaries, two non-wholly owned subsidiaries and ten associated companies. With total assets and net assets amounting to approximately RMB36,283 million and approximately RMB22,210 million, respectively, the Company is one of the largest listed companies in the toll road industry of China in terms of asset size.

The Company, Ninghu Properties, Ninghu Investment, Guangjing Xicheng Company, Ningchang Zhenli Company, Zhendan Company and other subsidiaries of the Company are collectively referred to as the Group during the Reporting Period.



SUMMARY ON THE BUSINESS OF THE COMPANY

(2) Major asset structure of the Group



SUMMARY ON THE BUSINESS OF THE COMPANY

II. Analysis of Core Competitiveness during the Reporting Period

The principal business of the Group is the operation and management of basic transport infrastructure. The Group's operations are located in the Yangtze River Delta, the most economically vibrant region in the PRC. The roads and bridges owned or invested by the Company are key land transport corridors of the two important industrial belts along the Yangtze River and Shanghai-Nanjing in the southern part of Jiangsu, putting us in a leading position in the expressway network in southern Jiangsu. Unique geographical advantage, quality assets network and efficient operating system are the distinct competitive edges in operation and development of the Group. Meanwhile, the Group has been integrating quality road resources within the region in the course of its business development to further enhance its core competitiveness.

In addition, the Group also has the following core competencies:

◇ **Leading operation and management capability**

The Group has accumulated extensive experience in expressway operation and management, and developed certain systems and information-based measures for expressway operation and management. Public recognition of our brand value has provided advantage to the Group for the professional operation and management of longer expressway mileage.

◇ **Strong investment management capability**

The Group is experienced in investment research in the field of expressways, and has achieved admirable income from the projects it invested in. This has laid relatively sound foundation for the Group's future integration of its existing road and bridge assets, investment in, construction and operation of toll road and bridge projects under PPP model and realization of profit.

◇ **Excellent financing management capacity**

The Company is one of the first batch of listed expressway operation and management companies in the PRC, and is also one of the four expressway operation and management companies with A shares and H shares listed on the SSE and the Stock Exchange respectively. Therefore, it is well positioned to have an access to the favorable financing platforms in the capital markets in the PRC and Hong Kong. Meanwhile, the Company has been maintaining a high level of credit rating and smooth financing channels which allow for a relatively low financing costs.





REPORT OF THE BOARD

REPORT OF THE BOARD



CHANG QING

Chairman of the Board

I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, the outset year of the “13th Five-year Plan”, the Group carried out its work in line with the “One core and two supplements (一主兩翼)” strategy of the “13th Five-year Plan”. While investing in new construction projects of quality roads and bridges to expand its principal business scale in a healthy way, the Group optimized the development of the ancillary businesses through equity investment and trial investments in the areas such as finance, quasi-finance and emerging industries. Meanwhile, by exploring new means and methods in transformation of operation mode and enhancement of operating efficiency, the Company made substantive breakthroughs in the service area reform and achieved consistent and sound operation and development.

Firstly, the principal business was further scaled up. The Company capitalized on the development opportunity to continue with the integration of quality road and bridge projects in the expressway network in southern Jiangsu. Meanwhile, it devoted energetic efforts to become the provincial-level capital contributor to the construction of the Wufengshan Toll Bridge and North-South Approach Expressways projects, thus further consolidating its leading position in the expressway network in southern Jiangsu. Given the prominent geographical advantages of Wufengshan project, investment in this project was of considerable strategic significance and economic value for the development of the Group’s principal business. **Secondly, more efforts were put into the development of ancillary businesses.** The Company increased the registered capital of Ninghu Investment by RMB900,000,000 and tentatively set footprints in the areas such as finance, quasi-finance and emerging industries through equity investment. In the Reporting Period, Ninghu Investment participated in the subscription for CDB Kai Yuan Phase II Fund, which broadened its investment horizon, improved its investment capability and expanded its project categories for the future business transformation and development of the Company through exchanging ideas and cooperating with the well-known domestic investment institutions. Luode Fund Company took the opportunity to scale up and completed the establishment of real estate investment parent fund. It has issued a total of 4 real estate funds, with management scale of RMB800 million, of

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which external capital accounted for 81%. Stable progress was made in the development of real estate business that considerable achievement was made in project sales during the Reporting Period, which contributed to the increase of revenue and profit of the Group. **Thirdly, breakthroughs were made in the transformation of operation mode.** In the Reporting Period, the Company formulated the reform plan for the operation of service areas to spur the comprehensive improvement of the operating benefits and service quality in the six service areas through self-operation and “outsourcing + supervision” modes. **Fourthly, investment effects were fully revealed.** The projects of Ningchang Zhenli Company and Xiyi Company acquired by the Company through absorption and merger in 2015 were in sound operation and gradually became important profit generator of the Group given their obvious growth momentum by capitalizing on the economies of scale of regional road network and the Company’s low-financing-cost model. Bank of Jiangsu, in which the Company invested RMB1 billion in 2013, was listed in 2016. The Company recorded a significant increase in the consolidated income of equity investment in view of the bank’s current share prices in the secondary market.

During the Reporting Period, the Group achieved total operating revenue of approximately RMB9,201,297,000, representing an increase of approximately 5.02% year-on-year, of which toll revenue amounted to approximately RMB6,652,456,000, representing an increase of approximately 3.33% year-on-year; revenue from ancillary services amounted to approximately RMB1,687,467,000, representing a decrease of approximately 10.50% year-on-year; revenue from property sales amounted to approximately RMB810,835,000, representing an increase of approximately 108.45% year-on-year; and revenue from advertising and other operations amounted to approximately RMB50,539,000, increased by approximately 2.87% year-on-year. According to the PRC Accounting Standards, the Group realized an operating profit of approximately RMB4,403,081,000 during the Reporting Period, representing an increase of approximately 25.38% as compared to the same period in 2015. Net profit attributable to the shareholders of the Company was approximately RMB3,346,064,000 and earnings per share was approximately RMB0.6642, representing an increase of approximately 33.49% as compared to the same period in 2015. The operating results of the Group reached a historic high.

(I) Toll road and bridge operations

1. Analysis of Business Environment

(1) *Impact of the macroeconomic environment*

During the Reporting Period, China’s economy continued to undergo profound structural reform and the transformation and upgrading pace was speeding up. The gross domestic product recorded a year-on-year increase of 6.7%, 0.2 percentage point lower as compared with 2015, but it still kept a medium-high growth rate. The national economy operated in progressive stability, with the improvement of both of the quality and efficiency of the development. During the Reporting Period, the gross regional product in Jiangsu province recorded a year-on-year increase of 7.8%, 0.7 percentage point lower as compared with 2015. The province’s economy maintained relatively stable growth, economic transformation and upgrading made great progress, reform and opening-up were comprehensively deepened, and the formation of new development momentum was accelerated (source of data: governmental statistics information website).

The macroeconomic environment is an essential factor affecting the demands for transportation, most of the toll road projects of the Group still kept a relatively stable and natural growth with the comprehensive effect of the multiple factors in the macro and regional economic environment during the Reporting Period.

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(2) *Development of demands for transportation*

During the Reporting Period, the transportation industry of Jiangsu Province kept basically stable, the full-year passenger transportation volume decreased by 3.3% year-on-year and cargo transportation volume rose by 2.3% year-on-year, turnover of passengers and turnover of goods increased by 1.6% and 5.9% year-on-year, respectively. The port cargo throughput was above designated size at 2,160 million tons, representing an increase of 3.7% compared with last year, of which 450 million tons were foreign trade cargo throughput, representing an increase of 12.0%; the container throughput were 16.216 million standard containers, representing an increase of 1.0%.

As at the end of the Reporting Period, a total of 14,355,000 vehicles for civilian use were owned in Jiangsu Province, representing a net increase of 1,867,000 vehicles, and representing an increase of 15.0% as compared with the end of the previous year; a total of 12,522,000 private cars were owned as at the end of the Reporting Period, representing a net increase of 1,753,000 vehicles, and representing an increase of 16.3% as compared with the end of the previous year, of which, 8,921,000 private sedans were owned, representing a net increase of 1,182,000 vehicles, and representing an increase of 15.3% as compared with the end of the previous year (data source: governmental statistics information website).

The continuous stable development of car ownership would be the most direct drive to the growth of road traffic flow, and meanwhile a higher car ownership in the region would give more free play to the competitive advantage of highways in the short and medium distance transportation and thus improve the ability to resist diversion impact of other transport modes.

(3) *Changes in competition pattern*

As at the end of Reporting Period, total operating expressway mileage in the Jiangsu Province amounted to 4,657.4 kilometers, with newly-added mileage of 118.3 kilometers. The railway operation mileage amounted to 2,721.9 kilometers, with newly-added mileage of 42.7 kilometers and main lines of railways extended 4,676.7 kilometers, with newly-added mileage of 107 kilometers (data source: governmental statistics information website). There were fewer newly constructed and opened projects of expressways and railways, which did not have diversion impact on toll road and bridge projects of the Group, maintaining stability of the competition pattern.



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(4) Policy's impact on toll roads

During the Reporting Period, the Central Government and local governments have not yet released policies with impacts on the toll roads industry. The policies on 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. As the revised Regulation on the Administration of Toll Roads has not been finally promulgated, policy environment for the industry was relatively stable.

In September 2016, the Administrative Rules on Driving of Overloaded Vehicles on Expressways (超限運輸車輛行駛公路管理規定) was officially promulgated. The new standards are conducive to promoting adjustments and improvement of transportation structure, reducing the axle load of freight vehicles and reducing the damage to the expressways. Accordingly, the corresponding maintenance costs will be decreased and the major and medium overhaul cycles will be prolonged. It also helped improve the road safety of trucks, increase the driving speed of trucks, and result in increase in the total traffic volume of trucks on the expressways. Meanwhile, Ministry of Transport, Ministry of Industry and Information Technology, Ministry of Public Security, State Administration for Industry and Commerce and General Administration of Quality Supervision, Inspection and Quarantine jointly carried out a special regulatory action for unlawful refitted and overloaded trucks. From the perspective of the actual governance effect, there was a significant increase in the truck volume on the expressways.

2. Operation and management measures

In 2016, the Company stably advanced road operation and management and on-site service for unobstructed traffic, strengthened road maintenance and improved traffic efficiency so as to provide safe, fast and high-quality traffic services for drivers and passengers and thereby further improve the expressway operation and management level and the road operation capability. Specific measures are as follows:

Optimizing maintenance mode and improving road quality. In 2016, the Company continued to adhere to the concept of maintenance throughout the life span, increased investment in maintenance, speeded up defective road management, reinforced technology reserve and made rational maintenance and construction arrangement based on the natural deterioration and pavement cracks of roads. It conducted pavement cracks and defective bridges repair and hollow filling to eliminate latent hazards in roads and bridges and maintain high-quality roads and bridges thus ensuring stable road conditions from technical perspective. The MQI and PQI, two major indexes of maintenance quality, for Shanghai-Nanjing Expressway were 95.16 and 93.08, respectively, and all bridges along the expressway fell into Category I and Category II.

Strengthening road management and improving traffic capability. In coping with the increasingly saturated traffic flow, the Company adopted various measures to improve traffic smoothness. The Company upgraded the dispatch system with multi-screen display and data correlation technology, thus effectuating the information interaction including events monitoring, information release and on-site operation. It duly released information of real-time road conditions and improved information delivery efficiency and information accuracy through improved handling procedure of traffic accidents. It constantly ameliorated working methods to improve arrival rate of hindrance clearance and rescue and accessibility to roads. During the Reporting Period, the Company executed a total of more than 20,396 hindrance clearance tasks with an average of more than 56 tasks per day. The overall rate of arrival within 20 minutes for hindrance clearance on all fronts was 97.4% and the rate of easing traffic congestion within 1 hour was 96.5%, maintaining the effective accessibility level to roads under the high traffic volume conditions and reflecting the Company's capability in response to exceptional situations.

Carrying out technical transformation to improve management and control capability. In 2016, the Company optimized the toll fee levying order and improved capability of levying management and control by means of technical transformation and equipment upgrade. The Company implemented modification works on the vehicle weigh station of the toll-by-weight system and used the first 13 sets of vehicle weigh stations across the whole expressway network; undertook the renovation projects of high-definition and digital toll stations, equipping videos at toll stations with remote transmission, offsite viewing and remote inspection functions; and launched additional ETC lanes and automatic card dispensers, setting up 68 ETC lanes for 23 toll stations and effectuating full coverage of automatic card dispensers along the Shanghai-Nanjing Expressway, thus providing faster and easier passage environment.

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3. Business performance and analysis on project operation

During the Reporting Period, the Group recorded toll revenue of approximately RMB6,652,456,000 representing a year-on-year increase of approximately 3.33% and accounting for approximately 72.30% of total revenue from operation of the Group. Details of the operations of each of the road and bridge projects are set out as below:

Comparison between average daily traffic volume and toll amount

Project		2016		2015		Year-on-year %
Shanghai-Nanjing Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	65,270	78.04%	60,389	76.83%	8.08
	Traffic volume of trucks (<i>vehicle/day</i>)	18,361	21.96%	18,215	23.17%	0.80
	Total traffic volume (<i>vehicle/day</i>)	83,631	–	78,603	–	6.40
	Average daily toll revenue (<i>RMB'000/day</i>)	12,493.67	–	12,303.19	–	1.55
Nanjing-Lianyungang Highway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	3,572	72.15%	3,198	68.54%	11.70
	Traffic volume of trucks (<i>vehicle/day</i>)	1,379	27.85%	1,468	31.46%	-6.05
	Total traffic volume (<i>vehicle/day</i>)	4,951	–	4,665	–	6.12
	Average daily toll revenue (<i>RMB'000/day</i>)	68.20	–	72.69	–	-6.18
Xicheng Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	56,299	78.70%	49,641	76.98%	13.41
	Traffic volume of trucks (<i>vehicle/day</i>)	15,236	21.30%	14,847	23.02%	2.62
	Total traffic volume (<i>vehicle/day</i>)	71,535	–	64,488	–	10.93
	Average daily toll revenue (<i>RMB'000/day</i>)	1,493.94	–	1,422.55	–	5.02
Guangjing Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	50,826	77.23%	45,596	75.10%	11.47
	Traffic volume of trucks (<i>vehicle/day</i>)	14,985	22.77%	15,118	24.90%	-0.88
	Total traffic volume (<i>vehicle/day</i>)	65,811	–	60,713	–	8.40
	Average daily toll revenue (<i>RMB'000/day</i>)	797.66	–	788.95	–	1.10
Ningchang Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	23,533	74.92%	19,292	73.45%	22.09
	Traffic volume of trucks (<i>vehicle/day</i>)	7,886	25.08%	6,974	26.55%	13.08
	Total traffic volume (<i>vehicle/day</i>)	31,440	–	26,267	–	19.69
	Average daily toll revenue (<i>RMB'000/day</i>)	1,903.64	–	1,615.43	–	17.84
Zhenli Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	6,418	63.43%	5,731	62.88%	11.99
	Traffic volume of trucks (<i>vehicle/day</i>)	3,700	36.57%	3,383	37.12%	9.35
	Total traffic volume (<i>vehicle/day</i>)	10,118	–	9,114	–	11.01
	Average daily toll revenue (<i>RMB'000/day</i>)	582.06	–	542.88	–	7.22

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Project		2016		2015		Year-on-year %
Xiyi Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	15,952	83.23%	15,045	82.38%	6.03
	Traffic volume of trucks (<i>vehicle/day</i>)	3,213	16.77%	3,218	17.62%	-0.16
	Total traffic volume (<i>vehicle/day</i>)	19,166	–	18,263	–	4.94
	Average daily toll revenue (<i>RMB'000/day</i>)	763.31	–	730.08	–	4.55
Wuxi Huantaihu Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	6,383	85.48%	5,611	82.24%	13.75
	Traffic volume of trucks (<i>vehicle/day</i>)	1,085	14.52%	1,212	17.76%	-10.48
	Total traffic volume (<i>vehicle/day</i>)	7,468	–	6,823	–	9.45
	Average daily toll revenue (<i>RMB'000/day</i>)	73.63	–	73.63	–	0.01
Jiangyin Bridge	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	59,918	75.78%	53,940	74.50%	11.08
	Traffic volume of trucks (<i>vehicle/day</i>)	19,147	24.22%	18,464	25.50%	3.69
	Total traffic volume (<i>vehicle/day</i>)	79,065	–	72,404	–	9.20
	Average daily toll revenue (<i>RMB'000/day</i>)	2,894	–	2,773.36	–	4.35
Sujiahang Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	36,846	62.70%	35,370	63.82%	4.17
	Traffic volume of trucks (<i>vehicle/day</i>)	21,917	37.30%	20,049	36.18%	9.32
	Total traffic volume (<i>vehicle/day</i>)	58,763	–	55,420	–	6.03
	Average daily toll revenue (<i>RMB'000/day</i>)	3,480.14	–	3,269.94	–	6.43
Yanjiang Expressway	Traffic volume of passenger vehicles (<i>vehicle/day</i>)	34,433	75.42%	31,534	75.04%	9.19
	Traffic volume of trucks (<i>vehicle/day</i>)	11,224	24.58%	10,487	24.96%	7.03
	Total traffic volume (<i>vehicle/day</i>)	45,657	–	42,021	–	8.65
	Average daily toll revenue (<i>RMB'000/day</i>)	3,572.64	–	3,349.76	–	6.65

Note: In accordance with the provisions of the Notice on Full Implementation the Pilot Program of Replacing Business Tax with Value-Added Tax (VAT) (Cai Shui [2016] No. 36) issued by the Ministry of Finance and State Administration of Taxation, the pilot program of replacing business tax with VAT shall be fully implemented across the country from 1 May 2016. Since the commencement dates of the construction of the existing expressways in operation of the Company were all before 30 April 2016, applicable simplified tax calculation method was chosen and VAT shall be paid at the tax rate of 3%. The average daily revenue for the above road and bridge projects commenced in May 2016 and the corresponding VAT has been deducted.

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During the Reporting Period, Shanghai-Nanjing Expressway recorded an average daily traffic volume of 83,631 vehicles, representing a year-on-year increase of approximately 6.40%, and an average daily toll revenue of approximately RMB12,493,670, representing a year-on-year increase of approximately 1.55%. Considering the movements of the traffic volume of passenger vehicles and trucks throughout the year, traffic volume of passenger vehicles maintained an overall stable growth at an average rate of approximately 8.08% for the year, representing approximately 78.04% of the total traffic volume, increased by 1.21 percentage points as compared to that in 2015. Whereas, traffic volume of trucks declined in the first half of the year, with the average daily volume of trucks decreased by approximately 4.57%, due to the macro-economic downturn in the first half of the year. With the gradually stable growth of macroeconomic in the second half of the year, especially since the special regulatory action against unlawfully refitted and overloaded trucks jointly carried out by Ministry of Transport, Ministry of Industry and Information Technology, Ministry of Public Security, State Administration for Industry and Commerce and General Administration of Quality Supervision, Inspection and Quarantine since September, traffic volume of trucks achieved notable and restorative growth. In particular, increments in average daily traffic volume of trucks in October, November and December were approximately 5.54%, 17.19% and 11.38%, respectively. Average growth rate in the second half of the year was approximately 5.99%. The traffic volume of trucks for the year increased by approximately 0.80%, and the proportion of traffic volume of trucks in the total traffic volume was approximately 21.96%.



The traffic volume of Ningchang Expressway, which was newly acquired in 2015, continued to be outstanding in the Reporting Period, with average daily traffic volume increasing by approximately 19.69% year-on-year. Among which, the average daily traffic volume of passenger vehicles increased by approximately 22.09% year-on-year, while the average daily traffic volume of trucks increased by approximately 13.08% year-on-year. The average daily toll revenue increased by approximately 17.84% year-on-year, achieving the highest degree of increase of both traffic volume and toll revenue when comparing with those of other expressways within the network. Since the second half of 2016, the diversion impact of Ningchang Expressway on the western section of Shanghai-Nanjing Expressway has weakened and generally stabilized. In terms of the total traffic volume of Shanghai-Nanjing West Corridor comprising the western section of Shanghai-Nanjing Expressway and Ningchang Expressway, the average daily traffic volume increased by approximately 11.08% year-on-year during the Reporting Period. Among which, the average daily traffic volume of passenger vehicles increased by approximately 12.94%, while the average daily traffic volume of trucks increased by approximately 4.49%. The total traffic volume of both passenger vehicles and trucks on the two major passages between Shanghai and Nanjing showed a positive growth momentum. Performance of traffic volume of Zhenli Expressway, Xiyi Expressway and Wuxi Huantaihu Expressway, which were acquired at the same time in 2015, was exceeding expectations, indicating that the expressway asset integration within the region progressively brought along scale benefits to the principal business of the Group.

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The traffic volume of all of the other road and bridge projects including the Guangjing Expressway, Xicheng Expressway, Jiangyin Bridge, Sujiahang Expressway and Yanjiang Expressway continued to maintain a relatively good growth momentum. During the Reporting Period, their overall movements in traffic volume of passenger vehicles and trucks were basically consistent with that of Shanghai-Nanjing Expressway.

4. Business Development

(1) *Actively investing in new projects*

In order to further secure quality expressway channel resources, consolidate the Company's leading position in the expressway network in southern Jiangsu Province and effectively offset traffic diversion by other expressways, promote steady growth of the principal business operations, achieve expansion of principal business and maintain sustainable development, the investment of not more than RMB3,300 million by the Company in Wufengshan Toll Bridge and North-South Approach Expressways was considered and approved at the tenth meeting of the eighth session of the Board held on 5 September 2016.

Wufengshan Toll Bridge and North-South Approach Expressways projects are part of the Yangtze River Delta expressway network planned by the Ministry of Transport of the PRC and the expressway network of "Five Vertical Lines, Nine Horizontal Lines and Five Connection Lines" (五縱九橫五聯) planned by the government of the Jiangsu Province, and the most convenient and efficient means of north-south river crossing transportation channels between the Beijing-Tianjin region and the Yangtze River Delta region. It is the most direct north and south bound expressway channel of central Jiangsu Province and accordingly holds an important position in the expressway network of the Jiangsu Province and layout of the Yangtze River crossing channels. Wufengshan Toll Bridge, a two-way eight-lane facility, has a length of 2.877 kilometers, and its estimated construction cost amounts to RMB2,708 million (static investment, exclusive of loan interest during construction period), of which 40% is to be funded by capital and 60% is to be funded by bank loan. The North-South Approach Expressways project has a length of 33.04 kilometers (9.796 kilometers for the south approach expressway and 23.244 kilometers for the north approach expressway). Both of the approach expressways are two-way road with eight lanes. The approved estimated investment in the project amounts to RMB8,909 million, of which 40% is to be funded by capital and 60% is to be funded by bank loan. Wufengshan Toll Bridge and North-South Approach Expressways are scheduled to start construction in 2017 and will be open to traffic in 2020. Upon completion of the construction, the projects will become new sources for the Company's business growth in the future.

(2) *Accelerating the construction of new projects*

Changjia Expressway, in which the Company has 22.77% of the equity interests, commenced construction in September 2013. G15W2 Changjia Expressway (Kunshan-Wujiang Section) was officially open to traffic at 10 a.m. on 31 December 2016 after three years of construction, and its subsequent operation and management are solely undertaken by Sujiayong Company.

The Zhendan Expressway project, which is owned as to 70% by the Company, officially commenced construction in October 2015. An aggregate of RMB1,062 million has been invested in the project, and construction has been underway and is expected to open to traffic in 2018.

In respect of the Changyi Expressway Phase I Project, the approval of the Jiangsu Provincial Development and Reform Commission on the project feasibility study was obtained in October 2016. The project is owned as to 60% by Guangjing Xicheng Company, a subsidiary of the Company. In January 2017, the Jiangsu Provincial Development and Reform Commission approved the preliminary project design of the Changyi Expressway Phase I Project. Currently, the relevant land requisition, demolition and relocation for the project are about to begin and the construction is expected to commence in 2017.

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(3) Progress of the compensation arrangements for G312 Shanghai-Nanjing Section

As required by the Jiangsu Provincial Government, the toll road concession rights of G312 Shanghai-Nanjing Section were early terminated at the midnight on 16 September 2015. As approved and confirmed by the State-owned Assets Supervision and Administration Commission of Jiangsu Province, an economic compensation in the amount of RMB1,316,049,634 would be paid by Communications Holding from its retained earnings to the Company. On 24 and 25 December 2015, the Company received from Communications Holding RMB326,419,854 and RMB200,000,000, respectively, being the first installment of the compensation. On 6 September 2016, the Company received from Communications Holding the second installment of the compensation in the amount of RMB394,814,890. As at the end of the Reporting Period, the Company had received compensation payment of RMB921,234,744 in total. The Company will actively follow up the subsequent progress regarding the remaining compensation of RMB394,814,890.

(II) Operation of Ancillary Services

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

During the Reporting Period, with a primary focus on enhancing service quality and economic efficiency at the service areas, the Company adopted “branding, professional, chain-based and efficiency-oriented” business guidelines, promoted transformation and upgrade of business models at the service areas and improved service standards and profitability. In respect of enhancement of service quality, the Company continued to improve service facilities, launch environmental remediation and standardize operation process for the purpose of enhancing its ability to ensure smooth traffic flows and elevating its service image. In respect of the transformation of business models, the reform plan for business models at service areas was determined by the Company in the Reporting Period, which aims at all-round enhancement in operating performance and service standard of the six service areas through self-operation and “outsourcing + supervision” models. Currently, Meicun Service Area was the first to implement the “outsourcing + supervision” business model, at which services have been outsourced to the third parties for a term of six years through a public tender at rents totaling RMB280 million. The overall renovation project has been fully launched. In respect of improving operating efficiency, the Company seized the opportunity arising from change in the environment of refined oil market to negotiate with oil suppliers and secured greater profit margins after several rounds of negotiations. Thus it is expected that there will be a significant increase in overall profits derived from oil sales. Bulk procurement has been implemented for food and beverage, products and raw materials to further boost the quality of raw materials of food and beverage and quality of products and reduce procurement costs. Furthermore, the service areas actively developed differentiated business structure and explored diversified development of business mode through co-operation with chain brand operators, thus achieving steady growth in sales revenue and profits.

During the Reporting Period, Jiangsu Xiexin Gas, a joint venture of the Company, continued to advance the construction and operation of LNG gas stations at the service areas. The north station of Yangcheng Lake service area, south station of Meicun service area and the south station of Xianrenshan service area have been put into operation, while the north station of Xianrenshan service area is under construction. During the Reporting Period, gas sales volume amounted to 6,074 tons, representing a year-on-year increase of approximately 173.64%; and revenue from gas sales amounted to approximately RMB24,727,000, representing a year-on-year increase of approximately 134.34%.

During the Reporting Period, the Company recorded revenue of approximately RMB1,687,467,000 from ancillary services, representing a year-on-year decrease of approximately 10.50%. In particular, the sales of oil products amounted to approximately RMB1,421,123,000, accounting for approximately 84.22% of the total revenue from ancillary services, and representing a year-on-year decrease of approximately 12.87%. The sales volume of oil products decreased by approximately 10.43% year-on-year. In particular, the sales volume of gasoline rose by approximately 9.6% year-on-year, while the sales volume of diesel fell by approximately 34.02% year-on-year. Due to the combined effects of various factors such as the macro economy, decline in domestic refined oil price and the upgrade of diesel grades at gas stations along the Shanghai-Nanjing Expressway, the overall sales of diesel at the service areas continued to decline. However, the Company managed to secure profit margins through negotiations with oil suppliers, bringing a year-on-year increase of approximately 0.91 percentage point in the gross profit margin of oil products business. Revenue from other businesses including food and beverage, retail of goods and hindrance clearance services amounted to approximately RMB266,344,000, representing a year-on-year increase of approximately 4.69%.

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(III) Property Development and Sales Business

In 2016, as China's property market experienced ups and downs, the policies on the property market were adjusted in line with the market dynamics. Due to the reduction in reserve requirement ratio, tax reduction and down payment reduction in the first half of the year, the property market in Jiangsu Province began to recover with inventory pressure gradually easing. In the second half of the year, however, macro regulation became the major keynote, with restrictions imposed on property purchases, loans and prices to curb excessive price rises, resulting in faster differentiation of the property markets in different regions. In face of such complicated market environment and policy adjustments, with "de-stocking and ensuring delivery" as its annual marketing focus, the Company swiftly seized market opportunities, closely followed changes in the market and timely adjusted its marketing strategy to promote the development and sales of its property business, thereby securing smooth progress in the development, sales and delivery of each property project during the Reporting Period.

During the Reporting Period, the main projects on sale included Jurong Tongcheng Shijia Garden B Phase I and Tongcheng Shijia Garden B Phase II, the remaining units of Tongcheng Guangmingjiezuo B4, Tongcheng Guangmingxinzuo B19, the ready houses of Suzhou Qingyuan, and Nanmen Shijia Huating. During the Reporting Period, a total of 449 residential units and one commercial unit were pre-sold, and revenue realized from the pre-sale amounted to RMB1,206,599,000, representing a year-on-year increase of approximately 113.23%. By the end of Reporting Period, an aggregate of 1,799 units (including 26 commercial units) were pre-sold, with total revenue realized from pre-sale amounting to RMB2,760,603,000. During the Reporting Period, the projects delivered mainly included Tongcheng Guangmingxinzuo B19, Tongcheng Shijia Garden B Phase II and Qingyuan projects, with a total of 574 units (including one commercial unit) were delivered. The sales revenue carried forward was RMB810,835,000, representing a year-on-year increase of approximately 108.45%. By the end of the Reporting Period, an aggregate of 1,471 units (including 24 commercial units) were delivered, with sales revenue carried forward amounting to RMB1,832,141,000.

During the Reporting Period, the net profit after tax realized by Ninghu Properties amounted to approximately RMB73,055,000, representing a year-on-year increase of approximately 22.32%. Due to the relatively low gross profit margins of Tongcheng Shijia B Land Lot Phase II and Qingyuan projects which were delivered in the Reporting Period, the average gross profit margin for the Reporting Period was lower than that of the previous year. Moreover, taxes and sales expenses increased following the increases in the size of sales, which resulted in a relatively lower growth in profit.

Progress of projects

Huaqiao C4 Tongcheng Hongqiao Mansion Project has 457 units (including 27 commercial units) in total. As at the end of the Reporting Period, all residential units were sold, and four commercial units remained for sale. No new unit was added in the Reporting Period.

Huaqiao B4 Tongcheng Guangmingjiezuo Project has 368 units (including 24 commercial units) in total. Out of the remaining units, one residential unit and one commercial unit were sold in the year. As at the end of the Reporting Period, all residential units were sold, and 21 commercial units remained for sale.

Huaqiao B19 Tongcheng Guangmingxinzuo Project has 346 units (including 16 commercial units) in total. 66 residential units were sold and 249 units were delivered in the Reporting Period. As at the end of the Reporting Period, all residential units were sold, and 16 commercial units remained for sale.

For Huaqiao C5 hotel project, major structure has been accepted upon inspection, approximately 90% of curtain wall construction has been completed and the design of interior decoration has been underway. In respect of hotel management, "HUALUXE" and "Holiday Inn", hotel brands under InterContinental Hotels Group, will be introduced, which will lay a sound foundation for the future branding, operation and appreciation of the assets held by the Company.

Huaqiao C7 Tongcheng Pujiang Office Building Project, being positioned as a multi-functional complex comprising maker spaces and long-term lease apartments, was named "Guanghe Commune (光合公社)". In the Reporting Period, the lease contracts for 21 units were entered into, with total contract value amounting to approximately RMB5,128,700. As at the end of the Reporting Period, a total of 47 units had been leased out, with the total contract value amounting to approximately RMB8,592,400.

Huaqiao C3 Project has been developed at a pace in line with market conditions, with tender process being completed and the application for construction permit being underway. The construction is expected to commence in 2017. The preliminary work for development of Huaqiao B18 Land Lot has been progressing gradually.

REPORT OF THE BOARD

Suzhou Qingyuan Project has 42 units in total, of which 10 units have been subscribed for in the Reporting Period, its first sales since being put on sale.

Suzhou Nanmen Shijia Huating Project has 249 units (including 16 commercial units) in total. 107 residential units were pre-sold in the Reporting Period, bringing the total number of units pre-sold to 189 as at the end of the Reporting Period.

Jurong Tongcheng Shijia Phase I Project has 149 units (including 25 commercial units) in total. Three villas were sold in the Reporting Period, bringing total number of units sold to 110 as at the end of the Reporting Period.

Jurong Tongcheng Shijia Phase II Project has 658 units in total, including 232 villas and 426 small high-rise units. 78 villas were sold during the Reporting Period and a total of 134 villas were sold as at the end of the Reporting Period; and 190 small high-rise units were sold in the Reporting Period and a total of 287 small high-rise units were subscribed as at the end of the Reporting Period. The project was completed and delivered on 20 November 2016, in which 100 villas and 216 small high-rise units were delivered.

Plot No. 2 located in the central business district of new city in the south of Nanjing was positioned to build a comprehensive building with 5A offices, LOFT offices, community services and exquisite serviced apartments. Currently, project design, tender management and foundation construction have been progressing as scheduled, and interior design proposals for the marketing center, apartments and LOFT offices have been completed.

(IV) Advertising and Other Businesses

Other businesses of the Company mainly comprise advertising operations of Ninghu Investment, a subsidiary of the Company, and property services provided by Ninghu Properties, a subsidiary of the Company. During the Reporting Period, the revenue from advertising and other businesses of the Group amounted to approximately RMB50,539,000, representing a year-on-year increase of approximately 2.87%.

During the Reporting Period, although the macroeconomy was under heavy downward pressure, Ninghu Investment managed to make the best of its advantages in resources to promote its advertising distribution services. As a result, Ninghu Investment delivered an admirable performance in the distribution of advertising media along Shanghai-Nanjing Expressway, with the utilization rate of large high-column billboards, toll station roofs and other large media for commercial advertising reaching approximately 95% and the utilization rate of central green island lightboxes (中央綠島燈箱), anti-collision post lightboxes (防撞柱燈箱), small lightboxes at service areas and other small media for commercial advertising reaching 100%. On this basis, Ninghu Investment continued to carry out external cooperation and communication to expand its advertising business, and actively sought administrative permits for building new billboards. During the Reporting Period, administrative approvals were obtained for setting up 12 double-sided standing billboards along Shanghai-Nanjing Expressway, creating conditions for future business growth. During the Reporting Period, the revenue from advertising operations amounted to approximately RMB41,578,000, representing a year-on-year decrease of approximately 2.29%.

The revenue from other property service and lease of commercial properties for the year was approximately RM8,961,000, representing a year-on-year increase of approximately 36.22%, which mainly comprised subsidiaries' rental income from leased commercial properties and property management income realized from property management and operation.

REPORT OF THE BOARD

II. Primary Operating Conditions during the Reporting Period

(I) Analysis of principal businesses

Changes in relevant items in income statement and cash flow statement

Unit: Yuan

Item	Amount in the Reporting Period	Amount in the corresponding period of last year	Changes (%)
Operating revenue	9,201,297,066	8,761,321,186	5.02
Operating costs	4,363,720,292	4,414,950,181	-1.16
Business taxes and levies	193,471,915	304,540,194	-36.47
Selling expenses	26,762,163	15,804,477	69.33
Administrative expenses	182,065,269	185,570,228	-1.89
Financial expenses	502,388,296	778,935,597	-35.50
Income tax expenses	980,138,120	305,144,944	221.20
Investment income	472,966,663	444,068,189	6.51
Non-operating income	44,838,537	42,430,974	5.67
Non-operating expenses	30,643,808	659,221,149	-95.35
Net cash flow from operating activities	5,463,748,504	4,475,893,125	22.07
Net cash flow from investing activities	(225,759,481)	(1,499,120,436)	-84.94
Net cash flow from financing activities	(5,264,831,123)	(3,464,279,257)	51.97

1. Analysis of revenue and cost

The Group realized an aggregate operating revenue of approximately RMB9,201,297,000 during the Reporting Period, representing an increase of approximately 5.02% as compared to the same period in 2015. Total operating costs were approximately RMB4,363,720,000, representing a year-on-year decrease of approximately 1.16% comparing with 2015. The consolidated gross profit margin of the Group increased by 2.97 percentage points over the corresponding period of last year.

Components of revenue:

Unit: Yuan

Item of operating revenue	For the Reporting period		For the same period in 2015		Increase/decrease as compared with the same period last year
	Amount	Percentage	Amount	Percentage	
Toll road business	6,652,456,422	72.30	6,437,853,809	73.48	-1.18
Ancillary services business	1,687,466,779	18.34	1,885,362,444	21.52	-3.18
Property sales business	810,834,534	8.81	388,975,137	4.44	4.37
Advertising and other businesses	50,539,331	0.55	49,129,796	0.56	-0.01
Total	9,201,297,066	100	8,761,321,186	100	

REPORT OF THE BOARD

(1) Principal businesses classified by industries and regions

Unit: Yuan

Principal operating activities classified by industries

By industries	Operating revenue	Operating costs	Gross profit margin (%)	Change in operating revenue over the corresponding period of last year (%)	Change in operating costs over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year (%)
Toll road business	6,652,456,422	2,127,454,925	68.02	3.33	-6.57	Increased by 3.39 percentage points
Shanghai-Nanjing Expressway	4,572,683,126	1,221,713,458	73.28	1.83	5.22	Decreased by 0.86 percentage point
Nanjing-Lianyungang Highway	24,961,001	16,569,477	33.62	-5.92	4.13	Decreased by 6.40 percentage points
Guangjing Expressway and Xicheng Expressway	838,727,408	248,097,364	70.42	3.91	5.67	Decreased by 0.49 percentage point
Ningchang Expressway and Zhenli Expressway	909,765,569	468,889,810	48.46	15.48	5.03	Increased by 5.13 percentage points
Xiyi Expressway and Wuxi Huantaihu Expressway	306,319,318	172,184,816	43.79	4.42	3.52	Increased by 0.49 percentage point
Ancillary services business	1,687,466,779	1,674,183,118	0.79	-10.50	-11.49	Increased by 1.12 percentage point
Property sales business	810,834,534	539,800,281	33.43	108.45	137.22	Decreased by 8.07 percentage points
Advertising and other businesses	50,539,331	22,281,968	55.91	2.87	18.72	Decreased by 5.89 percentage points
Total	9,201,297,066	4,363,720,292	52.57	5.02	-1.16	Increased by 2.97 percentage points

Principal operating activities classified by regions

By regions	Operating revenue	Operating cost	Gross profit margin %	Change in operating revenue over the corresponding period of last year (%)	Change in operating costs over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year (%)
Jiangsu Province region	9,201,297,066	4,363,720,292	52.57	5.02	-1.16	Increased by 2.97 percentage points

Explanation of principal operating activities classified by industries, products and regions:

During the Reporting Period, the major property units delivered for property sales business were those of Tongcheng Shijia, Qingyuan and Tongcheng Guangmingxinzuo. Due to the relatively high land acquisition cost of the projects of Tongcheng Shijia and Qingyuan, the gross profit margin for sale of properties in the Reporting Period was lower than that of the corresponding period of last year.

REPORT OF THE BOARD

(2) Components of costs

Unit: Yuan

By industries	Item of operating costs	Amount during the Reporting Period	Percentage in total costs during the Reporting Period (%)	Amount for the same period of last year	Percentage in total costs during the same period last year (%)	Changes in percentage of the amount in the Reporting Period compared with the same period of last year (%)	Explanation of changes
Toll road operations		2,127,454,925	48.75	2,277,037,609	51.58	-6.57	
	Depreciation and amortization	1,187,205,847	27.21	1,250,630,295	28.33	-5.07	The year-on-year decrease mainly represented the amortization of the toll concession rights prior to early termination of toll road concession rights of the G312 Shanghai-Nanjing Section in September 2015.
	Costs on toll collection operation	136,199,881	3.12	140,793,575	3.19	-3.26	
	Costs on maintenance	175,981,205	4.03	287,009,397	6.50	-38.68	The maintenance cost for the Reporting Period had a relatively significant decrease as compared to the corresponding period of last year, which was mainly due to the relatively high road maintenance cost as a result of national examination on maintenance and management of arterial highways, etc. in the corresponding period of 2015.
	Costs on system maintenance	44,915,576	1.03	44,224,164	1.00	1.56	
	Labour costs	583,152,416	13.36	554,380,178	12.56	5.19	Mainly due to the rigid increase in labour costs.

REPORT OF THE BOARD

By industries	Item of operating costs	Amount during the Reporting Period	Percentage in total costs during the Reporting Period (%)	Amount for the same period of last year	Percentage in total costs during the same period last year (%)	Changes in percentage of the amount in the Reporting Period compared with the same period of last year (%)	Explanation of changes
Costs on ancillary service businesses		1,674,183,118	38.37	1,891,594,931	42.84	-11.49	
	Raw materials	1,419,872,764	32.54	1,635,506,878	37.04	-13.18	During the Reporting Period, the purchase volume and price of oil products decreased, resulting in a decrease in purchase costs of raw materials as compared to the corresponding period of last year.
	Depreciation and amortization	24,663,217	0.57	27,126,609	0.61	-9.08	During the Reporting Period, the depreciation and amortization decreased as compared to the corresponding period of last year due to disposal of certain obsolete assets by the service areas in 2015.
	Labour costs	180,082,158	4.13	182,434,705	4.13	-1.29	Labour costs recorded a year-on-year decrease mainly due to the transformation of operation mode of certain service areas of subsidiaries from self-operation to leasing out in the Reporting Period.
Costs on property sales businesses	Other costs	49,564,979	1.13	46,526,739	1.06	6.53	
		539,800,281	12.37	227,549,069	5.15	137.22	Due to the year-on-year increase in deliveries of property projects by Ninghu Properties, a subsidiary of the Company, during the Reporting Period, costs carried forward from property sales business recorded a year-on-year increase.
Costs on advertising and other business		22,281,968	0.51	18,768,572	0.43	18.72	During the Reporting Period, the advertising signage maintenance costs of the subsidiaries and the properties expenses of the delivered property projects increased as compared to the corresponding period of last year.
Total		4,363,720,292	100	4,414,950,181	100	-1.16	

REPORT OF THE BOARD

(3) *Major Sales Customers and Suppliers*

As the major customers of the Group's toll business, operation business in service area and property sales business are social individual consumers, the revenue from the top five customers represented less than 30% of the total revenue of the Company. There was no bulk procurement related to day-to-day operations. Therefore, no information regarding the major customers and suppliers needs to be further disclosed by the Group.

2. Expenses

(1) *Administrative expenses*

During the Reporting Period, administrative expenses of the Group amounted to RMB182,065,000 in aggregate, which decreased by approximately 1.89% from the corresponding period in previous year. After the Group completed the merger of certain roads and bridges projects by absorption, the administrative expenses were effectively controlled through flat management.

(2) *Financial expenses*

As at 31 December 2016, the Group's total interest-bearing liabilities amounted to approximately RMB10,803,625,000, decreased by approximately RMB2,598,218,000 as compared with that in the beginning of the Reporting Period. The total financial expenses of the Group amounted to approximately RMB502,388,000, representing a year-on-year decrease of approximately 35.50%, due to the year-on-year decrease of 1.17 percentage points in the consolidated borrowing interest rate of the interest-bearing liabilities, being approximately 4.06%. After the completion of the merger of Ningchang Zhenli Company and Xiyi Company in 2015, the Company actively adjusted its debt structure and replaced the mid-term and long-term bank borrowing with higher capital costs with direct financing with a lower capital cost, which effectively reduced the financing costs. In 2015, the People's Bank of China lowered interest rates for 5 times which also contributed to the year-on-year decrease of financial expenses of the Company in the Reporting Period.

(3) *Selling expenses*

During the Reporting Period, the Group's aggregate selling expenses amounted to approximately RMB26,762,000, representing a year-on-year increase of approximately 69.33%, which was mainly due to the fact that Ninghu Properties, a subsidiary of the Company, seized the opportunities in the market to accelerate sale progress and increase sales of its existing property projects during the Reporting Period, resulting in a significant increase in the commission fee for property sales agents for the pre-sold projects as compared to the corresponding period of last year.

(4) *Income tax*

The statutory income tax rate of all companies of the Group was 25%. During the Reporting Period, the income tax expense of the Group amounted to approximately RMB980,138,000 in aggregate, representing a year-on-year increase of approximately 221.20%, mainly attributable to the following two facts: firstly, Ningchang Zhenli Company, a subsidiary of the Company, changed from loss-making to become profitable following its transfer of debts, thus qualifying for deferred income tax and recorded an one-off income tax deduction amounting to RMB326,834,000 pursuant to tax policies; and secondly, assets losses of approximately RMB623,957,000 resulting from the early termination of toll road concession rights of the G312 Shanghai-Nanjing Section in 2015 were deducted before tax in an one-off manner for the current period, which led to lower income tax in the same period of 2015.

REPORT OF THE BOARD

3. Cash flow

The revenue from the principal business of toll roads of the Group is received in cash, contributing to a stable operating cash inflow. During the Reporting Period, the net cash flow from the Group's operating activities amounted to approximately RMB5,463,749,000, representing a year-on-year increase of approximately 22.07%, mainly due to the growth in toll revenue and property presale income and the decrease in cash payment for purchase of goods and receipt of services in the Reporting Period resulting in a year-on-year increase in net cash flow generated from operating activities; net cash outflow from investment activities amounted to approximately RMB225,759,000, representing a year-on-year decrease of approximately 84.94%, mainly due to a year-on-year decrease in net cash outflow for investment activities resulting from the payment of investment consideration for the merger and acquisition of Ningchang Zhenli Company and Xiyi Company in the same period in 2015, and the year-on-year decrease in the net cash outflow for purchasing wealth management products in the Reporting Period and the payment for expressway construction projects during the Reporting Period; the net cash outflow for financing activities amounted to approximately RMB5,264,831,000, representing a year-on-year increase of approximately 51.97%, mainly due to a year-on-year increase in the net cash outflow for the repayment of interest bearing liabilities during the Reporting Period.

4. Non-operating income and expenses

During the Reporting Period, the Group achieved a non-operating income of approximately RMB44,839,000, representing a year-on-year increase of approximately 5.67%, which was mainly due to the subsidy of approximately RMB12,930,000 for energy conservation and emission reduction and subsidy of approximately RMB1,171,000 for stabilization of employment received during the Reporting Period.

During the Reporting Period, the Group incurred a non-operating expense of approximately RMB30,644,000, representing a year-on-year decrease of approximately 95.35%, which was mainly due to significant losses recognized for disposal of assets from early termination of the Company's toll road concession rights of G312 Shanghai-Nanjing Section in 2015.

5. Investment income

During the Reporting Period, the Group's investment income amounted to approximately RMB472,967,000, representing a year-on-year increase of approximately 6.51%. Benefitted from the increase in profits of associated companies such as Yangtze Bridge Company, Sujiahang Company and Yanjiang Company, investment income contributed by associated companies and joint ventures in which the Group held direct equity interest during the Reporting Period amounted to approximately RMB438,033,000, representing an increase of approximately 28.71% as compared to the same period last year. Operating results of major companies in which the Group held equity interests are as follows:

Unit: Yuan

Company name	Principal business	Investment cost RMB	Equity interest attributable to the Company %	Net profit attributable to the parent company	Contribution to investment income	Proportion of net profit attributable to the Company %	Change over the previous year %
Sujiahang Company	Mainly engaged in the management and operation of Sujiahang Expressway	526,090,677	31.55	466,355,215	142,172,011	4.14	5.18
Yangtze Bridge Company	Mainly engaged in the management and operation of Jiangyin Bridge	631,159,243	26.66	493,975,568	131,693,886	3.83	46.35
Yanjiang Company	Mainly engaged in the management and operation of Yanjiang Expressway	1,466,200,000	25.15	574,206,872	185,239,137	5.39	37.32

* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume as well as the drop in interest-bearing liabilities balance and the year-on-year decrease in financial costs resulting from the structural adjustments of loans, the net profit of Sujiahang Company increased as compared with that of the corresponding period of last year and its contribution to investment income increased by approximately 5.18% year-on-year.

REPORT OF THE BOARD

- * Due to the year-on-year increase in toll revenue driven by growth in the traffic volume and a significant year-on-year increase in investment income from Sutong Bridge (蘇通大橋) and Taizhou Bridge (泰州橋), Yangtze Bridge Company recorded an admirable increase in net profit as compared with that of the corresponding period of last year and its contribution to investment income increased by approximately 46.35% year-on-year.
- * As boosted by higher traffic volume, Yanjiang Company recorded a year-on-year increase in toll revenue; the traffic volume of Yanjiang Expressway was re-forecasted in the Reporting Period, which resulted in corresponding decrease in amortization of road concession rights; the adjustment of debt structure resulted in the year-on-year decrease in financial expenses; and Husuzhe Company turned from loss making to become profitable following its transfer of debts, which enabled it to be eligible for recognizing deferred income tax and recorded an one-off income tax reduction according to the tax policies; the factors above resulted in the significant increase in the net profit of Yanjiang Company as compared with that of the corresponding period of last year and its contribution to investment income increased by approximately 37.32% year-on-year.

(III) Assets and Liabilities Analysis

1. Assets and Liabilities

Unit: Yuan

Item of Assets and Liabilities	Amount as at the end of the Reporting Period	Percentage in the total assets as at the end of the Reporting Period (%)	Amount as at the end of the previous corresponding period	Percentage in the total assets as at the end of the previous corresponding period (%)	Percentage change as at the end of the Reporting Period compared with the end of the previous year (%)	Explanation of the situation
Monetary fund	265,422,162	0.73	255,475,447	0.70	3.89	
Bills receivable	6,116,460	0.02	1,722,313	0.00	255.13	Mainly due to an increase in the bank acceptance notes held by Ninghu Investment, a subsidiary of the Company, as compared with the beginning of the year.
Accounts receivable	148,153,297	0.41	123,353,524	0.34	20.10	
Prepayments	16,851,683	0.05	14,498,363	0.04	16.23	
Interest receivable	45,694,000	0.13	18,733,333	0.05	143.92	Mainly due to an increase in interest on borrowings due from joint ventures during the Reporting Period.
Other receivables	422,083,818	1.16	812,198,353	2.23	-48.03	Mainly due to the receipt of part of the compensation for early termination of the Company's toll road concession rights of G312 Shanghai-Nanjing Section during the Reporting Period.
Other current assets	326,161,615	0.90	502,774,234	1.38	-35.13	Mainly due to a decrease in the financial products held by the Group at the end of the Reporting Period as compared to the beginning of the Reporting Period.
Inventories	3,142,326,304	8.66	3,256,454,567	8.93	-3.50	
Available-for-sale financial assets	2,086,127,987	5.75	1,293,818,457	3.55	61.24	Mainly due to the increase in the book value of available-for-sale financial assets recognized at fair value after the listing of 200 million shares of Bank of Jiangsu held by the Company in A Share market in the Reporting Period as well as the equity investments in the Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II and the Nanjing Luode Dening Real Estate Investment Partnership (南京洛德德寧房地產投資合夥企業) by Ninghu Investment, a subsidiary of the Company, in the Reporting Period.

REPORT OF THE BOARD

Item of Assets and Liabilities	Amount as at the end of the Reporting Period	Percentage in the total assets as at the end of the Reporting Period (%)	Amount as at the end of the previous corresponding period	Percentage in the total assets as at the end of the previous corresponding period (%)	Percentage change as at the end of the Reporting Period compared with the end of the previous year (%)	Explanation of the situation
Investment properties	32,113,394	0.09	33,009,175	0.09	-2.71	
Long-term equity investment	4,771,195,958	13.15	4,456,793,805	12.22	7.05	
Fixed assets	1,734,084,711	4.78	1,692,923,594	4.64	2.43	
Construction in progress	1,197,809,229	3.30	1,030,127,104	2.82	16.28	
Other non-current assets	376,477,785	1.04	300,000,000	0.82	25.49	Mainly due to the increase in borrowings provided by the Company for Hanwei Company (a joint venture of the Company) in the Reporting Period.
Short-term borrowings	810,000,000	2.23	1,811,000,000	4.96	-55.27	Mainly due to the repayment of certain short-term borrowings by the Company during the Reporting Period.
Receipts in advance	940,873,359	2.59	555,913,419	1.52	69.25	Mainly due to the increase in the pre-sale payments for property projects received by Ninghu Properties, a subsidiary
Taxes payable	231,702,787	0.64	61,498,426	0.17	276.76	Mainly due to the lower enterprise income tax payable by the Company as at the end of last year given the relevant loss arising from the disposal of the assets of G312 Shanghai-Nanjing Section is deductible before tax, while the enterprise income tax payable by the Company increased as at the end of the Reporting Period.
Interest payable	92,220,187	0.25	69,925,072	0.19	31.88	Mainly due to the increase in interest payable resulting from the new issuance of medium-term notes amounting to RMB1 billion during the Reporting Period.
Other payables	39,984,545	0.11	80,687,691	0.22	-50.45	Mainly due to the payment of coordination and development fee for the expressways generated before the merger and acquisition of Ningchang Zhenli Company and Xiyi Company in the Reporting Period.
Other current liabilities	3,936,452,668	10.85	6,685,220,505	18.33	-41.12	Mainly due to the repayment of ultra-short-term notes upon maturity during the Reporting Period.
Long-term borrowings	1,471,905,901	4.06	1,382,806,332	3.79	6.44	
Bonds payable	4,457,801,187	12.29	3,456,427,928	9.48	28.97	Mainly due to the new issuance of medium term notes amounting to RMB1 billion during the Reporting Period.
Deferred income tax liabilities	138,362,514	0.38	2,544,353	0.01	5,338.02	Mainly due to the corresponding adjustment to other comprehensive income according to the fair value of shares of Bank of Jiangsu held by the Company in A Share market after the listing and the recognition of the deferred income tax liabilities by the Company during the Reporting Period.

REPORT OF THE BOARD

Item of Assets and Liabilities	Amount as at the end of the Reporting Period	Percentage in the total assets as at the end of the Reporting Period (%)	Amount as at the end of the previous corresponding period	Percentage in the total assets as at the end of the previous corresponding period (%)	Percentage change as at the end of the Reporting Period compared with the end of the previous year (%)	Explanation of the situation
Other comprehensive income	542,389,052	1.49	121,482,904	0.33	346.47	Mainly due to the corresponding adjustment to other comprehensive income according to the fair value of shares of Bank of Jiangsu held by the Company in A Share market after the listing during the Reporting Period.
Shareholders' interests attributable to the parent company	22,209,756,185	61.21	20,476,159,276	56.14	8.47	
Minority interests	732,100,804	2.02	710,012,832	1.95	3.11	
Total assets	36,282,573,529	100.00	36,476,039,663	100.00	-0.53	
Total gearing ratio	36.77%	-	41.92%	-	Decreased by 5.15 percentage points	
Net gearing ratio	58.15%	-	72.17%	-	Decreased by 14.02 percentage points	

* The calculation basis for total gearing ratio: liabilities divided by total assets;

The calculation basis for net gearing ratio: liabilities divided by shareholder's equity.

2. Restrictions on major assets as at the end of the Reporting Period

Unit: Yuan

Item	Book value as at the end of the Reporting Period	Reasons for restriction
Bank deposits	7,698,386	Customers' mortgage deposit
Bank deposits	63,450,798	Supervision funds for pre-sale
Intangible assets	2,108,815,495	Pledge of toll road concessions of expressways
Total	2,179,964,679	

REPORT OF THE BOARD

(1) *Explanation for restrictions on bank deposits*

Other monetary funds of the Company as at the end of the Reporting Period include customers' mortgage deposit of RMB7,698,386, and supervision funds for pre-sale of RMB63,450,798. Supervision funds for pre-sale is made based on a requirement under the measures for administration of pre-sale promulgated by the relevant regulatory authorities in some regions of the PRC (such as Suzhou, Jurong, Kunshan etc.). Bank accounts for supervision funds for pre-sale shall be opened when making an application for pre-sale permit for new commercial properties. All the payments received from purchasers of commercial housing for pre-sale should be deposited to the designated account for supervision funds for pre-sale of commercial housing. A developer shall apply for using the supervision funds according to the construction progress. The funds for pre-sale shall be used in the construction works in priority.

(2) *Explanation for restrictions on intangible assets*

The Company entered into a debt transfer agreement with Ningchang Zhenli Company and the relevant bank on 15 June 2015, under which it was agreed that the outstanding part of the pledged borrowings obtained by Ningchang Zhenli Company from China Development Bank Jiangsu Branch would be undertaken by the Company from the date of execution of the agreement. The original borrowing amount obtained from China Development Bank Jiangsu Branch was RMB1,700,000,000 for the investments in the Ningchang Expressway project. The aforesaid borrowing was obtained through pledging the toll road concession right of Ningchang Expressway. As at the end of the Reporting Period, the above borrowing has been repaid in full.

A subsidiary of the Company, Guangjing Xicheng Company, has merged with and absorbed Xiyi Company and undertaken the original borrowings of Xiyi Company, of which the original borrowings amounting to RMB200,000,000 were obtained from Wuxi branch of Bank of China for the construction of Wuxi Huantaihu Expressway project. The bank loan was guaranteed by Communications Holding, secured by the pledge of the toll road concession rights of Xiyi Expressway. This loan was further secured by the pledge of the toll road concession rights of Wuxi Huantaihu Expressway in June 2008. As at the end of the Reporting Period, RMB162,000,000 has been repaid in aggregate and the balance of the borrowing amounted to RMB38,000,000.



REPORT OF THE BOARD

3. Other explanations

(1) Capital expenditure

During the Reporting Period, the Group's planned and incurred capital expenditures amounted to approximately RMB886,562,000, representing a decrease of approximately 57.68% or approximately RMB1,208,497,000 compared with that in 2015. The decrease was mainly due to the higher capital expenditure in merger and absorption of equity interests of Ningchang Zhenli Company and Xiyi Company in 2015. During the Reporting Period, the capital expenditure projects carried out by the Group and their amounts are as follows:

Unit: Yuan

Capital expenditures projects	Yuan
Equity investment in Sujiayong Company	72,317,102
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	155,309,530
Equity investment in Nanjing Luode Dening Real Estate Investment Partnership Corporation (Limited Partnership)	75,000,000
Investment in construction of Zhendan Expressway	323,782,305
Informationisation construction projects	29,111,330
Noise barriers construction projects	15,735,101
Renovation project of toll collection stations and service areas	69,349,869
Construction projects of the three major systems	43,681,951
Connection and renovation of Jingjiang station of Guangjing Expressway	6,975,840
Setting up advertising signage	3,515,621
Renovation project for overpass of Luqu Interchange-Mashan Expressway	3,000,000
Suzhou inter-communication expansion project	5,750,000
Other construction and facilities in progress	83,033,207
Total	886,561,856

(2) Capital structure and solvency

The Company attached great importance to maintaining a reasonable capital structure and continuously improved its profitability in order to maintain the Company's good credit rating and stable financial situation. At the end of the Reporting Period, the total liabilities of the Group amounted to approximately RMB13,340,717,000. The total gearing ratio of the Group was approximately 36.77% (Note: calculation basis of the total gearing ratio: Liabilities/Total assets), which decreased by approximately 5.15 percentage points as compared with that at the end of the previous reporting period. Based on the Group's stable and abundant operating cash flow and sound capacity of financing and capital management, the management considered that the financial gearing ratio was at a safe level at the end of the Reporting Period.

REPORT OF THE BOARD

(3) Financial Strategy and Financing Arrangement

During the Reporting Period, the Company actively expanded its financing channels. It adjusted its interest-bearing liabilities structure inherited from acquisition by direct financing means including the issuance of ultra-short-term notes and medium-term notes. The Group's financing cost was reduced by means such as repaying bank loans and replacing indirect financing with direct financing. For the Reporting Period, the total amount of direct financing of the Group amounted to approximately RMB9.4 billion and the bank loan of RMB5.677 billion was repaid. Through implementing active structural adjustment of interest-bearing liabilities, as at 31 December 2016, the balance of interest-bearing liabilities of the Company amounted to around RMB10.804 billion, decreasing by approximately RMB2.598 billion compared with the balance at the beginning of the Reporting Period, in which RMB9,231 million are in fixed interest rates while RMB1,573 million are in floating interest rates. At the end of the Reporting Period, the proportion of direct financing in the Group's interest-bearing liabilities was 77.75%, representing an increase of approximately 2.39 percentage points compared with that at the beginning of the Reporting Period. During the Reporting Period, the Company met the funding demands for operational management and project investment and effectively controlled the financing costs by means of active financing strategies.

There was no seasonality of the Group's demands for loans. During the Reporting Period, the Company's consolidated borrowing cost rate of interest-bearing liabilities was approximately 4.06%, which was approximately 1.17 percentage point lower than that in the previous year and approximately 0.92 percentage point lower than the prevailing bank loan rate of the same period. During the Reporting Period, the Company's major financing activities included:

Financing categories	Date of issuance	Product term	Financing amount RMB million	Interest rate of issuance %	Prevailing bank benchmark interest rate %	Decrease in financing costs %
Ultra-short-term financing bills	25 March 2016	168 days	1,800	2.67	4.35	38.62
Ultra-short-term financing bills	13 May 2016	91 days	1,100	2.80	4.35	35.63
Ultra-short-term financing bills	25 May 2016	86 days	700	2.80	4.35	35.63
Ultra-short-term financing bills	16 June 2016	267 days	500	2.98	4.35	31.49
Ultra-short-term financing bills	17 June 2016	147 days	900	2.92	4.35	32.87
Ultra-short-term financing bills	10 August 2016	247 days	1,200	2.59	4.35	40.46
Ultra-short-term financing bills	7 September 2016	247 days	1,600	2.70	4.35	37.93
Ultra-short-term financing bills	9 November 2016	156 days	600	2.88	4.35	33.79
Medium term notes	15 April 2016	5 years	1,000	3.70	4.75	22.11

(4) Credit policy

In order to minimize credit risk, the Group has controlled credit limits, undertaken credit approvals and executed other monitoring procedures to ensure that necessary measures are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of its receivables on each balance sheet date to ensure that adequate provisions are made for bad debts. In this regard, the management considers that the credit risk faced by the Group was relatively low.

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(5) Contingencies

Ninghu Properties, a subsidiary of the Company provides joint liability guarantees to banks based on common practice in real estate operation for bank mortgage borrowings granted to buyers of properties including Kunshan Huaqiao Urban Core B4 Guangmingjiezuo Project, Huaqiao Urban Core B19 Guangmingxinzu Project, Baohua Hongyan Community B1 and B2 Tongchengshijia Project, Suzhou Nanmen Road G25 Shijiahuating Project and Suzhou “Qingyuan” located at Xinshi Road. The guarantee obligation begins from the date on which the guarantee contract comes into effect and will end when the registration of mortgage in respect of the residence purchased by the purchaser is completed and the third party rights certificate in respect of the properties is provided to bank. As at 31 December 2016, the outstanding guarantees amounted to approximately RMB779,906,911 (31 December 2015: RMB286,633,851).

(6) Foreign exchange risks

The Group operates its businesses principally in the PRC. No material foreign exchange risks are involved as the Group’s revenue from operations and capital expenditures are all settled in Renminbi, except for dividend payments for H Shares, and the Group has no foreign currency investment. The Group has obtained a loan of USD9,800,000 from the Spanish Government in 1998 at the interest rate of 2% per annum and it will be due on 18 July 2027. As at 31 December 2016, the balance of the loan was approximately RMB20,625,000 after currency conversion, against which no foreign exchange hedge arrangements were made by the Group. Fluctuations in exchange rates will not have any material impact on the Group’s results.

(7) Reserves

Unit: Yuan

	Share capital	Capital reserve	Other comprehensive income	Statutory surplus reserve	Undistributed profit	Total shareholders' equity attributable to shareholders of the parent company
As at 1 January 2015	5,037,747,500	11,511,362,341	188,889,048	2,927,043,693	1,350,937,480	21,015,980,062
Profit for the year					2,506,629,408	2,506,629,408
Reduction of owners' capital		(1,064,700,000)				(1,064,700,000)
Total comprehensive income			(67,406,144)			(67,406,144)
Profit distributed				113,244,086	(113,244,086)	0
Dividends distributed					(1,914,344,050)	(1,914,344,050)
As at 31 December 2015	5,037,747,500	10,446,662,341	121,482,904	3,040,287,779	1,829,978,752	20,476,159,276
As at 1 January 2016	5,037,747,500	10,446,662,341	121,482,904	3,040,287,779	1,829,978,752	20,476,159,276
Profit for the year					3,346,063,867	3,346,063,867
Reduction of owners' capital		(18,274,106)				(18,274,106)
Total comprehensive income			420,906,148			420,906,148
Profit distributed				112,885,381	(112,885,381)	0
Dividends distributed					(2,015,099,000)	(2,015,099,000)
As at 31 December 2016	5,037,747,500	10,428,388,235	542,389,052	3,153,173,160	3,048,058,238	22,209,756,185

Note: The ownership of 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. As at 31 December 2016, reserves distributable to shareholders of the Company amounted to RMB3,048,058,238 (As at 31 December 2015, reserves distributable to shareholders of the Company amounted to RMB1,829,978,752).

REPORT OF THE BOARD

(IV) Investment Analysis

1. Overall analysis on external investment

During the Reporting Period, the total external equity investment of the Group amounted to approximately RMB302,627,000, representing a decrease of approximately 76.88% as compared with 2015. The specific items mainly include: investment of approximately RMB72,317,000 in Sujiayong Company (principally engaged in operation and management of Changjia Expressway), representing 22.77% of its registered capital; equity investment of RMB155,310,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership) and equity investment of RMB75,000,000 in Nanjing Luode Dening Real Estate Investment Partnership (Limited Partnership).

(1) *Material equity investments*

Investment in the construction of new toll roads and bridges

The tenth meeting of the eighth session of the Board of the Company was held on 5 September 2016 to consider and approve the Company's investment of up to RMB3,300 million in the construction of new projects of Wufengshan Toll Bridge and North-South Approach Expressways. The Company holds approximately 64.5% equity interest in the projects. The construction of the new projects are scheduled to commence in the second half of 2017 and to be completed and open to traffic in 2020.

The Company's investment in the Wufengshan cross-river channel project will further secure prime expressway channel resources in the region, consolidate the Company's leading position in the expressway network in southern Jiangsu Province and effectively offset diversion by new expressway, and promote steady growth of the core business. It is of material strategic significance for the Company to expand core business and achieve sustainable development.

In February 2017, the Jiangsu Provincial Development and Reform Commission approved the project feasibility study report for the Wufengshan projects. The estimated investment for North-South Approach Expressways was RMB8,909 million. The total investment for Wufengshan Toll Bridge is RMB2,708 million (static investment). For details about the project investment, please refer to relevant announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Hong Kong Stock Exchange at www.hkex.com.hk on 6 September 2016, respectively.

(2) *Material non-equity investment*

Capital increase in Ninghu Investment

In order to enhance the external investment ability of the Ninghu Investment, a wholly-owned subsidiary of the Company, and to turn it into a management platform of equity investments focusing on expressway derivative industrial investments with other emerging industry investments as complementary, an increase of RMB900 million in the registered capital of Ninghu Investment by the Company through its internal resources was considered and approved at the ninth meeting of the eighth session of the Board held on 26 August 2016. The registered capital of Ninghu Investment was increased from RMB100 million to RMB1,000 million. This increased capital will be injected by installments according to the capital contribution status of the investment projects as approved by the Board. As at the date of this annual report, capital contribution of approximately RMB231 million was paid up, in which RMB155.31 million was used for subscription for CDB Kai Yuan Phase II Fund and RMB75 million was used for establishment of real estate parent fund. This capital increase was considered as a reasonable plan having regards to the business development status and future development needs of Ninghu Investment. The completion of this capital increase will greatly improve its financial strength and its capability of taking up business operations, further facilitate the steady and sound development of the investment business and enhance the overall operating performance of the Company, which will lay the foundation for the Company to achieve sustainable development. Such capital increase will not change the equity structure of Ninghu Investment. Ninghu Investment will remain as a wholly-owned subsidiary of the Company after such capital increase. There will be no changes in the scope of the combined financial statements of the Company and the profit or loss of the Company during the period will not be materially affected.

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For details (including the business scope of Ninghu Investment), please refer to the announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk on 27 August 2016.

Subscription for private fund

The Company convened the ninth meeting of the eighth session of the Board on 26 August 2016 for the purpose of considering and approving the resolution on the subscription of CDB Kai Yuan Phase II Fund by the Company's wholly-owned subsidiary, Ninghu Investment, with contribution of up to RMB500 million. On 18 November 2016, Ninghu Investment entered into the partnership agreement with CDB Kai Yuan and other partners and paid the existing partners an interest compensation totaling RMB4,809,500 for the contribution to the fund. The subscription amount is payable by installments according to the subsequent status of investments in projects.

As the equity investment platform of the Company, Ninghu Investment's participation in the CDB Kai Yuan Phase II Fund allows Ninghu Investment to have the opportunity to exchange or even cooperate with well-known domestic investment institutions, and will benefit from obtaining rare investment opportunities, expand the depth and width of equity investment, broaden the investment horizon and investment level, which is in line with the Company's strategic development requirements, and will lay the foundation of the Company's sustainable development.



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In light of CDB Kai Yuan's apparent advantages of resources as fund manager, its experienced team, strong brand influence and the good track record and development of the CDB Kai Yuan Phase I Fund, the Board is of the view that the overall risk of participating in the CDB Kai Yuan Phase II Fund is controllable and the expected return is relatively good. Investment in the fund will not affect the normal operation of the Company's principal business nor affecting the interests of the shareholders of the Company. For details about the subscription of private fund (including the investment scope of the fund) and its progress, please refer to the announcements of the Company published on the websites of Shanghai Stock Exchange at www.sse.com.cn and the Stock Exchange at www.hkex.com.hk on 27 August 2016, 31 August 2016 and 19 November 2016. As at the end of the Reporting Period, Ninghu Investment has contributed RMB155.31 million for the subscription of fund.

Establishment of Real Estate Investment Parent Fund

The Company convened the ninth meeting of the eighth session of the board of directors on 26 August 2016 for the purpose of considering and approving the resolution on the participation of the Company's wholly-owned subsidiary, Ninghu Investment, in the Real Estate Investment Parent Fund Phase I initiated by Luode Fund Company. On 5 December 2016, the Real Estate Investment Parent Fund Phase I was established, with a total contribution of RMB455 million due to oversubscription, in which Ninghu Investment contributed RMB150 million, Luode Fund Company, as a general partner and the fund manager, contributed RMB5 million and other limited partners contributed RMB300 million. The subscription amount is payable by installments according to the subsequent status of investments in projects.

As the equity investment platform of the Company, Ninghu Investment's participation in the establishment of the Real Estate Investment Parent Fund Phase I is beneficial to the expansion of the scale of fund management, enhancement of the ability to engage in in-depth cooperation with brand developers and increase in opportunities to access quality projects by Luode Fund Company within a short period of time, so as to promote the market position of Luode Fund Company and realize its significant development. It is also beneficial to the promotion of the efficient use of its internal resources and the increase of cash management return.

For details (including the investment scope of the fund), please refer to the announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk on 27 August 2016 and 7 December 2016, respectively. As at the end of the Reporting Period, Ninghu Investment has contributed RMB75 million.



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(3) Financial assets measured at fair value

Unit: Yuan

Item name	Initiative investment cost	Source of funds	Purchase/selling status	Investment Income	Fair value changes
Fund investment	9,999,400	Internal resources	–	0	-5,108,694
Wealth management product	262,504,747	Internal resources	–	7,852,138	0
Gold investment	15,710,238	Internal resources	–	-110,098	2,434,360

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Foundation Fund it purchased in 2011, with approximately 10,000,000 investment units of the fund at the beginning of the Reporting Period with a net value of approximately RMB22,459,000 and an investment cost of approximately RMB9,999,000. Their fair value during the Reporting Period decreased by approximately RMB5,109,000 and the accumulated fair value increased by approximately RMB7,350,000. During the Reporting Period, Ninghu Investment continued to hold precious metals – gold investment purchased in 2014, with net value of approximately RMB13,428,000 at the beginning of the Reporting Period and investment cost of approximately RMB15,710,000. At the end of the Reporting Period, the net value was approximately RMB15,863,000. The fair value during the Reporting Period increased by approximately RMB2,434,000 and the accumulated fair value increased by approximately RMB153,000.

(V) Material Assets and Equity Interest Disposal

1. Capital reduction in Ningchang Zhenli Company

In June 2015, the Company completed the acquisition of the entire equity interest in Ningchang Zhenli Company. After the completion of acquisition, Ningchang Zhenli Company changed from loss-making to become profitable. However, given the accumulated undistributed profit of Ningchang Zhenli Company remains negative due to its annual losses in prior years, the Company is unable to receive profit distribution from Ningchang Zhenli Company. Therefore, on the basis of assurance of all liquidity requirements in Ningchang Zhenli Company's ordinary course of operation and investment, it is proposed to transfer the idle cash of Ningchang Zhenli Company to the Company through gradual reduction of capital in the following years, so as to centralise coordination of capital operation, avoid idleness of capital and to increase the utilization efficiency of capital.

The Company convened the ninth meeting of the eighth session of the Board on 26 August 2016 for the purpose of considering and approving the resolution on capital reduction in Ningchang Zhenli Company. The amount of capital reduction for the Reporting Period is RMB988,850,000, and following which the registered capital was reduced from RMB10,688,850,000 to RMB9,700,000,000. Such capital reduction will not change the equity structure of Ningchang Zhenli Company. Ningchang Zhenli Company will remain as a wholly-owned subsidiary of the Company after such capital reduction. There will be no changes in the scope of the combined financial statements of the Company and the profit or loss of the Company during the period will not be materially affected.

For details, please refer to the announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk on 27 August 2016.

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2. Transfer of part of the equity interests in Jiangsu Sundian

Jiangsu Sundian is principally engaged in maintenance and major repairs of road and bridge projects. Its shareholders include Communications Holding (as to 25% of the equity interests) and its nine subordinate road and bridge companies (among which Guangjing Xicheng Company is interested as to 15% of equity interests and each of the others is interested as to 7.5% of the equity interests). In 2015, upon completion of Guangjing Xicheng Company's merger with Xiyi Company, Guangjing Xicheng Company's equity interests in Jiangsu Sundian increased from 7.5% to 15%. Taizhou Bridge Company started its operation since November 2012 and is the only road and bridge enterprise within the group of Communications Holding that does not hold equity interests in a road and bridge maintenance company. In order to maintain an equal proportion of equity interests in Jiangsu Sundian held by road and bridge companies subordinated to Communications Holding, optimize the equity holding structure of Jiangsu Sundian, after amiable negotiation between Guangjing Xicheng Company and Taizhou Bridge Company and as considered and approved at the eleventh meeting of the eighth session of the Board on 27 October 2016, Guangjing Xicheng Company transferred 7.5% equity interests in Jiangsu Sundian to Taizhou Bridge Company for a confirmed consideration of RMB3,899,000 determined by valuation. For details about the equity transfer, please refer to the announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk on 28 October 2016.

After all industrial and commercial registration procedures for the equity transfer were completed in January 2017, Guangjing Xicheng Company's equity interest in Jiangsu Sundian reduced to 7.5%.

(VI) Analysis of major controlled companies or investees

1. Operations of major controlled companies

Unit: Yuan

Name of company	Principal business	Investment cost	Equity interest attributable to the Company %	Total assets	Net assets	Net profit	Percentage of the Company's net profit %	Year-on-year increase/decrease in net profit %
Guangjing Xicheng Company	Expressway construction, management, maintenance and toll collection	2,125,000,000	85	6,041,700,093	3,686,092,701	607,141,559	17.66	9.71
Ningchang Zhenli Company	Expressway construction, management, maintenance and toll collection	6,729,236,885	100	7,261,106,087	7,203,130,294	339,152,091	9.86	-7.13
Ninghu Investment	Investments in various types of infrastructure, industries and assets	341,100,000	100	562,581,371	543,530,783	17,762,769	0.52	-58.49
Ninghu Properties	Development, operation and consultancy of real estate	500,000,000	100	3,656,467,782	670,601,078	73,055,219	2.13	22.32
Zhendan Company	Expressway construction, management, maintenance and toll collection	423,910,000	70	1,063,916,802	606,492,282	8,977	0	-98.99

* No capital stock/debt securities had been issued by the major subsidiaries.

* Due to year-on-year decrease in interest-bearing debts and consolidated borrowing cost as at end of the Reporting Period, financial expenses of Guangjing Xicheng Company decreased by approximately 15.40% on year-on-year basis; due to the increase in profit of Yanjiang Company, an investee of Guangjing Xicheng Company, the investment income increased by approximately 12.77% on year-on-year basis. As a result of the above factors, a year-on-year increase of approximately 9.71% in net profit was recorded during the Reporting Period.

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- * During the Reporting Period, the toll revenue of Ningchang Zhenli Company continued to rise. After the transfer of interest-bearing debts which removed the burden of the corporate financial costs, the total profit during the Reporting Period amounted to approximately RMB406,000,000, representing a year-on-year increase of approximately RMB351,000,000. Due to the one-off deferred income tax recognition, which increased the net profit after tax for the corresponding period of last year, the net profit realized by Ningchang Zhenli Company during the Reporting Period decreased by approximately 7.13% on year-on-year basis.
- * During the Reporting Period, the fair value of Ninghu Investment's held-for-trading financial assets decreased and the income from redemption of fund investment in the corresponding period of last year was relatively high. As a result of the above factors, net profit realized during the Reporting Period decreased by approximately 58.49% on year-on-year basis.
- * Please refer to the section headed "Property Development and Sales Business" in this report for the operating status and change in results of Ninghu Properties.

III. Discussion and Analysis of the Company on Future Development

(I) Industry landscape and development trends

During the 13th Five-Year Plan period, new economic situation and new industry policies will continue to be interwoven, which will affect the highway industry in various aspects.

In respect of macroscopic economic development, with the deepening of China's reform and opening up, the beneficial factors that have supported the rapid development of China's economy are changing, and the entire macro economy will continue to operate in a complicated environment. As transportation industry is an important component of the national economy, economic development trends will bring corresponding changes in traffic demand, which in turn will pose impact on the construction and operation of toll roads. In addition, domestic monetary policy will be changed along with changes in international financial situation, which may have certain impact on the financing size and costs of enterprises engaged in the investment and operation of highway infrastructure.

In respect of the development of industry policies, supply-side structural reform has imposed new and higher requirements on transportation industry. In the course of expanding effective supply and building integrated transport system, the policy environment of the highway industry will also change. The policy constraints that restricted the development of enterprises in the past may be adjusted or may turn into favorable factors. Although the Regulation on the Administration of Toll Roads (Revised Draft) is yet to be promulgated, the Ministry of Transport has specified four principles of toll road reform, including "Users Pay Principle" and Principle of "Encouraging Social Capital Investment", aiming to establish a mechanism for the long-term, stable and healthy sustainable development of toll roads step by step. The government actively promotes the PPP model, encouraging social capital to invest in toll roads by way of concession arrangements. With higher requirements put forward on innovation of investment and operation mechanisms in toll road industry, there will be new investment opportunities for enterprises.

In respect of development of traffic demand, although the slowdown in economic growth will affect the demand for transport, especially freight demand, the demand for road transport during slowdown of economic growth remains relatively rigid, especially for passenger transportation. With the gradual improvement of the expressway network, the increasing volume of car ownership in the society and the upgrading of residents' consumption pattern, the demand for passenger transportation by roads will gradually be released and the competitiveness of expressway transportation compared to that of other transportation means will also be enhanced. During the "13th Five-Year Plan" period, with increasing demand for urban agglomeration travel and metropolitan commuting travel in the Yangtze River Delta region, more cars and more people on the road will sustain the continuing growth of traffic volume.

In respect of business development, with the rising costs of land acquisition, demolition and relocation, manpower and construction and operation of toll roads, return on investment in core business showing a declining trend in general. However, the traffic demand in economically developed areas is still expected to grow in the future. As such, it is crucial for the Group to identify prime assets for investment in core business or explore new investment projects in other traffic infrastructure which have synergies with expressways so as to achieve continued growth in the future.

In response to the industry landscape and development trends during the "13th Five-Year Plan" period, the Company will seize the opportunities arising for the country's economic reform and development by planning its development direction at the new stage in advance, innovating business models and adjusting industrial structure, so as to ensure that it has the capability and resources to cope with new challenges ahead.

REPORT OF THE BOARD

(II) Development Strategies of the Company

During the “12th Five-Year Plan” period, the Group developed the “233” strategy: to implement the three strategies of “improvement of the core business”, “expansion of business” and “extension of platform” and set up the preliminary structure of three principal businesses consisting of “one core and two ancillary businesses” with an aim to lay down a solid foundation for the middle to long term strategic transformation with the support of the two enhanced management capabilities, being management and operation capability of basic facilities and investment management capability. For the past five years, the revenue of the Group was on an overall increasing trend, the Group’s asset size grew significantly, operation and management standard was further improved and internal management was continuously streamlined. The Group had outstanding advantages in terms of resources such as road assets, fund sources and platforms, etc. The enhancement of expressway operation and management capability and investment and financing management capability has strongly safeguarded the Group’s stable development. Meanwhile, areas such as assets integration, strengthening of ancillary businesses, capital operation and human resources were still subject to improvement.

In 2016, the Group has, on the basis of the comprehensive review of the implementation of specific strategic indicators during the “12th Five-Year Plan” period, accurately grasped the medium-to-long-term trend of the socioeconomic transformation and development of the industry, performed in-depth analysis of changes in internal and external business environment caused by the new stage of development, further amended and improved the key strategic indicators and targets for development, and actively planned its “13th Five-Year” development strategy, thereby fully prepared itself in terms of capacity and resources to adapt to the new market and industry environment and realize sustainable development. Upon full deliberation and demonstration, the “13th Five-Year” development plan of the Company was considered and approved at the ninth meeting of the eighth session of the Board of Directors on 26 August 2016.

During the “13th Five-Year Plan” period, the Group will devote its efforts on “one focus and two cores”, namely, to focus on investment and operation of transport infrastructure while actively exploring opportunities for development of the two core segments – expressways and other infrastructure. With equity investment and functional real estate investment as two propellers, the Group will venture into road-derivative business fields to promote continuous optimization of its industrial layout. Furthermore, the Group will strive to achieve “three replacements” (i.e. replacement of human labour with intelligent technology, replacement of transmission with Internet and replacement of local storage with cloud-based storage) so as to continually strengthen information technology construction and elevate operation and management efficiency in an all-round way; build “Jiangsu Expressway with four features”, i.e. the Jiangsu Expressway with smooth traffic, advanced technology, sufficient capital and people-oriented concepts; implement “five strategies”, i.e. operational improvement strategy, business optimization strategy, capital operation strategy, management reform strategy and talents upgrading strategy, so as to ensure accomplishment of all strategic objectives; and enhance the prevention and control of “six major risks”, i.e. strategic risk, investment risk, financial risk, operational risk, compliance risk and corruption risk, so as to promote sustainable and sound development of the Group. Through these efforts, the Group aims to develop itself into a modern investment operation and management company with “mature capital operation, leading management efficiency and harmonious relations” with multi-parties.

(III) Operational Plan

1. The implementation of previous operational objectives

The Board of Directors anticipated that the total annual revenue would be over RMB8,700 million for 2016, and aimed at controlling the operating costs and relevant expenses within RMB5,200 million. In terms of actual implementation, the Group realized total operating revenue of approximately RMB9,201 million during the Reporting Period, which was approximately 5.76%, higher than expected, and was mainly due to the completion of toll revenue and revenue from property sales beyond expectation. Thanks to proper cost control, various costs amounted to approximately RMB5,075 million in aggregate, less than the expected target by approximately 2.40%. Due to increase in revenue from toll road operations, decrease in overall costs of operations, better-than-expected return on investment and effective control on financial expenses, the realized net profit of the Group attributable to the shareholders of the listed Company for the Reporting Period increased by approximately 33.49% over the same period of 2015. The implementation of operating objectives was better than the anticipation at the beginning of the year.

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2. Operational objectives for 2017

Based on the anticipated trends of operations and macroeconomic environment in 2017, the Board expects that the Group's total revenue will exceed RMB9,300 million in 2017, and the budgeted operating costs and relevant expenses shall be controlled under the amount of RMB5,200 million. Given the uncertainties faced by the Group in its operations in 2017, the operating plan does not constitute an undertaking of operating results to investors. Investors are reminded to have sufficient risk awareness and they shall understand the difference between operating plans and undertaking of results.

3. Operational plan for 2017

In order to ensure the achievement of profit target for 2017 and be well prepared for the future strategic development, the Group has formulated the following major measures for 2017 based on the overall business environment in 2017:

- (1) **Promote resources integration and achieve new breakthroughs in project investment.** In 2017, the Group will continue to focus on investment and operation of transport infrastructure, capitalize on opportunities to promote integration of assets in relation to toll roads and bridges in southern Jiangsu, and conduct in-depth study on the feasibility of investment in transport infrastructure projects that may generate synergistic effects with Shanghai-Nanjing Expressway so as to expand the proportion of the Company in the road network in southern Jiangsu and further consolidate its dominant position through equity investment, management output and other ways. In addition, the Group will actively explore effective ways for capital investment and equity management by leveraging on its access to domestic and overseas listing platforms, and steadily promote investment in real estate projects and real estate funds and financial and quasi-financial equity investment, thereby optimizing its investment portfolio and effectively improving the efficiency and returns of capital operation.
- (2) **Accelerate reform and innovation and promote transformation of business models at service areas.** After the "Outsourcing + Supervision" business model was firstly implemented at Meicun service area, the operating reform program will be implemented at six service areas along Shanghai-Nanjing Expressway to promote transformation and upgrading of business models. Economic efficiency and service standard will be enhanced in an all-round manner through self-operation, "Outsourcing + Supervision", brand collaboration, innovative business models and other means. The Group will take advantage of the change in the market conditions of refined oil to increase its efforts in competitive negotiations with oil suppliers to secure greater profit margins and achieve apparent improvement in the overall profits from sales of oil products.
- (3) **Exploit existing platforms to tap the potential of multi-channel financing.** For the purposes of market-oriented financing, the Group will speed up the adjustment and optimization of its existing financing structure, debt maturity structure and financing varieties while taking into full account the funding requirements and financial risks of the Company. The Company will seek to raise its credit rating from international rating agencies so as to exploit overseas financing channels and reduce exchange rate risks. The Company will explore a variety of innovative financing tools to exploit its financing platform as a listed company. In particular, it will further exploit its comprehensive financing capacity in domestic and overseas capital markets through corporate bonds, asset securitization, additional issue and placement, overseas bonds and other direct financing means, expanding financial channels and reducing financing costs, thereby providing low-cost financial resources for the Company's strategic development and scale expansion.
- (4) **Leverage on the information-based means to comprehensively promote the construction of "smart expressways".** By means of innovative information-based development model, public information service mode, expressway operation and management and enterprise management, information-based facility operation and management, application of information technology and information security protection, the Company will promote the construction of "smart expressways" in an all-round manner and further enhance its capacities in data analysis and business support, so as to achieve data sharing and resource integration and identify new value of data resources. In this way, the Company will be able to elevate its operation and management efficiency through replacing human labour with intelligent technology, replacing transmission with Internet and replacing local storage with cloud-based storage step by step.

REPORT OF THE BOARD

(5) **Optimize the system for ensuring smooth traffic and improve standardized management of road operation services.** In respect of on-site road management, safe and smooth traffic is the focus. The Company will strive to maintain the excellent quality of roads through scientific maintenance system, improve emergency response and handling by boosting comprehensive command and dispatch capacity as well as hindrance clearance management, and improve users' travel experience by optimizing counter service image. Furthermore, the Company will strengthen research on operation and management strategy, road network control strategy, accident prevention and control strategy adopted when the traffic volume is saturated, and gradually develop a road operation and management mechanism that is relatively scientific, efficient and duplicable, so as to prepare for management output.

4. Capital required for maintaining current business and completing investment projects under construction

In 2017, the Group will capitalize on its cash flow advantages and financing platform advantages and achieve financial synergistic effect through early repayment of debts or debt replacement. Capital requirement for planned capital expenditure in 2017 amounted to approximately RMB6,235 million. Meanwhile, considering other rollover debts of the Group, it is expected the total capital requirement of the Group in 2017 would be approximately RMB14.5 billion.

Major capital expenditure items for the year of 2017

Capital expenditure item	Amount (RMB'00 million)
Investment in construction of Zhendan Expressway	4.89
Capital contribution to Wufengshan Expressway	29.97
Capital contribution to Changyi Expressway	9.12
Capital contribution to Yichang Expressway	9.09
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	3.50
Equity investment in Nanjing Luode Dening Real Estate Investment Partnership Corporation (Limited Partnership)	0.75
Equity investment in Advertising Company	0.30
Construction of facilities, equipment and systems for monitoring, toll collection, communication, and lighting	1.87
Reconstruction of buildings	2.05
Other fixed assets and equipment	0.81
Total	62.35

The Group, on the basis of 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 ultra-short-term notes to relieve the pressure from financing demand and reduce financial costs. For the year of 2017, the Company has signed credit facilities contracts with banks but has not yet utilized the facilities. The Company is entitled to credit facilities of approximately RMB4,563 million with a term of over one year. The Company has also registered at National Association of Financial Market Institutional Investors the ultra-short-term financing products of RMB2.2 billion, which have not been issued yet. Besides, the Group plans to register new ultra-short-term financing products in the amount of not more than RMB5 billion. 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.

REPORT OF THE BOARD

(IV) Possible Risks

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company's capability to deal with risks, the Group commenced the building of corporate risk management system in 2016. While thoroughly sorting out major risks in the three principal business segments of the Company, i.e., expressway, real estate and investment and conducting a research and making a detailed diagnosis on the status quo of the existing risk management and internal control systems, the Company determined the basic principles for risk assessment, established the standards of risk assessment, and identified material risks of the Group in combination with the industry risks. As a result, the Company formulated the List of Risks, the Diagnosis Report on Management and Control System, Risk Assessment Report and Risk Map, thus establishing the risk management system.

The construction of the risk management system further specified the corporate business processes by incorporating internal control. Accordingly, the standardized processes and internal control were formed, which enabled all businesses to be carried out based on certain "standards". While improving the effect and efficiency of the business processes, it also reduced risk probability and effectively controlled and avoided certain risks so as to facilitate the Company in making correct decisions for the sake of the safety and completeness of the Company's assets, and ensure the achievement of the objectives of the operating activities of the Company.

The risk management system of the Group involves the Company's strategy, financial matters, market, operation, policies, laws and other aspects. Amid its future strategic development, the Group will pay keen attention to the following risks and proactively take effective counter-measures:

1. Risks associated with development strategies

Risk analysis: the "13th Five-year Plan" of the Company specified the industry optimization strategy. The strategy focused on the construction of a business layout comprising three major fields, namely, infrastructure, equity investment and functional property to form the business development framework and establish extensive partnerships. In case that any business segment of the Company does not make its own segment development strategy according to the overall strategy of the Group, or any segment development strategy is incompatible with or divergent from the overall strategy of the Group, this may result in failure to put the Company's strategy into effective practice, and hinder the achievement of the strategic goal.

Counter-measures: The Company will further elaborate the critical control function of the strategy management, improve participation of each business segment in the formulating the strategy planning and specify management responsibilities in the formulation and execution of strategy planning; it will make special planning to refine the strategic measures in a bid to provide support and guarantee for the implementation of the overall strategy planning; it will improve the strategy management system to ensure the planning execution and establish a complementary and cohesive strategy execution mechanism that involves objective assessment, performance-based features, effectiveness supervision and inspection and punishment so as to make sure the practicable implementation of each assignment. Meanwhile, it will promote the talents strategy to bolster the foundation of strategy implementation, and integrate the human resources strategy planning into the overall strategy planning of the Company so as to assure the effective realization of the strategy objective of each segment.

2. Policy risks associated with the expressway industry

Risk analysis: the Company is primarily engaged in the investment, construction, operation and management of toll roads and bridges, and the majority of revenue of expressway companies are derived from toll fees, which are susceptible to the direct and indirect influence of changes in the national macro-control policy, financial policy and taxation policy. Divergence between governmental policy preference and the internal development direction of the Company or unexpected promulgation of governmental policy that is uncongenial to the Company's development may hinder the business development of the Company and affect the sustainable operation of the Company. The expressway management of the Company is also exposed to risks arising from policies in relation to charging standards and toll periods.

REPORT OF THE BOARD

Counter-measures: the Company will establish a dynamic tracking and assessing mechanism in response to policy-related risks. It will enhance contact and communication with competent government authorities, especially the transportation department, financial department, taxation department and price department so as to win their policy support for expressways. It will pay close attention to the relevant governmental policies, collect, analyze and comprehensively process external data, strengthen studies on relevant governmental guidelines and policies and make corresponding business decisions in a timely manner. Meanwhile, the Company will develop new profit growth points and proactively implement various business activities relating to the principal businesses aiming to reduce risks arising from simplex industrial structure. Besides, the Company will improve its own service quality and give full play to the safe and fast advantage of expressway to improve the competitiveness of the Company.

3. Policy risks associated with the real estate industry

Risk analysis: considering the long industry chain of real estate, regulation relating to any part by the national policy may have a strong influence on the operation of the real estate enterprises. In addition, given the long span of real estate project, during the 3 to 5-year or longer construction and sales period, it is hard to cope with the flexible policy intervention likely to be issued from time to time. In case of macro-control policy adverse to the development of the Company, such as purchase restriction and price caps, the Company may be exposed to risks of poor sales or declined performance.

Counter-measures: the Company will build a tracking mechanism, always keep an eye on policies concerning the industry and the development tendency of the macro-economy and the industry, and enhance the capability to judge the policy trend. The Company will engage the real estate business with the overall “13th Five-year” strategy of the Company and development its real estate business from different dimensions by making decisions on the investment area, the construction category and the cooperation partners. It will also strengthen sales management, adjust the project development pace, enhance the dynamic management and control over cash flow, relieve the inventory pressure and increase project capital utilization efficiency. Meanwhile, the Company will reinforce professional development and management and seek for professional and delicacy management commencing from various perspectives such as selecting market and projects, planning, design, operation and execution.

4. Risks associated with bidding management

Risk analysis: In view of the large quantity of cumbersome matters relating to tendering and procurement of the Company, in case of inappropriate management of procurement plan, failure to make accurate and complete tender plan, omissions in the planning or failure to obtain legal authorization, the Company may encounter low procurement efficiency and increased expenses or stray from its expected goals, such that the overall procurement progress may be affected.

Counter-measures: the Company will build an intact material management system, which can effectuate the unified integrative management of information regarding demands, purchase orders, inventory and quality requirements, and enable the Company to make procurement plans according to supply position along the support chain. The Company will form the mechanism that procurement data are uploaded without repetition and data movements are updated and maintained on a timely basis. Meanwhile, the Company will improve the accuracy in preparing procurement plans, strengthen the binding effects of procurement plans and build a post assessment system for procurement business so as to reduce the corporate operation cost effectively.

5. Risks associated with investment management

Risk analysis: As driven by the industrial planning strategy of “one focus and two cores” of the Company, external investment campaigns of the Company and its wholly-owned subsidiaries have been growing relentlessly. As the supervising and guiding entity of the investment direction, if the term of reference and authorization delineation of investment management of the Company and its wholly-owned subsidiaries are not clearly defined, or no explicit investment management system has been established, or the working procedure and coordination mechanism in the process is not specified, or in case of insufficient management system and management measures, inadequate preliminary research and survey, and negligent supervision and management during project implementation, it will be hard to optimize the investment structure and improve the investment income, and may even lead to investment losses or compliance risks.

REPORT OF THE BOARD

Counter-measures: the Company will reinforce internal management, standardize management system and implement standard and professional investment management system so as to guarantee smooth external investment. A professional assessment team will be set up to fully understand benefits and risks of investment projects and make reasonable investment decision-making procedures. A risk alert and management system for investment projects will be established to bring about more effective and convenient investment risk management and safeguard free access to information regarding risk management. The seamless linkage between financial work and investment risk management will be accomplished to enable investment management executives to have swift access to valid, authentic and accurate information and to make timely feedback so as to maximize the investment income of the Company.

IV. The Company's Environmental Policy and Performance, Legal Compliance and Relationship with the Persons with Material Impact on the Company

For the details of the Company's environmental policy and performance, legal compliance and relationship with the persons with material impact on the Company, please refer to Section V headed "Proactive Performance of Social Responsibility" in the report.

V. Donations

For information on donations and poverty alleviation of the Company during the Reporting Period, please refer to Section V headed "Proactive Performance of Social Responsibility" in the report.

VI. Directors of the Company during the Reporting Period

For the list of Directors of the Company during the Reporting Period, please refer to "Changes in shareholdings held by Directors, supervisors and senior management who were in office or have resigned during the Reporting Period and their remunerations" in Section VIII in the report.

VII. Dividends Distribution Proposal for the Reporting Period as Considered by the Board

During the Reporting Period, the Company realized a net profit attributable to the shareholders of the Company of RMB3,346,064,000 and earnings per share was approximately RMB0.6642, The Board of the Company proposed to distribute cash dividends of RMB0.42 (tax inclusive) per share in favour of all shareholders based on the total share capital of 5,037,747,500 shares.

Chairman of the Board
Chang Qing

Nanjing, the PRC, 24 March 2017

SIGNIFICANT MATTERS

I. Profit Distribution Plan for Ordinary Shares or Plan to Convert Capital Reserves into Share Capital

(I) Establishment, Implementation or Adjustment of Cash Dividend Distribution Policy

Focusing on the long-term development, improving financial indicators, increasing profit margin and adopting appropriate dividends distribution policy are the basis of strategic transformation and development of the Company. Therefore, the Company has established a long-term cash dividend distribution mechanism and it is expressly provided in Articles 18.8 and 18.9 of the Articles of Association that, "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 accordance with the requirement of the Notice on Further Implementation of Relevant Issues Relating to Distribution of Cash Dividend by Listed Companies issued by CSRC, the particulars of the cash dividend policy are specified in the Articles of Association, so as to further improve the decision-making procedure and mechanism for cash dividend distribution.

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.

The Company has been maintaining a high payout ratio of cash dividends since its listing, providing investors opportunities to share the economic growth results of the Company. During the Reporting Period, the Company achieved the net profit attributable to the shareholders of the parent company of approximately RMB3.346 billion, and proposed to distribute the final dividend of RMB0.42 (tax inclusive) per share, accounting for 63.23% of the net profit attributable to the parent company for the year, based on its total share capital of 5,037,747,500 shares. Scheme to convert capital reserves into share capital will not be implemented for the year.

(II) Dividend Distribution Plan or Scheme for Ordinary Shares and Plan or Scheme to Convert Capital Reserves into Share Capital in the Recent Three Years (including the Reporting Period)

Unit: Yuan

Year of Dividend Distribution	Number of bonus share for each 10 shares (share)	Amount of cash dividend for each 10 shares (Yuan) (including tax)	Number of shares converted for each 10 shares (share)	Amount of cash dividend (including tax)	Net profit distributed to ordinary shareholders of the Company in the consolidated financial statements in the year of distribution	As a percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements
						(%)
2016	0	4.2	0	2,115,853,950	3,346,063,867	63.23
2015	0	4	0	2,015,099,000	2,506,629,408	80.39
2014	0	3.8	0	1,914,344,050	2,227,907,831	85.93

Note: In 2015, the Company restated the net profit attributable to ordinary shareholders of the Company for the year 2014. Therefore, the dividend payout ratio is higher.

SIGNIFICANT MATTERS

II. Fulfillment of Undertakings

(I) Commitments of ultimate controllers of the Company, Shareholders, related parties, acquirer, the Company and other relevant parties during the Reporting Period or continued to the Reporting Period

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	In case of no timely performance, describe the specific reasons of no performance	In case of no timely performance, describe plans in next steps
Other undertakings	Profit forecast and compensation	Communications Holding	In the process of equity acquisition of Ningchang Zhenli Company, the Company and Communications Holding entered into a profit compensation agreement, Communications Holding has, in respect of the compensation period, guaranteed Ningchang Zhenli Company's profit before tax and financial expenses net of non-recurring profits and losses, such that it shall not be less than RMB230,434,300 in 2015, not less than RMB269,083,700 in 2016 and not less than RMB299,931,100 in 2017. As at the end of the Reporting Period, such undertaking is yet required to be performed.	The year of 2015 to the year of 2017	Yes	Yes	Not Applicable	Not Applicable
	Others	Communications Holding	<ol style="list-style-type: none"> Communications Holding undertook that the number of shares in the Company held by it would not be reduced during the six-month period from 9 July 2015 to 8 January 2016; Communications Holding will, pursuant to the requirements of the "Notice on Matters pertaining to the Increase in Shareholdings in a Listed Company by its Majority Shareholders and Directors, Supervisors and Senior Management" (Zheng Jian Fa [2015] No. 51) ((關於上市公司大股東及董事、監事、高級管理人員增持本公司股票相關事項的通知)) (證監發[2015]51號) issued by the CSRC, take opportunities to increase its shareholdings in the Company, based on the market conditions and to the extent permitted by laws and regulations; and Communications Holding will, as always, continuously support the Company's operation and development, to further enhance the Company's core competitiveness and bring positive returns to the investors. At the end of the Reporting Period, the undertakings were fulfilled. 	9 July 2015 to 8 January 2016	Yes	Yes	Not Applicable	Not Applicable
	Others	Communications Holding	In order to duly resolve the issue regarding the economic compensation for the removal of two toll stations and toll points on the G312 Shanghai-Nanjing Section and pursuant to the spirit of the documentation and relevant minutes of Suzhengtu [2012] No. 115, Communications Holding undertakes to replace the government in compensating the Company based on the net asset value of the toll road operation right corresponding to the toll stations and toll points removed, as audited by a qualified third party and the said amount shall be paid in cash. The total amount of compensation is RMB1,316,049,634. As at the end of the Reporting Period, the Company already received two installments of the compensation, totaling RMB921,234,744.	None	No	Yes	Not Applicable	Not Applicable

SIGNIFICANT MATTERS

(II) If the assets and projects of the Company contained a profit forecast, and the Reporting Period is within the profit forecast period, the Company shall explain whether the assets and projects have achieved the profit forecast and the relevant reasons

Before the acquisition of equity shares of Ningchang Zhenli Company, the Company estimated its profitability in the next three years. Profit forecast of profit before interest and tax and net of non-recurring gain or loss of Ningchang Zhenli Company, a subsidiary of the Company, was: not lower than RMB230,434,300 in 2015, not lower than RMB269,083,700 in 2016 and not lower than RMB299,931,100 in 2017.

After the debt transfer of Ningchang Zhenli Company, a subsidiary of the Company, the finance cost was significantly reduced. In 2015, it turned from loss making to become profitable. The profit before interest and tax and net of non-recurring gain or loss in 2015 was approximately RMB258,760,000, which was higher than the profit forecast. The profit before interest and tax and net of non-recurring gain or loss during the Reporting Period as audited by Deloitte was approximately RMB378,480,000, which was higher than the profit forecast.

III. Appropriation of Funds and Progress of Repayment during the Reporting Period

Unit: Yuan

Balance of the Company's funds appropriated by the Controlling Shareholder and its related parties for non-operating purposes					The total amount appropriated during the Reporting Period and repaid at the end of period	Recovery of the funds during the Reporting Period			
Balance at the beginning of Reporting Period	Amount incurred during the Reporting Period	Balance at the end of Reporting Period	Expected repayment method	Repayment time		The total amount of repayment during the Reporting Period	Recovery method	Recovery amount	Time of Recovery (month)
0	3,899,000	3,899,000	Cash	6 January 2017	3,899,000	0	Others	0	

The decision-making procedure for fund appropriated by the Controlling Shareholder and its related parties/connected persons for non-operating purposes

Subject to consideration and approval by the Board.

Reasons for additional appropriation of funds for non-operating purposes during the Reporting Period

During the Reporting Period, Guangjing Xicheng Company, a subsidiary of the Company transferred its 7.5% equity interest in Jiangsu Sundian to Taizhou Bridge Company. The consideration for share transfer receivable was RMB3,899,000, which was fully paid after the completion of change in equity interest on 6 January 2017.

Person responsible for additional appropriation of funds

Not Applicable

Reasons for failure to complete the repayment at the end of the Reporting Period

Not Applicable

Measures taken the repayment

Not Applicable

Expected time to complete the repayment

Not Applicable

Other explanations for fund appropriated by the Controlling Shareholder and its related parties/connected persons for non-operating purposes and the repayment

Not Applicable

SIGNIFICANT MATTERS

IV. Appointment or Removal of Accountants

Unit: Yuan

	Current appointee
Name of the domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for the domestic accounting firm	2,400,000
Term of audit of the domestic accounting firm	14

	Name	Remuneration
Accounting firm for audit of internal control	Deloitte Touche Tohmatsu Certified Public Accountants LLP	800,000

Statement of appointment and removal of accounting firm

 Applicable Not Applicable

The reappointment of Deloitte as the domestic auditor of the Company for the year 2016 was approved at the Company's 2015 Annual General Meeting. The audit fees amounted to approximately RMB2,400,000 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 2016 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. The independence of Deloitte is supervised by the Audit Committee of the Company. The Audit Committee is also responsible for recommending the Board regarding the appointment of external auditor and the conditions for appointment and its remuneration.

Deloitte was also appointed as the internal control auditor of the Company for the year 2016 at the annual general meeting. The audit fee was approximately RMB800,000.

Deloitte has been providing audit services to the Company for fourteen consecutive years since 2003. In the years of 2008, 2010, 2014 and 2015, such auditing firm changed the partner who was responsible for the audit services provided to the Company.



SIGNIFICANT MATTERS

V. Major Related/Connected Transactions

(I) Related/connected transactions relating to day-to-day operations

1. Events disclosed in a provisional announcement with no further progress or changes after implementation

Description of the Events	Inquiry index
<p>On 30 December 2014, the Company and Guangjing Xicheng Company, a subsidiary of the Company, renewed operation technical service agreements under the original terms with Network Operation Company respectively in respect of the network operation and management technical services provided by Network Operation Company for expressways. The duration of the agreements was from 1 January 2015 to 31 December 2017. The service charge was charged at 0.2% of cash toll revenue and 2% of non-cash toll revenue. The service charge for the year 2016 was RMB5,443,666. The agreements were continuously performed during the Reporting Period.</p>	<p>For the details, please refer to the announcement on the continuing related/connected transactions published by the Company on 31 December 2014 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>On 30 December 2014, Guangjing Xicheng Company, a subsidiary of the Company, renewed the Yanqiao service area petrol station lease agreement entered into with Jiangsu Petroleum Company for a lease period of three years from 1 January 2015 to 31 December 2017, under which the petrol stations on both sides of Yanqiao service area of Xicheng Expressway were leased to Jiangsu Petroleum. The calculation of rent was determined to be as follows: based on the annual fuel sales volume of the petrol stations at RMB140/tonne, together with the guaranteed rental at RMB500,000 per year. The agreement was continuously performed during the Reporting Period. On 28 August 2015, Guangjing Xicheng Company, a subsidiary of the Company, entered into Guangling Service Area Petrol Station Lease Agreement with Jiangsu Petroleum Company, which leased petrol stations on both sides of Guangling Service Area of Guangjing Expressway to Jiangsu Petroleum Company for operation, with the term from 8 September 2015 to 31 December 2017.</p>	<p>For the details, please refer to the announcement on the continuing related/connected transactions published by the Company on 31 December 2014 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>During the Reporting Period, the Company continued to perform the property lease agreement dated 22 August 2014 entered into with Jiangsu Sundian, pursuant to which, the office located in No. 2 Xianlin Avenue was leased to Jiangsu Sundian at an annual rent of RMB1,690,000 with a contractual term from 1 September 2014 to 31 August 2017.</p>	<p>For the details, please refer to the announcements on the 15th meeting of the 7th session of the Board published by the Company on 25 August 2014 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>During the Reporting Period, the Company continued to perform the property leasing agreement dated 25 April 2014 entered into with Network Operation Company, pursuant to which the Maqun Monitoring Centre at No.189 Maqun New Street, Nanjing was leased to Network Operation Company, with the lease term from 1 May 2014 to 30 April 2017 and at a rental fee of approximately RMB3,612,000 per annum.</p>	<p>For the details related to this transaction, please refer to the announcement on the continuing related/connected transactions published by the Company on 26 April 2014 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>

SIGNIFICANT MATTERS

Description of the Events	Inquiry index
<p>On 29 December 2015, the Company, Guangjing Xicheng Company, a subsidiary of the Company, and Ningchang Zhenli Company, a subsidiary of the Company, respectively renewed the property lease agreements entered into with Network Operation Company in relation to ETC customer service network points, with the term of agreements from 1 January 2016 to 31 March 2017. After calculation, it is estimated that the aggregate maximum amount of the three agreements will not exceed RMB7,100,000, of which the maximum amounts of the Company, Ningchang Zhenli Company and Guangjing Xicheng Company were RMB5,600,000, RMB300,000 and RMB1,200,000 respectively.</p>	<p>Please refer to announcement on the continuing related/connected transactions published on 30 December 2015 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>On 25 March 2016, the Company, Guangjing Xicheng Company, a subsidiary of the Company, and Ningchang Zhenli Company, a subsidiary of the Company, entered into three maintenance service contracts with Jiangsu Sundian, respectively, with the contractual term from 1 April 2016 to 31 December 2016. The estimated cap of maintenance fee under the three agreements will not be more than RMB35,000,000, RMB30,000,000 and RMB23,000,000, respectively. The agreements were continuously performed during the Reporting Period.</p>	<p>For the details related to this transaction and the relevant approval, please refer to the announcement on the related/connected transactions published by the Company on 28 March 2016 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>On 25 March 2016, Ningchang Zhenli Company, a subsidiary of the Company, and Jiangsu Petroleum entered into the Service Area Petrol Station Lease Contract, under which petrol stations on both sides of Ningchang Zhenli Company Service Area were leased to Jiangsu Petroleum for operation with a lease term from 1 April 2016 to 31 March 2019. The rental for the year 2016 was RMB7,022,571. The agreement was continuously performed during the Reporting Period.</p>	<p>For the details, please refer to the announcement on the continuing related/connected transactions published by the Company on 28 March 2016 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>On 30 March 2016, the Company and Group Finance Company entered into a financial services agreement with a term of three years starting from 1 April 2016. The maximum daily deposit balance (including accrued interest and commission) and the daily maximum outstanding loan balance (including accrued interest and commission) shall be RMB500,000,000, respectively. The maximum daily deposit balance in principle shall not exceed the various outstanding financing amounts withdrawn and existing under the comprehensive credit granted by Group Finance Company. The deposits shall not constitute the mortgage of the loans. The Company will strictly limit the aggregate maximum amount of the daily deposit such that it would not exceed 5% of the total asset, audited revenue, and market capitalisation of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever is lower. The agreement was continuously performed during the Reporting Period.</p>	<p>For the details, please refer to the announcement on the continuing related/connected transactions published by the Company on 30 March 2016 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>

SIGNIFICANT MATTERS

Description of the Events	Inquiry index
<p>On 24 April 2015, subsequent to the completion of equity transfer of Xiyi Company, Guangjing Xicheng Company, a controlled subsidiary of the Company, continued to perform all the continuing connected transactions/ ordinary continuing related transactions under performance by Xiyi Company including:</p> <p>(1) Gaocheng Service Area Petrol Station Lease Agreement entered into by Xiyi Company with Jiangsu Petroleum Company on 30 December 2014, pursuant to which the petrol stations on both sides of Gaocheng Service Area of Xiyi Expressway were leased to Jiangsu Petroleum. The period of validity of the agreement was from 1 January 2015 to 31 December 2017. The calculation of rent was: based on the annual fuel sales volume of the petrol stations at RMB140/tonne, together with the guaranteed rental at RMB500,000 per year;</p> <p>(2) Expressway Network Management Services Framework Agreement entered into by Xiyi Company with Network Operation Company on 4 January 2014 with the period of validity of the agreement from 4 January 2014 to 31 December 2016. The service charge was charged at 0.2% of cash toll revenue and 2% of non-cash toll revenue.</p>	<p>For the details related to this transaction and the relevant approval, please refer to the announcement on the related/ continuing connected transactions published by the Company on 24 April 2015 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>
<p>On 24 April 2015, Guangjing Xicheng Company, a subsidiary of the Company, borrowed RMB230,000,000 from Jinghu Company. The loan had a term of one year, carrying the interest rates equivalent to the prevailing bank benchmark interest rate. The above loan was fully repaid during the Reporting Period.</p>	<p>Please refer to the announcement of the Twentieth Meeting of the Seventh Session of the Board of Directors published on 24 April 2015 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk.</p>

Note: In respect of the abovementioned connected/related persons, more than 30% equity interests of Network Operation Company was held directly and indirectly by Communications Holding (excluding the equity interest held through the Company and Guangjing Xicheng Company); more than 30% equity interests of Jiangsu Petroleum Company was held directly and indirectly by Communications Holding; more than 40% equity interests of Jiangsu Sundian was held directly and indirectly by the Group; 80% equity interests of Group Finance Company was held directly by Communications Holding; and 55.28% equity interests of Jinghu Company was held by Communications Holding.

SIGNIFICANT MATTERS

(II) Related/connected transactions in relation to acquisition and disposal of assets or equity interests

1. Events disclosed in provisional announcements with no further progress nor changes after implementation

Applicable Not Applicable

Description of the events	Inquiry Index
On 27 October 2016, Guangjing Xicheng Company, a subsidiary of the Company, entered into an equity transfer agreement with Taizhou Bridge Company, under which 7.5% equity interests in Jiangsu Sundian held by Guangjing Xicheng Company was transferred to Jiangsu Taizhou Bridge Company Limited based on the appraisal value of RMB3,899,000.	For the details, please refer to the announcement on the continuing related/connected transactions published by the Company on 28 October 2016 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk .

Note: In respect of the above connected/related person, 20% equity interests of Taizhou Bridge Company was held by Communications Holding and 40% equity interest of Taizhou Bridge Company was held by Yangtze Bridge Company (an associate of Communications Holding).

(III) Related/connected creditor rights and debts

1. Events disclosed in provisional announcements with no subsequent development nor changes during implementation

Description of the events	Inquiry index
On 5 June 2015, Guangjing Xicheng Company, the Company's subsidiary, and its wholly-owned subsidiary Xiyi Company borrowed RMB80,000,000 and RMB70,000,000 respectively, by way of entrusted loan from Railway Development Company. The loan had a term of one year, carrying the interest rates equivalent to the prevailing bank benchmark interest rate. The aforesaid loan was fully repaid during the Reporting Period.	For the details related to this transaction and the relevant approval, please refer to the announcement on the loan of related party/overseas regulatory announcement published by the Company on 5 June 2015 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk .
On 5 June 2015, Guangjing Xicheng Company, a subsidiary of the Company, borrowed RMB170,000,000 from Group Finance Company with a term of one year, carrying the interest rates equivalent to the prevailing bank benchmark interest rate at a discount of 5%. The aforesaid loan was fully repaid during the Reporting Period.	For the details related to this transaction and the relevant approval, please refer to the announcement on the loan of related party/overseas regulatory announcement published by the Company on 5 June 2015 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk .

Note: In respect of the above connected/related persons, the controlling shareholder of Railway Development Company was Communications Holding; and 80% equity interests in Group Finance Company was directly held by Communications Holding.

SIGNIFICANT MATTERS

2. Events not disclosed in provisional announcements

Unit: Yuan

Related/connected Party	Related/connected relationship	Funding provided to related/ connected parties			Funding provided by related/ connected parties to the Company		
		Opening balance of the Reporting Period	Amount incurred	Closing balance of the Reporting Period	Opening balance of the Reporting Period	Amount incurred	Closing balance of the Reporting Period
Communications Holding	Parent company	-	-	-	950,156,826	(183,040,388)	767,116,438
Network Operation Company	Controlled subsidiary of the parent company	-	-	-	95,000,000	(95,000,000)	-
Group Finance Company	Controlled subsidiary of the parent company	6,878	41,264,888	41,271,766	200,293,906	(70,125,162)	130,168,744
Far East Shipping Company	Controlled subsidiary of the parent company	-	-	-	185,274,160	(5,034,910)	180,239,250
Suhuaiyan Company	Controlled subsidiary of the parent company	-	-	-	30,000,000	(30,000,000)	-
Runyang Bridge Company	Controlled subsidiary of the parent company	-	-	-	150,295,928	(50,098,643)	100,197,285
Total		6,878	41,264,888	41,271,766	1,611,020,820	(433,299,103)	1,177,721,717

Amount provided by the Company to the Controlling Shareholder and its subsidiaries during the Reporting Period	41,264,888
Balance of amount provided by the Company to the Controlling Shareholder and its subsidiaries	41,271,766
Reasons for related party creditor's rights and debts	The related/connected party creditor's rights and debts were formed due to the borrowing and lending of funds among the related/connected parties. The interest rate for the above funds did not exceed the prevailing bank loan interest rate in the corresponding period. The Company and its subsidiaries were not required to provide any guarantee and pledge.
Repayment of related party creditor's rights and debts	Not Applicable.
Undertakings related to related party creditor's rights and debts	Pursuant to the relevant terms of the financial service agreement entered into between the Company and Group Finance Company, Group Finance Company will raise the interest rate for deposits from road and bridge companies and lower the interest rate for the short-term loans floated advanced to such companies to a different degree. The comprehensive financial services cooperation between the Company and Group Finance Company will help increase the deposit income, reduce financing cost, improve the bargaining power with external financial institutions and contribute to the reduction of financial expenses.
Effect of related/connected party creditor's rights and debts on the Company's operation result and financial condition	The related/connected party creditor's rights and debts did not have material impact on the Company's operation result and financial condition.

SIGNIFICANT MATTERS

(IV) Others

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

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

- (1) Such transactions were conducted in the ordinary and usual course of business of the Group;
- (2) Such transactions were conducted on normal commercial terms or, if comparable transactions 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.

2. Confirmation Opinion from the Accounting Firm on Continuing Connected Transactions

The Company has advised Deloitte the information of the continuing related/connected transactions to be disclosed in the 2016 annual report of the Company. Deloitte has reviewed the information of those related/connected transactions and issued a letter to the Board to confirm that the related/connected transactions:

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



SIGNIFICANT MATTERS

3. The related party/connected transactions set out in the Notes to Financial Statements of the Company for 2016

The related party/connected transactions set out in Notes 10 and 14 to the Financial Statements of the Company for 2016 are in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules:

1) *Note 10:*

- (1) Connected transactions in relation to the sales and purchase of goods, provision and receipt of services and interest income and expenses from loans

Related party	Type of related transactions	Whether or not constituting a related transaction or continuing connected transaction (connected relationship)	Details of related transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Purchase of goods, receipt of services and interest expense from loans				
Network Operation Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (an announcement was published on 31 December 2014 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Jiangsu Sundian	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (an announcement was published on 28 March 2016 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Nanlin Hotel	Service received	Yes, 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.97)
Information Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Communication system maintenance fee	Yes (exempt from the announcement requirement according to Rule 14A.76)
Far East Shipping Company	Interest expense of loans	Yes, 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.90)
Communications Holding	Interest expense of loans	Yes, continuing connected transaction (the Company's substantial shareholder)	Interest expenses of related party's loan	Yes (exempt from the announcement requirement according to Rule 14A.90)
Group Finance Company	Interest expense of loans	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of liquidity loans	Yes (an announcement on 30 March 2016 at the Stock Exchange and SSE was published in accordance with the Listing Rules)
Runyang Bridge Company	Interest expense of loans	Yes, 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.90)

SIGNIFICANT MATTERS

Related party	Type of related transactions	Whether or not constituting a related transaction or continuing connected transaction (connected relationship)	Details of related transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Sale of goods, provision of services and interest income from loans				
Kuailu Company	Goods sold	No (an associate of the Company)	Petrol fee	Not Applicable
Kuailu Company	Service provided	No (an associate of the Company)	Toll road fee	Not Applicable
Network Operation Company	Service provided	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for ETC customer service points	Yes (an announcement was published on 24 April 2015 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Hanwei Company	Financing	No (an associate of the Company)	Interest income of shareholder's loan	Not Applicable
Group Finance Company	Financing	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Interest income of bank deposit	Yes (an announcement was published on 30 March 2016 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)

(2) Leases with related parties

Name of lessor	Name of lessee	Whether or not constituting a related 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	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Office building lease	Yes (an announcement was published on 26 April 2014 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)
The Company	Jiangsu Sundian	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Office building lease	Yes (exempt from the announcement requirement according to Rule 14A.76)
Ningchang Zhenli Company and Guangjing Xicheng Company	Expressway Petroleum Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Petrol business lease	Yes (an announcement was published on 28 March 2016, 31 August 2015, 24 April 2015 and 31 December 2014 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)

(3) Guarantees with related parties

Guarantor	Whether or not constituting a related 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	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.90)

SIGNIFICANT MATTERS

(4) Borrowings/loans with related parties

Related party	Whether or not constituting a related transaction/continuing connected transaction (connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Loan borrowed from (repaid to)		
Far East Shipping Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Runyang Bridge Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Communications Holding	Yes, continuing connected transaction (the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Network Operation Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Suhuaiyan Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Group Finance Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (an announcement was published on 30 March 2016 at the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Loan lent to (recovered from)		
Hanwei Company	No (an associate of the Company)	Not Applicable

(5) Asset transfer and debt restructuring of related party

Related party	Details of related party transactions	Whether or not constituting a related transaction/continuing connected transaction (connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Information Company	Purchase of fixed assets	Connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.76)

(6) Compensation for key management personnel

Item	Whether or not constituting a related 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	Yes, continuing connected transaction (Directors and General Manager of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)

SIGNIFICANT MATTERS

2) Note 14:

- (1) Related transactions in relation to the sales and purchase of goods, provision and receipt of services, and interest expenses and income from loans

Unit: Yuan

Related party	Type of related transactions	Whether or not constituting a related transaction/continuing connected transaction (connected relationship)	Details of related transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Purchase of goods/receipt of services/interest expense from loans				
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 31 December 2014 at the Stock Exchange and SSE in accordance with the Listing Rules)
Jiangsu Sundian	Service received	Continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (published an announcement on 28 March 2016 at the Stock Exchange and SSE in accordance with the Listing Rules)
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.97)
Far East Shipping Company	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.90)
Runyang Bridge Company	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.90)
Ningchang Zhenli Company	Financing	No (a wholly-owned subsidiary of the Company)	Interest expenses of entrusted loan	Not Applicable
Zhendan Company	Financing	No (a controlled subsidiary of the Company)	Interest expenses of entrusted loan	Not Applicable
Sale of goods, provision of services and interest income from loans				
Kuailu Company	Goods sold	No (associate of the Company)	Petrol fee	Not Applicable
Kuailu Company	Service provided	No (associate of the Company)	Toll road fee	Not Applicable
Ninghu Properties	Financing	No (a wholly-owned subsidiary of the Company)	Interest income of entrusted loan	Not Applicable
Network Operation Company	Service provided	Continuing connected transaction (associate of the Company's substantial shareholder)	management fee for ETC customer service branch	Yes (published an announcement on 24 April 2015 at the Stock Exchange and SSE in accordance with the Listing Rules)
Guangjing Xicheng Company	Financing	Continuing connected transaction (a subsidiary in which the Company holds 85% equity interest)	Interest income of loan lent to related party	Yes (exempt from the announcement requirement according to Rule 14A.89)
Group Finance Company	Financing	Continuing connected transaction (associate of the Company's substantial shareholder)	Interest income from deposits	Yes (published an announcement on 30 March 2016 at the Stock Exchange and SSE in accordance with the Listing Rules)
Hanwei Company	Financing	No (an associate of the Company)	Interest income of shareholder's loan	Not Applicable
Jiangsu Luode Equity Investment Fund Management Co., Ltd.	Goods sold	No (an associate of the Company)	Petrol fee	Not Applicable
Jiangsu Xiexin Gas	Service provided	No (an associate of the Company)	Management fee and rent	Not Applicable

SIGNIFICANT MATTERS

(2) Leases with related parties

Unit: Yuan

Name of lessor	Name of lessee	Whether or not constituting a related 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 (published an announcement on 26 April 2014 at the Stock Exchange and SSE in accordance with the Listing Rules)
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.76)
Ninghu Investment	The Company	No (a wholly-owned subsidiary of the Company)	Buildings lease	Not Applicable

(3) Guarantees with related parties

Unit: Yuan

Guarantor	Whether or not constituting a related 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.90)



SIGNIFICANT MATTERS

(4) Borrowings/loans with related parties

Related party	Whether or not constituting a related 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(repaid to)		
Far East Shipping Company	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Ningchang Zhenli Company	No (a wholly-owned subsidiary of the Company)	Not Applicable
Zhendan Company	No (a joint venture in which the Company holds 70% interest)	Not Applicable
Runyang Bridge Company	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Lent to (recovered from)		
Guangjing Xicheng Company	Continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.89)
Ninghu Properties	No (a wholly-owned subsidiary of the Company)	Not Applicable
Hanwei Company	No (an associate of the Company)	Not Applicable

(5) Compensation for key management personnel

Item	Whether or not constituting a related 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.95)



SIGNIFICANT MATTERS

VI. Material Contracts and Their Fulfillment

(I) Entrusted cash assets management by others

1. Entrusted wealth management

Unit: Yuan

Name of trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Related transaction or not	Involved in a litigation or not	Related relationship
Bank of Communications	"Yuntong Wealth Daily Increase (Type S) Collective Wealth Management Plan" (穩通財富•日增利S款集合理財計劃)	130,000,000	30 December 2015	27 January 2016	Capital preservation	130,000,000	292,589	Yes	0	No	No	No
Shanghai Pudong Development Bank	"Liduoduo Wealth Regular Bus S21" (利多多辦富班車 S21)	100,000,000	30 December 2015	21 January 2016	Returns guaranteed	100,000,000	166,849	Yes	0	No	No	No
Ping An Bank	Excellence Plan for Rolling Capital Guaranteed Renminbi-denominated Corporate Wealth Management Product (卓越計劃滾動型保本人民幣公司理財產品)	154,000,000	29 February 2016	28 March 2016	Capital preservation	154,000,000	348,504	Yes	0	No	No	No
Bank of Communications	"Yuntong Wealth Daily Increase (Type S) Collective Wealth Management Plan" (穩通財富•日增利S款集合理財計劃)	50,000,000	31 March 2016	7 April 2016	Capital preservation	50,000,000	23,973	Yes	0	No	No	No
Bank of Communications	"Yuntong Wealth Daily Increase (Type S) Collective Wealth Management Plan" (穩通財富•日增利S款集合理財計劃)	500,000,000	18 April 2016	28 April 2016	Capital preservation	500,000,000	335,617	Yes	0	No	No	No
Bank of Communications	"Yuntong Wealth Daily Increase (Type S) Collective Wealth Management Plan" (穩通財富•日增利S款集合理財計劃)	110,000,000	29 July 2016	18 August 2016	Capital preservation	110,000,000	158,360	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	10,000,000	30 December 2015	29 January 2016	Capital preservation	10,000,000	28,767	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	10,000,000	29 January 2016	29 February 2016	Capital preservation	10,000,000	29,726	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	42,000,000	27 November 2015	29 February 2016	Capital preservation	42,000,000	378,575	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	50,000,000	30 November 2015	29 February 2016	Capital preservation	50,000,000	436,301	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	30,000,000	19 November 2015	19 February 2016	Capital preservation	30,000,000	264,658	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	27,000,000	20 November 2015	19 February 2016	Capital preservation	27,000,000	235,603	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	57,000,000	19 February 2016	19 May 2016	Capital preservation	57,000,000	437,555	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	104,000,000	29 February 2016	30 March 2016	Capital preservation	104,000,000	282,082	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	30 March 2016	29 April 2016	Capital preservation	40,000,000	108,493	Yes	0	No	No	No

SIGNIFICANT MATTERS

Name of trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Related transaction or not	Involved in a litigation or not	Related relationship
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	30 March 2016	29 April 2016	Capital preservation	40,000,000	108,493	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	25,000,000	30 March 2016	29 April 2016	Capital preservation	25,000,000	67,808	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 April 2016	30 May 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 April 2016	30 May 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	24,000,000	29 April 2016	30 May 2016	Capital preservation	24,000,000	61,535	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	27,000,000	19 May 2016	20 June 2016	Capital preservation	27,000,000	71,460	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 May 2016	20 June 2016	Capital preservation	30,000,000	79,400	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	30 May 2016	29 June 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	30 May 2016	29 June 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	24,000,000	30 May 2016	29 June 2016	Capital preservation	24,000,000	60,998	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	27,000,000	20 June 2016	20 July 2016	Capital preservation	27,000,000	71,460	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	20 June 2016	20 July 2016	Capital preservation	30,000,000	74,391	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 June 2016	29 July 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 June 2016	29 July 2016	Capital preservation	40,000,000	102,559	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	24,000,000	29 June 2016	29 July 2016	Capital preservation	24,000,000	60,998	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	27,000,000	20 July 2016	19 August 2016	Capital preservation	27,000,000	71,460	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	20 July 2016	19 August 2016	Capital preservation	30,000,000	74,391	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 July 2016	29 August 2016	Capital preservation	40,000,000	105,764	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	30 July 2016	30 August 2016	Capital preservation	40,000,000	105,764	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	26,000,000	31 July 2016	31 August 2016	Capital preservation	26,000,000	68,746	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	29,000,000	19 August 2016	19 September 2016	Capital preservation	29,000,000	76,919	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 August 2016	19 September 2016	Capital preservation	30,000,000	74,355	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 August 2016	28 September 2016	Capital preservation	40,000,000	99,250	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	29 August 2016	28 September 2016	Capital preservation	40,000,000	99,250	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	28,000,000	29 August 2016	28 September 2016	Capital preservation	28,000,000	69,475	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 September 2016	19 October 2016	Capital preservation	30,000,000	74,438	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	29,000,000	19 September 2016	19 October 2016	Capital preservation	29,000,000	71,957	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 September 2016	28 October 2016	Capital preservation	40,000,000	96,149	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 September 2016	28 October 2016	Capital preservation	40,000,000	96,149	Yes	0	No	No	No

SIGNIFICANT MATTERS

Name of trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Related transaction or not	Involved in a litigation or not	Related relationship
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	28,000,000	28 September 2016	28 October 2016	Capital preservation	28,000,000	67,304	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 October 2016	18 November 2016	Capital preservation	30,000,000	69,785	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	29,000,000	19 October 2016	18 November 2016	Capital preservation	29,000,000	67,459	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 October 2016	28 November 2016	Capital preservation	40,000,000	96,149	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 October 2016	28 November 2016	Capital preservation	40,000,000	96,149	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	28,000,000	28 October 2016	28 November 2016	Capital preservation	28,000,000	67,304	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	18 November 2016	19 December 2016	Capital preservation	30,000,000	72,112	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	29,000,000	18 November 2016	19 December 2016	Capital preservation	29,000,000	69,708	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	29,000,000	28 November 2016	28 December 2016	Capital preservation	29,000,000	91,497	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 November 2016	28 December 2016	Capital preservation	40,000,000	91,497	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	40,000,000	28 November 2016	28 December 2016	Capital preservation	40,000,000	66,335	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 December 2016	19 January 2017	Capital preservation	-	0	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	30,000,000	19 December 2016	19 January 2017	Capital preservation	-	0	Yes	0	No	No	No



SIGNIFICANT MATTERS

Name of trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Related transaction or not	Involved in a litigation or not	Related relationship
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	29,000,000	28 December 2016	28 March 2017	Capital preservation	-	0	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	40,000,000	28 December 2016	28 March 2017	Capital preservation	-	0	Yes	0	No	No	No
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	40,000,000	28 December 2016	28 March 2017	Capital preservation	-	0	Yes	0	No	No	No
Industrial and Commercial Bank of China	182 days fixed rate monetary financial products	27,500,000	29 September 2015	7 April 2016	Capital preservation	27,500,000	507,356	Yes	0	No	No	No
Industrial and Commercial Bank of China	35 days fixed rate monetary financial products	500,000	30 December 2015	14 February 2016	Capital preservation	500,000	1,784	Yes	0	No	No	No
Industrial and Commercial Bank of China	91 days fixed rate monetary financial products	29,000,000	21 April 2016	21 July 2016	Capital preservation	29,000,000	203,567	Yes	0	No	No	No
Industrial and Commercial Bank of China	35 days fixed rate monetary financial products	30,000,000	30 August 2016	10 October 2016	Capital preservation	30,000,000	77,803	Yes	0	No	No	No
Industrial and Commercial Bank of China	35 days fixed rate monetary financial products	31,000,000	22 November 2016	26 December 2016	Capital preservation	31,000,000	72,151	Yes	0	No	No	No
Industrial and Commercial Bank of China	182 days fixed rate monetary financial products	31,000,000	30 December 2016	29 June 2017	Capital preservation	-	-	-	0	No	No	No
Agricultural Bank of China	The third tranche of open-ended RMB wealth management product of "Golden Key - An Xin Express" ("金鑰匙-安心快線") with daily compounding interest	26,000,000	8 June 2016	On demand	Non-capital preservation	-	-	Yes	0	No	No	No
Agricultural Bank of China	The third tranche of open-ended RMB wealth management product of "Golden Key - An Xin Express" ("金鑰匙-安心快線") with daily compounding interest	8,800,000	7 June 2016	On demand	Non-capital preservation	-	-	Yes	0	No	No	No



SIGNIFICANT MATTERS

Name of trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not	Amount of provision for the impairment	Related transaction or not	Involved in a litigation or not	Related relationship
Agricultural Bank of China	The third tranche of open-ended RMB wealth management product of "Golden Key – An Xin Express" ("金鑰匙 – 安心快線") with daily compounding interest	3,700,000	30 December 2016	On demand	Non-capital preservation	-	-	Yes	0	No	No	No
Agricultural Bank of China	The second tranche of "Golden Key – An Xin Express" ("金鑰匙 – 安心快線") with daily compounding interest	6,004,747	30 June 2016	On demand	Non-capital preservation	-	-	Yes	0	No	No	No
Bank of China	BOC Accumulation – Daily Plan (中銀日積月累 – 日計劃)	9,000,000	24 June 2016	On demand	Non-capital preservation	-	78,547	Yes	0	No	No	No
Bank of China	BOC Accumulation – Daily Plan (中銀日積月累 – 日計劃)	9,000,000	27 June 2016	On demand	Non-capital preservation	-	72,015	Yes	0	No	No	No
Total	/	3,117,504,747	/	/	/	2,855,000,000	7,852,138	/	/	/	/	/

Amount of principal and accumulated returns overdue but yet to be recovered (Yuan)

0

Explanation on entrusted wealth management

The Company purchased the above non-capital preservation wealth management products in order to enhance the gains from the idle capital, and the non-capital preservation wealth management products can be redeemed on demand. The above matter has been considered and approved by the Board of the Company.

2. Other wealth management and investment in derivatives

Unit: Yuan

Type of investment	Signatory	Investment share	Term	Product type	Gains/losses	Involvement in litigations (if any)
Fuanda Advantageous Growth Foundation	Fuanda Funds	9,999,400	Long-term	Funds	7,350,559	No
Precious metals – Gold	Shanghai Gold Exchange	15,710,238	Long-term	Precious metals	152,520	No

VII. Proactive Performance of Social Responsibility

(I) Poverty alleviation work of the Company

1. Plan for targeted poverty alleviation

The Company attaches great importance on poverty alleviation works. Actively leveraging on its own characteristics, it systematically participates in targeted poverty alleviation programs and provides capital assistance to the impoverished areas for infrastructure construction, development of integrated farming and investment in emerging industries.

SIGNIFICANT MATTERS

2. Summary of targeted poverty alleviation for the year

During the Reporting Period, the Company contributed RMB600,000 to participate in the project of "Targeted Poverty Alleviation in Guannan County" sponsored by Communications Holding. Focusing on improving the collective income of the whole village and assisting low-income families in poverty relief and development, the project carried out targeted poverty alleviation works orienting towards Jiqiao village and Penyao village of Bailu Town, Guannan County. To be specific, the new factory construction project for the small and medium enterprises park increased the local tax income and addressed employment issues for certain labor force; the project emphatically supported rural economic development by implementing the project of poverty alleviation through photovoltaic industry and establishing two agricultural machinery cooperatives. In addition, it also made practical efforts to improve the appearance of the village and enable the villagers to live conveniently by building the Jiqiao Village multi-service center and conducting administrative offices modification at Penyao Village.

3. Statistical table for targeted poverty alleviation work of the Company in 2016

Unit: Yuan

Indicator	Amount and progress
I. Overview Including: 1. Capital	600,000
II. Investment by items	
1. Poverty alleviation through industry development	The new factory construction project for the small and medium enterprises park addressed certain employment issues; the project of poverty alleviation through photovoltaic industry was implemented and two agricultural machinery cooperatives were established.
Including: 1.1 Type of poverty alleviation through industry	<input type="checkbox"/> Poverty alleviation through agriculture and forestry industries <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through technology <input checked="" type="checkbox"/> Others
2. Societal poverty alleviation	
Including: 2.1 Amount of contribution to collaborative poverty alleviation in East and West China	0
2.2 Amount of contribution to poverty alleviation works in targeted areas	600,000

(II) Social responsibility

The Board of the Company has prepared the corporate environment and social responsibility report for the year 2016 which reflects the Company's commitment to promoting sustainable economic and social development and environmental protection, and to actively undertaking its social responsibilities with integrity for the benefit of stakeholders, which includes shareholders, creditors, employees and clients. We hope that this Report will serve as a bridge of communication and interaction with all sectors of the community, and will deepen these sectors' understanding of the Company. We also hope that, with the issuance of this Report, we are subject to supervision by all parties, which will promote further improvement in the Company's service for the public, allow the Company to give back to the community and achieve harmonious developments. Please refer to the corporate environment and social responsibility report of 2016, the full text of which were published on the websites of SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.jspressway.com).

(III) Compliance with laws and regulations

During the Reporting Period, the Company has complied with the relevant laws and regulations which have material impacts on the Company.

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

I. Changes in Ordinary Share Capital

(I) Table of Changes in Ordinary Share Capital

1. Table of Changes in Ordinary Share Capital

There is no change in the total number of ordinary shares and share capital structure of the Company in the Reporting Period.

II. The Issue and Listing of Shares

(I) The Issue of Shares as at the Reporting Period

Unit: Yuan

Category of shares and their derivative securities	Issue date	Issue price (or coupon rate)	Size of issue	Listing date	Trading volume with listing approval	Expiration date of trading
Ordinary shares						
H Shares	27 June 1997	HK\$3.11	1,222,000,000	27 June 1997	1,222,000,000	
A Shares	23 December 2000	RMB4.20	150,000,000	16 January 2001	150,000,000	
Convertible corporate bonds, convertible bonds with detachable warrants and corporate bonds						
Corporate Bonds	28 July 2008	5.4%	1,100,000,000	12 August 2008	1,100,000,000	28 July 2011

Explanation on the issue of securities as at the Reporting Period (please explain separately for bonds with different interest rates within the term):

- The Company issued 1,222 million H Shares at the issue price of HK\$3.11 per share which were listed on the Stock Exchange on 27 June 1997.
- The Company issued 150 million public shares (A Shares) to domestic investors at the issue price of RMB4.20 per share. The issue of A Shares was launched from 22 December to 23 December 2000 by means of both online pricing issue and placing to investors in the secondary market. The A Shares were listed on the SSE on 16 January 2001.
- The Company's ADR scheme was effective on 23 December 2002 and such ADR Shares have since then been traded in the over-the-counter market in the United States.
- The Company implemented the share restructuring reform on 16 May 2006 under which the holders of A Shares not in circulation transferred a total of 48,000,000 A Shares to the holders of A Shares in circulation at nil consideration. As such, the number of A Shares in circulation 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 restructuring reform.

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

5. Since 16 May 2007, the Company's shares in circulation with selling restrictions have been listed and circulated in batches following the satisfaction of the conditions regarding selling restrictions and the relevant formalities. 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, 6 November 2013 and 15 January 2015, respectively. As at the end of the Reporting Period, the number of A Shares in circulation increased to 3,797,981,355 shares, representing approximately 75.39% of the Company's total share capital. The total number of shares remained unchanged as a result of the said circulation of shares.
6. The Company issued corporate bonds amounting to RMB1.1 billion via on-line and off-line channels from 28 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 its bond abbreviation being "08 Ninghu bonds" and its bond code being "122010", and the principal and the interest thereon were repaid on 28 July 2011.

III. Shareholders and De Facto Controller

(I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period (Number of holders of H shares: 439 (inclusive))	24,756
Total number of ordinary shareholders by the end of previous month before disclosure of the annual report (Number of holders of H shares: 440 (inclusive))	23,804
Total number of preference shareholders with voting rights restored as of the end of the Reporting Period	0
Total number of preference shareholders with voting rights restored by the end of last month before publication of the annual report	0



CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period

Unit: Share

Shareholdings of top ten shareholders

Name of shareholder (full name)	Change during the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of shares held subject to selling restrictions	Shares pledged or frozen Status of shares	Number	Type of shareholder
Jiangsu Communications Holding Company Limited	0	2,742,578,825	54.44	0	Nil	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Co., Ltd.	0	589,059,077	11.69	0	Nil	0	State-owned legal person
BlackRock, Inc.	26,972,142	124,380,565	2.47	0	Unknown	0	Foreign legal person
Mondrian Investment Partners Limited	-9,346,000	109,792,000	2.18	0	Unknown	0	Foreign legal person
JPMorgan Chase & Co.	-2,621,176	82,901,847	1.65	0	Unknown	0	Foreign legal person
Commonwealth Bank of Australia	3,684,217	74,896,187	1.49	0	Unknown	0	Foreign legal person
Morgan Stanley Investment Management Inc. – Morgan Stanley China A Share Fund	-14,017,300	28,692,900	0.57	0	Unknown	0	Foreign legal person
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	0	Others
Hong Kong Monetary Authority – Own funds	0	12,187,111	0.24	0	Unknown	0	Foreign legal person
Guoyuan Securities (Hong Kong) Limited – Customer fund (exchange)	9,339,702	9,339,702	0.19	0	Unknown	0	Foreign legal person

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

Shareholding of top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions in circulation	Class and number of shares	
		Class	Number
Jiangsu Communications Holding Company Limited	2,742,578,825	A shares	2,742,578,825
China Merchants Expressway Network & Technology Holdings Co., Ltd.	589,059,077	A shares	589,059,077
BlackRock, Inc.	124,380,565	H shares	124,380,565
Mondrian Investment Partners Limited	109,792,000	H shares	109,792,000
JPMorgan Chase & Co.	82,901,847	H shares	82,901,847
Commonwealth Bank of Australia	74,896,187	H shares	74,896,187
Morgan Stanley Investment Management Inc. – Morgan Stanley China A Share Fund	28,692,900	A shares	28,692,900
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	A shares	21,410,000
Hong Kong Monetary Authority – Own funds	12,187,111	A shares	12,187,111
Guoyuan Securities (Hong Kong) Limited – Customer fund (exchange)	9,339,702	A shares	9,339,702

Illustration on related/connected relationship among the abovementioned shareholders or any party acting in concert	(1)	The Company is not aware of the existence of related/connected relationship or act-in-concert arrangement with respect to the above shareholders;
	(2)	During the Reporting Period, there were no related/connected parties, strategic investors nor normal legal persons of the Company becoming the top ten shareholders of the Company because of placing of new shares;
	(3)	The number of shares of H Shareholders is per the record of registration maintained under the SFO.
Illustration on the preference shareholders with voting rights restored and the shareholding thereof	Nil	

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

The number of shares held by shareholders and their selling restrictions

Unit: Share

No.		Listing and trading status of shares with selling restrictions			Selling restrictions
		Number of shares held with selling restrictions	Date permissible for listing and trading	Number of additional shares permissible for listing and trading	
1	Other public shareholders as legal persons	17,766,145	16 May 2007	0	Note 1
	Illustration on the related/connected relationship or act-in-concert arrangement with respect to the above shareholders	Nil			

Note 1: Prior consent shall be obtained from the holders of the shares not in circulation who have advanced the consideration on behalf of them and that the consideration so advanced shall be repaid by the relevant holders of the shares not in circulation. For repayment, the relevant shareholders may opt to pay for the number of shares being advanced or to pay in cash in an amount equivalent to the average closing price of the five trading days following the implementation date of the share restructuring of the Company as the consideration for such shares. Application for the listing status of such shares will then be submitted by the Company to the stock exchanges.

As at 31 December 2016, 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 SFO:

Number of A shares

Name of shareholder	Capacity	Number of A Shares	Percentage of A Shares (the entire share capital)
Jiangsu Communications Holding Company Limited	Others	2,742,578,825 (L)	71.88% (54.44%) (L)
China Merchants Expressway Network & Technology Holdings Co., Ltd. ⁽¹⁾	Others	589,059,077 (L)	15.44% (11.69%) (L)

Number of H Shares

Name of shareholder	Capacity	Number of H Shares	Percentage of H Shares (the entire share capital)
BlackRock, Inc.	Interest of controlled corporation ⁽²⁾	124,380,565 (L)	10.18%(2.47%) (L)
Mondrian Investment Partners Limited	Investment manager	109,792,000 (L)	8.98%(2.18%) (L)
JPMorgan Chase & Co.	Beneficial owner/investment manager/custodian corporation/approved lending agent ⁽³⁾	82,901,847 (L)	6.78%(1.65%) (L)
		314,530 (S)	0.03%(0.01%) (S)
		70,500,352 (P)	5.77%(1.40%) (P)
Commonwealth Bank of Australia	Interest of controlled corporation	74,896,187 (L)	6.13%(1.49%) (L)

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

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

- (1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interests in its subsidiary, China Merchants Expressway Network.
- (2) BlackRock, Inc. was deemed to hold a total of 124,380,565 H Shares (long position) of the Company, of which 240,000 H Shares were held through cash settled derivatives (off exchange), by virtue of its control over numerous corporations, which were indirectly wholly-owned by BlackRock, Inc., except for the following:
 - (a) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc.. BR Jersey International Holdings L.P. held interest in the Company through the following indirectly wholly-owned corporations:
 - (i) BlackRock Japan Co. Ltd. held 1,198,000 H Shares (long positions) of the Company.
 - (ii) BlackRock Asset Management Canada Limited held 1,114,000 H Shares (long positions) of the Company.
 - (iii) BlackRock Investment Management (Australia)Limited held 176,000 H Shares (long positions) of the Company.
 - (iv) BlackRock Asset Management North Asia Limited held 638,833 H Shares (long positions) of the Company.
 - (v) BlackRock Investment Management (Korea)Limited held 312,000 H Shares (long positions) of the Company.
 - (vi) BlackRock (Singapore)Limited held 38,000 H Shares (long positions) of the Company.
 - (b) BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (please refer to note 2(a) above). BlackRock Group Limited held interest in the Company through the following directly or indirectly wholly-owned corporations:
 - (i) BlackRock (Netherlands)B.V. held 300,000 H Shares (long positions) of the Company.
 - (ii) BlackRock Advisors (UK)Limited held 7,630,765 H Shares (long positions) of the Company.
 - (iii) BlackRock International Limited held 282,000 H Shares (long positions) of the Company.
 - (iv) BlackRock Asset Management Ireland Limited held 11,117,865 H Shares (long positions) of the Company.
 - (v) BLACKROCK (Luxembourg)S.A. held 14,806,000H Shares (long positions) of the Company.
 - (vi) BlackRock Fund Managers Limited held 3,384,000 H Shares (long positions) of the Company.
 - (vii) BlackRock Life Limited held 30,000 H Shares (long positions) of the Company.
 - (viii) BlackRock Asset Management (Schweiz)AG held 6,000 H Shares (long positions) of the Company.

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

- (3) JPMorgan Chase & Co. was deemed to hold a total of 82,901,847 H Shares (long position) of the Company, of which 86,530 H Shares were held through physically settled derivatives (off exchange); 20,000 H Shares were held through cash settled derivatives (off exchange), and 314,530 H Shares (short positions), of which 86,530 H Shares were held through physically settled derivatives (off exchange); 228,000 H Shares were held through cash settled derivatives (off exchange). JPMorgan Chase & Co. held the interest in the following capacities:

Capacity	Number of shares (long positions)	Number of shares (short positions)	Number of shares (lending pool)
Beneficial owner	3,797,495	314,530	–
Investment manager	8,604,000	–	–
Custodian corporation/approved lending agent	70,500,352	–	70,500,352

Save as disclosed above, to the best of the Company's knowledge, as at 31 December 2016, there was no person required to make disclosure under the SFO.

IV. Controlling Shareholders and De Facto Controller

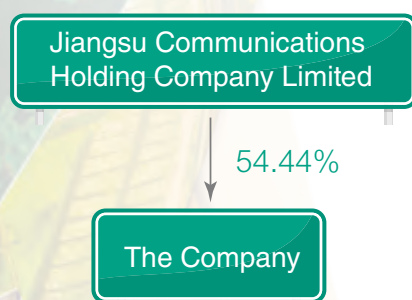
(I) Controlling Shareholders

- 1 Legal person

Name	Jiangsu Communications Holding Company Limited
Representative or legal representative	Cai Renjie (蔡任杰)
Date of establishment	15 September 2000
Principal business	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.
Equity interests in other domestically and overseas listed companies which were controlled or invested by the Controlling Shareholder during the Reporting Period	There was no change in the controlling or shareholding interests of the Controlling Shareholder in other domestically and overseas listed companies during the Reporting Period.

Other explanations

- 2 Diagram of the ownership and controlling relationship between the Company and the Controlling Shareholder



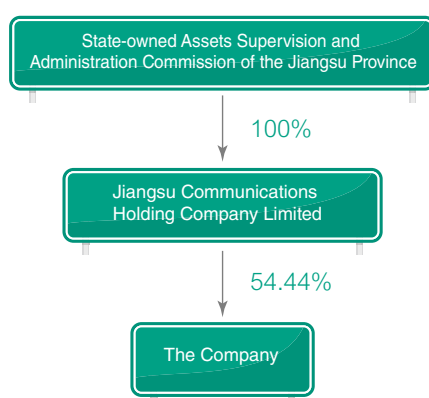
CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

(II) The de facto controller of the Company

1 Legal person

Name	State-owned Asset Supervision and Administration Commission of the Jiangsu Government
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2 Diagram of the ownership and controlling relationship between the Company and the de facto controller



V. Other Legal Person Shareholders with 10% or Above Shareholding

Unit: Yuan Currency: RMB

Name of legal person shareholder	Representative or legal representative	Date of establishment	Organization code	Registered capital	Principal businesses or management activities etc.
China Merchants Expressway Network & Technology Holdings Co., Ltd.	Deng Renjie (鄧仁傑)	18 December 1993	91110000101717000C	5,623,378,633	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 and the sales of products; the sales of building materials, electrical and mechanical and equipment, automobile and auto accessories, metals and electronics and groceries; economic information consultation and personnel training (the projects shall be approved under the law and approvals shall be obtained from relevant authorities before commencement of operation).
Explanation	Nil				

CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

VI. Others

1. Purchase, sale and redemption of Shares of the Company

During the Reporting Period, there was no purchase, sale or redemption of the shares of the Company or its subsidiaries by the Company or any of its subsidiaries; nor was there any person who exercised the conversion rights or subscription rights over 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 compliance with 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 shares of the Company as at 27 March 2017 (being the latest practicable date prior to the publication of this report) complied with the requirements of the Hong Kong Listing Rules.

4. Shareholders' waiver or agreement on dividend arrangement

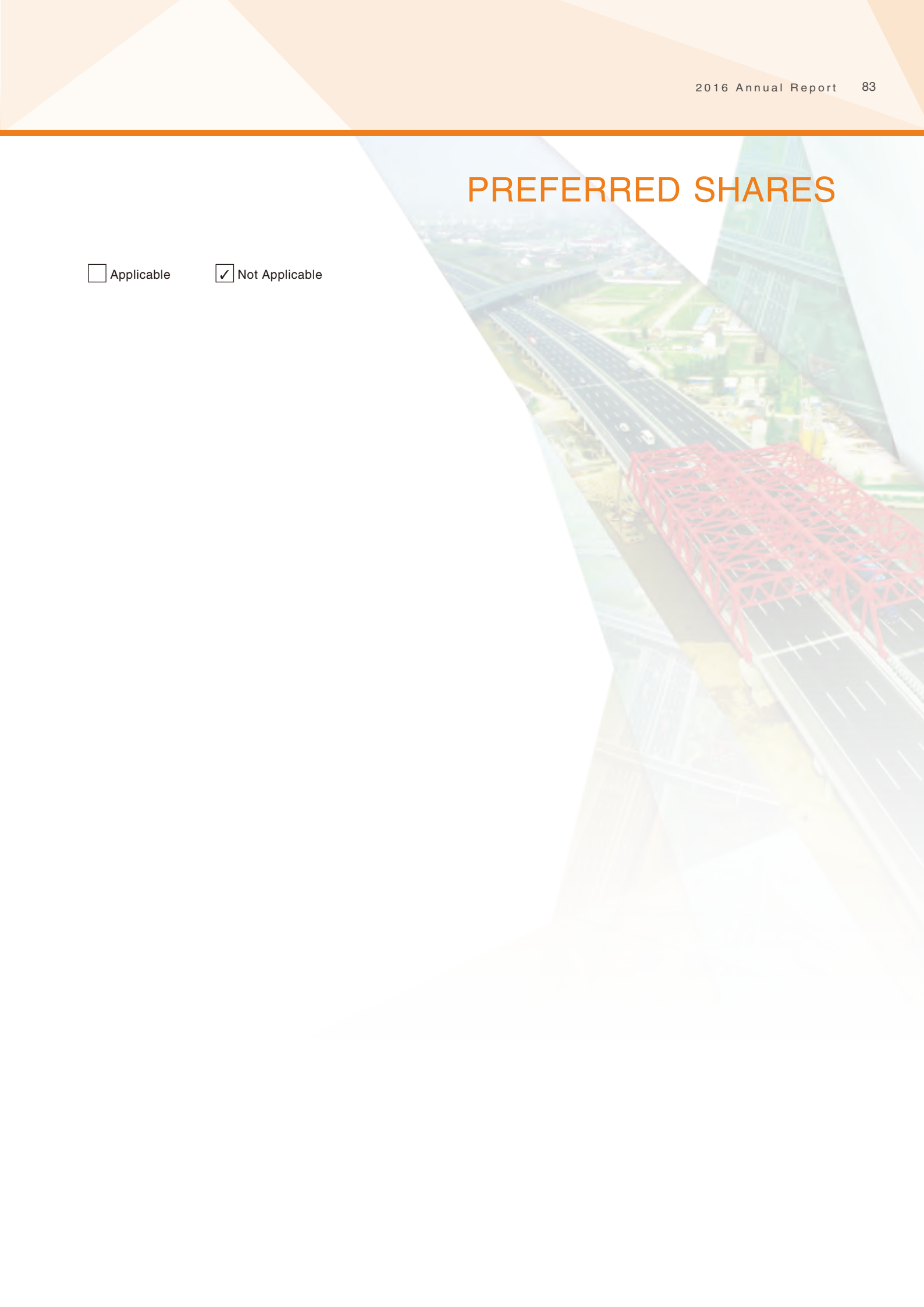
During the Reporting Period, there had been no arrangement on waiver of any dividend by the shareholders.



PREFERRED SHARES

Applicable

Not Applicable







*DIRECTORS, SUPERVISORS,
SENIOR MANAGEMENT
AND STAFF*

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. Changes in Shareholdings and Remunerations

(I) Changes in shareholdings held by Directors, supervisors and senior management who were in office or have resigned during the Reporting Period and their remunerations

Applicable Not applicable

Unit: Shares

Name	Position (Note)	Gender	Age	Date of appointment	Date of termination of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Reasons for the change	Total remuneration received from the Company during the Reporting Period (before tax) (RMB)	Whether received remuneration from the related parties of the Company
In office											
Chang Qing	Chairman of the Board	M	54	2016.02	2018	0	0	0	Nil	-	Yes
Gu De Jun	Executive Director, general manager	M	54	2016.10	2018	0	0	0	Nil	216,265	No
Du Wen Yi	Non-executive Director	M	54	2015.06	2018	0	0	0	Nil	-	Yes
Shang Hong	Executive Director, Deputy general manager	F	54	2013.11	2018	0	0	0	Nil	530,767	No
Wu Xin Hua	Non-executive Director	M	50	2016.10	2018	0	0	0	Nil	-	No
Hu Yu	Non-executive Director	F	42	2015.06	2018	0	0	0	Nil	-	No
Ma Chung Lai, Lawrence	Non-executive Director	M	63	2015.06	2018	0	0	0	Nil	343,029	No
Zhang Er Zhen	Independent non-executive Director	M	64	2015.06	2018	0	0	0	Nil	107,895	No
Zhang Zhu Ting	Independent non-executive Director	M	54	2015.06	2018	0	0	0	Nil	107,895	No
Chen Liang	Independent non-executive Director	M	52	2015.06	2018	0	0	0	Nil	107,895	No
Lin Hui	Independent non-executive Director	M	45	2016.06	2018	0	0	0	Nil	53,947	No
Chen Xiang Hui	Chairman of the Supervisory Committee	M	54	2016.02	2018	0	0	0	Nil	-	Yes
Pan Ye	Supervisor	M	29	2016.02	2018	0	0	0	Nil	-	No
Wang Ya Ping	Supervisor	F	54	2015.06	2018	0	0	0	Nil	415,985	No
Shao Li	Supervisor	F	39	2015.06	2018	0	0	0	Nil	442,007	No
Ren Zhuo Hua	Supervisor	F	45	2016.02	2018	0	0	0	Nil	374,291	No
Yao Yong jia	Deputy general manager, Secretary to the Board and Company Secretary in Hong Kong	M	53	2015.08	2018.08	0	0	0	Nil	522,377	No

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position (Note)	Gender	Age	Date of appointment	Date of termination of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Reasons for the change	Total remuneration received from the Company during the Reporting Period (before tax) (RMB)	Whether received remuneration from the related parties of the Company
Zhou Chong Ming	Secretary to the disciplinary committee of the Communist Party	M	44	2015.10	2018.10	0	0	0	Nil	499,175	No
Li Jie	Deputy general manager	M	47	2014.08	2017.08	0	0	0	Nil	508,040	No
Yu Lan Ying	Deputy general manager, Financial controller	F	46	2015.12	2018.12	0	0	0	Nil	491,787	No
Wang Hong Wei	Deputy general manager	M	54	2015.12	2018.12	0	0	0	Nil	475,647	No
Resigned											
Qian Yong Xiang	Executive Director, general manager	M	53	2015.06	2016.08	0	0	0	Nil	288,453	No
Zhang Yang	Non-executive Director	F	53	2015.06	2016.08	0	0	0	Nil	-	No
Ge Yang	Independent non-executive Director	M	55	2015.06	2016.06	0	0	0	Nil	53,947	No
Tian Ya fei	Deputy general manager	M	51	2015.08	2016.09	0	0	0	Nil	390,915	No
Total	/	/	/	/	/	/	/	/	/	5,930,317	/

Notes:

- During the Reporting Period, none of the Directors, Supervisors and members of senior management of the Company (including their spouse or children and their 30%-controlled company or trust) held any shares, shares options of the Company or was granted with restricted shares.
- There was no related/connected relationship among the Directors and members of senior management of the Company (including the relationship set out in paragraph 12 of Appendix 16 to the Hong Kong Listing Rules).
- 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 had any arrangement on the waiver of or the agreement to waive any remuneration. The remuneration of the senior management has included the emolument, performance bonus, post-employment benefits paid by the Company on their behalf and other benefits.
- Other benefits include housing provident fund, non-monetary benefits, social medical insurance fund, work injury insurance, maternity insurance assumed by the Company.
- Post-employment benefits include annuities, social endowment insurance, unemployment insurance borne by the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies
Chang Qing	<p>Chairman of the Board, a non-executive Director and the convener of the Strategy Committee, born in 1963, with university education and a Bachelor's degree, senior engineer. 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 general manager of Communications Holding 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. Chang resigned as the chairman of the supervisory committee and Supervisor of the Company on 29 December 2015 but due to a lack of quorum he continued to perform the duties. He has been elected as a Director at an Extraordinary General Meeting of the Company held on 25 February 2016 and as the Chairman of the eighth session of the Board at the fifth meeting of the eighth session of the Board of directors. Mr. Chang has ceased to serve as the chairman of Supervisory Committee and Supervisor since 25 February 2016.</p>
Gu De Jun	<p>Executive Director, general manager and a member of the Strategy Committee, born in 1963, holds a master degree from the Central Party School of the Communist Party of China and a bachelor's degree, and is a professor grade senior engineer. Mr. Gu joined the Group in 2016 and is currently serving as the General Manager and the secretary of the Communist Party Committee of the Company. He served as the deputy head of Huaiyin Communications Planning and Design Institute, the deputy chief engineer of the Jiangsu Provincial Communications Engineering Company (江蘇省交通工程總公司), the deputy director in the first construction division of the command department of expressway construction projects of Jiangsu Province (江蘇省高速公路建設指揮部工程一處), the director of the administration department of Ninglian Ningtong expressway of Jiangsu Province (江蘇省寧連寧通公路管理處), the head and the secretary of the Communist Party Committee of the operation and management center of Jiangsu Expressway (江蘇省高速公路經營管理中心). He has received a number of provincial Science and Technology Awards (Grades I, II and III). Mr. Gu has long been engaged in strategic research, construction and operation management in the transportation industry and has rich experience in enterprise management and operation.</p>
Du Wen Yi	<p>Non-executive Director and a member of the Audit Committee, born in 1963, with an undergraduate degree, 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 Communications Holding since 2000, and had been director, 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 Jinghu Company since 2004, and became Head of the Finance and Auditing Section of Communications Holding in November 2007. Currently, Mr. Du is the Deputy Chief Accountant of Communications Holding. Mr. Du has long been engaged in transportation management and financial management 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.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies
Shang Hong	Executive Director, deputy general manager and a member of the Strategy Committee, 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 Company; deputy manager and manager of the Investment and Development Department of the Company and assistant to general manager. She is currently executive Director and deputy general manager of the Company. Ms. Shang has long been engaged in engineering management, investment analysis and project management.
Wu Xin Hua	Non-executive Director, a member of the Nomination Committee and the Remuneration and Appraisal Committee, born in February 1967, holds a bachelor's degree from the Renmin University of China. Mr. Wu has served as a Director of the Company since 2016 and is currently serving as the deputy general manager of China Merchants Expressway Network, the vice president of Expressway Operations Management Branch of China Highway and Transportation Society (中國公路學會高速公路運營管理分會) and the director of National Highway Network Information Technology Co. Ltd. (國高網路宇信息技術有限公司) and the vice chairman of Fujian Expressway Development Co. Ltd. (福建發展高速公路股份有限公司). Mr. Wu served as a manager of the securities department of Shekou Industrial Zone Southern Glass Holding Co., Ltd. (蛇口工業區南方玻璃股份有限公司證券部), the general manager of the southern management headquarter of Shangdong Securities Co. Ltd. (山東證券有限責任公司南方管理總部), and as an executive director of the investment banking department of China Merchants Securities Co., Ltd. (招商證券股份有限公司投資銀行部). After his entry into China Merchants Expressway Network in 2007, he served as the deputy chairman and the director of Sichuan Expressway Company Limited, Anhui Expressway Company Limited, Jiangsu Yangtze Bridge Co., Ltd. and Jiangsu Guangjing Xicheng Expressway Company Limited.
Hu Yu	Non-executive Director and a member of the Nomination Committee and the Remuneration and Appraisal Committee, born in 1975, Ms. Hu obtained a master's degree in business administration management and is an Accountant of Intermediate Level. She is currently taking a position in China Merchants Expressway Network and a supervisor of Huabei Expressway Company Limited. She has successively served as accountant of Beijing City Development Group, finance manager of the Beijing Branch Office of Shanghai Mitsubishi Elevator Co., Ltd., manager of finance department of China Merchants Corp., supervisor of Guangxi Wuzhou Communications Co., Ltd., director of Sichuan Expressway Co., Ltd. Ms. Hu has long been engaged in financial management and has extensive experience in financial management and transportation management. She has been a Director of the Company since 23 June 2015.
Ma Chung Lai, Lawrence	Non-executive Director and a member of the Strategy Committee, born in 1954, with a bachelor degree from the University of London, the United Kingdom majoring in biochemical engineering, Mr. Ma participated in the Election Committee Subsector Elections of the Chief Executive of the Hong Kong Special Administrative Region, was successively a committee member of the Ninth Session (with special invitation from Hong Kong and Macau), a standing committee member of the Tenth Session and now serves as a standing committee as well as convener of the Eleventh Session of the Jiangsu Provincial Committee of the Chinese Political Consultative Conference, a director of China Overseas Friendship Association (中華海外聯誼會理事). He served as a committee member (first session), the executive commissioner (second session) of All-China Federation of Industry & Commerce (中華全國工商業聯合會), and the deputy chairman of Jiangsu Overseas Friendship Association. He was elected as the deputy chairman of the Chinese General Chamber of Commerce (香港中華總商會) in 2014, reappointed as the chairman of Jiangsu Residents (HK) Association (江蘇旅港同鄉聯合會) in 2015, honorary chairman of Federation of Hong Kong Jiangsu Youth (香港江蘇青年總會), honorary chairman of Macau Jiangsu Friendship Association (澳門江蘇聯誼會) and deputy chairman of Hong Kong Petroleum, Chemicals and Pharmaceutical Materials Merchants Association Limited (香港石油化工醫藥同業商會). He had served as an independent director of Nanjing Panda Electronic Company Limited (Stock Code: 553) for four years, and is currently the general manager of Hong Kong Taching Petroleum Co., Ltd. (大慶石油有限公司) and the vice president of Wing Hing Enterprise Company (永興企業公司). Mr. Ma has been a Director of the Company since 23 June 2015.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies
<p>Zhang Er Zhen</p>	<p>Independent non-executive Director, a 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 to the Communist 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 non-executive Director of the Company since 19 June 2012.</p>
<p>Zhang Zhu Ting</p>	<p>Independent non-executive Director, a member of the Nomination Committee and the Remuneration and Appraisal Committee, a professor born in 1963, Mr. Zhang is currently a professor at the Transport Management Institute of the Ministry of Transport (交通運輸部管理幹部學院), an expert of the legal advisory committee of the Ministry of Transport (交通運輸部), a committee member of the news and advertising expert committee of Ministry of Transport, a committee member of legal expert committee of the Transport and Enterprise Association of the PRC (中國交通企業協會), a committee member of the legal expert committee of the Beijing People's Government (北京市人民政府法律專家委員), a consultant of the public safety centre in Tsinghua University and a part-time professor in Beijing Jiaotong University. Mr. Zhang was awarded provincial and ministerial scientific and technological improvement awards (second and third awards) and construction consultant awards for a number of times. Mr. Zhang participated in and handled many national material events, presented many dissertations, publications, took charge of provincial and ministerial significant researches, and is an advanced worker in terms of the national transportation system. Mr. Zhang has been an Independent non-executive Director of the Company since 23 June 2015.</p>
<p>Chen Liang</p>	<p>Independent non-executive Director, the convener of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee, a professor and a postgraduate tutor born in 1965, Mr. Chen is currently a professor of accounting studies, and a postgraduate tutor of Nanjing University of Finance & Economics (南京財經大學). He is also the standing director, deputy secretary-general of the Accounting Society of Jiangsu Province, and the deputy chairman of each of Jiangsu Commercial Accounting Society and Jiangsu Food and Accounting Society. Mr. Chen obtained a bachelor degree of accounting in Nanjing University of Finance & Economics in 1985 and a master degree of accounting in Zhongnan University of Economics and Law (中南財經大學) in 1990. He then served as the director of School of Accounting for Financial Management, the deputy dean for the school of accounting in the school of accounting of Nanjing University of Finance & Economics. He engaged in teaching and research on management accounting and other relevant subjects as well as and social services. With the accumulation of professional experience and results, he becomes a senior accounting expert with extensive management experience in accounting theory and practice. Mr. Chen has been an Independent non-executive Director of the Company since 23 June 2015.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies
Lin Hui	<p>Independent non-executive Director, a member of the Nomination Committee and a convener of the Remuneration and Appraisal Committee, born in 1972, the holder of a doctorate degree in administration and a post doctor of Institute of Economics of The Chinese Academy of Social Sciences, is currently serving as the Dean, a professor and a doctoral tutor of Department of Finance and Insurance of School of Business at Nanjing University. His main research direction: asset pricing, financial engineering and risk management. He successively chaired and participated in over a total of 10 projects including the projects of the National Natural Science Foundation, National Social Sciences Foundation, Humanities and Social Sciences Research Foundation of the Ministry of Education and China Post-Doctoral Foundation, and published more than 30 academic essays on authoritative journals in the country and oversea. He also serves as an independent director of Jiangsu Hiteker High-Tech Co., Ltd. Mr. Lin has long been engaged in the research of financial field, and is a senior expert with extensive financial experiences.</p>
Chen Xiang Hui	<p>Chairman of the Supervisory Committee, born in 1963, with a Bachelor degree of Engineering and a Master of Business Administration, post-graduate grade Senior Engineer, being granted special government subsidies. 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 administration department of Ninglian Ningtong expressway of Jiangsu Province and general manager of the Company. Mr. Chen is currently the director and deputy general manager of Communications Holding. He is the deputy general secretary of the Expressway Operations Management Association of China Highway and Transportation Society and Jiangsu Highway and Transportation Society. He has been a Director since 9 April 2001. He resigned from his position as a Director of the Company on 29 December 2015 with effect immediately thereafter. Mr. Chen has been elected as the Company's Supervisor at an extraordinary general meeting of the Company and as Chairman of the eighth session of Supervisory Committee at the fifth meeting of the eighth session of Supervisory Committee of the Company held on 25 February 2016.</p>
Pan Ye	<p>Supervisor, born in 1988, obtained a master's degree of business administration from Northwestern Polytechnic University. He has served as a supervisor of the Company since 2016 and currently serves as the project manager in Enterprise Management Department of China Merchants Expressway Network. He once worked in China Life Insurance Beijing Branch, Beijing Tianyi Fangyuan Management Consulting Ltd. (北京天弈方圓管理顧問有限公司) and Beijing Xinyuan Shengganggou Group (北京鑫源盛鋼構集團).</p>
Wang Ya Ping	<p>Employee Supervisor, born in 1963, and has obtained a bachelor's degree. She served the People's Liberation Army Air Force from September 1979 to October 2000. In late 2000, when she was a cadre at regiment level, she retired from the army and joined the Company. She has served as the officer, supervisor and deputy manager of the Labour Union Department of the Company, president of the labour union, and chief officer of the female staff committee of the labour union of the Company. She is currently the chief officer of the Party's Public Relationship Department and the vice-president of the labour union of the Company. Ms. Wang has extensive experience in the industry, solid knowledge in and practical management on the works in relation to the labour union and the Party. Ms. Wang has served as the Supervisor of the Company since 23 June 2015.</p>



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Biographies
Shao Li	Supervisor, 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 resources management and possesses extensive experience in human resources management. She has been a Supervisor of the Company since 24 March 2008.
Ren Zhuo Hua	Supervisor, born in 1972, with a bachelor's degree, Ms. Ren is a senior accountant. She joined the Company in August 1994, and served as an accountant of the Construction Command Department of Jiangsu Expressway (江蘇省高速公路建設指揮部) and the Finance Director of Expansion and Construction Command Department of Jiangsu Shanghai-Nanjing Expressway (江蘇滬寧高速公路擴建工程指揮部), an officer of the Finance Department of operation and development company (經營發展公司財務部) of the Company and an assistant to the manager of the Finance and Accounting Department of the Company. She currently serves as the Manager of the Finance and Accounting Department of the Company. Ms. Ren has been engaging in finance and management since she started working, and she is a professional with extensive experience.
Yao Yong jia	Deputy general manager, secretary to the Board and Hong Kong company secretary, born in 1964, holder of a master degree in project management and a senior engineer. Mr. Yao joined the Company in August 1992. He was an assistant engineer of the Jiangsu Provincial Communications Planning and Design Institute, deputy section chief of the Jiangsu Expressways Command Office and the head of the securities department, as well as director of the secretariat to the Board of the Company. Mr. Yao has been engaging in project management, investment analysis, financing and securities since he started working. Mr. Yao has accumulated extensive professional experience.
Zhou Chong Ming	Secretary to the disciplinary committee of the Communist Party, born in November 1973, joined the Communist Party in August 2005, Master of Business Administration, economist. Mr. Zhou joined the Group in 2015. Mr. Zhou has been the office director of the Administration Commission of Jiangsu Suqian Economic and Technological Development Zone and the director of operational department of Jiangsu NSX Network Expressway Co., Ltd. and successively appointed as the manager of General Affairs Department, Secretary to the disciplinary committee of the Communist Party and president of the labour union of Ninghang Company. He currently serves as a secretary to the disciplinary committee of the Communist Party of the Company with rich operation and management experience.
Li Jie	Deputy 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

Name	Biographies
Yu Lan Ying	Deputy general manager and 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 Communications Holding. 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.
Wang Hong Wei	Deputy general manager, born in 1963, university graduate, post-graduate grade senior engineer. Mr. Wang currently serves as the assistant to general manager and manager of the Operation Management Department of the Company. Since 1996, he was a head of the Engineering Department, deputy manager and manager of the Operation Management Department of the Company. Since he started working, Mr. Wang has been engaged in expressway engineering and operation management with rich and professional experience in the operation and management of expressway engineering.

Explanation for other conditions:

The Company held a general meeting on 2 June 2016, electing Lin Hui as an independent non-executive Director, the first Extraordinary General Meeting on 25 February 2016, electing Mr. Chang Qing as a non-executive Director and Ms. Shang Hong as an executive Director and the second Extraordinary General Meeting on 27 October 2016, electing Mr. Gu De Jun as an executive Director and Mr. Wu Xin Hua as a non-executive Director.

(II) Share Incentive Scheme Granted to Directors, Supervisors and Senior Management During the Reporting Period

Applicable Not applicable

II. Positions of Current and Resigned Directors, Supervisors and Members of Senior Management of the Company during the Reporting Period

(I) Positions in entities as shareholders

Applicable Not applicable

Name of employee	Name of entities concerned	Position in the entities concerned	Date of appointment	Date of termination of appointment
Chang Qing	Jiangsu Communications Holding Company Limited	General manager	11 July 2014	
Chen Xiang Hui	Jiangsu Communications Holding Company Limited	Deputy general manager	1 May 2003	
Du Wen Yi	Jiangsu Communications Holding Company Limited	Deputy chief accountant	1 November 2007	
Wu Xin Hua	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Deputy general manager	30 March 2007	
Hu Yu	China Merchants Expressway Network & Technology Holdings Co., Ltd.	General manager of finance department	3 May 2010	
Pan Ye	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Project manager of capital operation department	8 October 2015	

Explanations of positions in entities as shareholders Not applicable

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Positions in other entities

Applicable Not applicable

Name of employee	Name of other entities	Position in other entities	Date of appointment	Date of termination of appointment
Wu Xin Hua	Zhongyuan Expressway Company Limited	Director	November 2009	
	Fujian Expressway Development Co. Ltd.	Vice chairman	May 2016	May 2019
Hu Yu Ma Chung Lai, Lawrence	Huabei Expressway Co., Ltd.	Supervisor	24 February 2014	23 February 2017
	Hong Kong Taching Petroleum Co., Ltd.	General manager		
Chen Liang	Wing Hing Enterprise Company	Vice president	July 2010	
	Jiangsu JieJie Microelectronics Co., Ltd.	Independent director	August 2014	
	Suzhou Pant Piezoelectric Tech Co., Ltd.	Independent director	November 2014	
Lin Hui	Nantong Haixing Electronic Limited Liability Company	Independent director	December 2010	
	Jiangsu Hiteker High-Tech Co., Ltd.	Independent director	August 2016	August 2019
	Jiangsu Sunrain Solar Energy Co., Ltd. (日出東方太陽能股份有限公司)	Independent director	December 2016	December 2019
	China Design Group Co., Ltd. (中設設計集團股份有限公司)	Independent director		
Explanations for positions in other entities		Not applicable		



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. Remuneration of Directors, Supervisors and Senior Management

<p>The decision-making procedures for the remunerations of Director, Supervisors and senior management</p>	<p>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 an agreement with a Director who receives remuneration from the Company, under which the remuneration is paid annually.</p>
<p>Basis for the determination of remunerations of Directors, Supervisors and members of senior management of the Company</p>	<p>One non-executive Director and four independent Directors engaged by the Company received Directors' fees from the Company. Their fee levels were set with reference to the average fee levels in Hong Kong and the PRC.</p>
<p>Remunerations actually paid to Directors, Supervisors and members of senior management of the Company</p>	<ol style="list-style-type: none"> 1. In 2016, the fee paid to one non-executive Director in Hong Kong amounted to 343,029 (before tax); the fee for each of the three independent Directors in the PRC was RMB107,895 per person (before tax); the fee for each of the other two independent Directors in the PRC was RMB53,947 per person (before tax). In the election of a new session of the Board of the Company at the 2015 annual general meeting of the Company held on 2 June 2016, an independent non-executive Director was newly elected, as one former independent non-executive Director had resigned as Director of the Company; therefore, the emolument for each of these two independent non-executive Directors in 2016 was 53,947 (before tax). 2. Four non-executive Directors and three Supervisors assigned by the shareholders' entities received fee therefrom. The Company no longer determined or paid fees to such Directors or Supervisors separately. 3. Two executive Directors and two Supervisors from staff representatives who took up management duties in the Company received management remunerations in line with their respective management positions. The Company no longer determined or paid fees to such Directors or Supervisors separately. 4. The senior management of the Company includes various deputy general managers, assistants to general managers and the financial controller. They received their management remunerations in line with their respective positions. Their total remuneration comprised three parts namely salary, performance bonus, as well as the Company's contribution to their pension scheme and other benefits.
<p>Total remunerations actually received by all Directors, Supervisors and members of senior management of the Company at the end of the Reporting Period</p>	<p>5,930,317</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. Changes of Directors, Supervisors, and Senior Management of the Company

Name	Position held	Change	Reasons for change
Chang Qing	Non-executive Director, Chairman	Elected	Elected at general meeting
Gu De Jun	Executive Director, general manager	Elected	Elected at general meeting
Shang Hong	Executive Director, deputy general manager	Elected	Elected at general meeting
Wu Xin Hua	Non-executive Director	Elected	Elected at general meeting
Lin Hui	Independent non-executive Director	Elected	Elected at general meeting
Qian Yong Xiang	Executive Director, general manager	Resigned	Other business engagement
Zhang Yang	Non-executive Director	Resigned	Other business engagement
Ge Yang	Independent non-executive Director	Resigned	Other business engagement
Tian Ya Fei	Deputy general manager	Resigned	Other business engagement

V. Staff of the Parent and Major Subsidiaries

(I) Staff

Number of working staff in the parent company	3,701
Number of working staff in the major subsidiaries	1,940
Total number of working staff	5,641
Number of retired staff for whom the parent company and the major subsidiaries need to bear certain expenses	335

Composition of Functional Competency

Type of functional competency	Number of professionals
Production staff	4,901
Sales staff	0
Technicians	0
Finance and accounting staff	117
Administrative staff	623
Total	5,641

Education level

Type of education level	Number (person)
University or above	1,441
Tertiary	1,984
Secondary/vocational schools or below	2,216
Total	5,641

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Remuneration Policy

Focusing on the construction and operation of roads and bridges, the Company adopted a position-based salary system with primary reference to performance and set up a fair and sound promotion system and wage standard for the employees. Adhering to the principle of “salary by position, award by performance”, the Company continuously optimized the employees’ remuneration and performance appraisal system to enhance the competitiveness of the staff. In 2016, the Company focused on its principal businesses and optimized personnel allocation; and by further deepening the reform of remuneration system and allocating the staff to participate in management and motivating them to work actively, the Company launched the broad band salary system at Suzhou management office on a trial basis. During the Reporting Period, the total remuneration for the employees amounted to RMB840,201,018.

Focusing on the strategic target and business target of the year, the Company carried out appraisal in strict accordance with the management measures on appraisal of performance and its implementation rules. By means of multidimensional assessments such as qualitative and quantitative assessment and self-assessment and assessment by others, the Company regularly conducted objective appraisals on the staff performance. In 2016, the Company encouraged staff to enrich themselves on their positions and fostered skillful professionals of different positions by means of the rating of “star” toll collectors and the certification of maintenance and hindrance clearance workers, etc. During the year, the Company selected 162 outstanding staff, exemplary toll collection staff and exemplary service staff and 18 outstanding teams, granted rewards in a timely manner and publicized their outstanding deeds among staff. Through setting up paragons and promoting meritorious deeds, the Company further motivated the passion of staff.

As for remuneration for the Directors, the Remuneration and Appraisal Committee of the Company prepares a remuneration package proposal for non-executive Directors and independent Directors on behalf of the Board, based on the relevant rules of the domestic and overseas securities regulators, taking into account the average fee levels in different markets and the actual circumstances of the Company. The committee proposes the remuneration package to the Board to be considered and approved at the general meeting of the Company. The Company enters into an agreement with the Directors who receive fee from the Company annually.

(III) Training Programme

Staff and talents are the foundation of corporate development. By strengthening staff education and trainings, the Company cultivates a corporate culture of team cooperation and continuous learning, through which employees are encouraged to enhance their own work capabilities and competitiveness in realization of the added value on human resources. Total expenses incurred for the training programs during the Reporting Period amounted to approximately RMB2,888,000 (2015: RMB2,717,000). The programs were participated by 20,808 staff of various levels, from junior front-line staff to senior management members.

During the Reporting Period, the Company purchased for the first time 10 packages of the key comprehensive management courses for the next three years through open tender after competitive negotiation. Insisting on the principle of conducting training programs in different levels, the second level units organized and carried out activities such as enhancement of comprehensive ability of middle management, continuing education for newly promoted cadre, continuing safety education for the management and team leaders, pre-job trainings for reallocated employees, based on their respective locations, levels and professions. Especially, the Ninghu Lecture (《寧滬講堂》) enabled more employees to participate in the learning process by leveraging on the qualification of external experts and the work experience shared by the staff of the Company.

During the Reporting Period, the Company further strengthened management of human resources and pushed forward the strategy of developing the enterprise by talents. Through selecting and recruiting comprehensive talents in line with the development needs of the Company, the Company further enriched the talents pool of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. Others

1. Directors' and Supervisors' contracts

Apart from entering into service contracts with the executive Directors, the Company has also entered into appointment letters with each of the other Directors and Supervisors. The content of these contracts was primarily the same in all material respects. The term of these contracts commenced from the date of the 2015 annual general meeting or the appointment date until the date of the 2017 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, whose service contracts remained unexpired, intended to be re-elected in the next annual general meeting.

2. Interests of Directors and Supervisors in contracts

There was no transactions, arrangement or contracts of significance to the Company in which any Directors or Supervisors or any entity connected with a Director or a Supervisor is or was, either directly or indirectly, materially interested nor any transaction, arrangement or contract of the Company in which a Director, directly or indirectly, has material interests.

3. Representation and undertaking of Directors, Supervisors and members of senior management of the Company

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 members of senior management of the Company

During the Reporting Period, the Company did not directly or indirectly grant any loan or quasi-loan or loan guarantee to the Directors, Supervisors, members of senior management or their respective related parties/connected persons or its employees; nor did any subsidiaries of the Company lend any loan or quasi-loan to their employees; nor did the Group enter into any credit transaction for its employees in the capacity of a creditor.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

5. Model code for Securities Transactions by Directors

After the Company has made enquiries with all the Directors and Supervisors, the Directors and Supervisors 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 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 this code in carrying out securities transactions.

6. Dealings in securities by Directors, Supervisors and members of senior management of the Company

During the Reporting Period, there was no record showing that any Directors, Supervisors, chief executive, key senior management of the Company or any of their respective related parties/connected persons held any interests in the registered capital of the Company and its subsidiaries or associated corporations being subject to disclosure under the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

During the year, the Company and its subsidiaries and joint ventures did not grant to any of the Directors, Supervisors, members of senior management or any of their respective related parties/connected persons (including their spouses and children under 18 years of age) any rights to subscribe for the equity or debenture of the Company, its subsidiaries or its joint ventures so as to acquire interests.

7. Training of Directors, Supervisors and members of senior management of the Company

To promote the concept of governance of the Directors, Supervisors and members of senior management, the secretary to the Board of the Company paid continuing attention to the governance requirements of securities regulatory authorities and timely relayed such requirements to the Directors, Supervisors and members of senior management. Meanwhile, the secretary to the Board also arranged the relevant Directors, Supervisors and members of senior management to participate in seminars and training programmes, including telephone video conferences held by the CSRC and specific training programmes held by the local securities regulatory bureau, so as to facilitate their continuous professional development.

8. Directors’ interests in competitive business

No Director has business interests as stipulated in Rule 8.10 of the Hong Kong Listing Rules. Such interests refer to business interests apart from the Company’s business, which compete or is likely to compete with the Company’s business.

9. Permitted indemnity provision granted to Directors

There is no permitted indemnity provision granted in favor of one or more (former and existing) Directors of the Company or of its associated company or associated companies of such directors.





CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

I. Details of Corporate Governance of the Company

The corporate governance structure featured by “well-defined function and power as well as smooth operation” acts as the cornerstone for the sound and healthy development of the Company. During the Reporting Period, the Board of the Company together with all its special committees and the supervisory committee, highlighted the improvement of corporate governance as a key move in responding to challenges and seizing opportunities. By adapting to the overseas and domestic new regulatory requirements and in stringent compliance with the relevant laws and regulations including the Company Law, the Securities Law, Regulation on the Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Corporate Governance Code for the Listed Companies, the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) as well as the provisions under the Articles of Association, the Company refined and improved the corporate governance structure, compliance and risk control system as well as internal control management system according to modern enterprise system, thus establishing a powers and responsibilities system with well-defined divisions and effective checks and balances among the general meetings, the Board, supervisory committee and the senior management. Meanwhile, the Company makes ongoing and timely improvements to its governance system and operational process according to the work plans of the regulatory authorities as well as the latest rules and regulations. It reviews its operation and management practices from time to time, adheres to the corporate values of integrity and diligence, and endeavors to continuously improve its governance structure, to establish sound operational rules and to enhance its corporate governance level, thereby entering into a virtuous cycle of ongoing self-improvement.

1. Standard management

In 2016, the Company made further efforts to reinforce the consciousness of standard operation, strengthen its governance, and strictly enforced various governance rules so as to ensure the mechanism was implemented properly, while vigorously putting the latest regulatory requirements into practice. Measures were also taken to improve the daily control for key regulatory fields such as insider trading, capital misappropriation and related/connected transactions. It exercised strict control over all sorts of non-compliance risks, thus further improving its self-governance capacity. At the same time, the Company enhanced its Directors’, Supervisors’ and senior management’s knowledge and understanding of securities regulations and latest developments in the securities markets by providing them with selected regulations, case analysis and regulatory dynamics, thereby increasing their governance awareness.

Starting with the work of “three-meeting”, the Company standardized its decision-making process. It mapped out and made scientific decisions over the daily operating activities and major investing events of the Company in order to ensure that all significant matters fulfilled the necessary statutory procedures for examination and approval. In addition to perfecting the decision-making procedures of the Board, during the Reporting Period, the Company had set up and improved various basic works for “Three Major and One Significant (三重一大)” decision-making matters to ensure that all the matters required to be submitted to the Board for consideration and determination strictly followed relevant decision-making procedures and the minutes of relevant meetings were kept properly for record, so as to ensure the appropriate procedures in place and relevant records for inspection. The Company’s decisions on major matters were regulated to enhance its decision-making ability and prevent decision risks, thus ensuring the scientific and compliant development of the Company.

2. Information disclosure

During the Reporting Period, in rigorous compliance with the “authentic, accurate, integral, timely and fair” principles, the Company ensured all Shareholders’ access to relevant information of the Company in an equal manner. It continuously enhanced the pertinence, effectiveness and transparency of information disclosure, and actively explored voluntary information disclosure. Taking the investors demands as the guideline, the Company endeavored to provide more comprehensive information to all Shareholders.

During the Reporting Period, the “Administrative Measures for the Disclosure of Information” of the Company has been strictly implemented. In accordance with the statutory disclosure requirements, announcements were simultaneously published in the PRC and overseas to objectively disclose in details important corporate information on operating results, financial information, dividend payment, daily operations, project investments, financing activities, related/connected transactions, operations of the shareholders’ general meetings, the Board and the Supervisory Committee.

During the Reporting Period, all the contents and procedures on information disclosure provided and carried out by the Company were strictly in compliance with relevant requirements under the Listing Rules for disclosure in Hong Kong and Shanghai. 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).

CORPORATE GOVERNANCE

3. Inside information management

With respect to the management of inside information, the Company has strictly executed the “Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees”, the “Management System Governing Personnel Having Access to Inside Information” and the “Management System Governing Users Having Access to External Information” to regulate the behaviours of relevant insiders in dealing in the shares of the Company and prevent them from abusing the right to information, disclosing inside information or conducting insider trading to safeguard the interests of the Company and the principle of fairness on information disclosure. During the Reporting Period, the Company made projects investment. By complying with the regulatory requirements and internal system and requiring each of such internal and external insiders of the Company to sign a confidentiality agreement and registration form before the commencement of investment, the Company effectively prevented insider dealings and had never found itself in situations of abnormal share price fluctuations or insider trading as a result of information leakage.

4. Misappropriation of capital and related/connected transactions

During the Reporting Period, with continually strengthened self-investigation of misappropriation of capital and related/connected transactions and other aspects, the Company ensured that necessary statutory approval procedures were performed on all material matters in order to strictly control different risks of violation and further enhanced the quality of standardized operation of the Company. In practices, the Company kept a close eye on fund transfers with its related parties and strictly prevented misappropriation of funds by related parties. Moreover, in respect of related/connected transactions, the Company strictly observed the necessary review procedures and statutory disclosure procedures required by the Stock Exchange and SSE to prevent transfers of benefits and financial statement frauds by means of improper related/connected transactions, and ensured that the related/connected transactions would not cause any negative impact on the Company and were fair and reasonable and in line with the interests of the Company and its shareholders as a whole.

5. Investor relations management

One of the core tasks of corporate governance is to properly handle the relationship between the listed company and its shareholders. Great importance has always been attached to the work relating to investor relations. The effective communications with investors, the continuous annual distribution of cash dividends and other relevant conducts laid a solid foundation for the Company to build a healthy, normative and transparent public image and the “Work System of Investor Relations Management” bolstered the reinforcement of investor relations management from the perspectives of management structure and internal system.

During the Reporting Period, the Company continued to emphatically harmonize the relationship with investors. It carefully and calmly responded to phone calls from various investors, warmly welcomed the visiting institutions and media and periodically published the operational data of the Company. Besides, it also established a two-way communication platform for the purpose of contacting and communicating with investors so as to deliver accurate and detailed messages in a timely manner to investors and receive their responses. Furthermore, it interacted friendly with investors and the media and kept in close touch with securities companies and analysts of research institutions through daily telephone contacts. While ensuring a due understanding of the status of the Company by investors, the Company also learned the major concerns of investors, thus collecting information for the Company to make decisions on the capital market in the future.

The core of investor relations lies with effective communication. The Company continued to enhance proactive communication as always. Through various platforms and channels, the Company strengthened its effective communication with all domestic and overseas investment funds and analysts who were keeping eyes on the Company, delivered positive signals, reinforced market confidence, and created a favorable atmosphere for investment in the market. By launching various promotional activities, including organizing roadshows and press conferences on the Company’s performance and participating in various investment forums, we could achieve communications with investors on face-to-face occasions. Meanwhile, the Company made relatively substantial adjustments on the contents of the “investment relation” column by way of informationization and upgrade of portal website. The Company also gained the experience in website construction from various large-scale A-share and H-share listed companies to adjust the setting of columns and arrangement of contents so as to comply with regulatory requirements and satisfy the needs of investors. In doing so, we could facilitate an easy access to the information, and the interaction and communication between the Company and the investors.

CORPORATE GOVERNANCE

During the Reporting Period, the major activities on investor relations carried out by the Company included the following:

- ◇ Prompt responses were made to investors' inquiries through E-interaction platform of the SSE, the investor hotline, company website and e-mail; operational data was sent to investors on a regular basis.
- ◇ Field trips to the Company by investors and analysts or specific teleconferences, and visits to the Company by domestic and foreign investors were organized.
- ◇ Various promotional activities, including roadshows and press conferences for results announcement presentations, foreign roadshows, various investor forums and face-to-face discussions with investors, were conducted. Eight major presentations were attended or organized during the Reporting Period with details as follows:

January	–	Participated in the annual “Investment Forum” organized by Deutsche Bank and UBS securities
March	–	Held 2015 annual results presentation and investor roadshow activities in Hong Kong
May	–	Attended HSBC’s annual investors conference and CICC’s Disney themed symposium
June	–	Attended the investors conference held by JPMorgan and the interim strategic conference of the CICC
August	–	Held 2016 interim results presentation and investor roadshow activities in Hong Kong
November	–	Attended the investors conference held by CICC and the investment forum held by Merrill Lynch
December	–	Organized and arranged for roadshow activities in Japan, Korea and the Europe
December	–	Attended the conference of annual investment strategies sponsored by Huatai Securities and Changjiang Securities

6. Investor return mechanism

While capitalizing on the rapid development of the capital market, the Company also understands clearly that investors are the driving source for the development of the Company. The Company appreciated the importance of bringing positive returns to shareholders as its mission and business principle, and strives to enable investors to better share with the Company the results from its development and guide investors to establish long-term and rational investment ideas in the achievement of a virtuous cycle of capital. The Company sets up a positive and stable dividend policy as set out in its articles of association.

In respect of its implementation, the Company formulated a reasonable dividend distribution mechanism in light of its emphasis on its social responsibility, and actively advocated the equity culture of shareholder returns, so as to foster harmonious and win-win environments for valued investment and financing activities. Since its listing, the Company has been paying cash dividends for 18 consecutive years. As at the end of 2015, the Company had distributed an aggregate of approximately RMB21.341 billion cash dividends, with average payout ratio reaching 75% and accumulated dividend per share amounting to RMB4.2417, thus enabling shareholders to enjoy good returns from the development of the Company.



CORPORATE GOVERNANCE

The Company proposed to declare a cash dividend of RMB0.42 per share for the year, bringing its payout ratio to 63.23%.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Earnings per share (RMB)*	0.318	0.308	0.399	0.493	0.482	0.463	0.538	0.511	0.498	0.664
Dividend per share (tax inclusive) (RMB)	0.27	0.27	0.31	0.36	0.36	0.36	0.38	0.38	0.40	0.42
Payout ratio (%)	84.90	87.66	77.66	73.0	74.64	77.72	70.70	74.35	80.39	63.23

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

Ensuring a long-term and stable return for shareholders remains the top priority which the Company has been persisting in. 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.

7. Management of internal audit and internal control

The Company pays high attention to internal audit and control. Under the internal control mechanism featuring the "integrated four-standard", the focus of internal control was fixed on promotion of the Company's development, governance enhancement, increasing efficiency, strengthening internal control and risk prevention. At the same time, as daily risk inspections and control, the Company regularly carried out information collection and analysis regarding the operating situation. It also continuously adjusted the measures of risk management according to internal and external changes and trends.

In 2016, the Company actively carried out audit on financial revenue, expenditure and budget implementation as well as tracking audit process on major projects; meanwhile, it conducted off-office audit and conscientiously commenced economic liabilities audit. The Company actively arranged and put in place the evaluation of internal control and defects rectification, in order to ensure the effective implementation of internal control policies. In regard to the audit on standards implementation, the Company reviewed the applicability, sufficiency and effectiveness of the management systems for quality, environment, and occupational health and safety to identify defects through internal review of standards implementation with participation of external professional auditor so as to constantly improve management level and safeguard the sustained and healthy development of the Company.

8. Risk management

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company's capability to deal with risks, the Company carried out the building of corporate risk management system in 2016, established a risk management system, through which investigations and researches into the existing risk management and internal control systems were conducted, and issued the Diagnosis Report on Management and Control Systems with detailed diagnosis information. Meanwhile, the Company established the basic principles for risk assessment, set up the standards of risk assessment, compiled the Risk Assessment Report and formulated the Risk Map by reference to industry risks, which set out the material risks of the Company.

The construction of the risk management system further sorted out the corporate business processes by incorporating internal control. Accordingly, the standardized processes and internal control were formed, which enabled all businesses to be carried out based on certain "standards". While improving the results and efficiency of the business processes, it also effectively controlled and avoided certain risks so as to facilitate the Company in making correct decisions which secured the safety and integrity of the Company's assets, and ensured the achievement of the objectives of the operating activities of the Company.

CORPORATE GOVERNANCE

9. Social responsibilities

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, the Company, in proactive adherence to laws and regulations in China, and in strict compliance with relevant corporate governance requirements of the Articles of Association, Shanghai Stock Exchange and Stock Exchange, is committed to establishing its status in the industry, fulfils its basic social responsibility of satisfying public demand for transportation services and contributing to social and economic developments, creates good investment returns for shareholders on a continuous basis and strives to generate benefits for stakeholders including employees, customers and business partners.

Guided by the principle of people-oriented and scientific development, and through the optimized deployment of resources the Company strives to pursue the maximization of the integrated values of its business, the society and the environment in order to attain comprehensive, sustainable and balanced development of the three aspects. In terms of environmental protection, the Company strictly abides by relevant laws and regulations, exercises caution from the very outset in various stages, such as production, management and services and endeavors to build itself into an environmentally friendly and resource conservative enterprise with low energy consumption, less carbon emission, environmental protection and wisdom.

During the Reporting Period, the Company has complied with the relevant laws and regulations that have material implications on the Company and have undertaken social responsibilities on a multi-dimensional scale, mainly including responsibilities to our stakeholders such as shareholders, employees and consumers, as well as to the community and the environment. For details, please refer to the 2016 Corporate Environmental and Social Responsibility Report, the full text of which has been published on the websites Shanghai Stock Exchange (www.sse.com.cn), Stock Exchange (www.hkexnews.hk) and the Company (www.jsexpressway.com).

10. Effectiveness of corporate governance

During the Reporting Period, the actual situation of the Company's corporate governance did not deviate significantly from the relevant requirements of CSRC, and the Company fully adopted all the code provisions of the "Corporate Governance Code" and met the requirements of the recommended best practices thereof in certain aspects. None of the Company, the Board, the Supervisory Committee and Directors, Supervisors, members of senior management has been a subject of administrative punishment, reprimand by announcement or public censure by regulatory authorities.

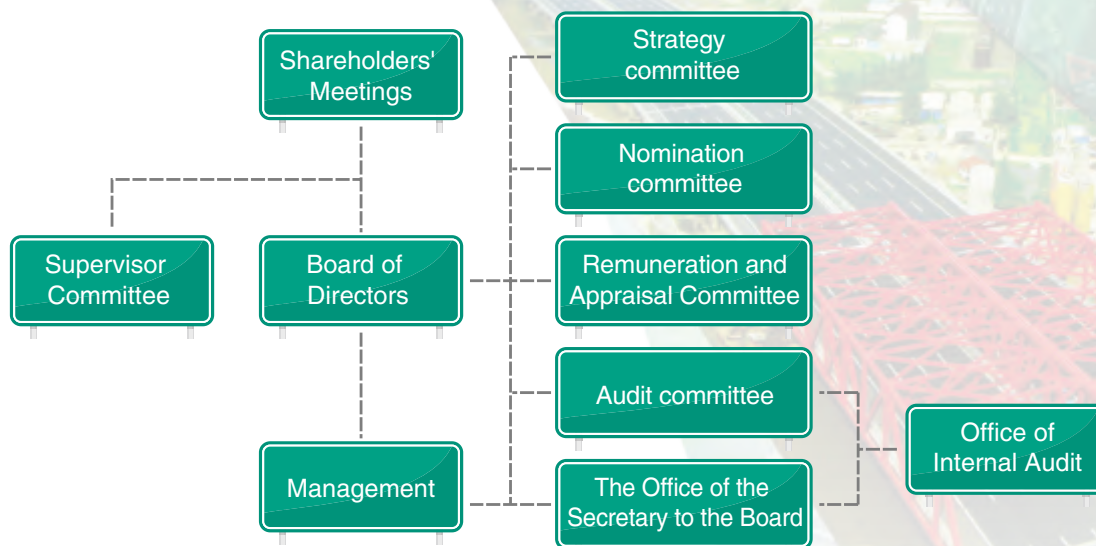
During the Reporting Period, the Company was granted the Award for Top 100 Companies by Value among Companies Listed on the Main Board in the "Tenth Selection of Listed Companies in the PRC by Value" by Securities Times; the Award of Best Corporate Governance of "Annual Award for Listed Company" by China Financial Market, as well as the Award for 2016 Excellent Listed Companies (Yangtze River Delta) in the PRC by China Capital Market – 2016 Forum for Development in Yangtze River Delta. These awards fully reflected the Company's efforts in corporate governance.



CORPORATE GOVERNANCE

II. Corporate Governance Structure and Operation Overview

1. Corporate governance structure and rules



The Company is listed on both 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 following requirements in respect of corporate governance practice: the Corporate Governance Code for Listed Companies stipulated by the CSRC, the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules and the requirements as imposed by SSE and the Hong Kong Listing Rules. Meanwhile, the Company has formulated various governance systems, including “Rules of Procedures for General Meetings”, “Rules of Procedure for the Board of Directors”, “Rules of Procedures for the Supervisory Committee”, “Rules of Procedures of Specialized Committees”, “Terms of Reference of Independent Directors”, “Terms of Reference of General Manager”, the “Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees”, “Administrative Measures for the Disclosure of Information”, “Management Rules for Connected Transaction” and “Investor Relations Management System”, and so forth. Each of the abovementioned systems was strictly followed in order to enhance the level of the Company’s corporate governance.

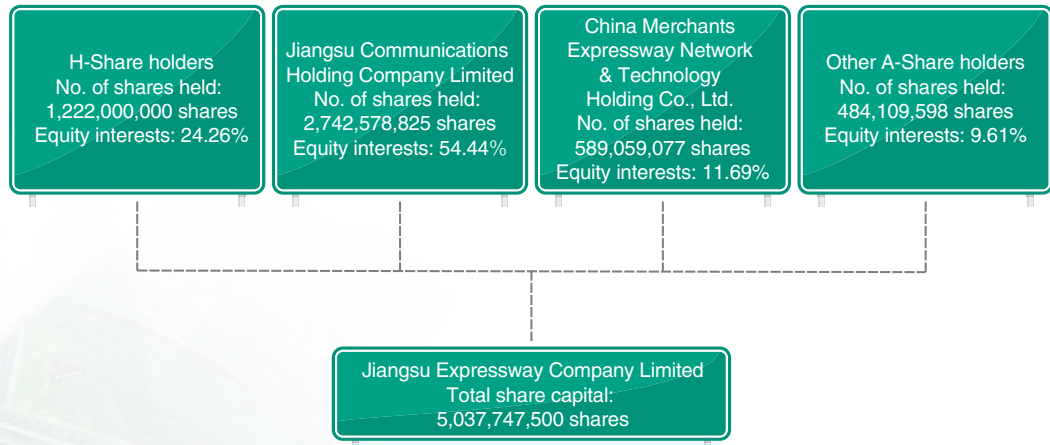
During the Reporting Period, there were no material changes in the constitutional documents of the Company.

CORPORATE GOVERNANCE

2. Shareholders and general meetings

The Company has been attaching great importance to the protection of interests of all Shareholders. The Company convened and held general meetings in strict compliance with the Articles of Association and Rules of Procedures for General Meetings and relevant requirements. By convening of general meetings and opening of investors' hotline and other ways the Company establishes and maintains effective communication channel between the Company and all Shareholders, and ensures that all Shareholders, in particular the minority shareholders are treated equally, and may fully exercise their powers. The Controlling Shareholder of the Company was able to exercise its rights in compliance with the laws, regulations and the requirements of the Articles of Association. There were no circumstances where decision-making process and operation activities were intervened, nor occurrence of misappropriation of capital or request for provision of guarantee for themselves or others by the Controlling Shareholder. The Controlling Shareholder remained separate from the Company in respect of business, employees, assets, finance and organizations.

(1) Substantial Shareholders



Communications Holding and China Merchants Expressway are substantial shareholders of the Company, holding approximately 54.44% and 11.69% of the shares of the Company, respectively. These two shareholders have never bypassed general meetings to intervene directly or indirectly the decision-making process and the operations of the Company.

(2) Shareholders' general meetings

The shareholders' general meetings are the highest authority of the Company which make important decisions and lawfully exercise duties and power. The Company formulated the "Rules of Procedures for General Meetings" which has been effectively implemented. The general meetings with well-defined powers and responsibilities, operate in compliance with prescribed procedures. The convening and holding procedures of every annual general meeting are in compliance with relevant rules, and the proposal and deliberation of resolutions thereat are in compliance with the statutory procedures. The annual general meetings and extraordinary general meetings provide a direct communication channel to the Board and the shareholders of the Company. Therefore, the Company attaches great importance to the shareholders' general meetings, and requires the Directors and senior management personnel to attend the general meetings as far as possible. Meanwhile, it also arranges representatives of independent Directors, chairmen of or representatives appointed by the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee to attend the annual general meetings and respond to questions from the shareholders. At the shareholders' general meetings, 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 shall give illustrations and explanations on the shareholders' suggestions and queries.

CORPORATE GOVERNANCE

The Company encourages all shareholders to attend the shareholders' general meetings. 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, for the benefit of 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 communication methods for the acceptance of shareholders' enquiries is disclosed by the Company in detail in the notice of shareholders' general meeting. Shareholders who are 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 thereat.

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

(3) Overview of the general meetings

Session of the meeting	Convening date	Inquiry index of the designated website for publishing the resolutions	Disclosure date of the resolutions
The 2016 First Extraordinary General Meeting	25 February 2016	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com	26 February 2016
The 2015 Annual General Meeting	2 June 2016	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com	2 June 2016
The 2016 Second Extraordinary General Meeting	27 October 2016	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com	27 October 2016

Shareholders' right to propose convening of extraordinary general meetings and class meetings

According to the Articles of Association, when shareholders who hold 10% (inclusive) or more of the voting shares issued by the Company make a proposal on holding an extraordinary general meeting in writing to the Board, the Board shall convene such extraordinary general meeting within two months. Where shareholders request to hold an extraordinary general meeting or class meeting, the following procedures shall be followed:

- (I) Two or more shareholders holding in aggregate more than 10% (inclusive) of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or more written requisitions with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written requisition. The aforesaid proportion of shareholding shall be calculated on the date on which the relevant shareholders submit the written requisition.
- (II) If the Board fails to dispatch a notice of convening such meeting within thirty days upon receipt of the aforesaid written requisition, the shareholders submitting such request may convene such meeting by themselves within four months of the receipt of such requisition by the Board. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as similar as practicable. All reasonable expenses incurred by shareholders arising from convening and holding the aforesaid meeting by shareholders due to the Board's failure to hold such meeting in response to the aforesaid requisition shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the director(s) who have neglected their duties.
- (III) The Board shall, in accordance with laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting, within ten days upon receipt of such proposal. If the Board agrees to convene an extraordinary general meeting, a notice of such meeting shall be dispatched within five days after the resolution has been adopted by the Board. Changes made to the original proposal in the notice shall be approved by the relevant shareholders.

CORPORATE GOVERNANCE

- (IV) If the Board refuses to convene an extraordinary general meeting, or gives no response within ten days upon receipt of such proposal, shareholders individually or collectively holding more than 10% of the Company's shares shall be entitled to propose to the Supervisory Committee for convening such meeting, provided that such proposal shall be made in writing. If the Supervisory Committee agrees to hold an extraordinary general meeting, a notice of such meeting shall be dispatched within five days upon receipt of such request. Changes made to the original proposal in the notice shall be approved by the relevant shareholders. If the Supervisory Committee fails to give the notice of such meeting within the specified time limit, it shall be deemed to have failed to convene and preside over such meeting, in which case, shareholders individually or collectively holding more than 10% of the Company's shares for not less than 90 consecutive days shall have the right to convene and preside over such meeting by themselves. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as similar as practicable.

Right of and procedures for shareholders to put forward proposals at a general meeting

According to the Articles of Association, when the Company holds the annual general meeting, the shareholders individually or collectively holding over 5% (inclusive) of the voting shares of the Company have the right to submit new proposals to the Company in writing. The Company shall place the proposal on the agenda for the said meeting if the said proposal falls within the functions and powers of general meetings. Related proposal shall be delivered to the Company within 30 days after the issuance of the aforesaid meeting notice (address: 6 Xianlin Avenue, Nanjing, Jiangsu, the PRC; Addressee: Mr. Yao Yong Jia (Company Secretary)).

Procedures for directing shareholders' enquiries to the Board

Pursuant to the article 7.3(3) of the Articles of Association, shareholders have the right to raise inquiries as to business activities of the Company. The relevant members of the Board, the Supervisory Committee or the senior management shall attend the general meeting to receive the inquiries and make corresponding responses or explanations regarding the questions and recommendations of the shareholders.

Shareholders may at any time send their enquiries and opinions to the Board in writing through the Office of the Secretary to the Board whose contact details are as follows:

Address: 6 Xianlin Avenue, Nanjing
 E-mail: jsnh@jsexpwy.com
 Telephone: 8625-8436 2700 ext. 301315
 Facsimile: 8625-8420 7788

The Office of the Secretary to the Board of the Company handles queries via telephone and in writing by shareholders of the Company from time to time. Where appropriate, the queries and opinions of shareholders will be forwarded to the Board and/or relevant committees under the Board of the Company for solution.

Shareholders are entitled to obtain relevant information including the Articles of Association, register of all shareholders, personal information of Directors, supervisors, managers and other senior management members of the Company, share capital of the Company, total par value, quantity, highest price and lowest price of each class of shares repurchased by the Company since the previous accounting year and the report on the total cost paid by the Company therefor, and the minutes of general meetings.

CORPORATE GOVERNANCE

3. Directors and the Board

(1) Members and operation of the Board

During the Reporting Period, there were changes in the composition of the Board due to work reassignment of certain Directors. As considered and elected at the 2016 first and second extraordinary general meetings, two non-executive Directors, two executive Directors and one independent Director were appointed to join the Board. There are currently eleven members on the eighth session of the Board of Directors, with two executive Directors, and nine non-executive Directors among whom four are nominated by shareholders and five are external Directors, including one prominent figure in Hong Kong, four independent non-executive Directors which ensure adequate independence of the Board and two female Directors which ensure the diversity of the members of the Board and help the Board analyze and discuss issues from different perspectives. As at the date of this report, the Company's executive Directors were Gu De Jun and Shang Hong, non-executive Directors were Chang Qing (Chairman of the Board of Directors), Du Wen Yi, Wu Xin Hua, Hu Yu and Ma Chung Lai, Lawrence, the independent non-executive Directors were Zhang Er Zhen, Zhang Zhu Ting, Chen Liang and Lin Hui.

Members of this 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, finance and insurance 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 make more prudent and considerate decisions. The composition, members and operational procedures of the Board are set out in section headed "Corporate Governance Report" in this chapter.

In 2016, the Board held eight meetings, among which six were on-site meetings and two were conducted by way of telecommunication. Through appropriate means such as holding of regular or extraordinary meetings and the signing of Board resolutions or authorizations, the Board discussed and made decisions on significant matters, such as the operating and financial performance, financing plans, investment projects, related/connected transactions and governance structure of the Group. This ensures the realization of the Company's best interests in its operation, management, development and other aspects.

(2) Independent non-executive Directors

As at the date of this report, Zhang Er Zhen, Zhang Zhu Ting, Chen Liang and Lin Hui acted as the independent non-executive Directors of the Board of the Company, accounting for more than one-third of the members of the Board. Among the four independent non-executive Directors, three of them currently serve at renowned universities in the PRC while one serves as a professor in the school of management administered by/subordinate to Ministry of Transport of the PRC. They are senior experts in the fields of transportation industry policies and regulations in the PRC, financial accounting, economic trade management and Internet-based financing respectively, and are well-versed with academic theories and have rich management experience. One independent non-executive Director is equipped with accounting qualifications and financial management 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 constitute a majority of 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. The independent non-executive Directors have effectively served independence and check-and-balance functions on the Board, played a good monitoring and balancing role in safeguarding the interests of the Company and the shareholders as a whole, actively promoted the continuous enhancement of corporate governance and risk management standards of the Company on an ongoing basis, and also fully leveraged their expertise by providing professional guidance on the development and management of the Company.

Each of the independent non-executive Directors has, upon his nomination, submitted to the Board a statement in respect of his independence. In addition, before the convening of relevant Board meeting for consideration of the annual results, the Company had received written confirmations of independence from all independent non-executive Directors, by virtue of which the Company considers the relevant independent non-executive Directors to be independent persons according to the relevant guidelines under Rule 3.13 of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE

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 “Terms of Reference of Independent Directors”. Leveraging on their respective professional experience and expertise, they perform their duties independently, give their professional opinions and exercise independent judgment in the decision-making for significant matters. During the Reporting Period, through their participation in the Board and the specialized committees, the independent non-executive Directors have examined substantial matters such as the Company’s investment and financing decisions, the conduct and annual review of related/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 safeguarding 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.

(3) Directors’ performance of their duties

Name	Independent director	Required attendance in Board meetings within the year	Attendance in Board meetings				Attendance in general meetings	
			attended in person	attended by telecommunication	attended by delegation	absence	Absence from board meetings in person for twice in a consecutive manner	Number of attendance/required attendance in general meetings
Chang Qing	No	8	6	2	0	0	No	3
Gu Dejun	No	2	1	1	0	0	No	1
Du Wenyi	No	8	6	2	0	0	No	3
Shang Hong	No	8	6	2	0	0	No	3
Wu Xinhua	No	2	1	1	0	0	No	1
Hu Yu	No	8	5	2	1	0	No	2
Ma Chung Lai, Lawrence	No	8	6	2	0	0	No	3
Zhang Erzhen	Yes	8	6	2	0	0	No	3
Zhang Zhuting	Yes	8	6	2	0	0	No	3
Chen Liang	Yes	8	6	2	0	0	No	3
Lin Hui	Yes	5	4	1	0	0	No	2
Qian Yong Xiang	No	3	3	0	0	0	No	1
Zhang Yang	No	3	3	0	0	0	No	1
Ge Yang	Yes	3	3	0	0	0	No	1

At the 2016 first extraordinary general meeting of the Company convened on 25 February 2016, Mr. Chang Qing was elected as a non-executive Director of the Company and Ms. Shang Hong was elected as an executive Director of the Company. At the Board meeting adjoining the general meeting, Mr. Chang Qing was elected as the chairman of the eighth session of the Board of the Company. At the 2015 annual general meeting convened on 2 June 2016, certain Directors were elected while certain Directors were changed. To be specific, Mr. Ge Yang resigned as an independent non-executive Directors of the Company due to work delegation whereas Mr. Lin Hui was newly elected as an independent non-executive Directors of the eighth session of the Board of the Company. Mr. Qian Yong Xiang, an executive Director, and Ms. Zhang Yang, a non-executive Director, resigned from their directorship in the Company on 26 August 2016. Mr. Gu Dejun and Mr. Wu Xin Hua were elected as an executive Director and a non-executive Director of the Company, respectively, at the 2016 second extraordinary general meeting convened on 27 October 2016.

CORPORATE GOVERNANCE

Number of Board meetings convened for the year	8
Including: Number of on-site meetings	6
Number of meetings convened by way of telecommunication	2
Number of on-site meetings combined with telecommunication	0

4. Specialized committees of the Board

Four specialized committees were established under the Board of the Company, including the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. Each committee formulated its specific rules of procedures in order to define the scope of responsibility and power and procedures for performance of duties. These committees assist the Board in enhancing standard management in aspects such as strategic development, project investment, financial reporting and human resources and assessment, thereby effectively improving the governance level and operational efficiency 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 of the composition in the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and an independent non-executive Director holds chairmanship in each of these committees.

Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Chang Qing (chairman), Gu De Jun, Shang Hong, Ma Chung Lai, Lawrence, and Zhang Er Zhen*.

* Independent non-executive Director

Chang Qing and Ma Chung Lai, Lawrence are non-executive Directors; Gu De Jun and Shang Hong are executive Directors.

Duties

The Strategy Committee is principally responsible for examining and reviewing the direction for strategic development 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 over the execution of strategies and enhancing the investment decision-making procedures, so as to strengthen scientific decision-making and to improve the efficiency of making substantial investment decisions and the quality of such decisions, and conduct independent review on the quality and efficiency of risk management work.



CORPORATE GOVERNANCE

Major work during the year

Report on discharge of duties in 2016 by the Strategy Committee

Pursuant to the relevant requirements under the Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Articles of Association and the Rules of Procedure of the Strategy Committee of Jiangsu Expressway Company Limited, the Committee is responsible for formulation of the Company's strategies and monitoring the implementation of strategies; doing research and making recommendations on the procedures, rationale and decision-making process for the Company's major capital operations and strategic investments in an effective manner; and assisting the Board to review the effectiveness of the internal control system of the Group which covers all important aspects of supervision and control, including financial control, operation control, compliance control and function of risk management. The Audit Committee reviewed the 2016 Evaluation Report on Internal Control of Jiangsu Expressway Company Limited and assisted the Board in making independent assessment on the effectiveness of the Group's risk management and internal control to ensure its establishment and implementation of appropriate risk management and internal control systems and procedures. In 2016, two meetings of the Strategy Committee were held with all then incumbent members present.

In the "13th Five-Year Plan" period, the Group aims to develop itself into a modern investment operation and management company with "mature capital operation, leading management efficiency and harmonious multi-relations". The Strategy Committee played an active role in formulating the Company's "13th Five-Year" plan and made constructive suggestions in respect thereof, which led to the establishment of the Group's "one focus and two cores" development strategy, namely, to focus on investment and operation of transport infrastructure while actively exploring opportunities for development of the two core segments – expressways and other transport infrastructure.

During the Reporting Period, the Strategy Committee actively supported the Company's strategic investment to further expand its principal business. The Company devoted energetic efforts to become the provincial-level capital contributor to the construction of the Wufengshan Toll Bridge and North-South Approach Expressways projects, thus further consolidating its leading position in the expressway network in southern Jiangsu. Given the prominent positional advantages of Wufengshan project, investment in this project is of considerable strategic significance and economic value for the development of the Group's principal business.

Risk management and anti-fraud efforts

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

The Strategy Committee urged the Company to build a risk management system and establish risk management rules. In 2016, the Company conducted research in and specific diagnosis on its existing risk management and internal control systems and issued the Diagnostic Report on Management and Control Systems. Furthermore, it established the basic principles and standards for risk assessment, prepared the Risk Assessment Report, and created the Risk Map of the Company by reference to industry risks for identifying material risks the Company faces. In this way, the Company was able to further optimize its corporate governance system, strengthen its risk management and improve its ability to cope with risks.

The committee has submitted to the Board a report on its work and review results, which stated that the risk management and internal control systems of the Group were effective and appropriate. Please refer to 2016 Risk Evaluation Report and 2016 Evaluation Report on Internal Control for details.

The committee has had a separate complaint mailbox for collecting any fraud-related information in a timely manner, and on the foregoing basis entered into a cooperation memorandum with the disciplinary inspection department of the Company. During the Reporting Period, 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, obtained an understanding of the internal control suggestions made by both the auditors and the audit department of the Company and the management's feedback and status of rectification, and reviewed the significant accounting policies and accounting estimates adopted by the management. Based on the work as mentioned above, the committee considered that the Company's management and controls over fraud risks were effective.

**Chang Qing, Gu De Jun, Shang Hong,
Ma Chung Lai, Lawrence, and Zhang Er Zhen**

CORPORATE GOVERNANCE

Audit Committee

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

* Independent non-executive Director;

Du Wen Yi is a non-executive Director

One independent non-executive Director possesses the appropriate professional qualifications or appropriate accounting or relevant financial management expertise as required under 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 of the Company and its subsidiaries and its disclosure; reviewing the establishment of the Company's internal control system and supervising its implementation, including financial control and other aspects; auditing material related/connected transactions of the Company; and communicating, supervising and reviewing the work of the internal and external auditors of the Company.

Major work during the year

Report on discharge of duties in 2016 by the Audit Committee

Pursuant to the relevant requirements under the SSE Guidance on Operation of Audit Committees of Listed Companies' Directorate (《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 in China, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the 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 make the work report of 2016 to the Board as follows:

I. Convening of Audit Committee meetings during the year

In 2016, the Audit Committee held five meetings, including four regular reporting meetings and one meeting convened with an external auditor attending to discuss the preparation of the audit work on the annual results for 2016.

II. Major works of Audit Committee in 2016

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

- ◆ It reviewed the financial statements for the year of 2015 and the unaudited financial statements for the first quarter, first half year and the third quarter of 2016 and made recommendations to the Board for approval.
- ◆ It reviewed and discussed with the management on matters related to the preparation of financial reports such as the internal control system, position setting, manpower allocation and training courses of the Company. The committee considered that the resources and inputs 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.

CORPORATE GOVERNANCE

- ◆ Before the commencement of the annual audit for 2016, 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 them 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. The Audit Committee preliminarily reviewed the Group's 2016 financial statements and issued its opinions in writing. It paid special attention to the treatment of significant financial and accounting matters for the year 2016 and gave preliminary approval on the management's opinions regarding the treatment of such matters. It was of the view 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 16 March 2017. The committee reviewed again the 2016 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. It reviewed the 2016 annual report submitted by the finance and accounting department of the Company, and examined the extent of its compliance with statutory disclosure rules and the completeness and accuracy of the information disclosed therein. It also examined the compliance of the Company with corporate governance rules as well as the disclosure under the corporate governance report of the Company in 2016. The Audit Committee considered that the accounting policies and accounting estimates adopted by the Group for 2016 met the requirements of relevant accounting standards, that the significant accounting policies adopted were appropriate, and that the significant accounting estimates were reasonable. The financial statements did not have any material adjustments resulting from audit, nor contained any qualified opinions on the going concern assumptions of the Company, and had complied with the applicable Listing Rules as well as the laws and regulations.
- ◆ Through adequate communication in advance and timely supervision during the process, and upon timely response of the management and the Board to the questions raised by the auditors, the auditors completed the annual audit as scheduled and submitted the 2016 audit report on 24 March 2017. Based on the aforementioned work and the audit report of the auditors, the Audit Committee considered that the Group's 2016 financial statements truthfully and reasonably reflect its operating results in 2016 and the financial position as at 31 December 2016, and thus suggested the Board to approve the same.

III. Control and routine management of related/connected transaction

According to the requirements of Implementation Guidelines for Connected Transactions of Listed Companies of the SSE (《上市公司關聯交易實施指引》) and the Hong Kong Listing Rules, and subject to the approval of the Board, the committee also undertook the duties relating to the control and routine management of related/connected transactions of the Company. With knowledge of the procedures for identifying and approving related/connected transactions, the committee reviewed the List of Related Parties/Connected Persons (《關聯人／關連人清單》) of the Company during the year so as to ensure the compliance of all related/connected transactions in 2016 with regulation requirements and timely disclosure of information.

IV. Internal audit management

In 2016, the Audit Committee played an active role in the Company's audit of financial revenue, expenditure and budget implementation, and performed audit tracking on major projects, and continued to oversee and inspect the Company's off-office audit system and economic liabilities audit. In the course of each audit, the Company actively cooperated with auditors, coordinated various relevant departments and units in providing true and complete information, ensured the authenticity and completeness of the data and accompanied the auditors in visiting each department or subordinate unit and inspecting information and documents, earnestly fulfilling its part in audit work.

CORPORATE GOVERNANCE

V. Work evaluation and re-appointment of auditors

In 2016, the Company appointed Deloitte Touche Tohmatsu CPA LLP (“Deloitte”) to audit the annual financial statements and internal control procedures and to undertake the duties of an international auditor as required under the Hong Kong Listing Rules.

In accordance with the requirement of the Company, the Audit Committee made a conclusion on the audit work of Deloitte for the year 2016 after discussion and assessment with the management. It 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 Deloitte be re-appointed as the Company’s auditor for the year 2017 to conduct a consolidated audit on the annual financial statements and internal control procedures, and to undertake the duties as an international auditor as required under the Listing Rules of the Stock Exchange.

The Company has obtained the annual confirmations in relation to continuing connected transactions from independent Directors and auditors, respectively, in accordance with Rule 14A.71 of the Listing Rules.

Chen Liang, Zhang Er Zhen, Du Wen Yi

Nomination Committee

The Nomination, Remuneration and Appraisal Committee established by the Company in 2001 was split into the Nomination Committee and the Remuneration and Appraisal Committee in 2012 as required by the Stock Exchange. Its current members comprise Zhang Zhu Ting* (Chairman), Wu Xin Hua, Hu Yu, Chen Liang* and Lin Hui*.

* Independent non-executive Director

Wu Xin Hua and Hu Yu are non-executive Directors

Duties

The Nomination Committee is primarily responsible for devising the Company’s human resources development strategies and plans; and conducting studies and making recommendations on candidates, selection criteria and procedures for the appointment of the Company’s Directors and senior management. It is accountable to the Board.

CORPORATE GOVERNANCE

Major work during the year

Report on discharge of duties in 2016 by the Nomination Committee

Pursuant to the relevant requirements under the Code of Corporate Governance for Listed Companies in China, the Rules Governing the Listing of Stocks on 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 Nomination Committee of the Company, hereby present the following report on our works in 2016 to the Board:

The Nomination Committee is primarily responsible for devising the Company's human resources development strategies and plans; and conducting studies and making recommendations on candidates, selection criteria and procedures for the appointment of the Company's Directors and senior management. It is accountable to the Board. The committee reviews the structure, number of members and the composition of the Board (including (but not limited to) skill, expertise, experience, gender, age, culture and educational background as well as various perspectives and dimensions), examines the independence of independent non-executive Directors and makes recommendations on the proposed changes on the Board in response to the strategies of the Company.

In 2016, the Nomination Committee held three meetings in 2016 with all then incumbent members present.

The Nomination Committee has carried out the relevant nomination procedures in respect of the change of certain members of the Board. All candidates for Directors shall be assessed by the shareholders with reference to their educational and professional qualifications, experience and independence, and subject to the approval of the Nomination Committee, to be followed by the approval of the Board. Thereafter, the appointment shall be submitted to the general meeting for election.

The Company has formulated Diversity Policy of the Board and uploaded it on the website of the Company. Selection of candidates shall be based upon a series of diversity aspects with reference to the business model and particular requirements of the Company, including but not limited to sex, age, race, language, culture and educational background, industrial and professional experience. Currently, the eighth session of the Board of the Company comprises eleven members, including two executive Directors and nine non-executive Directors, of whom, four were nominated by shareholding entities and the other five (including one renowned figure in Hong Kong) were externally engaged by the Company. The inclusion of four independent non-executive Directors in the Board ensures the sufficient independence of the Board; meanwhile, the presence of two female Directors also guarantees the diversity of the Board members and contributes to the Board's multi-perspective analysis and discussion over issues.

Zhang Zhu Ting, Wu Xin Hua, Hu Yu, Chen Liang, Lin Hui

CORPORATE GOVERNANCE

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 Stock Exchange. Its current members comprise Lin Hui* (Chairman), WU Xin Hua, Hu Yu, Zhang Zhu Ting*, Chen Liang*.

* Independent non-executive Director

Wu Xin Hua and Hu Yu are non-executive Directors

Duties

The Remuneration and Appraisal Committee is principally responsible for studying and formulation of the Company's remuneration policies and incentive mechanism, and the devising of the appraisal standards for the Directors and members of senior management of the Company and the performance of appraisals thereof. It is accountable to the Board.

Major work during the year

Report on discharge of duties in 2016 by the Remuneration and Appraisal Committee

Pursuant to the relevant requirements under the Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the articles of association and the Rules of Procedures of the Remuneration and Appraisal Committee of Jiangsu Expressway Company Limited, we, as existing members of the Remuneration and Appraisal Committee of the Company, hereby present the following report our work in 2016 to the Board:

The Remuneration and Appraisal Committee is principally responsible for studying and formulation of the Company's remuneration policies and incentive mechanism, and the devising of the appraisal standards for the Directors and members of senior management of the Company and the performance of appraisals thereof. It is accountable to the Board.

The Remuneration and Appraisal Committee held one meeting in 2016 where all incumbent members attended. Major works included:

The committee has made suggestions on remuneration for non-executive Directors and independent non-executive Directors to the Board of Directors.

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

The committee has assessed and evaluated the discharge of duties by each of the Directors and the management of the Company during 2016. The committee is of the view that all Directors of the Company have faithfully fulfilled their obligations of 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 ensuring the realization 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 2016.

The committee has approved the terms of the service contract of executive Directors and ensured that none of the Directors or any of their associates participated in the determination of their own remuneration.

Lin Hui, Wu Xin Hua, Hu Yu, Zhang Zhu Ting, Chen Liang

CORPORATE GOVERNANCE

5. Supervisors and Supervisory Committee

During the Reporting Period, due to work reassignment of certain supervisors, three new supervisors were elected to replace such supervisors at the extraordinary general meeting of the Company held on 25 February 2016 and the chairman of the new session of the Supervisory Committee was re-elected. Currently the Supervisory Committee of the Company comprises five supervisors, of whom three are nominated by representatives of the shareholders and two are staff representatives of the Company. The number of members and composition of the Supervisory Committee is in compliance with the requirements under the relevant laws and regulations. As at the date of the report, the supervisors of the Company are Chen Xiang Hui (chairman of the Supervisory Committee), Pan Ye, Wang Ya Ping, Shao Li and Ren Zhuo Hua.

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervisory authority over the Company in a lawful manner, so as to prevent the infringement of the legitimate 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 on and operational procedures for material business activities and connected transactions, and supervising the discharge of duties of the Directors and senior management of the Company to ensure legality and compliance. The articles of association and the "Rules of Procedure for the Supervisory Committee" of the Company set out the powers and authorities of the Supervisory Committee in detail.

In 2016, the Supervisory Committee held eight meetings, and all supervisors sat in each Board meeting. In accordance with the PRC Companies Law, the Listing Rules and other relevant regulations as well as the articles of association and the Rules of Procedures 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 an effective supervision over 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, as well as alerted the Board and the management of the Company of any potential risks; checked the Company's annual financial report; verified the financial disclosures, such as financial report, business report, profit distribution scheme and etc., submitted to the general meeting by the Board of directors; reviewed the periodical reports of the Company prepared by the Board of directors and provided its written opinions after review; supervised the Company's decision-making and operational procedures on material business activities, such as project investment and asset restructuring, and whether the contracts signed for the above activities were legal, compliant and reasonable, whether related/connected transactions were conducted on terms fair and reasonable to the shareholders.

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 members of senior management of the Company have discharged their duties in the interests of both 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, the shareholders and employees of the Company. The Company's risk management and internal control systems were adequate and the implementation was basically sound and effective, and no risk or material defects were found thereof to be inherent in the operation and management of the Company.

6. The management

The management of the Company, comprising one general manager and six deputy general managers, 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, operation, financial 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 establishment of various performance objectives 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 assigns specific tasks to various functional departments of operations. The general manager of the Company then enters into annual responsibility letters with the persons-in-charge of the respective departments. At the end of the year, the Board will assess the management's performance based on the extent of satisfaction with various objectives.

CORPORATE GOVERNANCE

7. The Company's independence from its Controlling Shareholder in terms of business, personnel, assets, organization and finance and ability to maintain independent operation

Based on the principle of “distinctive ownership, unequivocal delegation of authority and segregation of ownership and control”, the Company and Communications Holding, the Controlling Shareholder, are independent of each other in operations, assets, personnel, organization and finance. The relationship between the Company and the Controlling Shareholder is defined as purely in relation to ownership. The aforesaid two entities maintain separate scopes of operation and do not relate to each other as upstream or downstream companies. Whilst the respective businesses of the Company and the Controlling Shareholder to some extent which may objectively give rise to lateral competitions between them, there is no noticeable impact on the usual business operations of the Company. The Company's assets are strictly separated from those of the Controlling Shareholder. The Company possesses full ownership over its operating assets and operates the same 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, 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 the Controlling Shareholder are physically separated. The Company maintains its own financial department with separate accounts and makes its financial decisions independently. The Company's capital application is free from any interference of the Controlling Shareholder.

The Controlling Shareholder exercises its power as a capital contributor in strict accordance with laws, attends general meetings of the Company 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 any procedures to command the Board.

8. Disclosure of self-evaluation report on internal control

The Board of the Company has prepared the “2016 Self-Evaluation Report on Internal Control”. During the Reporting Period, there was no other risk management and internal control information that was likely to have a significant impact on the investors' investment decisions by means of understanding about the risk management and internal control evaluation report and evaluating the risk management and internal control conditions. Full text of the 2016 Self-Evaluation Report on Internal Control has been posted on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.jsexpressway.com).

9. Information on internal control audit report

Deloitte has issued an audit report on the internal control of the Company for 2016 and is of the view that the Company has maintained effective internal control in the financial reporting in all material aspects pursuant to the Audit Guidelines on Enterprise Risk Management and Internal Control and other relevant stipulations as of 31 December 2016. Full text of the 2016 internal control audit report has been posted on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.jsexpressway.com).

During the Reporting Period, remunerations for Deloitte are as follows:

Unit: Yuan Currency: RMB

Auditors' fee	2,400,000
Audit fee for internal control	800,000
Consulting services fee for risk management	450,000

CORPORATE GOVERNANCE

III. Corporate Governance Report

As at the publication date of this report, the Board has reviewed the daily governance with reference to the Corporate Governance Code, and is of the view that the Company fully adopted all code provisions (including the new provisions applicable to the Reporting Period) in the Corporate Governance Code and strived to fulfill the recommended best practices, other than the code provision A2.7 stated below, the Company has been in compliance with all the code provisions under the Corporate Governance Code and no material deviation or breach of the provisions of the Corporate Governance Code was found. Specific review and explanation on compliance will be as follow.

A. Directors

A1. The Board

Code principle

- The issuer shall be headed by an effective board: the board should be collectively responsible for its leadership and control and supervise the issuer's affairs to promote the success of the issuer. Directors should take decisions objectively with decisions made in line with the best interests of the issuer. The board should regularly review the contribution 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 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 Procedures 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 most stable returns in the long run.
- The Directors take the initiative to understand the Company's operation and business development, attend Board meetings and specialized committee meetings in a prudent, responsible, proactive and diligent manner, adequately capitalize on their respective professional experience and expertise and produce proactive and encouraging effect in ensuring the Board to run in the best interests of the Company.

CORPORATE GOVERNANCE

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 2016, the Company held eight Board meetings, including six physical meetings where Directors attended in person and two extraordinary meetings 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 through the appointment of another Director to vote on his/her behalf. The attendance complied with the provisions of the Articles of Association of the Company. The extraordinary meeting was approved by the Board by way of circulation of written resolutions. Details of attendance in 2016 Board meetings are set out in this chapter.
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 the opportunity to include matters in the agenda for regular Board meetings but such right was not exercised in the year.
A1.3 Notice of at least 14 days should be given prior to 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 at 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 duly appointed secretary of the meeting and should be open for inspection by any director at any reasonable time	Yes	<ul style="list-style-type: none"> Secretary to the Board is 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.



CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A1.5 Minutes of board meetings should record in sufficient detail 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 within a reasonable period	Yes	<ul style="list-style-type: none"> The minutes of meetings shall reflect objectively the consideration, voting and opinions given by the Directors in detail and were duly signed by Directors having attended the meetings.
A1.6 Directors could seek independent professional advice under an agreed procedure at the issuer'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, valuers, and so forth to issue written reports for the perusal of the Directors at the Company's expense. For the investment in the project of Wufengshan Cross River Channel Toll Bridge and North-South Approach Expressways in the year, the Company appointed independent advisory agencies at its own expense to issue independent opinions in accordance with the requirements to the Directors for their decision.
A1.7 If a substantial shareholder or a director has a conflict of material interest in any matter, the issuer shall convene a board meeting (shall not be handled through written resolution) in due course, the independent non-executive directors as well as their close associates which have no material interest in the transactions shall be present at the meeting	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 material interest in any matter, the related/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 related/connected Directors have abstained from voting in respect of the relevant resolutions on the related/connected 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-related/connected Directors and independent non-executive Directors who had voted complied with the statutory quorum requirements.

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Code provision	Compliance	Corporate governance procedures
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 had arranged liability insurance for its Directors, supervisors and senior management members pursuant to the requirements under the Listing Rules of the Hong Kong Stock Exchange to mitigate risks arising in the course of their performance of duties.

A2. Chairman and Chief Executive Officer

Code principle	<ul style="list-style-type: none"> For the management of the board and the day-to-day management of business, there should be a clear division of responsibilities to ensure a balance of power and authority so that power is not concentrated in any one individual.
The best corporate governance status	<ul style="list-style-type: none"> The Company has clearly defined the respective responsibilities of the Chairman and the managing Director of the Company. 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 Procedures for the Board of Directors and the Rules of Reference to General Manager of the Company, ensuring a balance of power and authority as well as guaranteeing the independence of the Board in the decision-making process 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 has not been any ultra vires actor or "insider control".

Code provision	Compliance	Corporate governance procedures
A2.1 The roles of chairman and chief executive officer should be separate 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. Chang Qing was elected as the Chairman of the eighth session of the Board by the Board of the Company after being elected as a Director at the 2016 second extraordinary general meeting held on 25 February 2016. Mr. Gu De Jun was elected and appointed as the general manager of the Company at the ninth meeting of the eighth session of the Board held on 26 August 2016 and was elected as an executive Director at the 2016 second extraordinary general meeting held on 27 October 2016. The Chairman of the Board 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 of the Company. The separation of the roles is explained in detail in the articles of association, the "Rules of Procedures for the Board of Directors" and the "Terms of Reference of General Manager" of the Company. There was no relationship between the Chairman and the general manager of the Company in the financial, operational, family or other relevant aspects.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures	
A2.2	The chairman should ensure that all directors are properly briefed on issues being proposed at board meetings	Yes	<ul style="list-style-type: none"> The Board has established a reporting system in which the general manager reports to all Directors at each regular meeting, held at least four times a year, the most updated status of the Company. The Chairman also tables, for decision-making purposes, 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 timely provide to all Directors the information regarding the obligations to be fulfilled by the Board, 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 timely discuss all important appropriate matters, and be primarily responsible for drawing up the agenda and any matters to be considered at each board meeting	Yes	<ul style="list-style-type: none"> The agendas of Board meetings were discussed among the Chairman, the executive Directors and the secretary to the Board, and were determined after having taken into account all motions put forward by non-executive Directors. All important appropriate matters of the Company were determined after prior discussion.
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 operations of the Company are regulated.
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 express 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.

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Code provision	Compliance	Corporate governance procedures
A2.7 The chairman should hold a meeting annually with non-executive directors, in the absence of the executive directors	No	<ul style="list-style-type: none"> The Board has 11 members, of whom two are executive Directors and the rest are non-executive Directors. Nine Directors were appointed externally. This ensures adequate independence of the Board and safeguards the Board's decisions from being prejudiced by the opinions of executive Directors.
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 the shareholders for the purpose of continuing enhancement of investor relations and the realization of the best returns for the 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 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 maintained a good atmosphere for discussions, in which 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 of the Directors to the Board and strove to ensure that there were constructive relations between the executive Directors and the non-executive Directors.

A3. Board composition

Code principle	<ul style="list-style-type: none"> The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. It should 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 at which independent judgment can be exercised effectively. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The best corporate governance status	<ul style="list-style-type: none"> In October 2016, the Controlling Shareholder and the second largest shareholder of the Company re-nominated certain candidates for directorship to the Company due to work reassignment. It was submitted at the 2016 second extraordinary general meeting for consideration upon being considered and approved by the Board. As considered at the extraordinary general meeting held on 27 October 2016, the Company elected one additional executive Director and one non-executive Director. Currently, the eighth session of the Board of the Company comprises 11 members, of whom two are executive Directors and nine are non-executive Directors. Four of the non-executive Directors were nominated by shareholders and five 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 one is prominent figures in Hong Kong to ensure the diversity of the Board and help the Board analyze and discuss issues from different perspectives.

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- The Directors were elected or replaced at 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 at 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 six consecutive years.
- The members of the Board have different industry background. They are diversified in experience, competence and judgmental skills, which enable the Board to make more prudent and considerate decisions. 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, finance and insurance and others, of whom two Directors have accounting qualifications and financial management expertise as required by the regulatory authorities and one are prominent figures in Hong Kong to help the Board analyze and discuss issues from different perspectives.
- There was no relationship among the Board members in the financial, business, family or other relevant material aspects.

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, interim and quarterly reports, and other corporate communications set out on the websites of the Company, SSE and the Stock Exchange.
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 onto the websites of the Company and the Stock Exchange the list with profiles of the current Board members, which set out their roles, functions and independence. The Company will promptly update relevant information should there be any changes in the composition of the Board.



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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 reelection 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 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 by election at a shareholders' general meeting. During the process of selection, the criteria considered by the Nomination Committee include the relevant candidate's integrity, his/her achievement and experience in the relevant industry, his/her professional and educational background and his/her level of commitment, including the amount of time that he/she can devote 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.

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. An independent non-executive Director shall not be re-elected for more than six consecutive years
A4.2 Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years	Yes	<ul style="list-style-type: none"> All Directors were elected or replaced at shareholders' general meetings. The Company has introduced the cumulative voting system for the election of Directors. According to the Company Law and the articles of association of the Company, each session of the Board is for a term of three years, each Director is appointed for a term of three years and should retire upon the expiry of the three-year term, instead of retirement by rotation. Any re-appointment is subject to reelection 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 listing 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.

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A5. Nomination Committee

Code provision	Compliance	Corporate governance procedures
A5.1 Issuers 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"> The Nomination Committee has been established under the Board of the Company, comprising Zhang Zhu Ting, Wu Xin Hua, Hu Yu, Chen Liang and Lin Hui, of whom three are independent non-executive Directors. The chairman of the committee is Zhang Zhu Ting.
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 of 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.
A5.3 The nomination committee should make available its terms of reference, illuminating its role and the authority delegated by the board by including them on the websites of the issuer and the Stock Exchange	Yes	<ul style="list-style-type: none"> The Company has uploaded the Rules of Procedures of the Nomination Committee and made available the terms of reference of the Nomination Committee on its website, and published the same on the websites of both the SSE and the Stock Exchange for the enquiry of investors at any time.
A5.4 The issuer should provide sufficient resources for the committee to perform its duties. Where necessary, the committee should seek independent professional advice, at expense of the issuer	Yes	<ul style="list-style-type: none"> The Company provided sufficient resources for the Nomination Committee to perform its duties. In respect of matters that require advice to be sought from professional institutions, the Company proactively engaged professional institutions including accountants, lawyers, valuers and so forth to issue written reports for perusal by the Directors at the Company’s expense. During the year, the committees 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 should set out in the circular to shareholders why they believe he or she should be elected and the reasons why they consider him or her to be independent	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 both the notice of the general meeting and the circular to the shareholders. During the Reporting Period, as approved by the shareholders of the Company, Mr. Lin Hui was appointed as an independent non-executive Director since 2 June 2016. Details of Mr. Lin Hui were set out in the circular to shareholders dated 14 April 2016.

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Code provision	Compliance	Corporate governance procedures
A.5.6 The nomination committee (or the board) should make board diversity policy and disclose the policy or summary of the policy in the corporate governance report	Yes	<ul style="list-style-type: none"> The Company has adopted the Board Diversity Policy (“Board Diversity Policy”) according to the Corporate Governance Code, which is aimed at listing the policy taken by the Board to reach the Board Diversity. All the appointment of the members of the Board shall be based on the capacities, give consideration to objective conditions when consider the candidates and appropriately take into consideration the benefit of Board Diversity. The selection of candidates will be on the basis of a series of diverse categories, including, but not limited to, gender, age, culture and educational background, race, professional experience, skills, knowledge and term of service, and will be finally decided by the merits of the candidates and what they can contribute to the Board. The nomination committee will supervise the implementation of the policy at times and review the policy when appropriate to ensure the policy is effective. The nomination committee will continue to take full consideration of such measurement targets when proposing the appointed candidates to the Board.

A6. Responsibilities of Directors

Code principle	<ul style="list-style-type: none"> Every director must always know his or her responsibilities as a director of an issuer and its conduct, business activities and development. Non-executive directors have the same fiduciary duties and duties of care and skill as executive directors.
The best corporate governance status	<ul style="list-style-type: none"> The Company has formulated the “Rules of Procedures for the Board of Directors”, the rules of procedures of each committee and the “Terms of Reference of 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
A6.1	Yes	<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 members of the Board 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.
A6.2	Yes	<ul style="list-style-type: none"> • Non-executive Directors have actively participated in Board meetings and served as committee members, reviewed the progress on the achievement of the Company's business objectives and provided independent opinions on the Board's decision-making processes. • Functions of non-executive Directors include: <ul style="list-style-type: none"> – Participating in Board meetings to give independent judgments on the issues involving strategy, policy, performance, accountability, resources, key appointments and code of conduct, etc.; – taking the lead where potential conflicts of interest arise; – serving on the Strategy committee, Audit Committee, the Remuneration and Appraisal Committee, Nomination Committee; and – scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting of the Company.
A6.3	Yes	<ul style="list-style-type: none"> • All Directors of the Company 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.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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 during the year. The Board has formulated the Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees as a written guideline for the trading of securities of the Company by the relevant employees. The Model Code for Securities Transactions by Directors is on terms no less exacting than those set out in "Model Code for Securities Transactions by Director of Listed Issuers". During the Reporting Period, there were no transactions involving the dealing in the shares by the Directors. The Directors and Supervisors have complied with the standards of "Model Code for Securities Transactions by Directors of Listed Issuers" relating to securities transactions of the Directors as set out in Appendix 10 to the Hong Kong Listing Rules and "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees" after the special queries to all the Directors and Supervisors of the Company.
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 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 members of senior management by means of communication to help them update their knowledge and improve the exercise of their functions and responsibilities. Meanwhile, the Secretary to the Board also arranged the Directors, supervisors and members of senior management to participate in special training programmes held by the stock exchanges or local securities regulatory authorities, and organized special seminars on laws, finance, management and capital market for the Directors to facilitate their continuing professional development.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures																																																																								
		<ul style="list-style-type: none"> Providing profiles and training to the Directors of the Board <p>The Management of the Company provides each newly appointed members of the Board with comprehensive, formal and special profiles relating to the operation of principal business and practicing work of the Company. The Company has distributed to each Director "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry and "Guide for Independent Non-Executive Directors" (if as Independent Non-Executive Directors) published by the Hong Kong Institute of Directors, for reference.</p> <p>During the Reporting Period, the Directors would regularly collect the latest information and briefing on the changes and development of the Group's business, and knowledge of directorship.</p> <p>The training of the Directors and the ongoing progress. The Company encourages all the Directors to participate in relevant training programmes to promote knowledge of directorship.</p> <p>During the Reporting Period, the Directors has received the following training to update and develop their skills and knowledge:</p>																																																																								
		<table border="1"> <thead> <tr> <th></th> <th>Corporate governance</th> <th>Laws and regulations</th> <th>Business of the Group</th> </tr> </thead> <tbody> <tr> <td>Executive Directors</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gu De Jun (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Shang Hong</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Qian Yong Xiang (Resigned)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Non-executive Directors</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chang Qing (chairman) (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Du Wen Yi (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Wu Xin Hua (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Hu Yu (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Ma Chung Lai, Lawrence (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Zhang Yang (Resigned)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Independent non-executive Directors</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Zhang Er Zhen (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Zhang Zhu Ting (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Chen Liang (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Lin Hui (Incumbent)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Ge Yang (Resigned)</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> </tbody> </table>		Corporate governance	Laws and regulations	Business of the Group	Executive Directors				Gu De Jun (Incumbent)	✓	✓	✓	Shang Hong	✓	✓	✓	Qian Yong Xiang (Resigned)	✓	✓	✓	Non-executive Directors				Chang Qing (chairman) (Incumbent)	✓	✓	✓	Du Wen Yi (Incumbent)	✓	✓	✓	Wu Xin Hua (Incumbent)	✓	✓	✓	Hu Yu (Incumbent)	✓	✓	✓	Ma Chung Lai, Lawrence (Incumbent)	✓	✓	✓	Zhang Yang (Resigned)	✓	✓	✓	Independent non-executive Directors				Zhang Er Zhen (Incumbent)	✓	✓	✓	Zhang Zhu Ting (Incumbent)	✓	✓	✓	Chen Liang (Incumbent)	✓	✓	✓	Lin Hui (Incumbent)	✓	✓	✓	Ge Yang (Resigned)	✓	✓	✓
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CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A6.6	Yes	<ul style="list-style-type: none"> Each Director regularly provided information to the Company on and after his/her appointment as to his/her employment with other companies (including employment as Directors or supervisors in listed companies in the previous three years). Details of the employment and part-time employment of such Directors in other listed companies are disclosed in the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.
A6.7	Yes	<ul style="list-style-type: none"> All independent non-executive Directors and other 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 process. All independent non-executive Directors have attended the general meetings and extraordinary general meetings of the Company held during the year.
A6.8	Yes	<ul style="list-style-type: none"> All Directors have been able to attend Board meetings and specialized committee meetings in a prudent, responsible, active and conscientious manner, offering their respective professional experience and expertise, and giving their independent judgment, knowledge and experience in the matters discussed so that the Board could conduct productive discussions and make decisions in a speedy and prudent manner.

CORPORATE GOVERNANCE

A7. Supply of and access to information

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

Code provision	Compliance	Corporate governance procedures
A7.1 An agenda and accompanying board papers should be sent to directors at least three days before the date of a regular board or board 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 before the date of each extraordinary Board meeting by courier, mail or electronic mail .
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 should have separate and independent access to the issuer'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 to obtain 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, including 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, the issuers shall 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 on the latest situation about operations and respond to queries.

CORPORATE GOVERNANCE

B. Remuneration of Directors and senior management of the Company and appraisal of the Board

B1. The level and make-up of remuneration and disclosure

Code principle

- An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration level should be sufficient to attract and retain the directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

The best corporate governance status

- The Company has established the Remuneration and Appraisal Committee, the terms of reference of which include formulating and reviewing the remuneration policy and plan for the Directors and senior management staff of the Company. Except for the one 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 Directors is determined with reference to the average market level and the Company's current status. The executive Directors have received management remuneration from the Company. During the Reporting Period, no Director participated in determining his/her own remuneration.
- During the Reporting Period, the remuneration paid by the Company to one external non-executive Director amounted to HK\$300,000(net of tax), and the remuneration paid to five independent Directors (including one resigned independent Director) amounted to RMB360,000(net of tax) in aggregation. Setting aside the foregoing, the independent Directors did not receive other types of compensation from the Company. (At the 2015 annual general meeting of the Company held on 2 June 2016, one new independent non-executive Director was elected since one former independent non-executive Director resigned from the position due to work delegation.)

CORPORATE GOVERNANCE

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, and should have access to independent and professional advice if necessary	Yes	<ul style="list-style-type: none"> During the Reporting Period, the Company had three executive Directors, among whom, one has resigned, one concurrently serves as the general manager, and one concurrently serves as a deputy general manager. The executive Directors only receive management remuneration, which was suggested by the remuneration committee to the Chairman, and did not receive 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 of the Remuneration and Appraisal Committee" which specify the powers and duties of the committee, with its terms of reference being not limited to the provisions under the HK Corporate Governance Code. The Remuneration and Appraisal Committee of the Company 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, explaining its role and the authority delegated to it by the board on the websites of the Stock Exchange and the issuer	Yes	<ul style="list-style-type: none"> The Company has uploaded the Rules of Procedure of the Remuneration and Appraisal Committee and made available the rules of procedures of the committee on its website, published the same on the websites of the Stock Exchange and SSE for enquiry of investors.
B1.4 The remuneration committee should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> The Company has provided 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 and respective remuneration band of each of its Directors, Supervisors and members of senior management with their names in the annual report and accounts. For details, please refer to the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures	
Recommended best practices			
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"> There is no such matter referred to in the provision in between the Board and the Remuneration and Appraisal Committee in relation to the remuneration arrangements of the Directors and senior management during the Reporting Period.
B1.7	A significant proportion of executive directors' remuneration should be linked with corporate and individual performance	Yes	<ul style="list-style-type: none"> The total remuneration of each of the executive Directors 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	Issuers should disclose details of any remuneration payable to the members of senior management, on an individual and named basis in the annual reports	Yes	<ul style="list-style-type: none"> The Company has disclosed the remuneration of each of its Directors, Supervisors and members 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	<p>The Board and the Remuneration and Appraisal Committee are responsible for the appraisal of the Company's management, and the establishment of various performance objectives 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 assigned specific tasks to various functional departments of operations. The persons-in-charge of the respective departments then entered into annual target responsibility letters with the general manager of the Company. At the end of the year, the Board assessed the management's performance based on the extent of satisfaction with various objectives.</p>

CORPORATE GOVERNANCE

C. Accountability and audit

C1. Financial reporting

Code principle	<ul style="list-style-type: none"> The board should present a balanced, clear, comprehensive 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 Exchange and the SSE, 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 substance 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 shall 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 Directors 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 give a balanced and understandable assessment of the issuer's performance, financial position 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"> 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 to the extent sufficient enough to allow the Directors to acquire details about the Company's interim operation and management.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
C1.3 Directors should acknowledge their responsibility for preparing the accounts; there shall be a statement by the auditors about their reporting responsibilities in the financial report. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. 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 the auditors. The Company was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Company ability to continue as a going concern.
C1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	<ul style="list-style-type: none"> The Company included in its annual report a separate section containing a comprehensive and detailed discussion on the Company's business development environment, performance of each business, future risks and development strategies. For details, please refer to the section headed "Discussion and Analysis of Operations" of this annual report.
C1.5 The board should present a balanced, clear and understandable assessment of the company's performance in periodic reports and other discloseable financial information pursuant to the Hong Kong Listing Rules	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 and periodic reports 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 reports on the results that cover the first and third quarters of the year 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 the shareholders to assess the performance, financial position and prospects of the Company. 		

CORPORATE GOVERNANCE

C2. Risk management and internal control

Code principle	<ul style="list-style-type: none"> The board is responsible for evaluating and determining the nature and extent of risks that the issuer is willing to take in achieving the strategic objectives, and ensuring that the issuer would establish and maintain appropriate and effective risk management and internal control systems. The board should supervise the design, implementation and supervision of the risk management and the internal control systems conducted by the management, and the management should provide a confirmation to the board on the effectiveness of the relevant systems.
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 risk management and the internal control systems and conduct review on the financial, operating and regulatory control procedures from time to time to safeguard the Group's assets and shareholders' interests. During the Reporting Period, the Board and the Strategy Committee had conducted a self-evaluation on the Company's risk management and internal control and did not find any significant weakness in the design or implementation of the risk management system and the internal control system of the Company. For details, please refer to the section "2016 Evaluation Report on Internal Control". The Company has established the internal audit department and the Strategy Committee within the organization framework to conduct regular review, supervision and assessment on the financial position, operating, risk management and internal control activities of the Company according to different businesses and flow. It has also engaged external audit institutions to regularly audit the financial reports and the effectiveness of the internal control of the Company and to offer independent and objective assessments and suggestions in the form of audit reports.

Code provision	Compliance	Corporate governance procedures
C2.1 The board should at least annually conduct a review of the effectiveness of the risk management and 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 risk management and internal control systems. During the year, the Company's internal audit department, the Strategy Committee and external independent auditor have conducted preliminary review, rectification, audit and evaluation of the effectiveness of the establishment and implementation of the risk management and internal control systems respectively, and ensured that a comprehensive audit covering all businesses and management activities within the scope of risk management and internal control was carried out each year. For details, please refer to the section headed "2016 Self-evaluation Report on Internal Control of the Company" in this annual report. The Board (including independent non-executive directors) has considered the opinions offered by the Strategy Committee and reviewed the risk management and internal control systems of the Group and considered such systems are effective and sufficient.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
<p>C2.2 The board's review should, in particular, ensure the adequacy of resources, staff qualifications and experience in terms of the issuer's accounting, internal audit and financial reporting functions, as well as the adequacy of training courses received by employees and relevant budget.</p>	<p>Yes</p>	<ul style="list-style-type: none"> • The Company has taken into consideration of the resources of corporate accounting, internal auditing, seniority and experience of the staff when reviewing the risk management and internal control. • 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 their corresponding positions, and have the opportunity to receive professional training in this area each year.
<p>C2.3 Matters that the board should review each year</p>	<p>Yes</p>	<ul style="list-style-type: none"> • There has been no significant risk of the Company, and the Company has a relatively strong ability in responding to the changes in its business and the external environment; • Management of the Company comprehensively monitor the effective operation of the risk management and internal control systems on an ongoing basis; • The Company's internal audit department and external independent auditor have reported the supervisory results at the meeting of the annual report of the Strategy Committee to the Board and the Audit Committee, which helped the Board evaluate the supervisory conditions and the effectiveness of risk management of the Company; • There is no significant control failings or weaknesses that have been identified during the period; and • The Company's procedures for financial reporting and Listing Rules compliance are effective. <p>The launch of the set up of the risk management and internal control systems of the Company further sorted out the corporate business processes by incorporating internal control. Accordingly, the standardized processes and internal control were formed, which enabled all businesses to be carried out based on certain "standards". It also improved the results and efficiency of the business processes and enhanced corporate risk management and internal control. By way of providing training for all levels of employees, the Company strengthened risk management, raised risk awareness and internal control awareness among the management of the Company, and integrated the risk management culture into the corporate culture, fostering an excellent operation of the Company. Meanwhile, the Company strengthened the sound connection between the risk management system and the internal control system, promoted risk assessment and reduced risk probability, so as to effectively control various risks, facilitate the Company in making correct decisions for securing the safety and integrity of the Company's assets, and ensure the achievement of the objectives of the operating activities of the Company.</p>

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
C2.4 The issuer should disclose how they have complied with the risk management and internal control code provisions during the reporting period in the form of narrative statement in the Corporate Governance Report.	Yes	<p>With respect to the management of inside information, the Company has strictly executed the Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules, “Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees”, the “Management System Governing Personnel Having Access to Inside Information” and the “Management System Governing Users Having Access to External Information” to regulate the behaviours 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 on information disclosure.</p> <ul style="list-style-type: none"> • The Company identified, evaluated and managed significant risks through the full-coverage audit conducted once a year by the internal audit department and external independent auditor; • The Company established a specialized audit department to audit the risk management and internal control systems of the Company; • The Board of the Company shall be in charge of the risk management and internal control systems, and evaluate their effectiveness. The risk management and internal control of the Company is aimed at managing but not eliminating the risk of falling to achieving the business objectives, and could only provide reasonable and not absolute assurance against material misstatement or loss; • The Company reviewed the effectiveness of risk management and internal control systems and resolved material internal control defects through the full-coverage audit conducted once a year by the internal audit department and external independent auditor; and • The Company comprehensively handled and disseminated inside information and internal control measures at times all the year round through the Office of Secretary to the Board.
C2.5 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis, and explain the absence of such a function in the Corporate Governance Report	Yes	<ul style="list-style-type: none"> • The Company has established the internal audit function.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
Recommended best practices:		
		<ul style="list-style-type: none"> The Board has obtained confirmation from the management on the effectiveness of the Company's risk management and internal control systems. Save as disclosed herein, there are no other significant areas of concern in relation to risk management and internal control systems. During the Reporting Period, the Company had conducted an inspection and a self-evaluation of the legitimacy 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. The coverage of the review included but was not limited to those items under provision C.2.3 and C.2.4 of the HK Corporate Governance Code. For the findings of the review, please refer to the section headed "2016 Self-evaluation Report on Internal Control of the Company". The Company has ensured that the information disclosed in all announcements issued to shareholders were meaningful. All Directors have warranted that there was no misrepresentations, misleading statements contained in, or material omissions from, the announcement and were severally and jointly responsible for the truthfulness, accuracy and completeness of the contents contained therein.

C3. Audit Committee

Code principle	<ul style="list-style-type: none"> The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship between the issuer and its auditors. The audit committee established under the Listing Rules should have clear terms of reference.
The best corporate governance status	<ul style="list-style-type: none"> The Company has established the Audit Committee and Chen Liang, 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 Liang and Zhang Er Zhen are independent Directors. Mr. Chen Liang is an independent Director possessing professional qualifications and experience in financial management. He took up the position as the chairman of the Audit Committee. The Audit Committee is principally responsible for examining the financial information and information disclosure of the Company and its subsidiaries; supervising financial control of the Company and its subsidiaries; auditing material connected/related transactions; and communicating, supervising and reviewing the internal and external audits of the Company. The terms of reference of Audit Committee is set out in details in the "Rules of Procedures of the Audit Committee". During the Reporting Period, the Audit Committee held five meetings in total, including four regular meetings to review periodic reports and one to communicate with external audit institutions on the audit work with respect to the 2016 annual results of the Group, and on daily related/connected party transactions of the Company and its subsidiaries and to amend certain terms of the "Rules of Procedures of the Audit Committee" of the Company as required by the Stock Exchange. At such meetings, all members were present and performed respective duties, and the management and the financial controller reported on the major matters related to financial position of the Company. During the Reporting Period, the Audit Committee had made one direct contact with external auditors of the Company, before the preparation of the annual audit report, to understand the procedures and principles regarding the preparation of the auditors' report, and to discuss the relevant issues with the auditors, which serves as a basis for evaluation.

CORPORATE GOVERNANCE

As for risk management and internal control, the Board has established the Strategic Committee with members including Chang Qing, Gu De Jun, Shang Hong, Ma Chung Lai, Lawrence, Zhang Er Zhen, most of whom are non-executive Directors. In particular, Gu De Jun concurrently serves as an executive Director, general manager and the chairman of the Strategic Committee.

The Strategy Committee is principally responsible for examining and reviewing the direction for strategic development of the Company, supervising the internal audit system of the Company and its subsidiaries and its implementation and examining the risk management and internal control systems, including financial control, of the Company and its subsidiaries. The terms of reference of the Strategy Committee is set out in details in the “Rules of Procedures of the Strategy Committee”.

During the Reporting Period, the Strategy Committee held two meetings in total, in which amendments to certain terms to the “Rules of Procedures of the Strategy Committee” of the Company in accordance with the requirements under the Stock Exchange were approved, with all members present and performing their respective duties. Meanwhile, the management and the financial controller reported to the Strategy Committee on financial position, and significant matters related to risk management and internal control of the Company.

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 draft and final versions of the minutes of the meetings should be sent to all members of the committee within a reasonable time after the meeting. The draft and the final versions are provided to the members for their comment and records.	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 results 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 issuer’s existing auditing firm should be prohibited from acting as a member of the audit committee in a certain period	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 for Procedure of the Audit Committee” which specify the terms of reference and work procedures of the Audit Committee and the authority granted by the Board in order to comply with the requirements under the code provisions. Some provisions of the rules of procedures were revised during the Reporting Period in accordance with the supervisory requirements of Stock Exchange.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
C3.4	Yes	<ul style="list-style-type: none"> The Company has uploaded the Rules of Procedures of the Audit Committee and made available the terms of reference of the committee on its website, and published the same on the website of SSE and the Stock Exchange for enquiry of investors.
C3.5	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. The Board and the Audit Committee do not hold different opinions in terms of selection, appointment, resignation or removal of external auditors.
C3.6	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 Reporting Period, the Company engaged an independent financial adviser, a valuer and an auditor to provide professional advice in respect of the investment in Wufengshan Cross River Channel Toll Bridge and North-South Approach Expressways at its own expense.
C3.7	Yes	<ul style="list-style-type: none"> The Audit Committee has had a separate complaint mailbox for collecting any fraud-related information in a timely manner, and on the foregoing basis entered into a cooperation memorandum with the disciplinary inspection department of the Company. During the Reporting Period, 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, obtained an understanding of the internal control suggestions made by both the auditors and the audit department of the Company and the management's feedback and status of rectification, 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 management and controls over fraud risks were effective.
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 address as confidential channels for the employees and other stakeholders of the Company to report inappropriate matters to the Audit Committee and the internal disciplinary inspection and supervision department. 		

CORPORATE GOVERNANCE

D. Delegation by the Board

D1. Management functions

Code principle	<ul style="list-style-type: none"> An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.
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 disposal proposals; and implementing the resolutions passed at the shareholders' general meetings. The articles of association of the Company and the Rules of Procedures for the Board of Directors explicitly state the matters reserved for consideration and approval by the Board. For the implementation of certain major projects, the Board may, after its consideration and approval, set up a committee or panel consisting of two or more Directors, where appropriate, 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 relevant committees or panels must act within the scope of authorization granted by the Board and shall report to the Board on any matter that goes beyond the scope of authorization.

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 taking 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 formalize functions reserved to the board and those delegated to the management and review 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 required to be resolved by the Board in the "Terms of Reference to 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 its articles of association, the "Rules of Procedures for the Board of Director" and the "Terms 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

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 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 carry out 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 rules of procedures 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.



CORPORATE GOVERNANCE

- In 2016, the members of all the special committees attended meeting in person. Records of attendance of meetings (Number of Attendance at meetings/Number of Required Attendance at Meeting) are as below:

Name	Position	Strategy Committee	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee
Incumbent Director					
Chang Qing	Chairman	2/2	-	-	-
Gu De Jun	Executive Director	0/2	-	-	-
Du Wen Yi	Non-executive Director	-	5/5	-	-
Shang Hong	Executive Director	2/2	-	-	-
Wu Xin Hua	Non-executive Director	-	-	0/3	0/1
Hu Yu	Non-executive Director	-	-	3/3	1/1
Ma Chung Lai, Lawrence	Non-executive Director	2/2	-	-	-
Zhang Er Zhen	Independent non-executive Director	2/2	5/5	-	-
Zhang Zhu Ting	Independent non-executive Director	-	-	3/3	1/1
Chen Liang	Independent non-executive Director	-	3/5	3/3	1/1
Lin Hui	Independent non-executive Director	-	-	2/3	0/1
Resigned Director					
Qian Yong Xiang	Former executive Director	2/2	-	-	-
Zhang Yang	Former non-executive Director	-	-	1/3	1/1
Ge Yang	Former independent non-executive Director	-	-	1/3	1/1

At the 2016 first extraordinary general meeting held on 25 February 2016, Mr. Chang Qing was elected as a non-executive Director of the Company, Ms. Shang Hong was elected as an executive Director of the Company, and Mr. Chang Qing was elected as the chairman of the eighth session of the Board of the Company at the Board meeting adjoining the general meeting. Due to the election of certain members of the Board at the 2015 annual general meeting held on 2 June 2016, some changes were made to the members of the Board. Details are as follows: Mr. Ge Yang resigned as an independent non-executive Director due to other work commitments; Mr. Lin Hui was elected as a new independent non-executive Director of the eighth session of the Board of the Company. On 26 August 2016, Mr. Qian Yong Xiang, an executive Director, and Ms. Zhang Yang, a non-executive Director resigned as members of the Board. At the 2016 second extraordinary general meeting held on 27 October 2016, Mr. Gu De Jun was elected as an executive Director of the Company, and Mr. Wu Xin Hua was elected as a non-executive Director of the Company. There were also some changes in the members of the other committees. Details of the 2016 work report are set out elsewhere in this chapter.

CORPORATE GOVERNANCE

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 of the Company have formulated their respective rules of procedures to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see “A5.Nomination Committee”, “B1. The Level and Make-up of Remuneration and Disclosure” and “C3. Audit Committee”.
D2.2 The terms of reference of board 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 the matters subject to the decision of the Board to the Board for consideration.

D3. Corporate governance function

Code provision	Compliance	Corporate governance procedures
D3.1 The terms of reference of the board should include corporate governance functions	Yes	<ul style="list-style-type: none"> The Board assumes the responsibilities for corporate governance, formulates and reviews corporate governance policies and practices, supervises the management to establish a compliant organizational structure and system, reviews and supervises trainings and continuous professional development of directors and the senior management, follows the Corporate Governance Code, other legal and regulatory requirements in the course of day-to-day operation and management, and makes a conclusion and a review in the annual report. During the Reporting Period, so far as formulation of corporate governance policies of the Company is concerned, the Board carried out and promoted the establishment of risk management system with the assistance of the management, details of which please refer to the “Risk Management” above. The Board reviewed the corporate governance policies in force (including the rules listed in the aforesaid “corporate governance structure and rules”) and compliance by employees and Directors and no material problems were identified. The Board has reviewed the Corporate Governance Report herein and noticed that, save as the Code provision A2.7, the Company has complied with all the code provisions contained in the Corporate Governance Code under Appendix 14 to the Listing Rules, and details of deviation have been disclosed in the Corporate Governance Report. As for training and continuous professional development for Directors and the management, it was noticed that all Directors have received training in terms of corporate governance, laws and regulations and business of the Group during the Reporting Period, and the senior management has also received training in terms of risk management and inside information disclosure. During the Reporting Period, the Board has promptly updated relevant policies and practices of the Company upon obtaining regular updated requirements of laws and regulatory regulations.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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 endeavors to maintain on-going communication with the shareholders and regards annual general meetings and other extraordinary general meetings as key opportunities to contact individual shareholders. The Company dispatches shareholders' circular at least 21 days before the date of a general meeting. The Company dispatches the notice for an annual general meeting, which set out the matters to be considered at the meeting and the voting procedures in detail, at least 45 days before the date of that particular meeting. All shareholders are entitled to attend a general meeting.

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 of the substantially separate issues, 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"> When the 2015 annual general meeting was held, the Chairman of the Board of the Company presided over the annual general meeting. Representatives of all committees and the management of the Company have been arranged 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, and answer questions raised by Shareholders at the 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 of the meeting.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
E1.3 The issuer should give notice at least 20 clear business days prior to an annual general meeting and at least 10 clear business days prior to an extraordinary general meeting	Yes	<ul style="list-style-type: none"> Pursuant to other relevant requirements, the Company gave notice 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 secretary to the Board of the Company 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 enquiries to the Company, and the Company has also arranged for specific personnel to promptly respond to the same.

E2. Voting by Poll

Code principle	<ul style="list-style-type: none"> The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.
The best corporate governance status	<ul style="list-style-type: none"> The Company has formulated the "Rules of Procedures for General Meetings" specifying the voting method and procedures of shareholders' general meetings and ensured that the procedures comply with the requirements contained in the Listing Rules and the articles of association of the Company. 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 lawyers to issue 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 procedure for voting by poll and the procedure for answering questions raised by shareholders before the commencement of the meeting	Yes	<ul style="list-style-type: none"> The notice of a general meeting and the accompanying circular contained the details of the matters for consideration at the meeting and the voting procedures. Such 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, dealt with questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.

CORPORATE GOVERNANCE

F. Company Secretary

Code principle	<ul style="list-style-type: none"> The company secretary plays an important role in supporting and assisting 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	<ul style="list-style-type: none"> The Company assigned a member of the senior management as the Secretary to the Board to assume the role of company secretary at Board meetings, and set up a specialized office of the Secretary to the Board in order to ensure the availability of resources for its smooth operation. The Company established the Terms of Reference of 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 the maintenance of corporate governance. In addition, the Company engaged an external legal advisor to assist the Company in 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 of professional training in 2016.

Code provision	Compliance	Corporate governance procedures
F1.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs	Yes	<ul style="list-style-type: none"> The company secretary of the Company is served by Mr. Yao Yong Jia, the Secretary to the Board and deputy general manager of the Company. Pursuant to the relevant requirements of Stock Exchange, Mr. Yao Yong Jia from the Company has met the relevant qualifications of the company secretary in Hong Kong. During the Reporting Period, Mr. Yao has received relevant professional training for no less than 15 hours.
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.

CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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 providing all information to the Directors and supervisors, including the documents for each meeting of the Board, specialized committees and the Supervisory Committee; regularly 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 of the Company 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 regulatory compliance to ensure that 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, Mr. Yao Yong Jia concurrently serves as the Secretary to the Board and the company secretary.

2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

The Board of the Company assessed and determined the risks related to environment, society and governance, and confirmed that the issuer has established a suitable and effective risk management and internal control system for environment, society and governance. The Board and the Directors confirm that this report does not contain any false representation, misleading statement and there is no material omissions from this report, and all of them severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Reporting entity

Jiangsu Expressway Company Limited (hereinafter referred to as the “Company”).

Reporting Period

From 1 January 2016 to 31 December 2016, with the exception of some contents extended beyond this time frame for the sake of completeness and continuity of information disclosure.

Basis of preparation

This Report is prepared with reference to related rules, the requirements under the Guidelines on Preparation of Corporate Social Responsibility Report (《公司履行社會責任的報告編製指引》) issued by the Shanghai Stock Exchange and the Listing Rules and Environmental, Social and Governance Reporting Guide (《環境、社會及管治報告指引》) issued by the Hong Kong Stock Exchange and elaborated from the perspective of stakeholders.

Purposes of the Report

This report is the Company’s 2016 Corporate Environmental and Social Responsibility Report, in which the Board of the Company assesses and determines the Company’s environmental and social risks adhering to the principle of honesty and integrity and ensures that the Company’s establishment of suitable and effective environment and social risk management systems, and reflects the Company’s commitment to promoting sustainable economic and social development and environmental protection, and to actively undertaking its social responsibilities for the benefit of stakeholders, which includes shareholders, creditors, employees and clients of the Company. We hope that this Report will serve as a bridge of communication and interaction with all sectors of the community, and will substantiate these sectors’ understanding of the Company. We also hope that, with the issuance of this Report, we are subject to supervision by all parties, who will foster our continuing improvement in serving the community and the public in carrying out a harmonious development.

Consideration and approval

This Report was considered and approved at the fourteenth meeting of the eighth session of the Board held by the Company on 24 March 2017.



2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

The Company's business review

01 The Company's operating concept

As a listed company in the transportation and infrastructure industry principally engaged in the investment, construction, operation and management of toll roads and bridges, the Company, in proactive adherence to laws and regulations in China, in strict compliance with the relevant corporate governance requirements of the Articles of Association, Shanghai Stock Exchange and Hong Kong Stock Exchange, and based upon the industry earnestly, fulfils its basic social responsibility of satisfying public demand for transportation services and contributing to social and economic growth, creates good investment returns for shareholders on a continuous basis and strives to generate benefits for stakeholders including employees, customers and business partners. In the meantime, the Board of the Company is of the view that apart from making business profit, we also need to undertake social responsibilities on a multi-dimensional scale, which mainly include the corresponding responsibilities to our stakeholders including shareholders, employees and consumers, as well as to the community and the environment.

Guided by the principle of people-oriented and scientific development, and through the refined allocation of resources, the Company strives to pursue the maximization of the integrated values in terms of its business, the society and the environment in order to attain coordinated and sustainable development in these three aspects. In terms of environmental protection, the Company strictly abides by the relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, exercises caution from the very outset in production, management and services so as to resolutely preclude the "abatement after pollution" and endeavors to build itself into an environmentally-friendly and resource-conservative enterprise with low energy consumption, less carbon emission, environmental friendliness and intelligence.

This Corporate Environmental and Social Responsibility Report of Jiangsu Expressway Company Limited for 2016 truly and objectively reflects the important information on how the Company fulfills its social responsibilities in its operations and management activities.



2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

02 The Company's relations with stakeholders

The Company cares for and respects all stakeholders. We focus on the bridging of communications with the government, investors, customers, employees, suppliers and non-governmental organizations, and seek to maintain good relationships with each stakeholder to the best of its ability and balance of interests. This could encourage other parties to better understand and actively participate in as well as show support to the future development of the Company.

The Company's significant relations with major stakeholders

Stakeholder	Our Responsibilities	Major means of communication
Government	<ul style="list-style-type: none"> To abide by laws and regulation, and observe the regulatory requirements of the government To carry out operations in a lawful manner and pay taxes according to law 	<ul style="list-style-type: none"> Regular reporting Social media To be subject to supervision and scrutiny To participate in policy research and formulation
Shareholders	<ul style="list-style-type: none"> To be entitled to an equal right to access to information To achieve a timely, true and accurate information disclosure To maintain high and stable dividend payout ratio 	<ul style="list-style-type: none"> To hold general meetings To run interactive activities for investors To disclose information to external parties
Creditors	<ul style="list-style-type: none"> Maintain integrity and to repay loans in a timely manner 	<ul style="list-style-type: none"> To achieve a true and accurate information disclosure
Customers	<ul style="list-style-type: none"> To establish a safe, convenient and comfortable transportation environment To provide high-quality services to raise the level of customer satisfaction 	<ul style="list-style-type: none"> To collect comments from customers and provide feedback To provide return-visit call on services To maintain electronic information platform To handle customers' complaints
Employees	<ul style="list-style-type: none"> To offer stable and reasonable remuneration packages To provide good opportunities for career development To protect lawful rights and interests of employees To maintain a safe workplace 	<ul style="list-style-type: none"> To organize trade union and to convene a workers' representatives conference To collect and analyze employees' views, and to render suggestions and feedback accordingly To run staff training To award and reward
Community and environment	<ul style="list-style-type: none"> To preserve resources, conserve energy, reduce consumption and focus on environmental protection To proactively engage in charitable activities which promote a harmonious social development 	<ul style="list-style-type: none"> To maintain communication with the environmental protection departments To promote learning and sharing of advanced experience domestically and offshore

2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

Road of sustainable development

The year 2016 is the outset year of “13th Five-Year Plan”. Focusing on “one principal business and two auxiliary businesses (一主兩翼)” strategy under the “13th Five-Year Plan”, and investing in construction projects of high-quality roads to expand the principal business scale in a healthy way, the Company optimized the development of its auxiliary businesses by means of equity investment as well as trial investments in areas such as finance, quasi-finance and emerging industries. In the meantime, the Company explored new means and methods in respect of transformation of operation mode and enhancement of operating benefits and made substantive breakthrough in corporate reform. In 2016, the cumulative operating revenue realization of the Group was approximately RMB9,201 million in total, representing an increase of approximately 5.02% year-on-year. Net profit attributable to the shareholders of the listed Company was RMB3,346 million, with earnings per share at approximately RMB0.664, representing an increase of 33.49% year-on-year. The Company set a new record in economic efficiency and achieved sustainable and steady operation and development. As at the end of 2016, the scale of the total assets of the Group reached RMB36.283 billion, which was attributable to RMB22.210 billion of the net assets of the shareholders of the listed company and represented a growth of 8.47% at the end of 2015.

01 Healthy expansion of the principal business

In order to further secure quality expressway channel resources, consolidate the Company’s leading position in the expressway network in southern Jiangsu Province and effectively offset traffic diversion by other expressways, promote steady growth of the principal business operations, achieve expansion of principal business and maintain sustainable development, the capital contribution of not more than RMB3,300 million made by the Company in the investment in new projects of Wufengshan Toll Bridge and North-South Approach Expressways was considered and approved by the Company at the tenth meeting of the eighth session of the Board held on 5 September 2016.

Wufengshan Toll Bridge and North-South Approach Expressways projects are part of the Yangtze River Delta expressway network planned by the Ministry of Transport of the PRC and the expressway network of “Five Vertical Lines, Nine Horizontal Lines and Five Connection Lines” (五縱九橫五聯) planned by the government of the Jiangsu Province, and the most convenient and efficient means of north-south river crossing transportation channels between the Beijing-Tianjin region and the Yangtze River Delta region. It is the most direct northbound and southbound expressway channel of central Jiangsu Province and accordingly holds a very important position in the expressway network of the Jiangsu Province and layout of the Yangtze River crossing channels. Wufengshan Toll Bridge and North-South Approach Expressways are scheduled to start construction in 2017 and will be open to traffic in 2020. Upon completion of the construction, the projects will become new sources for the Company’s business growth.

With the ongoing healthy expansion of the Company’s principal business, the Company further consolidated its leading position in the expressway network in the south of Jiangsu.

Furthermore, the Company completed capital reduction of RMB989 million in Ningchang Zhenli Company in the year, which, in the long term, would help revitalize the idle capital and further tap the capital efficiency.

02 Optimization and improvement of auxiliary businesses

In 2016, the Company continued to optimize the development of auxiliary businesses through equity investment and trial investments in areas such as finance, quasi-finance and emerging industries while investing in the construction projects of high-quality roads to expand the scale of its principal business.

During the year, the Company made an effort to build an equity investment platform. Ninghu Investment focused on the future investment opportunities for expressway-derived industries and other emerging industries. It increased registered capital by RMB900 million and increased the investment and financing capabilities of the platform. Ninghu Investment, a subsidiary of the Company, increased its financial assets through subscribing for CDB Kai Yuan Phase II Fund with an amount of RMB500 million. Luode Fund Company also capitalized on such opportunities to contribute RMB150 million to establish a real estate parent fund, and expanded its management scale of real estate funds to RMB800 million by the end of 2016, of which, external funds accounted for approximately 81%. As the substantive steps on equity investment platform during the process of building the “one principal business and two auxiliary businesses (一主兩翼)” system, the above-mentioned investments are of significance to the Company’s development as well as exploration of investments in areas such as finance, quasi-finance and emerging industries.

2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

As to the area of real estate investment, in 2016, Ninghu Properties further pushed forward the development and operation of the business of multi-purpose real estate projects, which realized pre-sale income of RMB1,206,599,000 and carried forward income of RMB810,835,000. The progress of the project development and sales ran smoothly; and at the same time, Hanwei Company, a subsidiary, completed most of the design works pertaining to the Lot No. 2 South Nanjing New Town, and great progress had been made in the procedures on submission for approval and construction. Currently, such project has officially entered the construction stage of foundation works.

03 Substantive breakthroughs in corporate reform

In 2016, the Company accelerated the economic structure transformation and industrial structure adjustment. With a primary focus on enhancing service quality and economic efficiency at the service areas, the Company adopted “branding, professionalism, chain operation and efficiency orientation” as its business guidelines and strove to promote transformation and upgrading of business models at the service areas and improve service standard and profitability.

In respect of the transformation of business models, the Company determined the program for reforming business models at service areas in 2016, which aims at all-round enhancement in operating performance and service standard of the six service areas through adopting proprietary operation and “contracting + supervision” models. Currently, Meicun service area was the first to implement the “contracting + supervision” business model, at which services have been contracted for a term of six years through a public tender at contracting fees and lease fees totaling RMB280 million. The overall renovation project has been fully launched.

In respect of improving the operating efficiency, the Company seized the opportunity arising from change in the environment of refined oil market to negotiate with oil suppliers and secured greater profit margins after several rounds of negotiations. Thus it is expected that there will be a marked increase in overall profits derived from oil sales. Bulk procurement has been implemented for food and beverages, products and raw materials to further boost the quality of raw materials of food and beverages and products and reduce procurement costs. Furthermore, service areas actively developed differentiated business structure and explored diversified development of business formats through co-operation with well-known chain-store operators, thus achieving steady growth in sales revenue and profits.

Expressway of Standard Management

Excellent and standard corporate governance is crucial to the long-term, healthy and stable operation of an enterprise. As for a listed company, its corporate governance may determine its future development. Hence, the Company, adhering to the corporate governance concept of integrity and diligence, continues to improve its governance system and operating process, and also continues to upgrade its corporate governance level in accordance with the latest laws and regulations and work deployment of SSE and the Stock Exchange and other regulatory departments.

01 Persistently improving the governance level

In 2016, the Company made further efforts to increase the awareness of standard operation, strengthen its governance, and execute the governance rules strictly so as to ensure the mechanism was implemented to the highest extent, while vigorously putting the latest regulatory requirements into practice. Measures were also taken to improve the daily control for key regulatory fields such as insider trading, capital occupation and connected/related transactions. It exercised strict control over all sorts of non-compliance risks, thus further improving its self-governance capacity. At the same time, the Company enhanced its directors', supervisors' and senior management's knowledge and understanding of securities regulations and the latest developments in the securities markets by providing them the selected regulations, case analysis and regulatory developments, thereby increasing their governance awareness.

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To start with the work of “three-meeting”, the Company standardized the procedure of decision-performance. It mapped out and made scientific decisions over the daily operating activities and major investing events in order to ensure that all significant matters fulfilled the necessary statutory procedure for examination and approval. In addition to perfecting the decision-making procedures of the Board, during the year, the Company had set up and improved various basic works for “Three Major and One Significant (三重一大)” decision-making matters to ensure that all the decision-making matters required to be submitted to the Board for consideration had strictly followed the relevant decision-making procedures and the minutes of the relevant meetings had been kept properly for record, so as to ensure the appropriate procedures in place and the relevant records for inspection. The Company’s decisions on major matters were regulated to enhance its decision-making level and prevent the decision-making risks, thus ensuring the scientific and compliant development of the Company.

With the pursuit of excellence as the goal and continuous improvement of governance level, the Company endeavored to grow into an enterprise with long-term investment value. It has finally gained full recognition from the capital market and affirmation from authoritative organizations, and become the favorite of investors for its rigorous and pragmatic working attitude and corporate culture. It now has become an exemplary enterprise among the domestic listed companies. In 2016, the Company achieved excellent results in the capital market and won many awards and praises from professional institutions in the industry. According to the corporate information disclosure for the year of 2015–2016, the Company got an outstanding score; and it was awarded the 2016 China Financial Market Award for Listed Companies, 2016 Outstanding Listed Company in Yangtze River Delta of China and Top 100 Listed Companies of China in Terms of Value during the 10th Appraisal of Value of China Listed Companies.



Picture 1: Top 100 Listed Companies of China in Terms of Value during the 10th Appraisal of Value of China Listed Companies



Picture 3: 2016 Outstanding Listed Company in Yangtze River Delta of China



Picture 2: 2016 China Financial Market Award for Listed Companies

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02 Continuously improving the internal control system

The Company pays high attention to internal audit and risk management and control. Under the internal control mechanism featuring the “integrated four-standard”, the focus of internal control was fixed on promoting the Company’s development, management upgrading, increasing efficiency, enhancing internal control and risk prevention. At the same time, in respect of daily risk inspection and control, the Company regularly carried out information collection and analysis regarding the operating situation. It also continuously adjusted the measures of risk management according to the internal and external tendencies of changes.

In 2016, the Company actively carried out audit on financial revenue and expenditure, and audit on budgetary performance and tracking audit on major projects; meanwhile, it conducted resignation audit and economic liabilities audit. The Company actively arranged evaluation of internal control and defects rectification in order to ensure the effective implementation of internal control policies. In regard to the audit on standards implementation, the Company reviewed the applicability, sufficiency and effectiveness of the management system concerning quality, environment, and occupational health and safety to screen defects through internal review of standards implementation with participation of external professional auditor so as to constantly improve management level and safeguard the sustainable and healthy development of the Company. Meanwhile, the Company further strengthened the project tracking management that it expanded the scope of tracking audit on major projects in 2016 to include the construction projects of property with an investment of more than RMB5 million into the scope of tracking audit. This measure not only enabled the timely discovery of the problems existed in the construction works, but also further enhanced the Company’s risk prevention and management level of project implementation.

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company’s capability to deal with risks, the Company carried out the building of corporate risk management system in 2016, established a risk management system through which to conduct survey and make detailed diagnosis on the status quo of the existing risk management and internal control system, and issued the Diagnosis Report on Management and Control System. Meanwhile, the Company determined the basic principles for risk assessment, established the standards of risk assessment, compiled the Risk Assessment Report and formulated the Risk Map in combination with the industry risks, on which material risks of the Company are identified.

The establishment of the risk management system further sorted out the corporate business processes by incorporating internal control. Accordingly, the standardized processes and internal control were formed, which enabled all businesses to be carried out based on certain “standards”. While improving the effect and efficiency of the business processes, it also effectively managed and avoided certain risks so as to facilitate the Company in making correct decisions for the sake of the safety and completeness of the Company’s assets, and ensured the achievement of the objectives of the operating activities of the Company.

03 Strictly implementing internal supervision

The Company continued to improve and strictly implemented its internal supervision system. Aiming to build a “clean state-owned enterprise” and focusing on implementation of “two responsibilities”, the Company devoted more efforts in discipline inspection and prevention of illegal acts such as bribery, blackmail and fraud so as to promote the healthy and sustainable development of the Company.

In 2013, the Company established a monitoring office which addressed 173 integrity risk points in total, which defined prevention and control measures one by one, as well as enhanced the supervision on bidding and tendering activities. In 2016, the Company consolidated the resources of six major internal supervisory platforms and set up three defense systems namely “pre-event warning, ongoing control and post-event accountability (事前預警、事中控制、事後問責)”. The Company established a comprehensive supervision and protection system, further centralized supervision and strengthened the precaution and prevention efforts, and promoted the decision makers of the Company and the affiliated units of the Company to make their best endeavor to perform their responsibilities and duties, standardize their utilization of authorities, so as to drive the achievement of the general business goals of “safety business operation and security duties performance (企業經營安全、幹部履職安全)”, and to create a new management and control mode adapting to the modern enterprise system.

In addition to reinforce the mechanism development, the Company also organized different campaigns to promote office integrity, and to prevent problems at the outset. The Company has established the “Cultivation Base for Integrity Culture of Zhou Enlai (周恩來廉潔文化教育基地)” in Nanjing, and carried out a melodrama with the subject of integrity office in Wuxi, and organized the “Qingfeng Cup (清風盃)” painting exhibition for integrity culture from July to December, to propagate the integrity spirit and transmit positivity.

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04 Reinforcing the maintenance of investor relations

The Company is adhering to promote active management of investor relationships, hospitably receive the visiting institutions and media, and periodically publish the Company's operating data. At the same time, by building a two-way communication with the investors via website information platforms in a timely, accurate and detailed manner, the Company has achieved good interaction with the investors and media, through which the Company could not only keep the investors accurately informed of the corporate situation, but also assist the investors to make objective and correct investment judgement. In addition, it will also enable the Company to master the key concerns of the investors and to collect information for decision-making on the future capital market.

In 2016, the Company made disclosure in strict compliance with the listing rules of both Mainland China and Hong Kong during the Reporting Period, with all contents and procedures of information disclosure satisfied with the disclosure requirement. The Company published 48 announcements domestically and offshore on information disclosure and ad-hoc material events in accordance with statutory requirements.

Meanwhile, the Company has effectively transmitted positive signals to stabilize the market confidence and create good investment atmosphere via investment forums and domestic and overseas roadshow platforms.



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Corporate Presentation Activities in 2016

January	– Participated in the annual “Investment Forum” organized by Deutsche Bank
	– Participated in the annual “Investment Forum” organized by UBS Securities
March	– Held 2015 annual results presentation and investor roadshow activities in Hong Kong
May	– Attended HSBC’s annual investors conference
	– Attended CICC’s Disney themed symposium
June	– Attended the investors conference held by JPMorgan
	– Attended the half-yearly strategic conference of the CICC
August	– Held 2016 interim results presentation and investor roadshow activities in Hong Kong
November	– Attended the investors conference held by CICC
	– Attended the investment forum held by Merrill Lynch
December	– Organized and arranged for roadshow activities in Japan, Korea and Europe
	– Attended the conference of annual investment strategies organized by Huatai Securities and Changjiang Securities

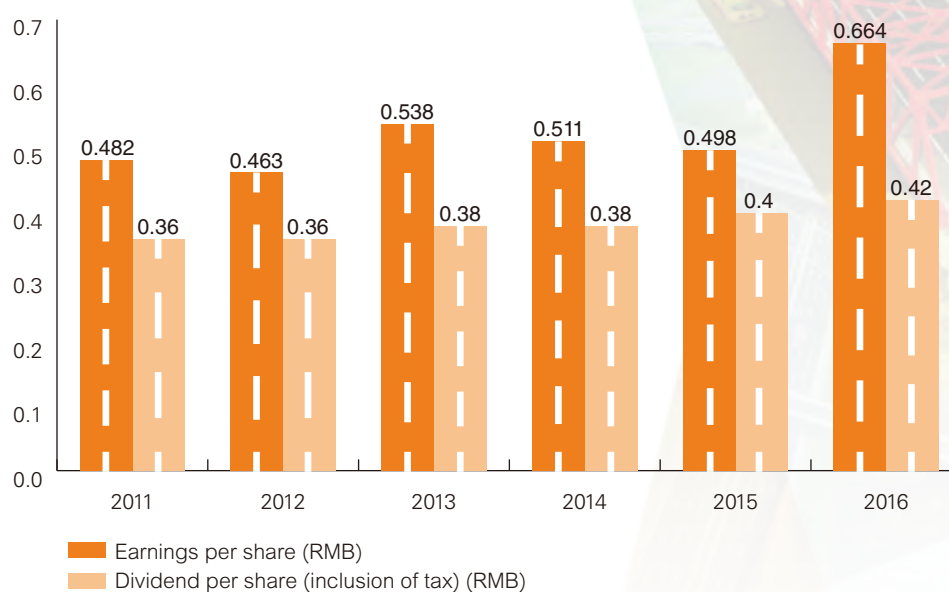


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05 Maintaining steady investor returns

Investors are the foundation for stable and long-term development of the Company. For a long time, the Company has taken into consideration of both current revenue and investors' long-term interests, and deemed bringing returns for investors as an important mission and business concept of the Company, enabling investors to better share the development results of the Company and realize beneficial cycle for capital. The Company has formulated and insisted a positive and reasonable dividend distribution mechanism and advocated equity culture of returning to shareholders, thus building a harmonious investing and financing environment and value investment atmosphere.

Since it was listed in 1997, the Company has distributed cash dividends for 19 consecutive years. In 2016, final dividend of RMB0.42 per share (tax inclusive) was distributed to shareholders, representing 63.23% of the net profit attributable to the parent company in the year. At the end of 2016, the Company has distributed an accumulated amount of cash dividend of approximately RMB23,457 million, with an accumulated dividend per share of RMB4.6617. In the following years, the Company will keep a stable dividend distribution policy.



Way of intelligence and understanding

Primarily engaging in expressway operation and management and related services, the Company adheres to the five major development concepts, namely innovation, coordination, green, openness and sharing, with the best endeavor to develop a unified service supply chain integrating accessible Shanghai-Nanjing Expressway with high quality, technological Shanghai-Nanjing Expressway with great intelligence and caring Shanghai-Nanjing Expressway with attentive service. In 2016, the Company continued to comprehensively promote the expressway informatisation management, strengthen road quality maintenance, and continue to improve traffic efficiency, optimize the traffic service environment and service quality.

01 Highly efficient Shanghai-Nanjing Expressway

To safeguard the highly efficient traffic capacity of Shanghai-Nanjing Expressway is the most important management work of our Company. In 2016, the Company constantly adhered to pursue highly efficient maintenance and emission and hindrance clearance and good levy environment for provision of quality and safe service for vehicles.

Highly-efficient safeguarding system. The Company consummated the tripartite dispatch system for one road (一路三方聯動指揮調度體系), to optimize the disposal process of traffic incident, so that making the hub role of "dispatching, commanding and coordinating" of the roads more prominent. In 2016, the Company continued to promptly respond to and cope with rescue calls, accurately record and submit information and rapidly report important and material events. Meanwhile, the Company utilized information technology and information publication channels to timely release expressway information and guaranteed the rapid release of normal expressway information and the timely update of the information board. The information was released promptly, accurately and comprehensively. Measures in line with occasion and local conditions were taken. In respect of the unexpected road incident on 2nd April 2016, all parties of

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the Company had a prompt response with effective organization and co-ordination. Road rescue was handled in a highly effective manner. Under the circumstances where there was limited area for operation, the rescue work was completed within the shortest time and it was highly appreciated by the general public.

In addition, the Company constantly improved the work methods in order to increase the arrival rate and the accessibility ratio, ensuring that the expressway traffic flow runs in a highly accessible level under normal condition of high traffic volume. In 2016, the arrival rate of hindrance clearance alongside the entire expressway within 20 minutes was 97.4% and the ratio of accessibility within 1 hour was 96.5%.

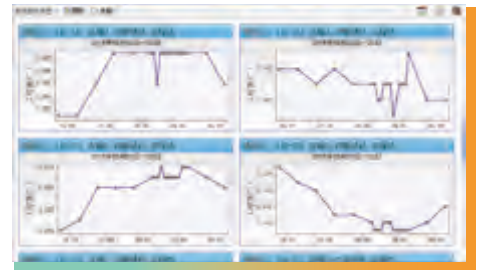
Standardized levy procedure. In 2016, the Company added “detection of checking leakage and blocking of toll evasion (查漏堵逃)” into normalized management, and improved capability of levy management and control through technology transformation and equipment update. It pressed ahead the implementation of whole vehicle weighing with the first batch of 13 sets of vehicle weigh stations put into use in road networks at the end of the year. In addition, cameras within or outside the booths and in the 200-meter-wide plazas and other places at the stations have been replaced with high-definition digital cameras, thus equipping videos at toll stations with remote transfer, offsite viewing and remote inspection functions and providing technical support for standardized operations. Special activities of charging procedures were carried out at the toll stations. Among which, Changzhou Maintenance and Emission Center has undertaken a special inspection against signboard sheltering, Wuxi Yuqi Station has set up an inspection mechanism against vehicles enjoying preferential tolls for using green passages, and Huaqiao Station defined blacklists of vehicles with toll evasion by utilizing big data, all of which had positive effect on ensuring the standardization of charging procedures.

02 Technological Shanghai-Nanjing Expressway with high intelligence

In 2016, the Company vigorously strengthened cooperation with scientific and research institutions and organizations, striving to enhance the technological content in operation and management of Shanghai-Nanjing Expressway. The “Informatization of Smart Shanghai-Nanjing Expressway” Innovation Demonstration Project of the Company won the grand award granted by Chinese Association of Construction Enterprises; and the informatization system project was listed in the “Demonstration Project of Application in Smart Jiangsu Industries (智慧江苏行业应用示范工程)”; two research subjects including the “Study of Expressway Operation and Management Strategies under Saturation Traffic Flow Condition (饱和流状态下高速公路运行管理策略研究)” have received the second and third prize in science and technology award granted by the provincial highway & transportation society, respectively.

The Company enhanced the application of scientific and technological means, striving to apply the results of science and technology to the course of operation. The efficiency of quality maintenance of roads was optimized by utilization of bridge remote monitoring, which in turn provided good security and protection to the completion of projects. Meanwhile, the Company completed the automatic card issuing machine construction project in five toll stations including Jurong toll station, and achieved full coverage of automatic card issuing machine in all toll stations along Shanghai-Nanjing Expressway, which reduced the workload of the first-line staff. The Company opened the first fully automatic card issuing lane in Changzhou station in the road network of the province, by which a faster and more convenient traffic environment was created.

Meanwhile, the Company was committed to developing a smart Shanghai-Nanjing Expressway. In 2016, the Company completed the monitoring video and information board transformation information project and upgraded the dispatch system, thus effectuating connection of information of event monitoring, information release and on-site operation with multi-screen display and data correlation technology. Together with the operational data analysis system put into operation, it offered convenience to drivers and passengers, and provided technical support for the Company’s information collection and statistics.



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03 Caring Shanghai-Nanjing Expressway with quality service

Reliable products. In order to ensure the provision of safe and healthy products, the Company did the gate-keeping work at the source, the product supply chain, and strictly controlled the sources of supply of petroleum products to ensure their quality, accuracy of measurement, stable and 24-hour uninterrupted supply. The Company has specified its requirement of oil suppliers' timely provision of qualified petroleum products that meet the national standard at the desired quality and quantity, and of the production of certificate of manufacture and written certificate of quality of the batch of petroleum products. Meanwhile, a third party was engaged to monitor the petroleum products to further ensuring the quality.

With respect to food and beverage, the Company entered into cooperation with Metro AG, a German company, on centralized procurement of main raw materials, pursuant to which, the centralized procurement of catering rice, edible oil, fresh meats, refrigerated foods and seasoning was substantially realized. Centralized procurement could not only guarantee the quality of food and beverage products of the service areas for provision of safe, hygienic, reliable food materials to the consumers, but could also standardize the supply price of the raw materials, so as to effectively reduce the procurement costs. The Company insisted on selecting distributors with Grade A or above qualification and adopted the annual assessment system on performance of suppliers, ensuring the quality of supply of goods.

Specification standards. In 2016, the Company proactively carried out the "Caring Shanghai-Nanjing Expressway" standardized service activities and realized civilized language usage rate of 100%, attainment rate of 100% for "Audible Smile (聽得見的微笑)", 100% standardized service of dispatchers and 100% improvement of service quality. The Company also adhered to the principal of "Customer First and Attentive Service (客戶至上、用心服務)" to improve the services regarding enquiries, appeals, rescues and complaints. The Company jointly set up the "12315" consumers' right protection service station with the local market supervisory authorities in Xianrenshan and Douzhuang Service Areas, realizing the consumers' right protection "within the service area" and maintaining the well-established market image, which was proved by having received more than 70 times of praise via telephone or on site during this year. In particular, the service brand of "the Smiler the Spring (笑者如春)" in Huaqiao Station received the awards of the sixth session of "Top Ten Service Nomination Brands in the Transportation Industry of Jiangsu" (江蘇交通十大服務提名品牌).

Best experience. The Company was committed to training staff with proactive servicing and sense of responsibility, and released information on traffic condition in a timely manner by the way of information technology and information dissemination channels, with normal traffic information release rate of 100%; and the Company launched Alipay or WeChat payment function successively in many toll stations and maintenance and emission centers along Shanghai-Nanjing Expressway, and launched Alipay settlement in 12 gas stations along Shanghai-Nanjing Expressway, which provided convenient and efficient mobile payment service for the drivers and passengers passing by.

The Company also paid attention to the details, and provided mother-and-child rooms, information ports, free WIFI, intelligent parking spaces, etc. in the service areas, to enable the customers to enjoy more comfortable travel experience. Meanwhile, the supermarket in Douzhuang Service Area launched hot beverage area, which gave more warmth to drivers and passengers. A Chinese food sales point was set up in Meicun Service Area to provide more convenient service to customers. An "instant noodles room (泡麵屋)" was introduced in Xianrenshan Service Area, which is the first one along Shanghai-Nanjing Expressway, facilitating the diversification of service functions. During the year, Wuxi Office of the Company received the title of the "Satisfaction Star of Customer Service in Jiangsu Province".

In 2016, the Company commissioned a third party organization to conduct a customer satisfaction survey in relation to Shanghai-Nanjing Expressway by means of on-site investigation and WIFI investigation. A total of 14,344 questionnaires were collected through the above two means, among which, 13,842 were valid questionnaires and 13,078 and 1,266 were from WiFi survey and on-site investigation, respectively. The result of customer satisfaction test showed the level of customer satisfaction was "fairly satisfactory". Since 2013, the overall level of satisfaction of customers of Jiangsu Section of Shanghai-Nanjing Expressway has increased year by year, from 80.4 points in 2013 to 83.0 points in 2016, representing an accumulated increase of 2.6 points, which reflected the constant improvement of traffic efficiency of the Company so as to provide a safe, efficient, high-quality traffic service environment for drivers and passengers, as well as the continuous advancement of the standard of operation and management and the quality of services of the Company.

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Road of energy conservation and environmental protection

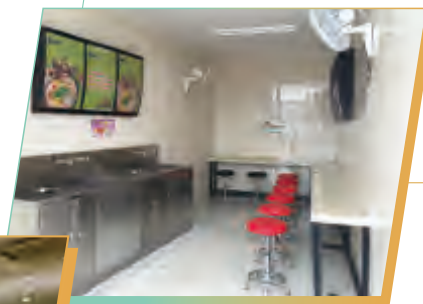
The Company always regards the green, low-carbon, sustainable development as its strategic policy, and thoroughly applies the concept of energy conservation and environmental protection into the slightest details of production, advocates green civilization life and travelling, and actively assumes the corporate responsibility under the prevailing economy and society.

01 Promoting environmental protection concepts

With a view to utilizing resources more efficiently and relieving material impacts on the environmental and natural resources to the utmost, the Company strengthened the management of environmental protection and comprehensively implemented the strategy of sustainable development. The Company has formulated a series of documents regarding internal control system on environmental protection to include: 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、風險評價和風險控制程序》), 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》), pursuant to PRC Environmental Protection Law (《中華人民共和國環境保護法》). The Company has established an environmental protection committee with the Company's general manager as its main person responsible for the comprehensive implementation of the three-level environmental protection management system which includes the Company, secondary units and grass-roots units. Meanwhile, the Company places emphasis on cultivating its employees' environmental protection awareness, and actively guides the employees to set themselves as examples incorporating environmental protection and conservation into every aspect of the enterprise's operation.

02 Implementing green production

On 18 June 2013, Shanghai-Nanjing Expressway became the longest expressway in terms of mileage among the demonstration projects under the theme of green roads in Jiangsu Province. In the next three years, the Company, with the theme of "low-carbon operation, green conservation" and by focusing on the maintenance, operation and management of the construction of green expressways, integrally applied the 22 key supporting projects of energy conservation and emission reduction on aspects such as the low carbon operation system construction and green maintenance system construction, etc.. As of the end of 2016, the projects have made significant progress. The green production and energy-saving emission reduction system of Shanghai-Nanjing Expressway was being gradually improved.



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In particular, by the end of 2016, the Company has made remarkable progress in green environmental technology, installing new models of efficient lampblack purification devices onto Shanghai-Nanjing Expressway and equipping the Xianrenshan service area with water recycling facilities. It also completed a newly constructed sound barrier of 9.83km. It finished the carbon sequestration trees project along non-urban sections of the Shanghai-Nanjing Expressway, mainly involving surface cleaning for distributing areas, ecological restoration of side slopes, roadside belt afforestation and greening of interchange sections.

Under the green road project, high pressure sodium lighting (with a total power of 302kW) subject to modification in the public area of the six service areas is expected to be replaced by LED lighting (with a total power of 100.8kW). Upon replacement, 421.8tce¹ coal equivalent will be saved each year. As of 2016, the LED lighting construction in the outside of Meicun, Yangcheng Lake and Fangmaoshan service areas has been completed.

Progress of the key projects by 2016

No.	Project	Completion percentage
1	Green lighting system	50%
2	Green building	100%
3	Solar heating technology	80%
4	Green environmental technology: Lampblack purification	100%
	Water recycling	80%
5	LED lighting system	100%
6	Intelligent power supply system	100%
7	Energy management system	100%
8	Energy management contract	100%
9	Low carbon indication system for transportation	90%
10	Electronic non-stop toll collection system	100%
11	Sound barrier project	100%
12	Public service information system	100%
13	Cold-mix plant recycling technology (廠拌冷再生技術)	100%
14	Tail gas degradation technology at toll station (收費站尾氣降解技術)	25%
15	Composite enhanced MAC thin layer technology (U-Pave thin layer technology) (複合增效型MAC薄層技術 (U-Pave薄層技術))	100%
16	Finished rubber and asphalt ARAC-13 technology (成品橡膠瀝青ARAC-13技術)	100%
17	SMA-13 in-situ hot-mix recycling technology (SMA-13現場熱再生技術)	100%
18	Preventive conservation decision-making system	40%
19	Green crack maintenance technology	100%
20	Green block disease maintenance technology	100%
21	Carbon sequestration trees project (碳匯林工程)	100%
22	Layout and construction of LNG gas station	100%

¹ 1 ton of standard coal equivalent.

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Meanwhile, the Company performed the green concept of sustainable development, promoting the application of green, low-carbon technology in road maintenance and building construction and renovation. The construction of Suzhou Maintenance and Emission Center and the construction and renovation of Yuqi Toll Station as well as other projects have adopted or planned to adopt relevant green building technologies; during the course of designing Shuijingshan Service Area and the toll station of Zhendan Expressway, the Company has actively communicated and contacted with Traffic Construction Bureau of Jiangsu Province and the design unit to apply photovoltaic system, run-off collection system, and geothermal heat pump system and other several green building technologies for construction.

The Company also actively promoted the application of various green technologies. The green lighting system in the outside of Douzhuang, Xianrenshan, Huanglishu service areas, solar energy water heaters and low carbon indication systems for transportation in Shuofang Airport Toll Station and Dangyang Toll Station, and electronic non-stop toll collection system in relevant toll stations and other projects have been carried out orderly; after communication and discussion for several times, the construction plan of tail gas degradation technology at toll station was also completed and put into pilot implementation in Changzhou Xuejia Toll Station.

With respect to energy consumption statistics and supervision, the Company recorded the data of water, electricity and gas of all units into the energy consumption management platform in October 2016. This, on the one hand, facilitated the improvement of system functions and the enhancement of accuracy of energy consumption analysis. On the other hand, this will facilitate the data analysis in the future and lay a solid foundation for energy saving and consumption reduction of the Company.

03 Advocating green lifestyle

In addition to implementing green production, the Company also actively advocated the concept of green life. In 2016, the youth volunteer teams of the Company organized a variety of cycling campaigns. By setting themselves as an example, they influenced more and more communities with their practical actions and proactively promoted the lifestyle concept of low carbon and environmental conservation. Particularly, a volunteer cycling charity campaign titled "Green Travel, Beautiful Zhengjiang (綠色出行·美麗鎮江)" was organized and launched in Zhenjiang and a Qixiashan environmental volunteer service campaign titled "Green and Low Carbon Travel (綠色低碳行)" was launched in Tangshan. In the campaigns, we advocated low carbon travel and civilized travel, and we also encouraged everyone to take away their litter while leaving so as to make contribution for rebuilding of a green earth and protecting and improving the natural environment.



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Genial road for growth

The centripetal force of employees is one of the prerequisites to an enterprise's survival, and also the solid foundation for its future development. The Company has always been people-oriented, implements scientific and multi-dimensional personnel policy, and strives to create a safe and healthy working environment for employees, and endeavours to improve the overall quality of the staff and enhance their sense of belonging through a variety of training activities, so as to create a warm and pleasant working environment for constant improvement and growth of the employees.

01 A multi-dimensional personnel policy

In terms of personnel policies in relation to remuneration, dismissal and recruitment, the Company carried out recruitment in strict compliance with Labor Law of the People's Republic of China, Provisions on Prohibition of Using Child Labor and other relevant labor protection policies of Jiangsu Province. Discrimination against women, the disadvantaged and the disabled was stamped out in the recruitment process and the Company refrained from recruiting child labor and forced labor. The Company, based on the principle of "Salary by Position, Remuneration by Grade", adopts a position-based salary system with primary reference to performance and provides a fair and reasonable promotion mechanism and salary standards for the employees. In order to further the reform of remuneration system, the Company piloted the wage band system and assessment of competency benchmark for positions with a view to better motivating staff and widening the career paths of employees. In 2016, the Company undertook the declaration of total wages in accordance with the Provisions on Composition of Gross Wages (《關於工資總額的組成》) issued by the State Council and conducted the supporting work according to the Labour Contract Law (《勞動合同法》), to further standardize the management of working hours system. In order to strengthen personnel management and further regulate the practice of labor dispatch, according to the requirements of the relevant laws, regulations and rules such as Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Interim Provisions on Labour Dispatch of the MOHRSS, and the Provisions on Management of Dispatched Labour (Trial) (《勞務派遣形式用工管理規定(試行)》) of the Company, 385 dispatched labourers passed the position assessment and were turned into contract staff by the Company in 2016, which provided a better development channel to the dispatched labourers.

In terms of positions competition, the Company focuses on strengthening the fairness, impartiality and transparency of talent selection. For the vacancies for team leaders, station administrators, clerks, chief officers etc., the Company insists on selection by competition combined with recommendation by organizations. With respect to staff placement, the Company has always been people-oriented, and applies appropriate measures according to their capabilities to ensure that employees are able to bring their capabilities into full play at the suitable positions. During the year, the Company successfully completed the placement for 285 employees of G312 in total.

In terms of staff's benefits and holidays, in addition to our full contributions to pension, medical, unemployment, occupational injury and maternity insurance as and when due, according to relevant requirements of the government, the Company also took out supplementary medical insurance, accidental injury insurance and other commercial insurances for employees. With the exception of statutory public holidays, our staff is also entitled to annual paid leave and other vacations. These, coupled with our corporate annuity scheme which is aiming at improving the employees' post-retirement lives, have allowed longstanding and trusting relationship built up between our employees and us.

02 Democratic management of multiple channels

The Company insists on protecting the staff's right of access to information relating to the corporate management and of participation. It adopts policies including making corporate affairs open, implementing inspection systems by staff representatives, organization of employee consultations and gathering of rational recommendations for democratic management of multiple channels.

In 2016, the Company received 796 rational recommendations in total from staff of all primary units with 100% coverage. The Company organized employee consultations on a regular basis, with the consultations held monthly in the third level units, quarterly in the second level units and half-yearly in the union of the Company. The Company protected staff and safeguarded their rights by multiple channels and received positive responses in general from staff.

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03 Multi-faceted maintenance of occupational safety

In order to secure a safe working environment for employees and avoid occupational hazards, the Company, in strict compliance with Law of the People's Republic of China on Prevention and Control of Occupational Diseases, places employees' occupational safety as its top priority of employee management. Considering that field operators are exposed to high risks during heavy traffic flows and for the purpose of preventing potential incidents, the Company has formulated the Safety Management Program for Road Clearing Operation at Jiangsu Section of Shanghai-Nanjing Expressway (the "Program") in 2016 by reference to relevant rules and regulations, further specifying the stationing, staffing, equipment and key points of field operations to standardize road-clearing activities. After it was put into trial implementation, the Program received huge support from our road-clearing operators, as well as positive feedback from our primary units that it has effectively facilitated the enhancement of field-operation safety. Meanwhile, the Company continued to strengthen job-site safety configuration by purchasing trucks protected with anti-collision buffers and introducing "shoulder-mounted alarming flashlight (警閃肩燈)" devices, ensuring the occupational safety of its employees from every tiny aspect.

In the meantime, the Company emphasized safety trainings for its employees. At each management office, in addition to a variety of trainings on safety management and production safety system, Safety Classroom (《安全講堂》), safety warning education and other related lectures were held for employees in 2016, with an aim to raise the professionalism of employee safety education.



04 Enhancement of quality by various measures

With the understanding that staff quality and talent pool represent the core competitiveness of an enterprise, in order to improve the necessary expertise and skills for employees to perform their work, the Company provides trainings to its employees through multiple means and channels to constantly enhance the comprehensive competitiveness of its employees and promote improvement of its talent pool.

In 2016, leveraging on the professional knowledge of external experts and work experience of its employees, the Company held exchange and sharing activities focused on management and operation policy, internal control, information construction, improvement of operation and management, corporate culture and promotion of occupational health of staff. For the first time in 3 years, the key comprehensive management courses totaling ten bid packages were purchased by way of competitive tendering and negotiation, so as to enhance the efficiency and value of such training courses. The Company set up an in-house training program – Ninghu Lecture (《寧滬講堂》), and 40 subjects were studied and submitted in 2016, with 18 lectures given to nearly 2,000 attendees in aggregate. In addition, training camps for core personnel at primary units as well as training courses targeting cadres at different levels were organized in an effort to foster managers' abilities, through promotion of technical learning, to encourage employees to participate in decision-making process and to harness collective wisdom.

In respect of the personnel placement following the removal of the toll stations at G312 Management Office, a five-day job training course was offered to the 52 employees reassigned to toll collection positions at toll stations of Shanghai-Nanjing Expressway. This training course has not only raised their confidence and reshaped their image; it has also enhanced their hard skills, thus enabling them to adapt themselves to new groups and new positions more quickly.

In addition to trainings, the Company held a variety of competitions to encourage employees to increase their proactivity and efficiency at work, and strove to create a good image represented by high-caliber employees and build a stronger pioneering force of young employees. In 2016, the Company held road-clearing skills competitions, and promoted excellent young brands such as the "China's Most Beautiful Highway Hostess (中國最美路姐)" – Cai Wenjing (蔡雯靜), "Blue-collar Dispatch Expert (藍領調度專家)" – Hu Yongchao (胡湧潮), Zhang Min Studio (張敏工作室), Li Zhaojing Studio (李兆精工作室) and Puyun Classroom (浦雲學堂), aiming to further stimulate employees' work enthusiasm through influence of role models.

2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

05 Multi-dimensional warm caring

Community engagement of employees enriches the employees' life outside work on the one hand, and facilitates to improve the management and operation of the Company through communication and feedback of employees, on the other hand. The basis and purpose of the Company's staff management are to care for and serve its employees. The Company has always been concerned about the reasonable needs of its employees, committed to providing staff with a good living and working environment, and promoting their physical and mental health and enriching their spare time activities through a variety of ways.



In order to enrich employees' life, the Company made a comprehensive effort to promote staff's "E-reading Rooms" and strengthened the building of "Staff Home". By 2016, all of the 23 toll stations had set up e-reading rooms completed with improved rules, which not only satisfied staff's needs for spare-time leisure and entertainment and access to information, but also become the audio-visual class base for staff's business skill trainings and the venue for holding competitions and assessments. In particular, the toll station at Shuofang airport in Wuxi was named the "Jiangsu Youth Station of Books (江蘇省青年書香號)" in 2016.

All of the 45 three-level labor unions have set up staff homes, the most important form of employee community. To address the safety concerns arising from obsolete facilities and ageing and worn out sports equipment at certain staff homes, the Company set aside a sum of approximately RMB200,000 each year to replenish and update such facilities and equipment so as to provide its staff with necessary facilities to hold various activities and to promote communication among employees. In 2016, the Company held its first staff fun games and the invitational friendly football match to celebrate the 20th anniversary of Ninghu Expressway (寧滬路通車20周年足球友誼邀請賽), to name some examples of the multiple channels adopted by the Company for employees to show themselves and relax.

For the purpose of ensuring the mental health of its employees, the Company set up Soul Stations (心靈驛站) at its third-level units including toll stations, service areas and maintenance and emission centers step by step, and provided "psychological observer" trainings and national level-three psychological counselor trainings on a regular basis, which had a passing rate up to 40%. Those Soul Stations provide the staff with a place to release their mental stress and help to solve their practical problems at work or in life. Thus, the Soul Stations have received wide recognition among employees. In particular, Zhenjiang toll station upgraded and classified the functions of its Soul Stations with reference to work practices, and set up group counseling courses to help employees better understand and accept themselves.

2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

For employees whose families were in difficulties, the Company offered targeted support. In early 2012, the Company set up a staff support fund, which is operated by the labor union of the Company. In 2016, the total amount of the fund approved by the Board increased to RMB1.5 million. Overall, it was able to support employees whose families suffered from significant or serious incidents or who suffered or recovered from serious or critical diseases and other difficulties. Furthermore, through heartwarming activities from time to time such as visits to primary units, visits to staff families and visits to employees who work under high-temperature in summer, the Company made practical and targeted efforts to assist and support its employees, and helped the employees out of difficulties in life. Such activities have been well received and highly praised by employees since being put to practice.

A Warm Road for Public Welfare

Involvement in community service and public welfare activities is an important channel for an enterprise to give back to society, and it lies at the very core of performance of corporate social responsibilities by an enterprise. The Company not only strives to fulfill its own social responsibilities, but also encourages its employees to do their own parts through community service. Currently, the Company has a total of 43 volunteer service teams and more than 1,000 young volunteers who play active roles in performing social responsibilities.



01 Platform building

The Company set up a platform to promote volunteer service practices in a long-lasting manner. A “punch card system” software has been promoted and applied among youth volunteers companywide. Since the system was put into use in August 2015, 970 volunteers have been registered. A total of 596 volunteer activities were carried out by the volunteer service teams, including public convenience service, emergency rescues, poverty alleviation, education grants, advocating for respect for the elderly and care for the juniors and environmental protection activities, with a total time commitment amounting to 23,277 hours, which demonstrated that the system helped ensure the long-term development of volunteer services.

In the meantime, the Company strove to build a brand of volunteer services based on the “168 service center” and established cooperation with the volunteer team of Nanjing Vocational Institute of Transport Technology, aiming at supporting the long-term and in-depth implementation of the project. In 2016, during the National Day, Spring Festival and other public holidays when there were heavy traffic flows, many young volunteers served at the “168 service center” of service areas and each toll station, giving effective replenishment to the capabilities of the Company to offer quality services and maintain smooth traffic flows and helping establish a good corporate image. In 2016, the volunteers distributed over 13,000 “Road-network Maps” to customers throughout the year and offered assistance to help the elderly or look after juniors for more than 2,000 times. In addition, the project of “168 Volunteer Service Station of Shanghai-Nanjing Expressway (寧滬高速168(一路幫)志願者服務站)” was awarded a bronze prize at the 2015 China Youth Volunteer Service Projects Contest.

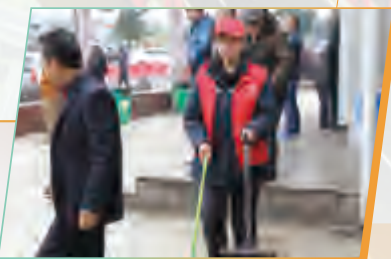
2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

02 Giving Back to the Society

The Company also gave consideration to the interests of the community in the course of business. Through a series of thematic events, the Company encouraged youth volunteers to reach out to the community, give back to society and serve the public. Through the “Heartwarming Winter Action (暖冬行動)” during the 2016 Spring Festival travel rush, 459 youth volunteers from the Company and colleges came to service counters (including service areas and toll stations) to provide a variety of volunteer services that offered convenience to the public and to deliver the spirit of volunteers, with a total time commitment amounting to 13,969 hours.

During the “Learning from Lei Feng Week (學雷鋒主題周)”, the Company organized a total of 48 events joined by organizations and volunteer service teams at all levels under the theme of “practicing the spirit of Lei Feng and passing on youth energy (踐行雷鋒精神·傳遞青春能量)”, with total participants amounting to 742. On the World Red Cross Day, the volunteers from the Company carried out multiple forms of publicity and made voluntary blood donations. Moreover, the Company organized summer voluntary blood donation event, motivating more employees to engage in public welfare activities.

In addition to a variety of thematic events, the Company also encouraged volunteers to reach out to the community to serve those who are in need of help in the community. In 2016, the voluntary service team of the Company carried out “going into elderly rehabilitation centers” and other forms of volunteer activities, so as to promote the traditional virtues of respecting the elderly and caring for the juniors and to convey to the society the positive energy of the Company as a caring corporate citizen.



2016 CORPORATE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

03 Targeted Poverty Alleviation

The Company underscores efforts on poverty alleviation, leverages on its own characteristics, systematically participates in targeted poverty alleviation and provides capital assistance to the impoverished areas for infrastructure construction, development of integrated farming and investment of emerging industries. In 2016, the Company contributed RMB600,000 to participate in the project of "Targeted Poverty Alleviation in Guannan County" sponsored by Communications Holding Company. Focusing on improving the collective income of the whole village and assisting low-income families in poverty relief and development, the project carried out targeted poverty alleviation orienting towards Jiqiao village and Penyao village of Bailu Town, Guannan County. To be specific, the new factory construction project for the small and medium enterprises park increased the local tax income and addressed employment issues for certain labor force; the project emphatically supported rural economic development by implementing the project of poverty alleviation through photovoltaic industry and establishing two agricultural machinery cooperatives. In addition, it also made practical efforts to improve the appearance of the village and enable the villagers to live conveniently by building the Jiqiao Village multi-service center and conducting administrative offices modification at Penyao Village.

Conclusion

We understand that the performance of social responsibilities is a strong guarantee for the long-lasting development of an enterprise. The creation of social brand and value is part of the Company's intangible assets. In today's economy and society, social image and operational efficiency are two indispensable elements for an enterprise to survive, and a good corporate image, in turn, will promote the sustainable and healthy development of the enterprise.

Through its own efforts, the Company wishes to build itself into a modern enterprise which actively undertakes its social responsibilities. The Company will never relax its requirements on itself over the changes of times and environment. Instead, it will take a more positive attitude to perform social responsibilities, enhance self-awareness and constantly learn from past experience to improve itself.

Devoted to creating a smooth, intelligent, warm and harmonious highway, the Company will further strengthen its foothold in the industry to provide more secure, efficient and convenient services for the society, and will further take into account the common development of various stakeholders so as to achieve cooperation with shareholders, investors, governments, staff, environment and society.

The Board of Directors of
Jiangsu Expressway Company Limited
24 March 2017



AUDITOR'S REPORT

De Shi Bao (shen) Zi (17) No. P01065

To the Shareholders of Jiangsu Expressway Co., Ltd.

1. OPINION

We have audited the financial statements of Jiangsu Expressway Co., Ltd (the "Company"), which comprise the company's and consolidated balance sheets as at 31 December 2016, and the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2016, 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.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters identified in our audit is as follows:

Toll road operation rights

1. Description

As at 31 December 2016, the net amount of the toll road operation rights of the Company was RMB20,625,788,419 and the amortization amount of the toll road operation rights in 2016 was RMB1,012,784,261. The toll road operation rights of the Company are amortized using traffic volume method, namely, the amortized amount of the toll road operation rights for a month is calculated at a proportion of the actual traffic volume occupying the sum of the actual traffic volume and the estimated remaining future traffic volume at that month. The estimated remaining future traffic volume, which refers to an estimate of the total traffic volume of the Company in the remaining operation period in the future, is a significant accounting estimate.

Therefore, we identify the amortization accuracy and the valuation of the toll road operating rights of the Company as key audit matters.

2. Audit response

We have performed the following audit procedures in response to the aforementioned key audit matters:

- For actual traffic volume data provided by the external service organization, check the model to generate such data at the assistance of internal computer experts as to verify their accuracy;
- Check whether the actual traffic volume data received by the Company from the external service organization is consist with the actual traffic volume applied in the amortization of toll road operation rights;
- Assess the independence and professional capability of the third party agency employed by the Company to estimate traffic volume;

AUDITOR'S REPORT

3. KEY AUDIT MATTERS *(Continued)*

Toll road operation right *(Continued)*

2. Audit response *(Continued)*

- Understand the approach to estimate future traffic volume of the remaining operation period in the future which is adopted in the traffic volume estimate report issued by the third-party agency, and assess the reliability of such report by comparing the estimated traffic volume in previous years and the corresponding actual traffic volume in those years;
- Recalculate the amortization of the toll road operation rights to verify the accuracy of its amount in the financial statements.

4. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report for the year 2016, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

AUDITOR'S REPORT

6. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Chinese Certified Public Accountant: Yu Yang
(The Engagement Partner)
Chinese Certified Public Accountant: Bu Jun

Shanghai, China
24 March 2016

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2016

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(VI)1	265,422,162	255,475,447	Short-term borrowings	(VI)20	810,000,000	1,811,000,000
Financial assets at fair value through profit or loss	(VI)2	33,212,717	35,887,051	Accounts payable	(VI)21	987,946,428	924,505,565
Notes receivable	(VI)3	6,116,460	1,722,313	Receipts in advance	(VI)22	940,873,359	555,913,419
Accounts receivable	(VI)4	148,153,297	123,353,524	Employee benefits payable	(VI)23	4,816,324	3,375,508
Prepayments	(VI)5	16,851,683	14,498,363	Taxes payable	(VI)24	231,702,787	61,498,426
Interest receivable	(VI)6	45,694,000	18,733,333	Interest payable	(VI)25	92,220,187	69,925,072
Dividends receivable	(VI)7	4,989,960	4,989,960	Dividends payable	(VI)26	73,614,218	69,467,760
Other receivables	(VI)8	422,083,818	812,198,353	Other payables	(VI)27	39,984,545	80,687,691
Inventories	(VI)9	3,142,326,304	3,256,454,567	Non-current liabilities due within one year	(VI)28	121,718,718	151,608,861
Other current assets	(VI)10	326,161,615	502,774,234	Other current liabilities	(VI)29	3,936,452,668	6,685,220,505
Total Current Assets		4,411,012,016	5,026,087,145	Total Current Liabilities		7,239,329,234	10,413,202,807
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets	(VI)11	2,086,127,987	1,293,818,457	Long-term borrowings	(VI)30	1,471,905,901	1,382,806,332
Long-term equity investment	(VI)12	4,771,195,958	4,456,793,805	Bonds payable	(VI)31	4,457,801,187	3,456,427,928
Investment properties	(VI)13	32,113,394	33,009,175	Deferred income	(VI)32	33,317,704	34,886,135
Fixed assets	(VI)14	1,734,084,711	1,692,923,594	Deferred tax liabilities	(VI)18	138,362,514	2,544,353
Construction in progress	(VI)15	1,197,809,229	1,030,127,104	Total Current Liabilities			
Intangible assets	(VI)16	21,324,779,176	22,238,627,984	Total Non-current Liabilities		6,101,387,306	4,876,664,748
Long-term prepaid expenses	(VI)17	3,628,179	5,713,616	TOTAL LIABILITIES		13,340,716,540	15,289,867,555
Deferred tax assets	(VI)18	345,345,094	398,938,783	Shareholders' Equity:			
Other non-current assets	(VI)19	376,477,785	300,000,000	Share capital	(VI)33	5,037,747,500	5,037,747,500
Total Non-current Assets		31,871,561,513	31,449,952,518	Capital reserve	(VI)34	10,428,388,235	10,446,662,341
TOTAL ASSETS		36,282,573,529	36,476,039,663	Other comprehensive income	(VI)35	542,389,052	121,482,904
				Surplus reserve	(VI)36	3,153,173,160	3,040,287,779
				Retained profits	(VI)37	3,048,058,238	1,829,978,752
				Total shareholders' equity attributable to equity holders of the Company		22,209,756,185	20,476,159,276
				Minority interests		732,100,804	710,012,832
				TOTAL SHAREHOLDERS' EQUITY		22,941,856,989	21,186,172,108
				TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		36,282,573,529	36,476,039,663

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

BALANCE SHEET OF THE COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(XIV)1	98,649,203	121,485,890	Short-term borrowings	(XIV)15	770,000,000	1,616,000,000
Accounts receivable	(XIV)2	102,488,935	81,944,374	Accounts payable	(XIV)16	310,276,757	350,849,157
Prepayments	(XIV)3	9,116,045	7,136,623	Receipts in advance		8,035,625	12,694,400
Interest receivable		47,940,597	21,856,416	Employee benefits payable	(XIV)17	764,117	636,163
Dividends receivable		4,989,960	4,989,960	Taxes payable	(XIV)18	151,738,572	18,703,014
Other receivables	(XIV)4	403,316,212	1,143,393,025	Interest payable		74,066,670	48,996,795
Inventories	(XIV)5	22,388,679	19,444,676	Dividends payable		73,614,218	69,467,760
Non-current assets due within one year	(XIV)6	–	1,540,000,000	Other payables	(XIV)19	21,431,361	17,479,904
Other current assets	(XIV)7	303,141,833	274,645,099	Non-current liabilities due within one year	(XIV)20	1,718,718	101,608,861
Total Current Assets		992,031,464	3,214,896,063	Other current liabilities		3,936,452,668	6,685,220,505
Non-current Assets:				Total Current Liabilities		5,348,098,706	8,921,656,559
Available-for-sale financial assets	(XIV)8	1,567,230,000	1,005,230,000	Non-current Liabilities:			
Long-term equity investment	(XIV)9	12,850,682,084	13,402,103,616	Long-term borrowings	(XIV)21	118,905,901	169,306,332
Fixed assets	(XIV)10	1,055,641,400	945,144,897	Bonds payable		4,457,801,187	3,456,427,928
Construction in progress	(XIV)11	49,051,089	276,750,775	Deferred tax liabilities	(XIV)13	136,486,744	–
Intangible assets	(XIV)12	11,592,006,027	12,013,889,240	Total Non-current Liabilities		4,713,193,832	3,625,734,260
Deferred tax assets	(XIV)13	–	3,990,046	TOTAL LIABILITIES		10,061,292,538	12,547,390,819
Other non-current assets	(XIV)14	2,518,859,835	1,050,794,885	Shareholders' Equity:			
Total Non-current Assets		29,633,470,435	28,697,903,459	Share capital		5,037,747,500	5,037,747,500
TOTAL ASSETS		30,625,501,899	31,912,799,522	Capital reserve	(XIV)22	7,327,650,327	7,339,039,535
				Other comprehensive income	(XIV)23	523,963,820	103,057,672
				Surplus reserve	(XIV)24	2,518,873,750	2,518,873,750
				Retained profits	(XIV)25	5,155,973,964	4,366,690,246
				TOTAL SHAREHOLDERS' EQUITY		20,564,209,361	19,365,408,703
				TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,625,501,899	31,912,799,522

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Total operating income	(VI)38	9,201,297,066	8,761,321,186
Including: Operating income		9,201,297,066	8,761,321,186
Less: Total operating costs		5,268,508,210	5,700,480,153
Including: Operating costs	(VI)38	4,363,720,292	4,414,950,181
Taxes and levies	(VI)39	193,471,915	304,540,194
Selling expenses	(VI)40	26,762,163	15,804,477
Administrative expenses	(VI)41	182,065,269	185,570,228
Financial expenses	(VI)42	502,388,296	778,935,597
Impairment losses of assets	(VI)43	100,275	679,476
Add: Gains from changes in fair values	(VI)44	(2,674,334)	6,935,829
Investment income	(VI)45	472,966,663	444,068,189
Including: Income from investments in associates and joint ventures		438,033,337	340,332,126
II. Operating profit		4,403,081,185	3,511,845,051
Add: Non-operating income	(VI)46	44,838,537	42,430,974
Including: Gains from disposal of non-current assets		211,608	1,516,024
Less: Non-operating expenses	(VI)47	30,643,808	659,221,149
Including: Losses from disposal of non-current assets		3,782,604	629,723,205
III. Total profit		4,417,275,914	2,895,054,876
Less: Income tax expenses	(VI)48	980,138,120	305,144,944
IV. Net profit		3,437,137,794	2,589,909,932
Net profit attributable to owners of the Company		3,346,063,867	2,506,629,408
Profit or loss attributable to minority interests		91,073,927	83,280,524
V. Other comprehensive income (net of tax)	(VI)49	420,906,148	(67,406,144)
Other comprehensive income (net of tax) attributable to owners of the parent company		420,906,148	(67,406,144)
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		—	—
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		420,906,148	(67,406,144)
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		420,906,148	(67,406,144)
Other comprehensive income (net of tax) attributable to minority interests		—	—
VI. Total comprehensive income		3,858,043,942	2,522,503,788
Total comprehensive income attributable to owners of the Company		3,766,970,015	2,439,223,264
Total comprehensive income attributable to minority shareholders		91,073,927	83,280,524
VII. Earnings per share:		—	—
(I) Basic earnings per share		0.6642	0.4976
(II) Diluted earnings per share		—	—

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Total operating income	(XIV)26	6,221,698,851	6,372,125,753
Less: Operating costs	(XIV)26	2,804,984,320	3,210,659,200
Taxes and levies	(XIV)27	84,755,059	179,696,663
Administrative expenses	(XIV)28	132,866,517	133,058,626
Financial expenses	(XIV)29	415,618,046	441,486,961
Impairment loss of assets	(XIV)30	92,839	(137,924)
Add: Investment income	(XIV)31	751,554,639	874,697,484
Including: Income from investments in associates and joint ventures		250,431,492	200,071,491
II. Operating profit		3,534,936,709	3,282,059,711
Add: Non-operating income	(XIV)32	37,458,367	37,333,126
Including: Gains from disposal of non-current assets		67,072	1,463,066
Less: Non-operating expenses	(XIV)33	20,803,846	651,573,917
Including: Losses from disposal of non-current assets		2,727,170	628,775,846
III. Total profit		3,551,591,230	2,667,818,920
Less: Income tax expenses	(XIV)34	747,208,512	503,608,880
IV. Net profit		2,804,382,718	2,164,210,040
V. Other comprehensive income (net of tax)	(XIV)35	420,906,148	(67,406,144)
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		–	–
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		420,906,148	(67,406,144)
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		420,906,148	(67,406,144)
VI. Total comprehensive income		3,225,288,866	2,096,803,896

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

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		9,971,229,781	9,190,479,563
Other cash receipts relating to operating activities	(VI)51(1)	54,626,277	81,362,913
Sub-total of cash inflows from operating activities		10,025,856,058	9,271,842,476
Cash payments for goods purchased and services received		2,437,465,202	2,796,027,402
Cash payments to and on behalf of employees		838,760,202	818,787,472
Payments of various types of taxes		1,110,091,302	1,078,613,749
Other cash payments relating to operating activities	(VI)51(2)	175,790,848	102,520,728
Sub-total of cash outflows from operating activities		4,562,107,554	4,795,949,351
Net Cash Flow from Operating Activities		5,463,748,504	4,475,893,125
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,114,265,253	1,041,006,240
Cash receipts from investment income		180,049,103	240,315,712
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		395,368,117	606,170,697
Other cash receipts relating to investing activities	(VI)51(3)	–	–
Sub-total of cash inflows from investing activities		3,689,682,473	1,887,492,649
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		583,935,224	786,135,407
Cash payments to acquire investments		3,262,506,730	1,386,477,678
Net cash payments for acquisitions of subsidiaries and other business units		–	1,164,000,000
Other cash payments relating to investing activities	(VI)51(4)	69,000,000	50,000,000
Sub-total of cash outflows from investing activities		3,915,441,954	3,386,613,085
Net Cash Flow used in Investing Activities		(225,759,481)	(1,499,120,436)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		–	121,680,000
Including: cash receipts from capital contributions from minority owners of subsidiaries		–	121,680,000
Cash receipts from borrowings		4,936,522,350	10,951,000,000
Cash receipts from issue of bonds		9,400,000,000	11,000,000,000
Other cash receipts relating to financing activities	(VI)51(5)	–	–
Sub-total of cash inflows from financing activities		14,336,522,350	22,072,680,000
Cash repayments of borrowings		16,978,147,054	22,715,041,198
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,589,370,064	2,790,359,366
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		67,770,972	79,250,395
Other cash payments relating to financing activities	(VI)51(6)	33,836,355	31,558,693
Sub-total of cash outflows from financing activities		19,601,353,473	25,536,959,257
Net Cash Flow used in Financing Activities		(5,264,831,123)	(3,464,279,257)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		–	–
V. Net Increase (decrease) in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents	(VI)52	(26,842,100)	(487,506,568)
	(VI)52	221,115,078	708,621,646
VI. Closing Balance of Cash and Cash Equivalents			
	(VI)52	194,272,978	221,115,078

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2016

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		6,547,872,827	6,660,775,600
Other cash receipts relating to operating activities	(XIV)37(1)	39,342,524	41,037,054
Sub-total of cash inflows from operating activities		6,587,215,351	6,701,812,654
Cash payments for goods purchased and services received		1,900,188,908	2,242,051,712
Cash payments to and on behalf of employees		551,572,202	528,516,891
Payments of various types of taxes		770,317,519	789,271,028
Other cash payments relating to operating activities	(XIV)37(2)	39,696,677	75,749,236
Sub-total of cash outflows from operating activities		3,261,775,306	3,635,588,867
Net Cash Flow from Operating Activities		3,325,440,045	3,066,223,787
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,032,850,000	—
Cash receipts from investment income		579,376,033	755,020,934
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		394,930,101	605,838,810
Other cash receipts relating to investing activities	(XIV)37(3)	1,885,000,000	475,000,000
Sub-total of cash inflows from investing activities		4,892,156,134	1,835,859,744
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		206,287,554	157,247,734
Cash payments to acquire investments		1,117,317,102	658,833,612
Net cash payments for acquisitions of subsidiaries and other business units		—	502,000,000
Other cash payments relating to investing activities	(XIV)37(4)	1,759,000,000	1,160,000,000
Sub-total of cash outflows from investing activities		3,082,604,656	2,478,081,346
Net Cash Flow from (used in) used in Investing Activities		1,809,551,478	(642,221,602)
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		5,310,000,000	8,735,000,000
Cash receipts from issue of bonds		9,400,000,000	11,000,000,000
Sub-total of cash inflows from financing activities		14,710,000,000	19,735,000,000
Cash repayments of borrowings		17,407,647,053	19,970,541,198
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,426,344,802	2,279,209,927
Other cash payments relating to financing activities	(XIV)37(5)	33,836,355	26,423,180
Sub-total of cash outflows from financing activities		19,867,828,210	22,276,174,305
Net Cash Flow from Financing Activities		(5,157,828,210)	(2,541,174,305)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		—	—
V. Net Increase (decrease) in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash Equivalents	(XIV)38	(22,836,687)	(117,172,120)
	(XIV)38	121,485,890	238,658,010
VI. Closing Balance of Cash and Cash Equivalents			
	(XIV)38	98,649,203	121,485,890

The accompanying notes form part of the financial statements.

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

Unit: RMB

Item	Amount for the current year												Total shareholders' equity
	Attributable to owners of the Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests	
Preferred shares		Perpetual debts	Others										
I. Closing balance as at 31 December 2015 (before the restatement)	5,037,747,500	-	-	-	10,446,662,341	-	121,482,904	-	3,040,287,779	-	1,829,978,752	710,012,832	21,186,172,108
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of last period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance as at 1 January 2016 (after the restatement)	5,037,747,500	-	-	-	10,446,662,341	-	121,482,904	-	3,040,287,779	-	1,829,978,752	710,012,832	21,186,172,108
III. Changes for the period	-	-	-	-	(18,274,106)	-	420,906,148	-	112,885,381	-	1,218,079,486	22,087,972	1,755,684,881
(I) Total comprehensive income	-	-	-	-	-	-	420,906,148	-	-	-	3,346,063,867	91,073,927	3,858,043,942
(II) Owners' contributions and reduction in capital	-	-	-	-	(18,274,106)	-	-	-	-	-	-	(1,214,983)	(19,489,089)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Share of capital reserve of the investee accounted for using the equity method	-	-	-	-	(18,274,106)	-	-	-	-	-	-	(1,214,983)	(19,489,089)
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	112,885,381	-	(2,127,984,381)	(67,770,972)	(2,082,869,972)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	112,885,381	-	(112,885,381)	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,015,099,000)	(67,770,972)	(2,082,869,972)
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2016	5,037,747,500	-	-	-	10,428,388,235	-	542,389,052	-	3,153,173,160	-	3,048,058,238	732,100,804	22,941,856,989

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

Unit: RMB

Item	Amount for the last year												Total shareholders' equity
	Attributable to owners of the Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests	
Preferred shares		Perpetual debts	Others										
I. Closing balance as at 31 December 2014 (before the restatement)	5,037,747,500	-	-	-	7,481,967,841	-	188,889,048	-	2,927,043,693	-	4,712,690,449	588,309,342	20,936,647,873
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	4,029,394,500	-	-	-	-	-	(3,361,752,969)	95,293,361	762,934,892
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance as at 1 January 2015 (restated)	5,037,747,500	-	-	-	11,511,362,341	-	188,889,048	-	2,927,043,693	-	1,350,937,480	683,602,703	21,699,582,765
III. Changes for the period	-	-	-	-	(1,064,700,000)	-	(67,406,144)	-	113,244,086	-	479,041,272	26,410,129	(513,410,657)
(I) Total comprehensive income	-	-	-	-	-	-	(67,406,144)	-	-	-	2,506,629,408	83,280,524	2,522,503,788
(II) Owners' contributions and reduction in capital	-	-	-	-	(1,064,700,000)	-	-	-	-	-	-	22,380,000	(1,042,320,000)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	121,680,000	121,680,000
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	(1,064,700,000)	-	-	-	-	-	-	(99,300,000)	(1,164,000,000)
5. Other	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	113,244,086	-	(2,027,588,136)	(79,250,395)	(1,993,594,445)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	113,244,086	-	(113,244,086)	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-	-	-	-	-	(1,914,344,050)	(79,250,395)	(1,993,594,445)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2015	5,037,747,500	-	-	-	10,446,662,341	-	121,482,904	-	3,040,287,779	-	1,829,978,752	710,012,832	21,186,172,108

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Amount for the current year											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total shareholders' equity
I. Closing balance as at 31 December 2015	5,037,747,500	-	-	-	7,339,039,535	-	103,057,672	-	2,518,873,750	-	4,366,690,246	19,365,408,703
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance as at 1 January 2016	5,037,747,500	-	-	-	7,339,039,535	-	103,057,672	-	2,518,873,750	-	4,366,690,246	19,365,408,703
III. Changes for the period	-	-	-	-	(11,389,208)	-	420,906,148	-	-	-	789,283,718	1,198,800,658
(I) Total comprehensive income	-	-	-	-	-	-	420,906,148	-	-	-	2,804,382,718	3,225,288,866
(II) Owners' contributions and reduction in capital	-	-	-	-	(11,389,208)	-	-	-	-	-	-	(11,389,208)
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-
5. Share of capital reserve of the investee accounted for using the equity method	-	-	-	-	(11,389,208)	-	-	-	-	-	-	(11,389,208)
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,015,099,000)	(2,015,099,000)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,015,099,000)	(2,015,099,000)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2016	5,037,747,500	-	-	-	7,327,650,327	-	523,963,820	-	2,518,873,750	-	5,155,973,964	20,564,209,361

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Amount for the last year											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total owners' equity
		Preferred shares	Perpetual debts	Others								
I. Closing balance as at 31 December 2014	5,037,747,500	-	-	-	7,482,952,651	-	170,463,816	-	2,518,873,750	-	4,116,824,256	19,326,861,973
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance as at 1 January 2015	5,037,747,500	-	-	-	7,482,952,651	-	170,463,816	-	2,518,873,750	-	4,116,824,256	19,326,861,973
III. Changes for the period	-	-	-	-	(143,913,116)	-	(67,406,144)	-	-	-	249,865,990	38,546,730
(I) Total comprehensive income	-	-	-	-	-	-	(67,406,144)	-	-	-	2,164,210,040	2,096,803,896
(II) Owners' contributions and reduction in capital	-	-	-	-	(143,913,116)	-	-	-	-	-	-	(143,913,116)
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	(143,913,116)	-	-	-	-	-	-	(143,913,116)
5. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	(1,914,344,050)	(1,914,344,050)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(1,914,344,050)	(1,914,344,050)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2015	5,037,747,500	-	-	-	7,339,039,535	-	103,057,672	-	2,518,873,750	-	4,366,690,246	19,365,408,703

The financial statements on pages 180 to 328 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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, with headquarter located in Nanjing. 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”), 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 RMB1 in June 1997 and December 2000 respectively.

The parent company and ultimate shareholder of the Company is Jiangsu Communications Holding Company Limited (“Communications Holding”).

The company and the consolidated financial are approved by the Board of Directors on 24 March 2017.

Subsidiaries consolidated in the financial statements are listed in Note VII “Equity in other entities”.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MOF”) and related rules. 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 2014). In addition, the Group also disclosed relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Basis of accounting and principle of measurement

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

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

Going concern

As at 31 December 2016, the Group had total current liabilities in excess of total current assets of RMB2,828,317,218. As at 31 December 2016, the Group has available unutilized bank loan facilities with a time limit over one year of approximately RMB4,562,860,000 and authorized but not issued super short-term bonds and medium term notes with a time limit over one year of approximately RMB2,200,000,000. The Group's management believes the facilities above are to provide all necessary financial support to the Group in the foreseeable future so as to maintain the Group's ability to continue as a going concern, the financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group are principally engaged in toll road operation. The Group determines the specific accounting policies according to the toll road industry characteristics, shown mainly on the bad debt provision for receivables, depreciation for fixed assets, amortization for toll road operation rights and recognition timing of revenue. Refer to Note III 10, 14, 17 and 21 for detail specific accounting policies. For description of significant accounting judgments, estimation and assumption made by management, see Note IV.

1. 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 2016, and the Company's and consolidated results of operations and cash flows for the year then ended.

2. Accounting period

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

3. Business Cycle

Except for the real estate industry, the Group's business cycle is short, the determining criterion of asset-liability liquidity is 12 months. The real estate industry business cycle is from real estate development to sales realization, generally in more than 12 months, the specific period is determined according to the development conditions of the project, and its criterion of asset-liability liquidity is based on the business cycle.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(Continued)*

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor 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 over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption 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 or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation of consolidated financial statements *(Continued)*

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.

The effects of all intra-group 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, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. 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.

8. 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 (i) 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; (ii) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (iii) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

8. Translation of transactions denominated in foreign currencies *(Continued)*

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.

9. 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.

9.1 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.

9.2 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.

9.2.1 *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: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) 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 (iii) 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 (without a quoted price in an active market) whose fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.2 Classification, recognition and measurement of financial assets *(Continued)*

9.2.1 *Financial assets at fair value through profit or loss ("FVTPL") (Continued)*

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (i) 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 (ii) 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; (iii) it is a qualifying hybrid instrument containing embedded derivatives.

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.

9.2.2 *Loans and receivables*

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

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

9.2.3 *Available-for-sale financial assets*

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

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

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

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

9.3 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 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.3 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 reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument 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, such as the fair value of equity instrument at the balance sheet date is over 50% less than the initial investment cost (including 50%) or the period that is less than the initial investment cost lasts more than 12 months (including 12 months);
- (9) Other objective evidence indicating there is an impairment of a financial asset.
 - *Impairment of financial assets measured at amortised cost*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.3 Impairment of financial assets *(Continued)*

– *Impairment of financial assets measured at amortised cost (Continued)*

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a group of financial assets with similar credit risk characteristics for 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 recognised directly in capital reserve is reclassified from the comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

9.4 Transfer of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.4 Transfer of financial assets *(Continued)*

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

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) 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.

9.5 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. The Group's financial liabilities mainly represent other financial liabilities.

9.5.1 *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 (excluding liabilities with financial guarantee contracts) are subsequently measured at amortized cost using the effective interest method, with gains or losses arising from derecognition or amortization recognized in profit or loss.

9.5.2 *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 Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

9.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

9.7 Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

9.8 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. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

10. Receivables

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

Basis or monetary criteria for determining an individually significant receivable	Accounts receivable that exceeds RMB2,500,000 or other receivable and prepayment that exceeds RMB750,000 is deemed as an individually significant receivable by the Group.
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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.
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10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Bad debt provision method for the portfolio according to the credit risk characteristics (Aging analysis, percentage of receivables, other methods etc.)

Portfolio 1	Receivables from government, petty cash advanced to employees, security deposit, toll road receivables and receivables from related parties of the Company and its subsidiaries. Bad debt provision is recognized individually
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Portfolio 2	Portfolio 2 mainly includes receivables arising from operating activities other than Portfolio 1. Bad debt provision is recognized based on percentage of accounts balances
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10.2.1 Portfolios where percentage of receivable method is used for bad debt provision:

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Portfolio 2	2	2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Receivables *(Continued)*

- 10.3 Receivables that are not individually significant but for which bad debt provision is individually assessed:
- | | |
|--|--|
| Reasons for making individual bad debt provision | There exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable. |
| Bad debt provision methods | Impairment losses are recognized based on the difference between the carrying amount and the present value of estimated future cash flows. |

11. Inventories

11.1 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.

11.2 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.

11.3 Basis for determining net realizable 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.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net 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.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments

12.1 Basis for determining joint control and significant influence over investee

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

12.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

12.3 Subsequent measurement and recognition of profit or loss

12.3.1 *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. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments *(Continued)*

12.3 Subsequent measurement and recognition of profit or loss *(Continued)*

12.3.2 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; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the 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 recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognises its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognise investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealised intra-group profits or losses are recognised as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Long-term equity investments *(Continued)*

12.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognised for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognised due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognised for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognised under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes building that is leased out.

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

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

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

14. Fixed assets

14.1 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 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Fixed assets (Continued)

14.2 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	10–30	0	3.33–10
Safety equipment	10	3	9.7
Communication and surveillance equipment	8	3	12.1
Toll and ancillary equipment	8	3	12.1
Machine and equipment	10	3	9.7
Electronic equipment	5	3	19.4
Motor vehicles	8	3	12.1
Furniture and others	5	3	19.4

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.

14.3 Other explanations

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.

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 accounts for any change as a change in an accounting estimate.

15. Construction in progress

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

16. 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. If construction or production of assets qualifying capitalization is interrupted abnormally for a continuous 3-month-or-above period, the capitalization of borrowing costs should be ceased until the assets resume construction or production. Other borrowing costs are recognized as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Borrowing costs *(Continued)*

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

17. Intangible assets

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

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

Category	Amortization method	Useful life (year)	Net residual value (%)
Land use rights	Straight-line method	22–30	0
Toll road operation rights	Traffic volume method	25–35	0
Software	Straight-line method	5	0

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.

18. Long-term assets impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment property measured at cost method, fixed assets, construction in progress and 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. 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.

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. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Long-term assets impairment *(Continued)*

Goodwill should be tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

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

19. Long-term prepaid expenses

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

20. Employee benefits

20.1 Accounting method for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

20.2 Accounting method for post-employment benefits

Post-employment benefits are all defined contribution.

The contribution payable to the defined contribution plan is recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group.

20.3 Accounting method for termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Revenue

21.1 Toll revenue

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

21.2 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, the amount of revenue can be measured reliably, and it is probable that the associated economic benefits will flow to the Group.

21.3 Revenue from sale of goods

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

21.4 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.

21.5 Interest income

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

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants are classified as grants related to assets and grants related to income, according to the grant objects which have been clearly defined in the government documents.

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.

22.1 Basis of judgment and accounting methods for assets-related government grant

The Groups' government grant includes grants received aimed to create long-term asset by constructing or other methods. This grant is classified as assets-related government grant.

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.

22.2 Basis of judgment and accounting methods for income-related government grant

The Groups' government grant includes subsidies for environment protection, subsidies for energy conservation and emission reduction, and subsidies for working steadily. This grant is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it 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, it is recognized immediately in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Deferred tax assets/deferred tax liabilities

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

23.1 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.

23.2 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Deferred tax assets/deferred tax liabilities *(Continued)*

23.3 Offsetting of income taxes

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

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

24. 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.

24.1 Accounting treatment on operating leases

24.1.1 *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.

24.1.2 *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 2016

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

– Key assumptions and uncertainties in accounting estimates

Amortization of toll road operation rights

The toll road operation rights are amortized using traffic volume method, namely, the amortized amount of the toll road operation rights for a month is calculated at a proportion of the actual traffic volume occupying the sum of the actual traffic volume and the estimated remaining future traffic volume at that month.

The Group's management shall estimate the total traffic volume in the remaining operation period in the future. When there is a large difference between the actual traffic volume and the estimated traffic volume, the management will exercise their judgment in the accuracy of the estimated traffic volume of the remaining operation period to determine if a re-estimation is required and adjust the amortization per traffic volume provided for future years.

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.

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.

Deferred tax assets

The benefit of the deferred tax assets may depend on the future taxable profits and the expected tax rate when associated deductible temporary differences is realised. If future taxable profits or actual tax rate is less than expected, the carrying amounts of deferred tax assets will be reduced and the reduction will be reversed to profits or losses in the corresponding period. For the deductible losses that can be carried forward for the year, due to the uncertainty of the amount of taxable income in the future, deferred tax assets is not fully recognized. The detail information for deductible tax losses and deductible temporary differences recognized or not recognized as deferred tax assets of the Group please refer to note VI, 18.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. TAXES

Major categories of taxes and tax rates

Category of tax	Basis of tax computation		Tax rate (percentage charges)
Value Added Tax ("VAT")	General taxation method	Other taxable business income other than those determined by using simple taxation method	17%
			6%
	Simple taxation method	Toll income	3%
		Real estate rental income and Real estate sales income	5%
Business Tax	Toll income		3%
	Maintenance income		5%
	Food and beverage income		5%
	Real estate rental income and Real estate sales income		5%
City maintenance and construction tax	Actual paid business tax and VAT		5%–7%
Educational surtax and surcharge	Actual paid business tax and VAT		3%
Local educational surtax and surcharge	Actual paid business tax and VAT		2%
Land appreciation tax	Value added of Real estate transfer	Progressive rates ranging from 30%–60%	
Enterprise income tax	Taxable income		25%

Other explanations:

According to the "Notice of the timeline for the full promotion of business tax to VAT reform pilot program" (Caishui [2016] No. 36) issued by the Ministry of Finance and State Administration of Taxation Bureau, the full roll-out plan of the VAT reform was approved, confirming that since 1 May 2016, the full promotion of business tax to VAT reform pilot program will be rolled out nationwide, and construction, real estate, financial service and lifestyle service sectors etc. will be covered in the VAT reform scope.

The VAT shall apply in the Group's toll income, Food and beverage income included in the ancillary services income, Maintenance income, Real estate rental income, and Real estate sales income in accordance with the provisions since 1 May, 2016, of which:

- Toll income: The expressways currently operated are the expressways with the commencement date before 30 April 2016, which shall be taxed by using applicable simple tax method, paying VAT at 3%.
- Food and beverage income and maintenance income: The income shall be taxed by using applicable general tax method, paying VAT at the tax rate of 6%.
- Real estate rental income: The commencement date on the construction permit of all the real estate development projects involved is prior to 30 April 2016, and a simple taxable method is applied to pay VAT at a rate of 5%.
- Real estate sales income: The commencement date on the construction permit of all the real estate development projects involved is prior to 30 April 2016, and a simple taxable method is applied to pay VAT at a rate of 5%.

Prior to 1 May, 2016, the applicable business tax rates of the Group's above business are 3%, 5%, 5%, 5% and 5% respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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			565,151			433,300
Bank balances:						
RMB			189,729,796			215,685,478
USD	–	–	–	1,372	6.4936	8,909
HKD	838,809	0.8945	750,322	775,363	0.8378	649,584
Other currency funds:						
RMB			74,376,893			38,698,176
Total			265,422,162			255,475,447

Other explanations:

Other currency funds stated above includes security deposits for certain mortgage loans to customers RMB7,698,386, supervised advance from customers RMB63,450,798 (opening balance: security deposits for certain mortgage loans to customers RMB4,054,665, supervised advance from customers RMB30,305,704). According to the requirements of some local authorities (such as Suzhou, Jurong, Kunshan etc.) in the PRC, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial property. All the advances received from property customers should be transferred to such account which are supervised by regulator and all cash payment from such account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

2. Financial assets at Fair Value through Profit or Loss (“FVTPL”)

Unit: RMB

Items	Closing fair value	Opening fair value
Held-for-trading financial assets		
Including: Fund investment	17,349,959	22,458,653
Gold investment	15,862,758	13,428,398
Total	33,212,717	35,887,051

Other explanations:

Held-for-trading financial assets of the Group are open fund investment and gold investment. The cost of investment is RMB9,999,400 and RMB15,710,238 respectively; the closing fair value is RMB17,349,959 and RMB15,862,758. The above information of closing market price was quoted by relevant open sourced information of the fund and gold market.

3. Notes receivable

(1) Disclosure of notes receivable by categories

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	6,116,460	1,722,313

(2) The Group has no pledged notes receivable at the year end.

(3) There is no endorsed or discounted notes receivable that is not yet due at the end of the year.

(4) There is no notes receivable transferred to accounts receivable due to the default of the drawers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

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 (%)	Net book value	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Net book value
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 1	139,364,565	93	-	-	139,364,565	118,641,889	95	-	-	118,641,889
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 2	8,968,094	6	179,362	10	8,788,732	4,807,791	4	96,156	5	4,711,635
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,699,980	1	1,699,980	90	-	1,699,980	1	1,699,980	95	-
Total	150,032,639	100	1,879,342	100	148,153,297	125,149,660	100	1,796,136	100	123,353,524

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

Unit: RMB

Name of portfolio	Closing balance		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio 2	8,968,094	179,362	2
Total	8,968,094	179,362	2

Basis for determining the above portfolio: See Note (III) 10.2.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

4. Accounts receivable (Continued)

(2) The aging analysis of accounts receivable according to invoice date (close to revenue recognition date):

Unit: RMB

Aging	Closing balance				Opening balance			
	Carrying amount	Proportion (%)	Bad debt provision	Net book value	Carrying amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	148,332,659	99	179,362	148,153,297	123,449,680	99	96,156	123,353,524
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceeding 3 years	-	-	-	-	-	-	-	-
More than 3 years	1,699,980	1	1,699,980	-	1,699,980	1	1,699,980	-
Total	150,032,639	100	1,879,342	148,153,297	125,149,660	100	1,796,136	123,353,524

(3) Bad debt provision recorded, reversal and written off in the current year

Bad debt provision recorded in the current year is RMB83,206.

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

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of total accounts receivable
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	51,349,094	-	34
Sinopec Sales Co., Ltd. Jiangsu Branch	23,911,038	-	16
Jiangsu Ninghang Expressway Co., Ltd. ("Ninghang Company")	10,353,827	-	7
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang Company")	8,903,208	-	6
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	7,683,155	-	5
Total	102,200,322	-	68

(5) Other explanations

Majority toll road and ancillary services income are settled by cash, others are settled by receipts 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 2016

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

5. Prepayments

(1) The aging analysis of prepayments is as follows

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	15,482,950	92	11,270,634	78
More than 1 year but not exceeding 2 years	560,000	3	3,225,729	22
More than 2 years but not exceeding 3 years	806,733	5	–	–
More than 3 years	2,000	–	2,000	–
Total	16,851,683	100	14,498,363	100

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

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
China Petrochemical Corporation Jiangsu Branch	6,582,999	39
Suzhou Gas Group Co., Ltd.	1,346,135	8
Sartorius Intec Weighing Appliance (Beijing) Co., Ltd.	1,296,400	8
Kunshan Litong Gas Co., Ltd.	1,155,000	7
Liyang Sutong Engineering Co., Ltd.	916,000	5
Total	11,296,534	67

6. Interest Receivable

Unit: RMB

Item	Closing balance	Opening balance
Loans to joint ventures	45,694,000	18,733,333
Total	45,694,000	18,733,333

Other explanations:

Please refer to Note (VI) 19.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

7. Dividends Receivable

Unit: RMB

Item	Closing balance	Opening balance
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.")	4,989,960	4,989,960

8. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Net book value	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Net book value
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	4	15,812,140	99	-	15,812,140	2	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 1	416,651,952	95	-	-	416,651,952	807,602,857	97	-	-	807,602,857
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 2	5,542,721	1	110,855	1	5,431,866	4,689,282	1	93,786	1	4,595,496
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	438,006,813	100	15,922,995	100	422,083,818	828,104,279	100	15,905,926	100	812,198,353

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

8. Other receivables (Continued)

- (1) Disclosure of other receivables by categories: (Continued)

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (According to entity)	Other receivables	Closing balance		Reason
		Bad debt provision	Proportion (%)	
Jinasu Yixing Highway Administration Department	15,812,140	15,812,140	100	Age over 3 years, is not expected to be recovered

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

Unit: RMB

Name of portfolio	Other receivables	Closing balance Bad debt provision	Proportion (%)
Portfolio 2	5,542,721	110,855	2

Basis for determining the above portfolio please refer to Note (III) 10.2.

- (2) Provision recorded, reversal and written off in the current year

Bad debt provision recorded in the current year is RMB24,681.

Bad debt provision reversal in the current year is 7,612.

- (3) Disclosure of other receivables by nature:

Unit: RMB

Nature	Closing balance	Opening balance
Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	789,629,780
Amounts of investment clearance	15,812,140	15,812,140
Petty cash	5,227,781	5,517,965
Landlord maintenance funds	5,772,380	3,580,800
Mortgage deposits for housing fund loan	3,941,000	—
Amount from transfer of 7.5% equity interest in Jiangsu Sundian Engineering Co., Ltd. ("Sundian Company")	3,899,000	—
Pre-borrowings for engineering	—	3,000,000
Compensation for road assets	—	2,407,462
Deposits for engineering	—	1,600,000
Other insignificant amounts	8,539,622	6,556,132
Total	438,006,813	828,104,279

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

8. Other receivables (Continued)

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

Unit: RMB

Name of entity	Nature of other receivables	Amount	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Provincial Government	Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	Over 3 years	90	–
Jinasu Yixing Highway Administration Department	Amount of investment clearance	15,812,140	Over 3 years	4	15,812,140
Suzhou Housing Guarantee Co., Ltd.	Mortgage deposits for housing fund loan	3,941,000	Within 1 year	1	–
Jiangsu Taizhou Bridge Co., Ltd.	Amount from transfer of 7.5% equity interest in Sundian Company	3,899,000	Within 1 year	1	–
Jiangsu Assets and Equity Exchange	Deposits for real estate sales	1,880,000	Within 1 year	–	–
Total		420,347,030		96	15,812,140

(5) Other explanations

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) 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 according 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. In 2015, an Agreement for early termination of the toll road operation rights in Shanghai-Nanjing Section of 312 National Highway was signed and concluded between the Company and Jiangsu Transportation Department Highway Bureau, pursuant to which the Company agreed to terminate toll road operation rights of 312 National Highway in advance and Communications Holding agreed to compensate the Company an amount of RMB1,316,049,634 based on “the “Notice in respect of the approved economic compensation on the removal of the 312 National Highway toll station and early termination of the toll road operation rights” (Suguo zifu [2015] No. 195) by the State-owned Asset Management Commission of Jiangsu Provincial Government”. As at 31 December 2016, the Company has received accumulated compensation of RMB921,234,744, with the outstanding receivable balance of RMB394,814,890.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

9. Inventories

Categories of inventories

Unit: RMB

Item	Gross carrying amount	Closing balance Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Opening balance Provision for decline in value of inventories	Net carrying amount
Properties under development	1,521,754,589	–	1,521,754,589	2,063,388,643	–	2,063,388,643
Properties for sale	1,596,542,258	–	1,596,542,258	1,171,574,292	–	1,171,574,292
Spare parts for repair and maintenance	16,589,107	–	16,589,107	15,297,258	–	15,297,258
Petrol	7,440,350	–	7,440,350	6,194,374	–	6,194,374
Total	3,142,326,304	–	3,142,326,304	3,256,454,567	–	3,256,454,567

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Baohua Hongyan Community A Project	August 2018	April 2022	2,220,000,000	305,296,035	307,753,758
Baohua Hongyan Community B2 Project	April 2014	November 2016	992,000,000	709,253,500	–
Huaqiao Urban Core Project	November 2012	March 2021	1,580,000,000	429,202,955	463,798,730
Suzhou Nanmen Road G25 Project	July 2015	August 2017	1,146,000,000	619,636,153	750,202,101
Total			5,938,000,000	2,063,388,643	1,521,754,589

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

9. Inventories (Continued)

Details of properties for sale are as follows:

Unit: RMB

Project Name	Completion date	Opening balance	Increase	Decrease	Closing balance
Suzhou Qingyuan Baohua Hongyan Community B1 Tongchengshijia Project	December 2013	631,587,664	–	33,731,666	597,855,998
Baohua Hongyan Community B2 Tongchengshijia Project	April 2014	132,016,862	4,649,449	10,000,806	126,665,505
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion Project	November 2016	–	820,690,531	349,800,294	470,890,237
Huaqiao Urban Core C7 Pujiang Building Project	August 2012	12,076,252	–	–	12,076,252
Huaqiao Urban Core B4 Guangmingjiezuo Project	June 2014	344,336,920	–	92,157,791	252,179,129
Huaqiao Urban Core B19 Guangmingxinzuo Project	June 2015	51,556,594	–	4,204,526	47,352,068
	December 2016	–	268,020,852	178,497,783	89,523,069
Total		1,171,574,292	1,093,360,832	668,392,866	1,596,542,258

Details information of properties under development are as follows:

Project Name	Address	Purpose	Attributable equity interest of the Group	Stage of completion	Completion date
Baohua Hongyan Community A1 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Not start	April 2021
Baohua Hongyan Community A2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Not start	April 2022
Huaqiao Urban Core C5Yufuhao Project	Kunshan Huaqiao business core area	Hotel	100	Capping on main body	September 2018
Huaqiao Urban Core C3	Kunshan Huaqiao business core area	House	100	Not start	July 2019
Huaqiao Urban Core B18	Kunshan Huaqiao business core area	House	100	Not start	March 2021
Huaqiao Urban Core C7 Pujiang Building Project Building #1	Kunshan Huaqiao business core area	Service apartment	100	Under decoration	August 2017
Suzhou Nanmen Road G25 Project	Suzhou Nanmen Road	House	100	In progress	August 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

9. Inventories (Continued)

Details information of properties for sale are as follows:

Project Name	Address	Purpose	Attributable equity interest of the Group	Stage of completion	Completion date
Suzhou Qingyuan	Suzhou Xinshilu Road No. 298	House	100	Completed	December 2013
Baohua Hongyan Community B1 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Completed	April 2014
Baohua Hongyan Community B2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Completed	November 2016
Huaqiao Urban Core C4 Hongqiao Mansion Project	Kunshan Huaqiao business core Xiqiao Road No. 158	House	100	Completed	August 2012
Huaqiao Urban Core C7 Pujiang Building Project Building #2,#3,#4	Kunshan Huaqiao business core Yunqiao Road No. 118	Office building	100	Completed	June 2014
Huaqiao Urban Core B4 Tongcheng Guangmingjiezuo	Kunshan Huaqiao business core Yunqiao Road No. 188	House	100	Completed	June 2015
Huaqiao Urban Core B19 Guangmingxinzu Project	Kunshan Huaqiao business core area	House	100	Completed	December 2016

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available for sale financial assets – Financial management products	262,504,747	417,000,000
Enterprise income tax paid in advance	–	55,187,818
Taxes and levies related to real estate sales paid in advance	63,648,689	30,577,726
Others	8,179	8,690
Total	326,161,615	502,774,234

Other explanations:

Financial management products represent “Guangyinganxin capital preservation (type A)”, “Guangyinganxin capital preservation (type B)”, issued by Guangdong Development Bank, “182 days capital preservation and steady interest financial management products” issued by Industrial and Commercial Bank of China, which are capital preservation products with floating income; and “Anxinkuaixian daily compound interest” financial management products issued by Agricultural Bank of China, “GSRJYL01 BOC Accumulation – Daily Plan” financial management products issued by Bank of China, which are not capital preservation products with floating income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

11. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Available-for-sale equity instruments						
Measured at fair value	1,562,000,000	–	1,562,000,000	–	–	–
Measured at cost	524,127,987	–	524,127,987	1,293,818,457	–	1,293,818,457
Total	2,086,127,987	–	2,086,127,987	1,293,818,457	–	1,293,818,457

(2) Available-for-sale financial assets measured at fair value at the end of year

Unit: RMB

Available-for-sale financial assets by category	Available-for-sale equity instruments (note)
Cost of equity instruments	1,000,000,000
Fair value	1,562,000,000
Changes in fair value accumulatively recognized in other comprehensive income	562,000,000
Recognized provision for impairment	–

Note: It refers to the equity interest of the restricted outstanding shares held by the Group in A share listed company Bank of Jiangsu Co., Ltd. As Bank of Jiangsu Co., Ltd. was listed in 2016, the Group has measured the shares at fair value instead of cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

11. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of year

Unit: RMB

Investee	Carrying amount			Closing balance	Impairment provision			Closing balance	The proportion of shareholding in the Investee (%)	Cash dividends in the year
	Opening balance	Addition	Decrease		Opening balance	Addition	Decrease			
Unlisted companies (Note 1)										
Shenzhen Ruijin Co., Ltd.	2,000,000	-	-	2,000,000	-	-	-	-	17.24	-
Jiangsu Leasing Co., Ltd. ("Jiangsu Leasing Company")	270,898,457	-	-	270,898,457	-	-	-	-	9.97	9,970,000
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	20,920,000	-	-	20,920,000	-	-	-	-	14.49	-
Bank of Jiangsu Co., Ltd (Note 2)	1,000,000,000	-	(1,000,000,000)	-	-	-	-	-	1.92	-
Equity interest investment in partnerships (Note 3)										
Suzhou Industrial Park Guochuang Kaiyuan Term II Investment Center LLP	-	155,309,530	-	155,309,530	-	-	-	-	4.31	-
Nanjing Luode Dening Real Estate Investment LLP	-	75,000,000	-	75,000,000	-	-	-	-	33.00	-
Total	1,293,818,457	230,309,530	(1,000,000,000)	524,127,987	-	-	-	-	-	9,970,000

Note 1: It refers to the equity interest invested by the Group in unlisted companies. The Group has no control, joint control or significant influences relationship with relevant invested companies. Investments in equity instruments by the Group are not quoted in active market and cannot be measured at fair value at the end of the period, hence they are measured at cost subsequently. The Group intends to continue to hold the equity interests of such investees next year.

Note 2: Please refer to Note (VI) 11(2).

Note 3: It refers to the equity interest investment by the Group in limited partnerships during the year. In accordance with limited partnership agreements, the Group, acting as a limited partner, has no control, joint control or significant influences relationship with the daily administration or decision of relevant partnerships. Investments in equity instruments by the Group are not quoted in active market and cannot be measured at fair value at the end of the period, hence they are measured at cost subsequently.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

12. Long-term equity investments

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

Unit: RMB

Investee (Note 1)	Opening balance	Changes in the current year								Closing balance	Closing balance of impairment loss
		Increase	Decrease	Investment profit or loss under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Others		
Joint ventures											
Nanjing HanWei Real Estate Development Co., Ltd. ("Hanwei Company") (Note 2)	47,838,290	-	-	(19,416,257)	-	-	-	-	-	28,422,033	-
Associates											
Kuailu Co., Ltd.	60,402,759	-	-	(2,285,788)	-	-	-	-	-	58,116,971	-
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	1,102,198,646	-	-	131,693,886	(593,852)	-	(56,983,566)	-	-	1,176,315,114	-
Sujiahang Company	939,024,477	-	-	142,172,011	-	(11,389,208)	(47,353,500)	-	-	1,022,453,780	-
Suzhou Sujiaiyong Expressway Co., Ltd. ("Sujiaiyong Company")	359,127,168	72,317,102	-	(1,873,458)	-	-	-	-	-	429,570,812	-
Jiangsu Xiexin Ninghu Gas Co., Ltd. ("Xiexin Ninghu Company")	11,631,258	-	-	83,470	-	-	-	-	-	11,714,728	-
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	169,549,952	-	-	707,159	-	-	-	-	-	170,257,111	-
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	1,733,407,548	-	-	185,239,137	-	(8,099,881)	(64,673,855)	-	-	1,845,872,949	-
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode Equity Company")	9,851,676	-	-	1,482,667	-	-	-	-	-	11,334,343	-
Sudian Company (Note 3)	23,762,031	-	(6,854,424)	230,510	-	-	-	-	-	17,138,117	-
Total	4,456,793,805	72,317,102	(6,854,424)	438,033,337	(593,852)	(19,489,089)	(169,010,921)	-	-	4,771,195,958	-

(2) Other explanations:

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

Note 2: On 4 March 2015, the Company set up Hanwei Company together with Nanjing Luode Deshi Equity Investment LLP ("Deshi Fund"). The Company contributed for 70% of the registered capital. Hanwei Company specified in the Articles of Association that all significant resolution should reach consensus from both shareholders to take effect, so the Company and Deshi Fund exercise joint control on Hanwei Company, the Company recognized Hanwei Company as the joint venture.

Note 3: The Group has transferred 7.5% equity interest in Sudian Company to Jiangsu Taizhou Bridge Co., Ltd. during the year. As at 31 December 2016, the Group held 22.5% equity interest of Sudian Company. As the Group can appoint directors for Sudian Company and have significant influences on manufactures and operations of Sudian Company, investments by the Group in Sudian Company shall be accounted for under equity method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

13. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. Opening carrying amount	39,372,263
2. Increase in the current year	491,298
(1) Transferred from fixed assets	491,298
3. Decrease in the current year	–
4. Closing carrying amount	39,863,561
II. Total accumulated depreciation and amortization	
1. Opening carrying amount	6,363,088
2. Increase in the current year	1,387,079
(1) Amount accrued or amortized	1,284,947
(2) Transferred from fixed assets	102,132
3. Decrease in the current year	–
4. Closing carrying amount	7,750,167
III. Total provision for impairment losses	
1. Opening carrying amount	–
2. Increase in the current year	–
3. Decrease in the current year	–
4. Closing carrying amount	–
IV. Total net book value of investment properties	
1. Closing net book value	32,113,394
2. Opening net book value	33,009,175

(2) Detail information of Investment properties are as follows

Name	Address	Purpose	Term of lease
Zhongshan Meilu villa	Nangjing Qixia District Jinma Road No. 18	Sale	N/A
Kunshan Huijie office building AB floor stores and 4 offices	Kunshan People's south road No. 888	Commercial	Medium-term

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

14. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
I. Total original carrying amount									
1. Opening carrying amount	1,658,076,802	837,331,928	456,149,707	353,289,841	528,345,856	61,223,009	82,685,642	37,064,980	4,014,167,765
2. Increase in the current year	134,771,930	16,612,939	47,247,121	34,155,686	13,192,851	6,605,015	1,992,449	1,851,088	256,429,079
(1) Purchase	1,303,169	-	3,724,988	5,551,278	11,344,679	6,605,015	1,992,449	1,831,645	32,353,223
(2) Transferred from construction in progress	133,468,761	16,612,939	43,522,133	28,604,408	1,848,172	-	-	19,443	224,075,856
3. Decrease in the current year	3,145,476	7,713	3,473,142	6,486,320	32,271,319	5,450,489	9,385,899	564,792	60,785,150
(1) Disposal or retirement	2,116,759	7,713	3,473,142	6,017,320	32,271,319	5,450,489	9,385,899	564,792	59,287,433
(2) Transferred to construction in progress	537,419	-	-	-	-	-	-	-	537,419
(3) Transferred to intangible assets	-	-	-	469,000	-	-	-	-	469,000
(4) Transferred to investment properties	491,298	-	-	-	-	-	-	-	491,298
4. Closing carrying amount	1,789,703,256	853,937,154	499,923,686	380,959,207	509,267,388	62,377,535	75,292,192	38,351,276	4,209,811,694
II. Total accumulated depreciation									
1. Opening carrying amount	653,494,201	680,108,582	282,492,190	216,926,437	371,032,916	40,472,210	49,048,180	27,669,455	2,321,244,171
2. Increase in the current year	71,125,702	40,474,440	27,393,550	28,099,533	27,224,650	6,467,644	6,909,662	2,522,372	210,217,553
(1) Amount accrued	71,125,702	40,474,440	27,393,550	28,099,533	27,224,650	6,467,644	6,909,662	2,522,372	210,217,553
3. Decrease in the current year	1,518,579	7,481	3,108,512	5,737,147	30,453,713	5,267,629	9,097,198	544,482	55,734,741
(1) Disposal or retirement	1,083,397	7,481	3,108,512	5,632,892	30,453,713	5,267,629	9,097,198	544,482	55,195,304
(2) Transferred to construction in progress	333,050	-	-	-	-	-	-	-	333,050
(3) Transferred to intangible assets	-	-	-	104,255	-	-	-	-	104,255
(4) Transferred to investment properties	102,132	-	-	-	-	-	-	-	102,132
4. Closing carrying amount	723,101,324	720,575,541	306,777,228	239,288,823	367,803,853	41,672,225	46,860,644	29,647,345	2,475,726,983
III. Total provision for impairment losses									
1. Opening carrying amount	-	-	-	-	-	-	-	-	-
2. Increase in the current year	-	-	-	-	-	-	-	-	-
3. Decrease in the current year	-	-	-	-	-	-	-	-	-
4. Closing carrying amount	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. Closing net book value	1,066,601,932	133,361,613	193,146,458	141,670,384	141,463,535	20,705,310	28,431,548	8,703,931	1,734,084,711
2. Opening net book value	1,004,582,601	157,223,346	173,657,517	136,363,404	157,312,940	20,750,799	33,637,462	9,395,525	1,692,923,594

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

14. Fixed assets (Continued)

- (2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	70,552,445	72,049,874

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

Unit: RMB

Item	Carrying Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	7,770,739	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Kunshan toll station	6,731,768	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Huaqiao toll station	9,078,352	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Xuejia toll station	9,776,959	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	30,721,212	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,887,180	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	2,736,808	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	958,083	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	42,069,329	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway South Network Centre and project management center houses	18,951,753	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	25,226,677	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Wuxi airport toll station	4,670,409	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Heyang roll station	2,887,152	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Zhenjiang toll station	9,791,579	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	1,330,083	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	7,437,186	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Nanjing toll station	13,909,697	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Tangshan toll station	13,664,430	Incorporated into communication facilities and cannot obtain certification at present

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

14. Fixed assets (Continued)

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

Item	Carrying Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Danyang toll station	12,952,976	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jurong toll station	676,481	Incorporated into communication facilities and cannot obtain certification at present
Guangjing Expressway, Xicheng Expressway service zone houses	48,015,684	Incorporated into communication facilities and cannot obtain certification at present
Xiyi Expressway roll administration and service zone houses	31,148,805	Incorporated into communication facilities and cannot obtain certification at present
Ningchang Expressway and Zhenli Expressway roll administration and service zone houses	150,335,971	Incorporated into communication facilities and cannot obtain certification at present
Total	454,729,313	

15. Construction in progress

(1) Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net book value	Carrying amount	Provision for impairment losses	Net book value
Construction Project of Zhendan Expressway	1,062,092,059	-	1,062,092,059	686,697,477	-	686,697,477
Jingjiang inter-communication expansion project	61,526,340	-	61,526,340	54,550,500	-	54,550,500
Housing projects of Toll stations and service zones	39,566,332	-	39,566,332	119,419,338	-	119,419,338
Yanqiao service zone renovation project	7,767,835	-	7,767,835	-	-	-
Distributing substation renovation project in zones	7,000,000	-	7,000,000	5,000,000	-	5,000,000
Three big system construction project	4,637,877	-	4,637,877	4,713,085	-	4,713,085
Advertising board	4,340,397	-	4,340,397	5,515,988	-	5,515,988
Luma Highway Bridge renovation Project	3,000,000	-	3,000,000	-	-	-
Information project	2,483,570	-	2,483,570	32,033,569	-	32,033,569
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Maoshan service zone and roll station expansion project	240,000	-	240,000	-	-	-
Suzhou inter-communication expansion project	-	-	-	103,400,000	-	103,400,000
Others	3,193,789	-	3,193,789	16,836,117	-	16,836,117
Total	1,197,809,229	-	1,197,809,229	1,030,127,104	-	1,030,127,104

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

15. Construction in progress (Continued)

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount	Opening balance	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	Transfer to others	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the year (%)	Source of funds
Construction Project of Zhendan Expressway	1,730,260,500	686,697,477	375,394,582	-	-	-	1,062,092,059	61	in progress	6,612,278	6,612,278	4.90	Own funds and bank loans
Jingjiang inter-communication expansion project	100,000,000	54,550,500	6,975,840	-	-	-	61,526,340	62	in progress	-	-	-	Own funds
Housing projects of Toll stations and service zones	288,543,520	119,419,338	59,342,034	125,092,520	14,102,520	-	39,566,332	62	in progress	-	-	-	Own funds
Yanqiao service zone renovation project	44,500,000	-	7,767,835	-	-	-	7,767,835	17	in progress	-	-	-	Own funds
Distributing substation renovation project in zones	7,500,000	5,000,000	2,000,000	-	-	-	7,000,000	93	in progress	-	-	-	Own funds
Three big system construction project	53,456,159	4,713,085	43,681,951	43,757,159	-	-	4,637,877	91	in progress	-	-	-	Own funds
Advertising board	10,168,248	5,515,988	3,515,621	4,691,212	-	-	4,340,397	89	in progress	-	-	-	Own funds
Luma Highway Bridge renovation Project	18,000,000	-	3,000,000	-	-	-	3,000,000	17	in progress	-	-	-	Own funds
Information project	67,450,242	32,033,569	29,111,330	20,306,242	38,355,087	-	2,483,570	91	in progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	in progress	-	-	-	Own funds
Maoshan service zone and roll station expansion project	24,000,000	-	240,000	-	-	-	240,000	1	in progress	-	-	-	Own funds
Suzhou inter-communication expansion project	109,150,000	103,400,000	5,750,000	-	109,150,000	-	-	100	Completed	-	-	-	Own funds
Noise barrier construction project	15,735,101	-	15,735,101	15,735,101	-	-	-	100	Completed	-	-	-	Own funds
Others	NA	16,836,117	10,921,971	14,493,622	9,845,003	225,674	3,193,789		in progress	-	-	-	Own funds
Total		1,030,127,104	563,436,265	224,075,856	171,452,610	225,674	1,197,809,229			6,612,278	6,612,278	-	

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

16. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
I. Total original carrying amount				
1. Opening carrying amount	29,894,896,991	1,720,207,956	17,404,384	31,632,509,331
2. Increase in the current year				
(1) Purchase	109,150,000	23,953,720	39,587,423	172,691,143
(2) Transferred from construction in progress	–	6,197	763,336	769,533
(3) Transferred from fix assets	109,150,000	23,947,523	38,355,087	171,452,610
4. Closing carrying amount	–	–	469,000	469,000
	–	–	–	–
	30,004,046,991	1,744,161,676	56,991,807	31,805,200,474
II. Total accumulated amortization				
1. Opening carrying amount	8,365,474,311	1,024,896,072	3,510,964	9,393,881,347
2. Increase in the current year				
(1) Amortization accrued	1,012,784,261	64,289,683	9,466,007	1,086,539,951
(2) Transferred from fix assets	1,012,784,261	64,289,683	9,361,752	1,086,435,696
3. Decrease in the current year	–	–	104,255	104,255
4. Closing carrying amount	–	–	–	–
	9,378,258,572	1,089,185,755	12,976,971	10,480,421,298
III. Total provision for impairment losses				
1. Opening carrying amount	–	–	–	–
2. Increase in the current year	–	–	–	–
3. Decrease in the current year	–	–	–	–
4. Closing carrying amount	–	–	–	–
IV. Total net book value of intangible assets				
Closing net book value	20,625,788,419	654,975,921	44,014,836	21,324,779,176
Opening net book value	21,529,422,680	695,311,884	13,893,420	22,238,627,984

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

17. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the year	Amortization for the year	Other Decrease	Closing balance
Decorations for buildings	5,713,616	1,259,645	3,345,082	–	3,628,179

18. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	17,802,337	4,450,584	17,702,061	4,425,515
Unrealized profits through internal transactions	283,818,527	70,954,632	256,711,817	64,177,954
Deductible losses	999,909,417	249,977,354	1,320,750,066	330,187,517
Prepayment of business tax and land appreciation tax for real estate pre-sale and so on	95,903,121	23,975,780	7,554,527	1,888,632
Total	1,397,433,402	349,358,350	1,602,718,471	400,679,618

Other explanations:

According to the Group's future profit forecast, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

18. Deferred tax assets/deferred tax liabilities (Continued)

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	7,503,079	1,875,770	10,177,413	2,544,353
Real estate pre-sale	–	–	6,963,339	1,740,835
Changes in fair values for available-for-sale financial assets	562,000,000	140,500,000	–	–
Total	569,503,079	142,375,770	17,140,752	4,285,188

(3) Net amount of deferred tax assets or liabilities after offset

Unit: RMB

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offset
Deferred tax assets	4,013,256	345,345,094	1,740,835	398,938,783
Deferred tax liabilities	4,013,256	138,362,514	1,740,835	2,544,353

(4) Detailed information of unrecognised deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	140,078,974	286,784,980
Total	140,078,974	286,784,980

Other explanations:

Deferred tax assets are not recognized for deductible temporary differences and deductible losses due to uncertainty whether sufficient taxable profits will be available in the future shall be presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

18. Deferred tax assets/deferred tax liabilities (Continued)

- (5) Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

Unit: RMB

Item	Closing balance	Opening balance
2016	–	51,255,073
2017	41,611,368	151,290,930
2018	98,467,606	84,238,977
2019	–	–
Total	140,078,974	286,784,980

19. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Loans to joint ventures	369,000,000	300,000,000
Apartment procurement for talents	7,477,785	–
Total	376,477,785	300,000,000

Other explanations:

Loans to joint ventures at the year-end refer to the loan to Hanwei Company provided by the Group. The maturity of the loan is not exceeding 3 years and the annual interest rate is 8%.

20. Short-term borrowings

- (1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank loans	680,000,000	1,286,000,000
Including: Unsecured loans	500,000,000	1,101,000,000
Entrusted loans (Note)	180,000,000	185,000,000
Non-bank financial institutions loans	130,000,000	325,000,000
Including: Unsecured loans	130,000,000	200,000,000
Entrusted loans	–	125,000,000
Loans from a related party	–	200,000,000
Including: Short-term bonds	–	200,000,000
Total	810,000,000	1,811,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

20. Short-term borrowings (Continued)

(2) Explanation for short-term borrowings:

Note: Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company") through China CITIC Bank on 15 August 2016, the principal is RMB180,000,000, annual interest rate is 4.35%, and duration period is 1 year.

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

21. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	394,052,655	396,725,660
Construction payable for real estate project	454,260,681	394,223,615
Purchase of petroleum payable	15,607,084	5,193,921
Toll road fee payable	42,190,132	39,267,672
Deposit payable for rent	21,032,400	7,903,900
Others	60,803,476	81,190,797
Total	987,946,428	924,505,565

(2) The aging analysis of accounts payable according to invoice date (close to posting date):

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	788,023,690	706,236,559
More than 1 year but not exceed 2 years	156,504,595	186,847,880
More than 2 years but not exceeding 3 years	24,287,145	8,687,716
More than 3 years	19,130,998	22,733,410
Total	987,946,428	924,505,565

(3) Significant accounts payable aging more than one year in the closing balance:

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carrying forward
Construction payable	21,063,959	Long settlement procedure of the project
Construction payable for real estate project	143,110,404	Long settlement procedure of the real estate project

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

22. Receipts in advance

(1) Receipts in advance are shown as follows:

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	10,059,561	13,391,953
Advertising service fee received in advance	16,297,861	8,670,093
Income from properties for sales received in advance	913,251,497	532,697,812
Others	1,264,440	1,153,561
Total	940,873,359	555,913,419

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Unit: RMB	%	Unit: RMB	%
Within 1 year	778,187,688	83	537,832,364	97
More than 1 year but not exceed 2 years	161,911,217	17	18,001,055	3
More than 2 years but not exceeding 3 years	694,454	—	—	—
More than 3 years	80,000	—	80,000	—
Total	940,873,359	100	555,913,419	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

22. Receipts in advance (Continued)

(1) Receipts in advance are shown as follows: (Continued)

Details of receipts in properties for sales received in advance are as follows:

Unit: RMB

Item	Opening balance	Closing balance	Completion date	Proportion of advance sale (%)
Baohua Hongyan Community B1 Tongchengshijia Project	1,750,464	1,460,000	April 2014	64
Baohua Hongyan Community B2 Tongchengshijia Project	116,587,920	104,452,695	November 2016	13
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	694,454	694,454	August 2012	97
Huaqiao Urban Core B4 Guangmingjiezuo Project	7,356,388	5,123,089	June 2015	82
Huaqiao Urban Core B19 Guangmingxinzuo Project	247,640,458	105,857,688	December 2016	66
Suzhou Qingyuan	–	5,300,000	December 2013	8
Suzhou Nanmen Road Nanmenshijia Phase 1 Project	158,668,128	690,363,571	August 2017	66
Total	532,697,812	913,251,497		

23. Employee benefits payable

(1) Employee benefits payable are shown as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Short term compensation	3,375,508	716,540,475	715,099,659	4,816,324
2. Post-employment benefits – Defined contribution plan	–	121,966,456	121,966,456	–
3. Termination benefits	–	1,694,087	1,694,087	–
4. Other welfare due within one year	–	–	–	–
Total	3,375,508	840,201,018	838,760,202	4,816,324

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

23. Employee benefits payable (Continued)

(2) Short term compensation:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	–	540,720,692	540,720,192	500
II. Staff welfare	–	8,303,518	8,303,518	–
III. Social security contributions	–	62,186,155	62,186,155	–
Including: Medical insurance	–	56,806,843	56,806,843	–
Work injury insurance	–	3,341,944	3,341,944	–
Maternity insurance	–	2,037,368	2,037,368	–
IV. Housing funds	–	47,680,627	47,680,627	–
V. Union running costs and employee education costs	3,375,508	15,587,168	14,146,852	4,815,824
VI. Non-monetary welfare	–	28,896,605	28,896,605	–
VII. Others	–	13,165,710	13,165,710	–
Total	3,375,508	716,540,475	715,099,659	4,816,324

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Basic endowment insurance	–	80,790,729	80,790,729	–
2. Unemployment insurance	–	4,215,685	4,215,685	–
3. Enterprise annuity payment	–	36,960,042	36,960,042	–
Total	–	121,966,456	121,966,456	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

23. Employee benefits payable (Continued)

(3) Defined contribution plan (Continued)

Note:

(1) Defined contribution plan

The Group participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Group makes a monthly contribution equivalent to 19%-20% and 1% – 1.5% of the employee's monthly basic wage based on last year's salary. The Group participates in annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Group no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.

During the year, the Group contributes RMB80,790,729, RMB36,960,042 and RMB4,215,685 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2015: RMB71,731,143, RMB34,460,923 and RMB5,386,832). All the contribution had paid over to the schemes as at 31 December 2016.

(2) Non-monetary welfare

Non-monetary benefits are RMB28,896,605 (2015: RMB42,598,960), which represent purchased non-monetary welfare goods and holiday gifts that distributed to employees etc., calculated on a certified basis of purchase costs.

24. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	174,181,365	16,612,229
Business tax	–	19,644,988
Land appreciation tax	12,593,142	12,215,568
VAT	31,742,256	1,912,663
Property tax	2,058,496	1,905,922
Individual income tax	4,930,695	3,861,150
City construction and maintenance tax	2,009,895	1,541,352
Others	4,186,938	3,804,554
Total	231,702,787	61,498,426

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

25. 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	18,271,156	18,390,740
Interest payable of enterprise bonds	72,917,260	46,459,726
Interest payable of short-term borrowings	1,031,771	5,074,606
Total	92,220,187	69,925,072

There are no interest payable overdue but not yet repaid.

26. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary shares dividends	73,614,218	69,467,760
Total	73,614,218	69,467,760

Note: The amount of dividends payable with ageing more than 1 year is RMB66,467,760, which was the uncollected dividends by investors.

27. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Rural road construction funds	–	42,436,814
Payable of daily procurement in service area	10,475,533	9,383,567
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	8,627,397	5,741,174
Construction quality warrantee fee payable	1,930,309	1,783,118
Earnest money of acquisition of properties	3,402,883	1,183,004
Others	15,548,423	20,160,014
Total	39,984,545	80,687,691

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

27. Other payables (Continued)

(2) Significant other payables with aging more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
N/A	–	–

28. 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	121,718,718	151,608,861
Total	121,718,718	151,608,861

29. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Super short term bonds payable	3,936,452,668	6,685,220,505
Total	3,936,452,668	6,685,220,505

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

29. Other current liabilities (Continued)

Changes of short-term bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Duration of the bond (days)	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Closing balance
Super short term bonds payable										
15Ninghu GaoSCP005	1,200,000,000	8 July 2015	267	1,200,000,000	1,218,880,000	-	9,133,115	-	1,228,013,115	-
15Ninghu GaoSCP006	1,200,000,000	9 July 2015	266	1,200,000,000	1,218,773,333	-	9,134,864	-	1,227,908,197	-
15Ninghu GaoSCP007	800,000,000	15 July 2015	268	800,000,000	812,844,445	-	7,072,495	-	819,916,940	-
15Ninghu GaoSCP008	700,000,000	12 August 2015	261	700,000,000	709,111,672	-	7,361,279	-	716,472,951	-
15Ninghu GaoSCP009	1,000,000,000	21 August 2015	270	1,000,000,000	1,012,154,722	-	12,115,770	-	1,024,270,492	-
15Ninghu GaoSCP010	1,000,000,000	9 September 2015	261	1,000,000,000	1,010,418,333	-	13,043,142	-	1,023,461,475	-
15Ninghu GaoSCP011	700,000,000	6 November 2015	84	700,000,000	703,038,000	-	1,444,295	-	704,482,295	-
16Ninghu GaoSCP001	1,800,000,000	25 March 2016	168	1,800,000,000	-	1,800,000,000	22,120,767	-	1,822,120,767	-
16 Ninghu GaoSCP002	1,100,000,000	13 May 2016	91	1,100,000,000	-	1,100,000,000	7,678,904	-	1,107,678,904	-
16 Ninghu GaoSCP003	700,000,000	25 May 2016	86	700,000,000	-	700,000,000	4,618,082	-	704,618,082	-
16 Ninghu GaoSCP004	500,000,000	16 June 2016	267	500,000,000	-	500,000,000	8,195,002	-	-	508,195,002
16 Ninghu GaoSCP005	900,000,000	17 June 2016	147	900,000,000	-	900,000,000	10,584,000	-	910,584,000	-
16 Ninghu GaoSCP006	1,200,000,000	10 August 2016	247	1,200,000,000	-	1,200,000,000	12,345,666	-	-	1,212,345,666
16 Ninghu GaoSCP007	1,600,000,000	7 September 2016	247	1,600,000,000	-	1,600,000,000	13,800,000	-	-	1,613,800,000
16 Ninghu GaoSCP008	600,000,000	9 November 2016	156	600,000,000	-	600,000,000	2,112,000	-	-	602,112,000
Total				15,000,000,000	6,685,220,505	8,400,000,000	140,759,381	-	11,289,527,218	3,936,452,668

Other explanations:

As at 31 December 2016, details of the Group's short-term bonds include: (1) The Company issued "16 Ninghu Gao SCP004" with the par value of RMB500,000,000 on 16 June 2016, bond duration is 267 days, annual interest rate is 2.98%. (2) The Company issued "16 Ninghu Gao SCP006" with the par value of RMB1,200,000,000 on 10 August 2016, bond duration is 247 days, annual interest rate is 2.59%. (3) The Company issued "16 Ninghu Gao SCP007" with the par value of RMB1,600,000,000 on 7 September 2016, bond duration is 247 days, annual interest rate is 2.70%. (4) The Company issued "16 Ninghu Gao SCP008" with the par value of RMB600,000,000 on 9 November 2016, bond duration is 156 days, annual interest rate is 2.88%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

30. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Bank Loans	743,624,619	634,415,193
Including: Unsecured loans	575,000,000	315,500,000
Secured loans	—	100,000,000
Guaranteed loan (Note 1)	130,624,619	175,915,193
Secured and guaranteed loans (Note 2)	38,000,000	43,000,000
Non-bank financial institutions loans	100,000,000	150,000,000
Including: Entrusted loans (Note 3)	100,000,000	150,000,000
Loans from a related party	750,000,000	750,000,000
Including: Medium Term Notes (Note 4)	750,000,000	750,000,000
Subtotal	1,593,624,619	1,534,415,193
Less: long-term borrowings due within one year	121,718,718	151,608,861
Long-term borrowings due after one year	1,471,905,901	1,382,806,332

(2) Description of categories of long-term borrowings

Note 1: Guaranteed loans including: (1) The Group 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 Communications Holding. 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 outstanding closing balance at the end of this year is USD2,973,132. (2) The Group obtained from Industrial and Commercial Bank of China, Jiangsu branch bank loans of RMB195,000,000 with loan duration 15 years on 16 March 2004. The loan was used to construct Xiyi Expressway and guaranteed by Communications Holding. The loan has been paid up for RMB85,000,000 by the end of the year, with annual interest rate of 4.90% as calculated by the floating interest based on the benchmark interest rate published by People's Bank of China.

Note 2: Secured and guaranteed loans indicate loans of RMB200,000,000 with loan duration 14 years obtained from Bank of China, Wuxi branch. The loan was used to construct Xiyi Expressway and Wuxi Huantaihu Expressway and secured by the toll road operation rights of Xiyi Expressway and Wuxi Huantaihu Expressway, also the loan was guaranteed by Communications Holding. The loan has been paid up for RMB162,000,000 by the end of the year, with annual interest rate is 4.90% as calculated by the floating interest based on the benchmark interest rate published by People's Bank of China.

Note 3: Non-bank financial institutions entrusted loans indicate the loan of RMB900,000,000 with loan duration of 6 years provided by Communications Holding' subsidiary Jiangsu Runyang Bridge Development Co., Ltd ("Runyang Bridge Company") through Group Finance Company on 26 February 2013. The principal of the loan is RMB900,000,000. The Company has been paid up for RMB800,000,000 by the end of the year, with annual interest rate of 6.46%.

Note 4: Medium term notes represent medium term notes issued by Communications Holding and allocated to the Group according to the fund use term of the bond prospectus. The group paid the corresponding interest and principal to Communications Holding, including: (1) Communications Holding issued "12 Su Communications MTN2" on 4 December 2012 and allocated RMB250,000,000 to the Company, duration is 10 years, annual interest rate is 5.50% and annual fee rate is 0.3%. (2) Communication Holding issued "13 Su Communications MTN2" on 16 May 2013 and allocated RMB250,000,000 to the Group, duration is 10 years, annual interest rate is 5.30% and annual fee rate is 0.3%. (3) Communications Holding issued "14 Su Communications MTN2" on 20 May 2014 and allocated RMB250,000,000 to the Group, duration is 5 years, annual interest rate is 5.80% and annual fee rate is 0.3%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

30. Long-term borrowings (Continued)

(3) Analysis of maturity for long-term borrowings over one year is as follows:

Item	2016	2015
1-2 years	124,718,718	71,608,861
2-5 years	535,156,155	798,326,583
Over 5 years	812,031,028	512,870,888
Total	1,471,905,901	1,382,806,332

(4) Other explanations:

Interest rate of the loans above between 2%-6.46%.

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Notes	4,457,801,187	3,456,427,928
Total	4,457,801,187	3,456,427,928

(2) Changes of bond payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Closing balance
Medium Term Notes	500,000,000	21 June 2013	5 years	500,000,000	496,063,787	-	13,166,301	1,538,340	13,166,301	497,602,127
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,973,870,017	-	30,394,521	5,316,933	30,394,521	1,979,186,950
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	986,494,124	-	2,830,685	2,537,249	2,830,685	989,031,373
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	-	990,758,380	26,457,534	1,222,357	26,457,534	991,980,737
Total				4,500,000,000	3,456,427,928	990,758,380	72,849,041	10,614,879	72,849,041	4,457,801,187

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

31. Bonds payable (Continued)

(3) Other explanations:

On 31 December 2016, the detail of the Group's bonds payable include: (1) The Company issued "13 Ninghu Gao MTN1" with the par value of RMB500,000,000 on 21 June 2013, bond duration is 5 years, annual interest rate is 4.98%, the interest is paid by year and principal paid on maturity. (2) The Company issued "15 Ninghu Gao MTN1" with the par value of RMB2,000,000,000 on 25 August 2015, bond duration is 5 years, annual interest rate is 4.30%, the interest is paid by year and principal paid on maturity. (3) The Company issued "15 Ninghu Gao MTN2" with the par value of RMB1,000,000,000 on 4 December 2015, bond duration is 5 years, annual interest rate is 3.69%, the interest is paid by year and principal paid on maturity. (4) The Company issued "16 Ninghu Gao MTN1" with the par value of RMB1,000,000,000 on 14 April 2016, bond duration is 5 years, annual interest rate is 3.7%, the interest is paid by year and principal paid on maturity

32. Deferred Income

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Remarks
Government grants	34,886,135	–	1,568,431	33,317,704	Ningchang Expressway Construction Compensation

Government grants:

Unit: RMB

Item	Opening balance	Increase in the current year	Transfer to non-operating income for the year	Other	Closing balance	Related to asset/ Related to income
Expressway Construction Compensation	34,886,135	–	1,568,431	–	33,317,704	Related to asset

Other explanations:

The deferred income is appropriated by People's Government of Wujin District of Changzhou City for construction of Ningchang expressway road, due to the extra cost of construction of Wujin Development Zone viaduct project. The project construction subsidy is RMB40,000,000, the Group recognizes the project construction subsidy as a compensation of the construction cost of Ningchang expressway which is recorded in deferred income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

33. Share capital

Unit: RMB

	Opening balance	New issue of shares	Bonus issue	Change for the year Capitalization of surplus reserves	Others	Subtotal	Closing balance
2016 Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500
2015 Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the 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, 6 November 2013 and 15 January 2015 separately.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

34. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2016				
Capital premium	7,765,271,453	–	–	7,765,271,453
Including: Capital contributed by investors	4,800,576,953	–	–	4,800,576,953
Differences arising from business combination involving enterprises under common control	2,964,694,500	–	–	2,964,694,500
Other capital reserve	2,681,390,888	–	18,274,106	2,663,116,782
Including: Share of capital reserve of the investee under the equity method (Note)	(1,586,347)	–	18,274,106	(19,860,453)
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	2,682,977,235
Total	10,446,662,341	–	18,274,106	10,428,388,235
2015				
Capital premium	8,829,971,453	–	1,064,700,000	7,765,271,453
Including: Capital contributed by investors	4,800,576,953	–	–	4,800,576,953
Differences arising from business combination involving enterprises under common control	4,029,394,500	–	1,064,700,000	2,964,694,500
Other capital reserve	2,681,390,888	–	–	2,681,390,888
Including: Share of capital reserve of the investee under the equity method	(1,586,347)	–	–	(1,586,347)
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	2,682,977,235
Total	11,511,362,341	–	1,064,700,000	10,446,662,341

Note: Other capital reserve decrease in the current year represents changes in owners' equity attributed to the Group due to capital increase by other shareholders of the Group's associates Yanjiang Company and Sujiahang Company, hence the Group has adjusted the capital reserve based on the proportion of holding equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

35. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Change for the year		Post-tax net amount attribute to minority shareholders	Closing balance
				Less: Income tax expense	Post-tax net amount attribute to parent company owners		
2016							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified subsequently to profit or loss	121,482,904	561,406,148	-	140,500,000	420,906,148	-	542,389,052
Including:							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss (Note 1)	121,482,904	(593,852)	-	-	(593,852)	-	120,889,052
Profit or loss from change in fair value of available-for-sale financial assets (Note 2)	-	562,000,000	-	140,500,000	421,500,000	-	421,500,000
Total other comprehensive income	121,482,904	561,406,148	-	140,500,000	420,906,148	-	542,389,052
2015							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified subsequently to profit or loss	188,889,048	(67,406,144)	-	-	(67,406,144)	-	121,482,904
Including:							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	188,889,048	(67,406,144)	-	-	(67,406,144)	-	121,482,904
Profit or loss from change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Total other comprehensive income	188,889,048	(67,406,144)	-	-	(67,406,144)	-	121,482,904

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

35. Other comprehensive income (Continued)

Note 1: Share decrease of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss represents fair value adjustments of the available for sale financial assets held by the Group's associate Yangtze Bridge Company. The Group has adjusted the capital reserve based on the proportion of holding equity.

Note 2: Change in fair value of available-for-sale financial assets represents adjustments of equity fair value of restricted outstanding shares held by the Group in an A share listed Company, Bank of Jiangsu Co., Ltd.

36. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2016				
Statutory surplus reserve	2,974,837,417	61,424,082	—	3,036,261,499
Discretionary surplus reserve	65,450,362	51,461,299	—	116,911,661
Total	3,040,287,779	112,885,381	—	3,153,173,160
2015				
Statutory surplus reserve	2,909,597,769	65,239,648	—	2,974,837,417
Discretionary surplus reserve	17,445,924	48,004,438	—	65,450,362
Total	2,927,043,693	113,244,086	—	3,040,287,779

Note: According to "Company law of the People's Republic of China" and the Articles of the company, the Company and its subsidiaries are 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. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval. The Group transfer to the statutory surplus reserve of RMB61,424,082 in 2016 (2015: RMB65,239,648). Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng Company"), the subsidiary of the Company appropriated the discretionary surplus reserve at the amount of RMB51,461,299 (2015: RMB48,004,438) when the balance of the statutory surplus reserve has reached 50% of the registered capital.

37. Retained profits

Unit: RMB

Item	Closing balance	Opening balance
Opening retained profits (before adjustment)	1,829,978,752	4,712,690,449
Adjustment on opening balance of total retained profits	—	(3,361,752,969)
Opening retained profits (adjusted)	1,829,978,752	1,350,937,480
Add: Net profit attributable to owners of the Company for the year	3,346,063,867	2,506,629,408
Less: Appropriation to statutory surplus reserve	61,424,082	65,239,648
Appropriation to discretionary surplus reserve	51,461,299	48,004,438
Declaration of dividends on ordinary shares	2,015,099,000	1,914,344,050
Closing retained profits	3,048,058,238	1,829,978,752

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

37. Retained profits (Continued)

Note 1: Appropriation to statutory surplus reserve

According to the Articles of Association, the Company and its subsidiaries are 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: Appropriation to discretionary surplus reserve

Discretionary surplus reserve refers to the reserve transferred from 10% of its net profit by Guangjing Xicheng Company, the subsidiary of the Company, through the resolution of the general shareholder meeting.

Note 3: Cash dividends approved in shareholders' meeting during the year

In 2016, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.4 per share were distributed to all the shareholders.

Note 4: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 24 March 2017, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2017, cash dividends of RMB0.42 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved in a shareholders' meeting.

38. Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating costs	Operating income	Operating costs (restated) (Note)
Principal operating income	8,339,923,201	3,801,638,043	8,323,216,253	4,168,632,540
Including: Shanghai-Nanjing Expressway	4,572,683,126	1,221,713,458	4,490,662,560	1,161,120,216
312 National Highway	—	—	32,325,290	252,453,864
Nanjing-Lianyungang Highway	24,961,001	16,569,477	26,531,422	15,913,020
Guangjing Expressway and Xicheng Expressway	838,727,408	248,097,364	807,198,623	234,778,837
Ningchang Expressway and Zhenli Expressway	909,765,569	468,889,810	787,782,499	446,445,343
Xiyi Expressway	306,319,318	172,184,816	293,353,415	166,326,329
Ancillary services	1,687,466,779	1,674,183,118	1,885,362,444	1,891,594,931
Real estate development	810,834,534	539,800,281	388,975,137	227,549,069
Advertising and others	50,539,331	22,281,968	49,129,796	18,768,572
Total	9,201,297,066	4,363,720,292	8,761,321,186	4,414,950,181

Note: Please refer to Note (VI) 39(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

39. Taxes and levies

(1) Breakdown of taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (restated)
Business tax	94,558,618	225,380,373
City construction and maintenance tax	18,336,072	16,702,019
Education surcharge	13,687,939	12,274,377
Land appreciation tax	40,152,630	19,981,040
Property tax	13,132,346	12,579,779
Land use tax	9,190,839	9,135,277
Others	4,413,471	8,487,329
Total	193,471,915	304,540,194

(2) Other explanations

In accordance with the Circular of the Ministry of Finance on Issuing Provisions concerning VAT Accounting (Cai Kuai [2016] No.22) enacted by the Ministry of Finance on 3 December 2012 (hereinafter referred to as "No.22 Document"), which has been implemented since it was promulgated, the account "business tax and levies" is adjusted to "taxes and levies" which aims to accounting for various taxes arising from enterprises' operations, such as consumption tax, city construction and maintenance tax, resource tax, education surcharges, real estate tax, land use tax, vehicle and vessel use tax as well as stamp tax etc. and the account "Business tax and levies" in the income statement is adjusted to "." after replacing business tax with VAT overall. In the Financial Statements, comparative figures of prior year have been adjusted pursuant to current presentation requirement specified in the provisions of "Accounting Standard for Business Enterprise No. 30- Presentation of Financial Statements.

40. Selling expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (restated) (Note)
Depreciation	272,423	340,432
Commission fee for agent of real estate sales	17,118,430	5,690,662
Advertisement and promotion fee	7,362,579	7,074,345
Production and planning fee	1,103,456	2,024,677
Others	905,275	674,361
Total	26,762,163	15,804,477

Note: Please refer to Note (VI) 39(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

41. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (restated) (Note)
Salaries	71,562,640	73,980,855
Depreciation and amortization	78,732,431	72,586,303
Audit fee	3,200,000	4,125,000
Consulting and intermediary service fee	12,553,865	15,879,516
Entertainment fee	1,544,895	1,541,855
Maintenance and repair costs	3,395,826	4,103,082
Office expenses	643,130	817,657
Travelling expenses	715,673	649,506
Vehicle related expenses	2,265,545	2,270,031
Others	7,451,264	9,616,423
Total	182,065,269	185,570,228

Note: Please refer to Note (VI) 39(2).

42. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	478,668,707	743,920,403
Less: Interest income	3,983,653	6,546,617
Exchange differences	3,123,995	8,208,577
Bond issue fee and other loan charges	22,409,943	31,558,693
Others	2,169,304	1,794,541
Total	502,388,296	778,935,597

43. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision	100,275	679,476

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

44. Financial assets at fair value through profit or loss

Unit: RMB

Sources of gains from changes in fair values	Amount incurred in the current year	Amount incurred in the prior year
Financial assets at fair value through profit or loss ("FVTPL")	(2,674,334)	6,935,829

45. 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 equity method	438,033,337	340,332,126
Investment income from disposal of long-term equity investment	(2,955,424)	–
Income (losses) from disposal of FVTPL	(110,098)	21,480,974
Investment income from available-for-sale financial assets in the holding period	9,970,000	49,857,735
Investment income from disposal of available-for-sale financial assets	7,852,138	7,550,716
Interest income from loans	20,176,710	24,846,638
Total	472,966,663	444,068,189

46. Non-operating income

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

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total gains on disposal of non-current assets	211,608	1,516,024
Including: Gains on disposal of fixed assets	211,608	1,516,024
Compensation income from damaged road	9,053,328	9,306,894
Government grants	16,017,251	1,813,793
Others	19,556,350	29,794,263
Total	44,838,537	42,430,974

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

46. Non-operating income (Continued)

(2) Details of government grants

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Remarks
Ningchang Expressway Construction Compensation	1,568,431	1,313,793	Asset related
Environment protection subsidies	347,900	500,000	Income related
Subsidies for energy conservation and emission reduction	12,930,000	–	Income related
Subsidies for working steadily	1,170,920	–	Income related
Total	16,017,251	1,813,793	

47. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total losses on disposal of non-current assets	3,782,604	629,723,205
Including: Losses on disposal of fixed assets	3,782,604	22,842,359
Losses on disposal of intangible asset	–	606,880,846
Repair expenditure of damaged road	21,585,961	24,147,043
Donation	1,030,000	1,383,556
Funds	1,594,131	3,689,905
Others	2,651,112	277,440
Total	30,643,808	659,221,149

48. Income tax expenses

(1) Income tax expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Current tax expenses	918,527,266	653,005,145
Deferred tax expenses	48,911,850	(347,863,006)
Provision of prior years' tax	12,699,004	2,805
Total	980,138,120	305,144,944

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

48. Income tax expenses (Continued)

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

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Accounting profit	4,417,275,914	2,895,054,876
Income tax expenses calculated at 25% (prior year: 25%)	1,104,318,979	723,763,719
Effect of cost, expenses and loss that are not deductible for tax purposes	16,998,549	28,183,656
Effect of tax-free income	(111,261,978)	(97,547,465)
Effect of using previously deductible losses that have not recognized deferred tax assets	(42,616,434)	(349,257,771)
Adjustment to provision of prior years' tax	12,699,004	2,805
Total	980,138,120	305,144,944

49. Other comprehensive income

See Note (VI) 35 for details.

50. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Employee benefits	830,249,049	807,289,001
Depreciation and amortization	1,299,774,687	1,359,073,337
Toll related expenses	145,707,433	140,992,457
Road maintenance expenses	179,799,835	287,009,397
System maintenance expenses	41,177,893	44,224,164
Real estate development land and construction cost	539,800,281	227,549,069
Petroleum in the service zone	1,331,447,565	1,543,123,419
Retail goods in the service zone	33,892,848	32,636,430
Catering cost in the service zone	53,835,396	59,627,718
Audit fee	3,200,000	4,125,000
Consulting and intermediary service fee	12,553,865	15,879,516
Commission fee for agent of real estate sales	17,118,430	5,690,662
Advertisement fee	8,175,365	8,484,513
Others	75,815,077	80,620,203
Total	4,572,547,724	4,616,324,886

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

51. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Receipts from compensation of damaged road and non-operating income items, etc.	50,642,624	41,486,182
Receipts from interest income of bank deposit	3,983,653	6,546,617
Collection of funds for construction of rural roads	—	33,330,114
Total	54,626,277	81,362,913

(2) Other cash payments relating to operating activities:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Payment of non-salary and other expenditure	96,565,219	85,953,885
Changes of restricted monetary funds	36,788,815	16,566,843
Payment of funds for construction of rural roads for others	42,436,814	—
Total	175,790,848	102,520,728

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

(4) Other cash payments relating to investing activities:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Borrowings from/loans to related parties	69,000,000	50,000,000

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

(6) Other cash payments relating to financing activities:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bond issue fee and other charges of loans	33,836,355	31,558,693

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

52. Supplementary information of the cash flow statement

(1) Supplementary information of 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	3,437,137,794	2,589,909,932
Add: Provision for impairment losses of assets	100,275	679,476
Depreciation of fixed assets	210,217,553	248,545,283
Amortization of intangible assets	1,086,435,696	1,107,572,154
Amortization of long-term prepaid expenses	3,345,082	2,944,578
Amortization of Deferred income	(1,568,431)	(1,313,793)
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	3,570,996	628,207,181
Losses on changes in fair values (gains are indicated by "-")	2,674,334	(6,935,829)
Financial expenses (income is indicated by "-")	504,249,494	783,754,134
Losses arising from investments (gains are indicated by "-")	(472,966,663)	(444,068,189)
Decrease in deferred tax assets (increase is indicated by "-")	53,593,689	(349,132,311)
Increase in deferred tax liabilities (decrease is indicated by "-")	(4,681,839)	1,269,305
Decrease in inventories (increase is indicated by "-")	114,128,263	(164,515,819)
Decrease in receivables from operating activities (increase is indicated by "-")	(19,874,736)	(62,503,615)
Increase in payables from operating activities (decrease is indicated by "-")	582,890,865	156,771,820
Others- depreciation of investment properties	1,284,947	1,275,661
Others-decrease in restricted monetary funds (increase is indicated by "-")	(36,788,815)	(16,566,843)
Net cash flow from operating activities	<u>5,463,748,504</u>	<u>4,475,893,125</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	194,272,978	221,115,078
Less: Opening balance of cash	221,115,078	708,621,646
Net increase (decrease) in cash and cash equivalents	<u>(26,842,100)</u>	<u>(487,506,568)</u>

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Current year	Prior year
I. Cash	194,272,978	221,115,078
Including: Cash on hand	565,151	433,300
Bank deposits	190,480,118	216,343,971
Other monetary funds	3,227,709	4,337,807
II. Cash equivalents	-	-
Including: Investment in debt securities due within three months	-	-
III. Closing balance of cash and cash equivalents	<u>194,272,978</u>	<u>221,115,078</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

53. Assets with restricted ownership or use rights

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	7,698,386	Customer mortgage deposit
Bank deposits	63,450,798	Regulations of pre-sale properties
Intangible assets	2,108,815,495	Pledge of toll road right
Total	2,179,964,679	

54. Foreign currency monetary items

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translated to RMB
Cash and bank balances			
Including: HKD	838,809	0.8945	750,322
Borrowings			
Including: USD	2,973,132	6.9370	20,624,619

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group composition

Name of subsidiary (Note)	Type of subsidiaries	Registered Capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		Acquired method
						Direct	Indirect	
Guangjing Xicheng Company	Limited liability company	2,500,000,000	Wuxi	Nanjing	Construction and operation of expressway	85	–	Set-up
Wuxi Jingcheng Advertising Co., Ltd.	Limited liability company	1,000,000	Wuxi	Wuxi	Service	–	85	Set-up
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Limited liability company	331,000,000	Nanjing	Nanjing	Investment and Service	100	–	Set-up
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	500,000,000	Nanjing and Zhenjiang	Nanjing	Real estate development	100	–	Set-up
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan")	Limited liability company	42,000,000	Kunshan	Kunshan	Real estate development	–	100	Set-up
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties")	Limited liability company	200,000,000	Kunshan	Kunshan	Real estate development	–	100	Set-up
Ninghu Properties (Suzhou) Co., Ltd. ("Suzhou Properties")	Limited liability company	100,000,000	Suzhou	Suzhou	Real estate development	–	100	Set-up
Jiangsu Zhenan Expressway Co., Ltd. ("Zhenan Company")	Limited liability company	605,590,000	Zhenjiang	Nanjing	Construction and operation of expressway	70	–	Set-up
Ningchang Zhenli Company	Limited liability company	9,700,000,000	Changzhou Zhengjiang	Nanjing	Construction and operation of expressway	100	–	Business combination under the common control

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Closing balance/Amount incurred in the current year			Opening balance/Amount incurred in the prior year		
		Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	Closing balances of minority interest	Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	Opening balances of minority interest
Guangjing Xicheng	15	91,071,234	67,770,972	550,150,121	83,014,003	79,250,395	528,064,841
Zhendao Expressway	30	2,693	-	181,950,683	266,521	-	181,947,991

(3) Financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangjing Xicheng	71,958,764	5,969,741,329	6,041,700,093	709,188,569	1,646,418,823	2,355,607,392	65,877,202	6,065,416,081	6,131,293,283	787,039,308	1,805,396,474	2,592,435,782
Zhendao Expressway	1,824,742	1,108,092,059	1,109,916,801	203,424,520	300,000,000	503,424,520	32,392,258	686,697,477	719,089,735	112,606,430	-	112,606,430

Unit: RMB

Name of subsidiaries	Amount incurred in the current year				Amount incurred in the prior year			
	Operating income	Net profit	comprehensive income	Cash flow from operating activities	Operating income	Net profit	comprehensive income	Cash flow from operating activities
Guangjing Xicheng	1,180,275,277	607,141,559	607,141,559	775,293,369	1,142,569,073	553,426,684	553,426,684	702,051,504
Zhendao Expressway	-	8,977	8,977	(597,430)	-	888,405	888,405	(100,666)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. EQUITY IN OTHER ENTITIES (Continued)

2. Equity in associates and joint ventures

(1) Significant associates

Name of joint ventures or associates	Business premise	Registered place	Business nature	Proportion of shareholding (%)		Accounting method
				Direct	Indirect	
Yangtze Bridge Company	Nanjing	Nanjing	Construction and operation of expressway	26.66	-	權益法
Sujiahang Company (Note 1)	Suzhou	Suzhou	Construction and operation of expressway	31.55	-	權益法
Sujiayong Company	Suzhou	Suzhou	Construction and operation of expressway	22.77	-	權益法
Yanjiang Company (Note 2)	Suzhou	Suzhou	Construction and operation of expressway	-	25.15	權益法

Note 1: Pursuant to the agreement of capital increment and share increase entered into among three shareholders of Sujiahang Company, it is agreed to contribute additional registered capital amounted to RMB89.1616 million for Sujiahang Company, which has been paid by Suzhou City Construction Investment Development Co., Ltd and Suzhou Transportation Investment Co., Ltd. on all capitals they have held in Changkun Company, as the Group has waived the right to subscribe the new registered capital. Subsequent to the combination of Changkun Company and Sujiahang Company, the three shareholders shall enjoy equal rights and assume equal obligations for equal shares. In March 2016, as Changkun Company and Sujiahang Company had completed the merger, the equity ratio in Sujiahang Company of the Group decreased from 33.33 % to 31.55 %.

Note 2: During year 2013, because of the introduction of new shareholders Zhangjiagang Municipal Public Assets Management Co., Ltd., the equity ratio in Yanjiang Company of the Group decreased from 32.26% to 29.81%. According to the Yanjiang Company 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 Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Zhangjiagang Port Expressway. During 2014, because of the introduction of new shareholders Suzhou Taicang Port Shugang Expressway Co., Ltd., the equity ratio in Yanjiang Company of the Group decreased from 29.81% to 28.96%. According to the Yanjiang Company amendment of Article, Suzhou Taicang Port Shugang Expressway Co., Ltd. only enjoyed 30% of the income (profits, losses, gains and losses on disposal of assets) of the Taicang Port Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Taicang Port Expressway. In November 2016, an equity interest transfer agreement was signed and entered into between Communication Holdings and Yanjiang Company, pursuant to which 100% equity interest held by Communication Holdings Jiangsu Husuzhe Expressway Co., Ltd. ("Husuzhe Company") was transferred to Yanjiang Company through capital increment and share increase by Yanjiang Company as a way to accept all equity interests of Husuzhe Company. After the completion of capital increment on 19 December 2016, the equity ratio in Yanjiang Company held by the Group decreased from 29.81% to 25.15%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. EQUITY IN OTHER ENTITIES (Continued)

2. Equity in associates and joint ventures (Continued)

(2) Financial information of significant associates

Unit: RMB

	Closing balance/Amount incurred in the current year				Opening balance/Amount incurred in the prior year			
	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Company	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Company
Current asset	653,330,292	845,995,505	119,940,231	885,836,506	1,135,774,517	1,061,043,236	634,549,173	804,141,921
Non-current asset	11,930,381,820	3,569,594,673	4,114,150,418	11,368,814,682	8,330,636,198	2,449,381,993	2,187,382,168	8,228,369,604
Total asset	12,583,712,112	4,415,590,178	4,234,090,649	12,254,651,188	9,466,410,715	3,510,425,229	2,821,931,341	9,032,511,525
Current liability	2,304,433,776	409,635,484	1,125,446,558	1,785,479,112	1,284,695,037	399,736,739	273,072,161	260,017,787
Non-current liability	5,327,406,945	848,951,987	1,222,000,000	3,284,300,000	3,877,874,169	374,014,507	972,000,000	2,864,400,000
Total liability	7,631,840,721	1,258,587,471	2,347,446,558	5,069,779,112	5,162,569,206	773,751,246	1,245,072,161	3,124,417,787
Minority Interests	739,006,614	6,933,720	-	544,655,162	369,000,000	5,283,194	-	575,686,834
Shareholders' equity attributable to shareholders of the parent company	4,212,864,777	3,150,068,987	1,886,644,091	6,640,216,914	3,934,841,509	2,731,390,789	1,576,859,180	5,332,406,904
Net assets share calculated according to proportion of shareholding Adjustments	1,123,140,680	993,846,766	429,570,812	1,832,699,868	1,049,024,212	910,417,463	359,127,168	1,720,234,467
Goodwill	53,174,434	28,607,014	-	13,173,081	53,174,434	28,607,014	-	13,173,081
Net book value of the equity investment in associates	1,176,315,114	1,022,453,780	429,570,812	1,845,872,949	1,102,198,646	939,024,477	359,127,168	1,733,407,548
Operating income	1,243,156,443	1,592,014,006	-	1,448,224,687	1,189,058,570	1,257,915,029	-	1,491,955,486
Net income (Net loss) attributable to the parent company	493,975,568	466,355,215	(8,227,745)	574,206,872	337,519,153	405,543,493	(156,541)	418,161,005
Other comprehensive income attributable to the parent company	(2,227,500)	-	-	-	(252,836,250)	-	-	-
Total comprehensive income attributable to the parent company	491,748,068	466,355,215	(8,227,745)	574,206,872	84,682,903	405,543,493	(156,541)	418,161,005
Dividends received from associates in the current year	56,983,566	47,353,500	-	64,673,855	56,983,566	42,092,000	-	55,938,992

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. EQUITY IN OTHER ENTITIES (Continued)

2. Equity in associates and joint ventures (Continued)

(2) Financial information of significant associates (Continued)

Other explanations:

The shareholders equity and the net profit attributable to Yanjiang Company are the net amount which has deducted the 40% of the equity of Zhangjiagang Port Expressway owned by Zhangjiagang Municipal Public Assets Management Co., Ltd. and 30% of the equity of Taicang Port Expressway owned by Suzhou Taicang Port Shugang Expressway Co., Ltd. The Group still owns 27.6 % of shareholders equity and enjoy the net income of the shareholders equity accordingly.

(3) Financial information of non-significant associates and joint ventures

Unit: RMB

	Closing balance/ Amount incurred in the current year	Opening balance/ Amount incurred in the prior year
Joint ventures		
Total net book value of the investment	28,422,033	47,838,290
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	(19,416,257)	(22,161,710)
Other comprehensive income	–	–
Total comprehensive income (loss)	(19,416,257)	(22,161,710)
Associates		
Total net book value of the investment	268,561,270	275,197,676
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	218,018	2,480,488
Other comprehensive income	–	–
Total comprehensive income (loss)	218,018	2,480,488

(4) Explanations on significant restrictions to the ability of transferring funds to the Group from joint ventures or associates

There is no significant restrictions to the ability of transferring funds to the Group from joint ventures or associates.

(5) Contingent liabilities related to joint ventures or associates

There is no contingent liabilities related to joint ventures or associates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, equity investments, debt investments, notes receivables, accounts receivable, other receivables, borrowings, bonds payable, accounts payable, other payables etc. Details of these financial instruments are disclosed in note VI. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyses the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with borrowings and bank deposits denominated in USD and HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2016, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD and HKD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

At reporting date the balance of the Group's assets and liabilities in foreign currency are set out below:

Unit: RMB

	Closing balance	Opening balance
Cash and bank balances	750,322	658,493
Non-current liabilities due within one year	1,718,718	1,608,861
Long-term borrowings	18,905,901	19,306,332

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1 Currency risk (Continued)

Sensitivity analysis on currency risk

Given that where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Item	Change in exchange rate	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% increase against RMB	(773,423)	(773,423)	(1,045,314)	(1,045,314)
USD	5% decrease against RMB	773,423	773,423	1,045,314	1,045,314
HKD	5% increase against RMB	28,137	28,137	32,479	32,479
HKD	5% decrease against RMB	(28,137)	(28,137)	(32,479)	(32,479)

1.1.2 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 (31 December 2016: 523,000,000; 31 December 2015: RMB763,500,000). 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.

Analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions that changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments. For variable-rate long-term bank 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 represents management's assessment of the reasonably possible change in interest rates.

On the basis of the above assumptions, where all other variables are held constant, if interest rates had been 50 basis points higher/lower, the Group's pre-tax profit or loss for the year 2016 and shareholders' equity would decrease/increase by RMB1,961,250 (2015: decrease/increase by RMB2,863,125). This is mainly attributable to the Company's exposure to interest rates on its variable-rate long-term bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.1 Market risk *(Continued)*

1.1.3 Other price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to market 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 on other price risk

The Group is exposed to the price risk arising from financial assets which are measured at fair value.

As at 31 December 2016, if the price of held-for trading financial assets and available-for-sale equity instrument measured at fair value the Group holds had increased/decreased by 50%, profit or loss for the year 2016 and shareholders' equity would have been increased/decreased by approximately RMB598,204,769 (31 December 2015: RMB13,457,644).

1.2. Credit risk

As at 31 December 2016, 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 XI "Contingencies".

In order to minimize the credit risk, 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 trade debt at each balance sheet date to ensure that adequate bad debt provision are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Loans are main source of funding for the Group. As at 31 December 2016, the Group has available unutilized bank loan facilities of approximately RMB9,262,860,000 (31 December 2015: RMB8,344,500,000). Also, private placement note, super short-term bonds and medium term notes etc. are important source of funding for the Group. As at 31 December 2016, the Group has authorized but not issued bonds including private placement note, super short-term bonds and medium term notes etc. of approximately RMB6,100,000,000 (31 December 2015: RMB6,400,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

VIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.3. Liquidity risk *(Continued)*

As at 31 December 2016, the Group had net current liabilities of RMB2,828,317,218 (31 December 2015: RMB5,387,115,662), the Group has taken the following measures to reduce liquidity risk.

- The Group has available unutilized bank loan facilities of approximately RMB4,562,860,000 with a credit time limit over one year.
- The Group has NAFMII-registered but not issued super short-term bonds of approximately RMB2,200,000,000 with a registration time limit over one year.

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.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Without duration	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Accounts payable	-	-	-	987,946,428	-	-
Other payables	-	-	-	39,984,545	-	-
Interest payable	-	113,621	1,219,533	90,887,033	-	-
Short-term borrowings	-	80,055,100	-	744,453,153	-	-
Other current liabilities	-	-	511,092,222	3,458,706,668	-	-
Long-term borrowings (including long-term borrowings due within 1 year)	-	876,546	10,482,973	173,997,185	884,079,044	969,588,856
Bond payable (including bonds payable due within 1 year)	-	-	-	123,363,970	5,077,398,133	-
Total	-	81,045,267	522,794,728	5,619,338,982	5,961,477,177	969,588,856

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

IX. DISCLOSURE ON FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measured on a recurring basis				
(I) FVTPL				
1. Held-for-trading financial assets	33,212,717	–	–	33,212,717
(II) Other current assets				
1. Financial management product	–	–	262,504,747	262,504,747
(III) Available-for sale assets				
1. Equity instrument investment	–	1,562,000,000	–	1,562,000,000
Total assets at fair value measured on a recurring basis	33,212,717	1,562,000,000	262,504,747	1,857,717,464

2. Level 1 fair value measurement on a recurring basis

Items in Level 1 fair value measurement on a recurring basis include held-for-trading financial assets, whose fair value are the price of similar items quoted at active market at the end of the period.

3. Valuation techniques and qualitative and quantitative information of key parameters of level 2 fair value measurements on a recurring basis

Unit: RMB

Item	Fair value of 31 December 2016	Valuation techniques	Significant unobservable inputs
Available-for sale equity instrument	1,562,000,000	Option pricing model	non-risk return rate: 2.75% share price fluctuation rate: 34.29% anticipate dividend rate: 2% Option period: 2.59 years Option execution price: 9.63/share

Items in Level 2 fair value measurement on a recurring basis include the equity interest of the restricted outstanding shares held by the Group in A share listed company Bank of Jiangsu Co., Ltd., whose fair value are measured at the estimate by using the option pricing model with reference to the price of shares of Bank of Jiangsu Co., Ltd quoted in the open market. Key parameters adopted by the model include non-risk return rate, anticipate fluctuation rate, anticipate dividend rate and option period etc.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

IX. DISCLOSURE ON FAIR VALUE (Continued)

4. Valuation techniques and qualitative and quantitative information of key parameters of level 3 fair value measurements on a recurring basis

Unit: RMB

Item	At 31 December 2016 Fair value	Valuation Techniques	Significant Unobservable inputs	Range
Other current assets-financial management product	262,504,747	Discounted cash flow	Anticipate return rate	2.5%–3.3%

Unit: RMB

Item	At 31 December 2015 Fair value	Valuation Techniques	Significant Unobservable inputs	Range
Other current assets-financial management product	417,000,000	Discounted cash flow	Anticipate return rate	2.05%–3.7%

The Group except the future cash flow of the other current assets-financial management products according to anticipate return rate, and discount the cash flow to calculate the fair value.

- There were no transfers between Level 1, 2 and 3 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.
- Equity instrument investment without quoted price in active market included in the consolidated financial statements, as hasn't been transacted in any market and cannot be measured reliably at fair value, has measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: RMB

Name of the parent	Place of incorporation	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 (%)
Communications Holding	Nanjing, Jiangsu Province	Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry	16,800,000,000	54.44	54.44

The ultimate control party of the Company is Communications Holding.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (VII).

3. Associates and joint ventures of the entity

Details of the significant associates and joint ventures of the Company are set out in note (VII).

Other associates that have ending balance with the Group due to related party transactions in the current or prior year are as follows:

Name of associates	Related party relationship
Kuailu Co., Ltd.	Associate
Xiexin Ninghu Company	Associate
Nanlin Hotel	Associate
Luode Company	Associate
Sundian Company	Associate
Hanwei Company	Joint venture

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Network Operation Company	Same ultimate shareholder
Jiangsu Petroleum Company	Same ultimate shareholder
Jiangsu Leasing Company	Same ultimate shareholder
Far East Shipping Company	Same ultimate shareholder
Group Finance Company	Same ultimate shareholder
Runyang Bridge Company	Same ultimate shareholder
Jiangsu Expressway Information Engineering Co., Ltd ("Information Company")	Same ultimate shareholder
Jiangsu HuaTong Engineering Testing Co., Ltd. ("Huatong Company")	Same ultimate shareholder
Taicang Port Container Shipping Co., Ltd. ("Taicang container Company")	Same ultimate shareholder
Jiangsu Fenguan Expressway Management Co., Ltd. ("Fenguan Company")	Same ultimate shareholder
Jiangsu Jinghu Expressway Co., Ltd ("Jinghu Company")	Same ultimate shareholder
Jiangsu Railway Investment Development Co., Ltd ("Railway Company")	Same ultimate shareholder
Ninghang Company	Same ultimate shareholder
Nantong TongSha Port Company Limited ("TongSha Port Company")	Same ultimate shareholder
Jiangsu Suhuaiyan Expressway Management Co., Ltd. ("Suhuaiyan Company")	Same ultimate shareholder
Jiangsu Ocean Shipping Co., Ltd ("Ocean Shipping Company")	Same ultimate shareholder
Suzhou Circular Expressway Co., Ltd ("Suzhou Circular Company")	Same ultimate shareholder
Jiangsu Tongchang Real Estate Investment Co., Ltd. ("Tongchang Real Estate Company")	Same ultimate shareholder

5. Related party transactions

- (1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties

Purchase of goods, receipt of services and interest expense of loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Networking service fee	30,415,982	35,906,867
Sundian Company*	Road maintenance fee	75,986,704	86,583,784
Nanlin Hotel*	Food and beverage	107,664	112,910
	Communication system maintenance fee	4,042,477	2,639,405
Information Company*			
Network Operation Company*	Interest expenses of entrusted loan	–	17,446,722
TongSha Port Company*	Interest expenses of entrusted loan	–	1,556,164
Taicang container Company*	Interest expenses of entrusted loan	–	3,112,329
Communications Holding*	Interest expenses of entrusted loan	–	25,031,963
Yanjiang Company*	Interest expenses of entrusted loan	–	2,251,720
Far East Shipping Company*	Interest expenses of entrusted loan	8,581,215	11,870,470
	Interest expenses of loans from a related party	41,832,110	101,766,341
Communications Holding*	Interest expenses of working capital loan	14,565,875	21,645,732
Group Finance Company*			
Jinghu Company*	Interest expenses of entrusted loan	–	9,795,891
Runyang Bridge Company*	Interest expenses of entrusted loan	9,657,998	39,914,670
Suhuaiyan Company*	Interest expenses of entrusted loan	–	1,651,958
Railway Company*	Interest expenses of entrusted loan	–	2,986,333
Tongchang Real Estate Company*	Interest expenses of entrusted loan	–	532,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

- (1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties (Continued)

Pricing and decision-making procedures of related party transactions: 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.

Sales, provision of services and interest income of deposits/loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol income	2,921,750	5,435,180
Kuailu Co., Ltd.	Toll road income	2,400,000	3,000,000
Network Operation Company*	ETC customer-service network management income	1,590,078	2,936,850
Hanwei Company	Interest income from shareholder loan	26,960,667	31,508,933
Group Finance Company *	Interest income from deposits	824,019	1,380,344

- (2) Leases with related parties

Leases where a group entity is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	3,612,400	3,612,400
Sundian Company*	Fixed assets	1,690,000	1,690,000
Jiangsu Petroleum Company*	Fixed assets	12,783,571	13,555,500

- (3) Guarantees with related parties

The Group as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	20,624,619	15 October 1998	18 July 2027	Not completed
Communications Holding*	110,000,000	16 March 2004	5 March 2019	Not completed
Communications Holding*	38,000,000	16 April 2004	20 October 2018	Not completed

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(4) Borrowings from and Loans to related parties

In the current year:

Unit: RMB

Related party	Amount of borrowing/loan <i>(Note)</i>	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to) Far East Shipping Company*	(185,000,000)	13 August 2015	13 August 2016	–	Entrusted loan with annual interest rate of 4.85%
Far East Shipping Company*	180,000,000	15 August 2016	15 August 2017	180,000,000	Entrusted loan with annual interest rate of 4.35%
Runyang Bridge Company*	(50,000,000)	26 February 2013	25 February 2019	100,000,000	Entrusted loan with annual interest rate of 6.4566%
Communications Holding*	–	5 December 2012	5 December 2022	250,000,000	Loan from a related party with annual interest rate of 5.80%
Communications Holding*	–	17 May 2013	17 May 2023	250,000,000	Loan from a related party with annual interest rate of 5.60%
Communications Holding*	–	20 May 2014	20 May 2019	250,000,000	Loan from a related party with annual interest rate of 6.10%
Network Operation Company*	(20,000,000)	3 February 2015	2 February 2016	–	Entrusted loan with annual interest rate of 5.60%
Suhuaiyan Company*	(30,000,000)	5 March 2015	4 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	(75,000,000)	12 March 2015	11 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Group Finance Company*	(170,000,000)	17 June 2015	16 June 2016	–	Working capital loan with annual interest rate of 4.85%
Communications Holding*	(200,000,000)	21 July 2015	20 January 2016	–	Loan from a related party with annual interest rate of 3.39%
Group Finance Company*	(30,000,000)	11 August 2015	10 August 2016	–	Working capital loan with annual interest rate of 4.608%
Group Finance Company*	200,000,000	18 January 2016	17 January 2017	80,000,000	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	(120,000,000)	18 January 2016	17 January 2017	–	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	30,000,000	8 March 2016	7 December 2016	–	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	(30,000,000)	8 March 2016	7 December 2016	–	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	100,000,000	8 June 2016	7 June 2017	50,000,000	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	(50,000,000)	8 June 2016	7 June 2017	–	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	35,000,000	17 June 2016	16 June 2017	–	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	(35,000,000)	17 June 2016	16 June 2017	–	Loan from a related party with annual interest rate of 4.13%
Lend to (collect from): Hanwei Company	–	26 March 2015	26 March 2018	300,000,000	Loan to a related party with annual interest rate of 8.00%
Hanwei Company	69,000,000	18 July 2016	18 July 2019	69,000,000	Loan to a related party with annual interest rate of 8.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year:

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to):					
Far East Shipping Company*	(190,000,000)	13 August 2014	13 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Far East Shipping Company*	185,000,000	13 August 2015	13 August 2016	185,000,000	Entrusted loan with annual interest rate of 4.85%
Runyang Bridge Company*	(150,000,000)	26 February 2013	25 February 2019	150,000,000	Entrusted loan with annual interest rate of 6.40%
Runyang Bridge Company*	(600,000,000)	18 February 2014	31 December 2023	–	Entrusted loan with annual interest rate of 6.560%
Communications Holding*	(250,000,000)	5 December 2012	5 December 2022	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	(400,000,000)	17 May 2013	17 May 2023	–	Loan from a related party with annual interest rate of 5.90%
Communications Holding*	(200,000,000)	17 May 2014	17 May 2019	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	(350,000,000)	22 August 2014	22 August 2017	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	200,000,000	12 February 2015	9 November 2015	–	Loan from a related party with annual interest rate of 4.83%
Communications Holding*	(200,000,000)	12 February 2015	9 November 2015	–	Loan from a related party with annual interest rate of 4.83%
Communications Holding*	400,000,000	17 April 2015	16 July 2015	–	Loan from a related party with annual interest rate of 4.64%
Communications Holding*	(400,000,000)	17 April 2015	16 July 2015	–	Loan from a related party with annual interest rate of 4.64%
Network Operation Company*	(30,000,000)	8 August 2014	7 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(30,000,000)	12 August 2014	11 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(20,000,000)	13 October 2014	12 October 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(40,000,000)	11 November 2014	10 November 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(20,000,000)	8 December 2014	7 December 2015	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	30,000,000	19 January 2015	18 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(30,000,000)	19 January 2015	18 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	40,000,000	12 February 2015	11 February 2016	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(40,000,000)	12 February 2015	11 February 2016	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	50,000,000	10 March 2015	9 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	(50,000,000)	10 March 2015	9 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	20,000,000	21 April 2015	20 October 2015	–	Entrusted loan with annual interest rate of 5.35%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year: (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Network Operation Company*	(20,000,000)	21 April 2015	20 October 2015	–	Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	20,000,000	21 May 2015	20 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Network Operation Company*	(20,000,000)	21 May 2015	20 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Network Operation Company*	30,000,000	28 May 2015	27 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Network Operation Company*	(30,000,000)	28 May 2015	27 November 2015	–	Entrusted loan with annual interest rate of 5.10%
TongSha Port Company*	(50,000,000)	12 August 2014	11 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Taicang container Company*	(100,000,000)	5 August 2014	4 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Communications Holding*	(800,000,000)	17 November 2014	16 November 2015	–	Entrusted loan with annual interest rate of 6.00%
Yanjiang Company*	50,000,000	13 January 2015	12 July 2015	–	Entrusted loan with annual interest rate of 5.60%
Yanjiang Company*	(50,000,000)	13 January 2015	12 July 2015	–	Entrusted loan with annual interest rate of 5.60%
Yanjiang Company*	30,000,000	19 May 2015	18 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Yanjiang Company*	(30,000,000)	19 May 2015	18 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Jinghu Company*	40,000,000	18 March 2015	17 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Jinghu Company*	(40,000,000)	18 March 2015	17 March 2016	–	Entrusted loan with annual interest rate of 5.35%
Jinghu Company*	20,000,000	21 May 2015	20 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Jinghu Company*	(20,000,000)	21 May 2015	20 November 2015	–	Entrusted loan with annual interest rate of 5.10%
Group Finance Company*	(55,000,000)	7 July 2014	6 July 2015	–	Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(80,000,000)	13 October 2014	12 October 2015	–	Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(55,000,000)	19 November 2014	18 November 2015	–	Working capital loan with annual interest rate of 5.70%
Group Finance Company*	50,000,000	13 March 2015	12 September 2015	–	Working capital loan with annual interest rate of 5.08%
Group Finance Company*	(50,000,000)	13 March 2015	12 September 2015	–	Working capital loan with annual interest rate of 5.08%
Group Finance Company*	60,000,000	19 March 2015	18 September 2015	–	Working capital loan with annual interest rate of 5.08%
Group Finance Company*	(60,000,000)	19 March 2015	18 September 2015	–	Working capital loan with annual interest rate of 5.08%
Group Finance Company*	(20,000,000)	25 June 2014	24 June 2015	–	Working capital loan with annual interest rate of 5.70%
Group Finance Company*	170,000,000	17 June 2015	16 June 2016	170,000,000	Working capital loan with annual interest rate of 4.85%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year: (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Railway Company*	80,000,000	25 June 2015	24 June 2016	–	Entrusted loan with annual interest rate of 5.10%
Railway Company*	(80,000,000)	25 June 2015	24 June 2016	–	Entrusted loan with annual interest rate of 5.10%
Jinghu Company*	230,000,000	21 April 2015	20 April 2016	–	Entrusted loan with annual interest rate of 5.35%
Jinghu Company*	(230,000,000)	21 April 2015	20 April 2016	–	Entrusted loan with annual interest rate of 5.35%
Yanjiang Company*	(20,000,000)	13 August 2014	12 February 2015	–	Entrusted loan with annual interest rate of 5.60%
Group Finance Company*	(30,000,000)	13 August 2014	12 August 2015	–	Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(30,000,000)	4 August 2014	3 August 2015	–	Working capital loan with annual interest rate of 5.70%
Yanjiang Company*	(30,000,000)	10 July 2014	9 January 2015	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(50,000,000)	2 July 2014	1 July 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(75,000,000)	12 March 2014	11 March 2015	–	Entrusted loan with annual interest rate of 6.00%
Suhuaiyan Company*	(30,000,000)	5 March 2014	4 March 2015	–	Entrusted loan with annual interest rate of 6.00%
Group Finance Company*	(50,000,000)	3 March 2014	2 March 2015	–	Working capital loan with annual interest rate of 5.70%
Yanjiang Company*	(30,000,000)	10 September 2014	9 March 2015	–	Entrusted loan with annual interest rate of 5.60%
Group Finance Company*	(50,000,000)	21 November 2014	20 November 2015	–	Working capital loan with annual interest rate of 5.70%
Tongchang Real Estate Company*	(10,000,000)	10 December 2014	9 December 2015	–	Entrusted loan with annual interest rate of 5.60%
Group Finance Company*	(20,000,000)	18 December 2014	17 December 2015	–	Working capital loan with annual interest rate of 5.32%
Network Operation Company*	30,000,000	5 January 2015	4 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(30,000,000)	5 January 2015	4 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Jinghu Company*	40,000,000	28 February 2015	27 February 2016	–	Entrusted loan with annual interest rate of 5.60%
Jinghu Company*	(40,000,000)	28 February 2015	27 February 2016	–	Entrusted loan with annual interest rate of 5.60%
Group Finance Company*	50,000,000	4 March 2015	2 March 2016	–	Working capital loan with annual interest rate of 5.083%
Group Finance Company*	(50,000,000)	4 March 2015	2 March 2016	–	Working capital loan with annual interest rate of 5.083%
Yanjiang Company*	30,000,000	10 March 2015	9 September 2015	–	Entrusted loan with annual interest rate of 5.35%
Yanjiang Company*	(30,000,000)	10 March 2015	9 September 2015	–	Entrusted loan with annual interest rate of 5.35%
Yanjiang Company*	20,000,000	28 January 2015	27 July 2015	–	Entrusted loan with annual interest rate of 5.60%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(4) Borrowings from and Loans to related parties *(Continued)*

In the prior year: *(Continued)*

Unit: RMB

Related party	Amount of borrowing/loan <i>(Note)</i>	Inception date	Maturity date	Closing balance	Remarks
Yanjiang Company*	(20,000,000)	28 January 2015	27 July 2015	–	Entrusted loan with annual interest rate of 5.60%
Jinghu Company*	20,000,000	28 January 2015	27 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Jinghu Company*	(20,000,000)	28 January 2015	27 January 2016	–	Entrusted loan with annual interest rate of 5.60%
Railway Company*	70,000,000	9 June 2015	8 June 2016	–	Entrusted loan with annual interest rate of 5.10%
Railway Company*	(70,000,000)	9 June 2015	8 June 2016	–	Entrusted loan with annual interest rate of 5.10%
Network Operation Company*	20,000,000	3 February 2015	2 February 2016	20,000,000	Entrusted loan with annual interest rate of 5.60%
Suhuaiyan Company*	30,000,000	5 March 2015	4 March 2016	30,000,000	Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	75,000,000	12 March 2015	11 March 2016	75,000,000	Entrusted loan with annual interest rate of 5.35%
Group Finance Company*	30,000,000	11 August 2015	10 August 2016	30,000,000	Working capital loan with annual interest rate of 4.608%
Communications Holding*	(200,000,000)	25 April 2014	25 April 2015	–	Loan from a related party with annual interest rate of 5.60%
Communications Holding*	200,000,000	17 April 2015	16 July 2015	–	Loan from a related party with annual interest rate of 4.74%
Communications Holding*	(200,000,000)	17 April 2015	16 July 2015	–	Loan from a related party with annual interest rate of 4.74%
Communications Holding*	200,000,000	21 July 2015	20 January 2016	200,000,000	Loan from a related party with annual interest rate of 3.39%
Communications Holding*	–	5 December 2012	5 December 2022	250,000,000	Loan from a related party with annual interest rate of 5.80%
Communications Holding*	–	17 May 2013	17 May 2023	250,000,000	Loan from a related party with annual interest rate of 5.60%
Communications Holding*	–	20 May 2014	20 May 2019	250,000,000	Loan from a related party with annual interest rate of 6.10%
Network Operation Company*	(30,000,000)	17 January 2014	16 January 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(40,000,000)	12 February 2014	11 February 2015	–	Entrusted loan with annual interest rate of 6.00%
Group Finance Company*	(50,000,000)	13 March 2014	12 March 2015	–	Working capital loan with annual interest rate of 5.70%
Jinghu Company*	(20,000,000)	18 March 2014	17 March 2015	–	Entrusted loan with annual interest rate of 6.00%
Group Finance Company*	(60,000,000)	18 March 2014	17 March 2015	–	Working capital loan with annual interest rate of 5.70%
Network Operation Company*	(20,000,000)	21 April 2014	20 April 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(20,000,000)	21 May 2014	20 May 2015	–	Entrusted loan with annual interest rate of 6.00%
Yanjiang Company*	(50,000,000)	17 July 2014	16 January 2015	–	Entrusted loan with annual interest rate of 6.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year: (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Far East Shipping Company*	(50,000,000)	8 October 2014	7 October 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(30,000,000)	28 May 2013	27 May 2015	–	Entrusted loan with annual interest rate of 5.75%
Lend to (collect from): Hanwei Company	300,000,000	26 March 2015	26 March 2018	300,000,000	Loan to a related party with annual interest rate of 8.00%

Note: When the Group is the borrower, the positive amount represents borrowing from a related party while the negative amount represents repayment to a related party; When the Group is the lender, positive amount represents lending to a related party while the negative amount represents collecting the money from a related party.

(5) Property transfer and debt recombination with related parties

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Information Company*	Purchase of fixed assets	4,383,495	–

(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	3,923,426	3,872,024

(7) Other explanations:

* Representing the connected transaction as defined in Chapter 14A of the Listing Rules

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties

(1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits (Note 1)	Group Finance Company	41,271,766	–	6,878	–
Accountants receivable (Note 2)	Sujiahang Company	8,903,208	–	9,110,734	–
	Jiangsu Petroleum Company	7,683,155	–	8,342,500	–
	Yangtze Bridge Company	1,373,567	–	1,095,870	–
	Yanjiang Company	2,362,583	–	1,230,475	–
	Kuailu Co., Ltd.	–	–	761,025	–
Sub-total		20,322,513	–	20,540,604	–
Other non-current assets	Hanwei Company	369,000,000	–	300,000,000	–
Interest receivable	Hanwei Company	45,694,000	–	18,733,333	–
Dividends receivable	Kuailu Co., Ltd.	4,989,960	–	4,989,960	–

Note 1: In 2016, a financial service agreement was signed and concluded between the Group and Group Finance Company, in which Group Finance Company would provide financial service to the Group such as deposit, credit and so on. The Company's subsidiaries, Guangjing Xicheng Company and Ningchang Zhenli Company have also participated in this agreement. As at 31 December 2016, the Group has deposited RMB41,154,068 (31 December 2015: nil) in Group Finance Company in accordance with the financial service agreement.

Note 2: As at 31 December 2016, besides the accounts receivable from related party stated above, there are split toll road fee receivables from Suzhou Circular Company, Nanjing fourth Yangtze River Bridge Company Limited and other expressway companies within the toll road network companies ("Toll Road Network Companies") which amounted to RMB89,054,342 (31 December 2015: 70,227,212). 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 2016

X. 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 Company	3,190,692	3,290,259
	Yanjiang Company	4,020,454	2,482,113
	Yangtze Bridge Company	6,245,132	5,203,315
	Sundian Company	16,010,078	34,941,624
	Network Operation Company	1,271,990	2,668,841
	Information Company	5,229,460	1,577,099
	Huatong Company	–	43,465
Sub-total		35,967,806	50,206,716
Receipts in advance	Sundian Company	80,000	80,000
	Network Operation Company	1,146,794	1,204,100
	Kuailu Co., Ltd.	358,173	568,863
Sub-total		1,584,967	1,852,963
Other payables	Network Operation Company	8,627,397	5,741,174
	Communications Holding	3,750,000	4,105,801
Sub-total		12,377,397	9,846,975
Short-term borrowings	Far East Shipping Company	180,000,000	185,000,000
	Group Finance Company	130,000,000	200,000,000
	Communications Holding	–	200,000,000
	Network Operation Company	–	95,000,000
	Suhuaiyan Company	–	30,000,000
Sub-total		310,000,000	710,000,000
Interest payable	Far East Shipping Company	239,250	274,160
	Group Finance Company	168,744	293,906
	Runyang Bridge Company	197,285	295,928
	Communications Holding	17,116,438	156,826
Sub-total		17,721,717	1,020,820
Long-term borrowings (including long-term borrowings due within 1 year)	Runyang Bridge Company	100,000,000	150,000,000
	Communications Holding	750,000,000	750,000,000
Sub-total		850,000,000	900,000,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties (Continued)

Note: As at 31 December 2016, 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 RMB28,733,854 (31 December 2015: RMB25,792,193). 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.

7. Directors' emoluments

2016

Unit: RMB

Names	Director's fee	Salaries and other benefits (including housing fund etc., detail see Note 1)	Performance related payments (Note 4)	Defined contribution plan (Including enterprise annuity etc, detail see Note 2)	Total
Executive directors					
Gu De Jun (Appointed on 27 August 2016)	–	113,832	88,993	13,440	216,265
Shang Hong (Appointed on 25 February 2016)	–	244,191	214,460	72,116	530,767
Qian Yong Xiang (Retired on 26 August 2016)	–	159,402	88,424	40,627	288,453
Non-executive directors					
Chang Qing (Appointed on 25 February 2016) (Note 3)	–	–	–	–	–
Du Wen Yi (Note 3)	–	–	–	–	–
Wu Xin Hua (Appointed on 27 October 2016) (Note 3)	–	–	–	–	–
Hu Yu (Note 3)	–	–	–	–	–
Ma Zhong Li	343,029	–	–	–	343,029
Chen Xiang Hui (Retired on 25 February 2016) (Note 3)	–	–	–	–	–
Zhang Yang (Retired on 26 August 2016) (Note 3)	–	–	–	–	–
Independent non-executive directors					
Zhang Er Zhen	107,895	–	–	–	107,895
Lin Hui (Appointed on 2 June 2016)	53,947	–	–	–	53,947
Zhang Zhu Ting	107,895	–	–	–	107,895
Chen Liang	107,895	–	–	–	107,895
Ge Yang (Retired on June 2016)	53,947	–	–	–	53,947
Supervisor					
Chen Xiang Hui (Appointed on 25 February 2016) (Note 3)	–	–	–	–	–
Pan Ye (Appointed on 25 February 2016) (Note 3)	–	–	–	–	–
Wang Ya Ping	–	180,574	172,759	62,652	415,985
Shao Li	–	186,811	191,115	64,081	442,007
Ren Zhuo Hua (Appointed on 25 February 2016)	–	167,653	144,490	62,148	374,291
Total	774,608	1,052,463	900,241	315,064	3,042,376

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

7. Directors' emoluments (Continued)

2015

Unit: RMB

Names	Director's fee	Salaries and other benefits (including housing fund etc, detail see Note 1)	Performance related payments (Note 4)	Defined contribution Plan (Including enterprise annuity etc, detail see Note2)	Total
Executive directors					
Qian Yong Xiang	–	303,278	250,000	76,683	629,961
Non-executive directors					
Fang Hung (Retired on 23 July 2016)	156,641	–	–	–	156,641
Cheng Chang Yung Tsung (Retired on 23 July 2016)	156,641	–	–	–	156,641
Ma Zhong Li (Appointed on 23 July 2016)	164,272	–	–	–	164,272
Chen Xiang Hui (Note 3)	–	–	–	–	–
Du Wen Yi (Note 3)	–	–	–	–	–
Zhang Yang (Note 3)	–	–	–	–	–
Hu Yu (Appointed on 23 July 2016) (Note 3)	–	–	–	–	–
Independent non-executive directors					
Zhang Er Zhen	107,895	–	–	–	107,895
Chen Dong Hua (Retired on 23 July 2016)	53,947	–	–	–	53,947
Xu Chang Xin (Retired on 23 July 2016)	53,947	–	–	–	53,947
Gao Bo (Retired on 23 July 2016)	53,947	–	–	–	53,947
Zhang Zhu Ting (Appointed on 23 July 2016)	53,947	–	–	–	53,947
Ge Yang (Appointed on 23 July 2016)	53,947	–	–	–	53,947
Chen Liang (Appointed on 23 July 2016)	53,947	–	–	–	53,947
Supervisor					
Wang Ya Ping (Appointed on 15 April 2016)	–	176,214	145,264	56,567	378,045
Shao Li	–	184,698	153,180	61,160	399,038
Sun Hong Ning (Retired on 29 December 2016) (Note 3)	–	–	–	–	–
Hu Yu (Retired on 23 July 2016) (Note 3)	–	–	–	–	–
Chang Qing (Note 3)	–	–	–	–	–
Wang Wen Jie (Appointed on 23 June 2016, retired on 29 December 2016) (Note 3)	–	–	–	–	–
Total	909,131	664,190	548,444	194,410	2,316,175

Note 1: Other benefits include housing funds, non-monetary welfare, medical insurance, work injury insurance and maternity insurance provided by the Group according to government's requirement.

Note 2: Post-employment benefits include annuity payment, pension insurance and unemployment insurance provided by the Group.

Note 3: Some directors and supervisors were also the employees of the shareholders and their remuneration were paid for and borne by the shareholders during the year.

Note 4: The performance related payments is determined by reference to the individual performance of the directors or supervisors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

8. Five individuals with the highest emoluments

One (2015: 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 (2015: four) individuals were as follows:

	Current year	Prior year
Salaries and other benefits	1,747,214	1,649,512
Defined contribution plan	274,165	267,205
Total	2,021,379	1,916,717

Their emoluments were within the following bands:

	Number	Number
Less than HKD1,000,000	4	4

XI. COMMITMENTS AND CONTINGENCIES

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	838,314,210	1,379,969,805

(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	2,038,900	2,485,986
2nd year subsequent to the balance sheet date	2,112,500	2,228,803
3rd year subsequent to the balance sheet date	2,212,500	2,126,400
Subsequent periods	2,012,500	4,500,000
Total	8,376,400	11,341,189

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XI. COMMITMENTS AND CONTINGENCIES *(Continued)*

1. Significant commitments *(Continued)*

(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.

2. Contingencies

(1) Significant contingencies at the balance sheet date

Ninghu Properties, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Huaqiao Urban Core B4 Guangmingjiezuo Project, Huaqiao Urban Core B19 Guangmingxinzuo Project Baohua Hongyan Community B1 and B2 Tongchengshijia Project, Suzhou Nanmen Road G25 Shijiahuating Project and Suzhou Xinshi Road Qingyuan 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 2016, the outstanding guarantees amounted to approximately RMB779,906,911 (31 December 2015: RMB286,633,851).

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation

Unit: RMB

	Amount
Proposed distributions of profits or dividends	2,115,853,950
Distributions of profits or dividends authorized and declared	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIII. OTHER SIGNIFICANT EVENTS

1. Annuity scheme

See Note (VI) 23.

2. Retirement benefits scheme

See Note (VI) 23.

3. Operating leases

Property rental income recorded in profit or loss during the year:

Unit: RMB

	Current year	Prior year
Buildings	2,547,986	2,752,726

4. Net Profit for the year has been arrived at after charging:

Unit: RMB

Item	Closing balance	Opening balance
Staff costs (Include: directors' emoluments)	713,956,405	702,331,675
Basic endowment insurance and annuity payment	116,292,644	104,957,326
Total staff costs	830,249,049	807,289,001
Audit fee	3,200,000	4,125,000
Depreciation and amortization (Included in operating costs and administrative expenses)	1,235,485,004	1,295,889,191
Losses on disposal of non-current assets	3,570,996	628,207,181
Amortization of land use rights (Included in operating costs and administrative expenses)	64,289,683	63,184,146
Cost of inventories recognised as an expense	1,940,454,870	1,893,540,995

5. Segment reporting

(1) Determining basis and accounting policy of reporting segment

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 10 operating 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. On the basis of the operating segment, the Group determines 9 reporting segments (2015: 10) based on the standard with which the Group's management determines resources allocation and performance assessment, including Shanghai-Nanjing Expressway, Nanjing-Lianyungang Highway, Guangjing Expressway and Xicheng Expressway, Xiyi Expressway and Wuxi Huantaihu Expressway, Ningchang Expressway and Zhenli Expressway, Zhendan Expressway, Ancillary services (including Petrol, food and retail in service zone along the expressways), Real estate development and Advertising and others.

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 2016

XIII. OTHER SIGNIFICANT EVENTS (Continued)

5. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Unit: RMB

	Zhendan Expressway		Ancillary 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
Operating income	-	-	1,687,466,779	1,885,362,444	810,834,534	388,975,137	50,539,331	49,129,796	-	-	9,201,297,066	8,761,321,186
Operating costs	-	-	1,674,183,118	1,891,594,931	539,800,281	227,549,069	22,281,968	18,768,572	-	-	4,363,720,292	4,414,950,181
Including: Amortization of toll roads operation rights	-	-	-	-	-	-	-	-	-	-	1,012,784,261	1,041,198,596
Costs of petrol and other goods sold in service zones	-	-	1,365,340,413	1,575,757,449	-	-	-	-	-	-	1,365,340,413	1,575,757,449
Segment operating profit (loss)	-	-	13,283,661	(6,232,487)	271,034,253	161,426,068	28,257,363	30,361,224	-	-	4,837,576,774	4,346,371,005
Reconciling items:												
Business taxes and levies	-	-	7,453,734	14,589,905	72,021,966	41,374,672	2,958,011	3,815,769	22,125,559	27,723,873	193,471,915	304,540,194
Selling expenses	-	-	-	-	26,449,808	15,279,820	312,355	524,657	-	-	26,762,163	15,804,477
Administrative expenses	-	-	-	-	-	-	-	-	111,880,281	122,585,095	182,065,269	185,570,228
Financial expenses	-	-	-	-	-	-	-	-	502,388,296	778,935,597	502,388,296	778,935,597
Impairment loss of assets	-	-	-	-	-	-	-	-	100,275	679,476	100,275	679,476
Gains from changes in fair values	-	-	-	-	-	-	-	-	(2,674,334)	6,935,829	(2,674,334)	6,935,829
Investment income	-	-	-	-	-	-	-	-	472,966,663	444,068,189	472,966,663	444,068,189
Operating profit	-	-	5,829,927	(20,822,392)	172,562,479	104,771,576	24,986,997	26,020,798	(166,202,082)	(478,920,023)	4,403,081,185	3,511,845,051
Non-operating income	-	-	-	-	-	-	-	-	44,838,537	42,430,974	44,838,537	42,430,974
Non-operating expenses	-	-	-	-	-	-	-	-	30,643,808	35,263,669	30,643,808	659,221,149
Total profit	-	-	5,829,927	(20,822,392)	172,562,479	104,771,576	24,986,997	26,020,798	(152,007,353)	(471,752,718)	4,417,275,914	2,895,054,876
Income tax expenses	-	-	-	-	-	-	-	-	980,138,120	305,144,944	980,138,120	305,144,944
Net profit	-	-	5,829,927	(20,822,392)	172,562,479	104,771,576	24,986,997	26,020,798	(1,132,145,473)	(776,897,662)	3,437,137,794	2,589,909,932
Total segment assets	1,063,916,802	719,089,735	344,056,910	327,027,272	3,656,467,782	3,595,141,600	573,606,846	319,589,853	8,473,289,390	8,367,888,720	36,282,573,529	36,476,039,663
Total segment liabilities	-	-	-	-	-	-	-	-	13,340,716,540	15,289,867,555	13,340,716,540	15,289,867,555
Supplementary information:												
Depreciation and amortization	-	-	26,876,360	28,649,267	190,323	422,541	6,938,429	7,227,005	14,608,680	10,391,464	1,299,774,687	1,359,073,337
Interest income	-	-	-	-	-	-	-	-	3,983,653	6,546,617	3,983,653	6,546,617
Interest expense	-	-	-	-	-	-	-	-	478,668,707	743,920,403	478,668,707	743,920,403
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	438,033,337	340,332,126	438,033,337	340,332,126
Non-current assets other than long-term equity investments	1,063,916,802	719,089,735	344,056,910	327,027,272	27,415,535	9,706,788	292,018,802	64,961,310	3,201,721,707	2,725,071,125	27,100,365,555	26,993,158,713
Capital expenditure	323,782,305	574,677,477	26,532,149	13,071,612	1,646,729	540,146	4,027,563	10,907,336	789,533	750,100	583,935,224	786,135,407
Including: Expenditure arising from construction in progress	323,782,305	574,677,477	22,670,107	8,710,873	1,259,644	144,710	3,442,757	10,384,020	-	-	550,812,468	749,511,036
Expenditure arising from purchase of fixed assets	-	-	3,862,042	4,360,739	387,085	395,436	584,806	523,316	-	-	32,353,223	25,874,271
Expenditure arising from purchase of intangible asset	-	-	-	-	-	-	-	-	769,533	750,100	769,533	10,750,100

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIII. OTHER SIGNIFICANT EVENTS (Continued)

5. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

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.

(3) 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.

(4) 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. Capital risk management

The Group operates through the management of capital operations to ensure the going-concern of the entities of the group, and to maximize the return on investment by optimizing the balance between debt and equity.

The capital structure of the Group consists of net liabilities (borrowings offset cash and cash equivalents) as well as equity holders of the Group. The borrowings part of net liabilities is disclosed in Note (VI)20, 28, 29, 30 and 31. Rights enjoyed by the shareholders of the company includes capital reserve, other comprehensive income, surplus reserves and retained profits in Note (VI) 34, 35, 36 and 37 for disclosure.

The directors of the Company review the capital structure of the Group regularly, especially each capital cost and the corresponding risk. According to shareholder's proposal, the Group balances the capital structure through dividends, the issue of new bonds and repayment of existing debt.

XIV. 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			277,637			218,404
Bank balances:						
RMB			97,621,244			120,608,993
USD	—	—	—	1,372	6.4936	8,909
HKD	838,809	0.8945	750,322	775,363	0.8378	649,584
Total			<u>98,649,203</u>			<u>121,485,890</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance				Net book value	
	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	-	-	-	-	-	-	-	-	-	
Accounts receivable for which bad debt provision has been assessed by portfolios- Portfolio 1	94,917,459	92	-	-	94,917,459	77,712,628	95	-	-	77,712,628
Accounts receivable for which bad debt provision has been assessed by portfolios- Portfolio 2	7,725,997	8	154,521	100	7,571,476	4,318,109	5	86,363	100	4,231,746
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	102,643,456	100	154,521	100	102,488,935	82,030,737	100	86,363	100	81,944,374

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

Name of portfolio	Closing balance		Proportion (%)
	Accounts receivable	Bad debt provision	
Portfolio2	7,725,997	154,521	2
Total	7,725,997	154,521	2

Basis for determining the above portfolio: See Note (III) 10.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2) The aging analysis of accounts receivable according to invoice date (close to revenue recognition date):

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	102,643,456	100	154,521	102,488,935	82,030,737	100	86,363	81,944,374
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceeding 3 years	-	-	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-	-	-
Total	102,643,456	100	154,521	102,488,935	82,030,737	100	86,363	81,944,374

(3) Bad debt provision recorded, reversal and written off in the current year

Bad debt provision recorded in the current year is RMB68,158.

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

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total Accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd.	34,697,626	-	34
Sinopec Sales Co., Ltd. Jiangsu Branch	23,911,038	-	23
Sujiahang Company	7,629,252	-	7
Suzhou Circular Company	3,745,651	-	4
Ninghang Company	2,954,488	-	3
Total	72,938,055	-	71

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	9,114,045	100	7,134,623	100
More than 1 year but not exceed 2 years	—	—	—	—
More than 2 years but not exceeding 3 years	—	—	—	—
More than 3 years	2,000	—	2,000	—
Total	9,116,045	100	7,136,623	100

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

Unit: RMB

Name of entity	Amount	Proportion of total prepayments (%)
Sinopec Sales Co., Ltd. Jiangsu Branch	6,582,999	72
Sartorius Intec Weighing Appliance (Beijing) Co., Ltd.	1,296,400	14
Nanjing Furui Software Technology Co., Ltd.	270,000	3
Jiangsu Wuxi Electric Co., Ltd.	222,837	3
Jiangsu Provincial Construction Group Co., Ltd.	82,628	1
Total	8,454,864	93

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables

(1) Disclosure of other receivable by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	4	15,812,140	99	-	15,812,140	1	15,812,140	100	-
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio1	399,084,360	95	-	-	399,084,360	1,140,370,558	98	-	-	1,140,370,558
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio2	4,318,216	1	86,364	1	4,231,852	3,084,150	1	61,683	-	3,022,467
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	419,214,716	100	15,898,504	100	403,316,212	1,159,266,848	100	15,873,823	100	1,143,393,025

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (According to entity)	Closing balance			Reasons
	Other receivables	Bad debt provision	Proportion (%)	
Jinasu Yixing Highway Administration Department	15,812,140	15,812,140	100	Aging over 3 years, not recoverable under estimate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

- (1) Disclosure of other receivable by categories: (Continued)

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

Unit: RMB

Name of portfolio	Carrying amount	Bad debt provision	Proportion (%)
Portfolio2	4,318,216	86,364	2

Basis for determining the above portfolio: See Note (III) 10.2.

- (2) Provision recorded, reversal and written off in the current year

Bad debt provision recorded in the current year is RMB24,681.

- (3) Disclosure of other receivables by nature:

Unit: RMB

Nature	Closing balance	Opening balance
Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	789,629,780
Investment liquidation accounts	15,812,140	15,812,140
Petty cash	4,241,682	3,988,565
Loans to subsidiaries	–	345,000,000
Compensation for road assets	–	1,103,427
Deposits for engineering	–	292,930
Other insignificant amounts	4,346,004	3,440,006
Total	419,214,716	1,159,266,848

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

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

Unit: RMB

Name of entity	Nature of other receivables	Amount	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Provincial Government	Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	Over 3 years	94	–
Jiangsu Yixing Highway Administration Department	Investment liquidation accounts	15,812,140	Over 3 years	4	15,812,140
Jiangsu Suzhou Electric Co., Ltd. (Deposits for electrify charges)		160,094	Within 1 year	–	–
Jiangsu Jurong Electric Co., Ltd.	Deposits for electrify charges	65,000	Within 1 year	–	–
Expressway traffic police brigade	Payments for others	49,058	Within 1 year	–	–
Total		<u>410,901,182</u>		<u>98</u>	<u>15,812,140</u>

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	14,948,329	–	14,948,329	13,250,302	–	13,250,302
Petrol	7,440,350	–	7,440,350	6,194,374	–	6,194,374
Total	<u>22,388,679</u>	<u>–</u>	<u>22,388,679</u>	<u>19,444,676</u>	<u>–</u>	<u>19,444,676</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loans due within one year	–	1,540,000,000
Total	–	1,540,000,000

7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available for sale financial assets		
– Financial management products	–	230,000,000
Enterprise income tax paid in advance	–	44,645,099
Loans to related parties (Note)	303,141,833	–
Total	303,141,833	274,645,099

Note: Loans to relate parties represent the super short-term bonds named “16 Ninghu Gao SCP004” issued by the Company on 16 June 2016. The principal allocated to the COMPANY'S subsidiary Guangjing Xicheng Company is RMB300,000,000 with annual interest rate of 2.98%.

8. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Available-for-sale equity instruments						
Measured at fair value	1,562,000,000	–	1,562,000,000	–	–	–
Measured at cost	5,230,000	–	5,230,000	1,005,230,000	–	1,005,230,000
Total	1,567,230,000	–	1,567,230,000	1,005,230,000	–	1,005,230,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured at fair value at the end of year

Unit: RMB

Category	Available-for-sale equity instruments (Note)
Cost of equity instrument	1,000,000,000
Fair value	1,562,000,000
Changes in fair value accumulatively recognized in other comprehensive income	562,000,000
Recognized provision for impairment	-
	-

Note: Please refer to Note (VI) 11(2).

(3) Available-for-sale financial assets measured at cost at the end of the year

Unit: RMB

Investee	Carrying amount			Closing balance	Opening balance	Impairment provision		Closing balance	The proportion of shareholding in the investee (%)	Cash dividends in the year
	Opening balance	Increase	Decrease			Increase	Decrease			
Unlisted company (Note 1)										
Network Operation Company	5,230,000	-	-	5,230,000	-	-	-	-	3.62	-
Bank of Jiangsu Co., Ltd (Note 2)	1,000,000,000	-	(1,000,000,000)	-	-	-	-	-	1.92	-
Total	1,005,230,000	-	(1,000,000,000)	5,230,000	-	-	-	-		-

Note 1: It refers to the equity interest invested by the Company in unlisted companies. The Group has no control, joint control or significant influences relationship with relevant invested companies. Investments in equity instruments by the Company are not quoted in active market and cannot be measured at fair value at the end of the period, hence they are measured at cost subsequently. The Company intends to continue to hold the equity interests of such investees next year.

Note 2: Please refer to Note (VI) 11(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
Investments on subsidiaries	10,119,246,885	-	10,119,246,885	10,877,096,885	-	10,877,096,885
Investments on associates	2,703,013,166	-	2,703,013,166	2,477,168,441	-	2,477,168,441
Investments on Joint ventures	28,422,033	-	28,422,033	47,838,290	-	47,838,290
Total	12,850,682,084	-	12,850,682,084	13,402,103,616	-	13,402,103,616

(1) Investments on subsidiaries

Unit: RMB

Investee	Opening balance	Changes in the year	Closing balance	Provision for impairment	Cash dividend for the year
Subsidiaries					
Guangjing Xicheng Company	2,125,000,000	-	2,125,000,000	-	384,035,506
Ningchang Zhenli Company	7,718,086,885	(988,850,000)	6,729,236,885	-	-
Ninghu Properties	500,000,000	-	500,000,000	-	-
Ninghu Investment	110,100,000	231,000,000	341,100,000	-	-
Zhendao Company	423,910,000	-	423,910,000	-	-
Total	10,877,096,885	(757,850,000)	10,119,246,885	-	384,035,506

(2) Investments on joint ventures or associates

Unit: RMB

Investee	Changes in the current year										
	Opening balance	Increase	Decrease	Investment income under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Others	Closing balance	Closing balance of impairment loss
Joint ventures											
Hanwei Company	47,838,290	-	-	(19,416,257)	-	-	-	-	-	28,422,033	-
Associates											
Kuailu Co., Ltd.	60,402,759	-	-	(2,285,788)	-	-	-	-	-	58,116,971	-
Yangtze Bridge Company	1,102,198,646	-	-	131,693,886	(593,852)	-	(56,983,566)	-	-	1,176,315,114	-
Sujiahang Company	939,024,477	-	-	142,172,011	-	(11,389,208)	(47,353,500)	-	-	1,022,453,780	-
Sujayong Company	359,127,168	72,317,102	-	(1,873,458)	-	-	-	-	-	429,570,812	-
Xiexin Ninghu Company	11,631,258	-	-	83,470	-	-	-	-	-	11,714,728	-
Sundian Company	4,784,133	-	-	57,628	-	-	-	-	-	4,841,761	-
Total	2,525,006,731	72,317,102	-	250,431,492	(593,852)	(11,389,208)	(104,337,066)	-	-	2,731,435,199	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Fixed assets

(1) Details of fixed assets are as follows:

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
I. Total original carrying amount									
1. Opening carrying amount	768,248,697	405,109,034	275,267,678	228,456,225	353,849,264	39,616,252	48,234,515	6,823,227	2,125,604,892
2. Increase in the current year	127,351,893	16,612,939	43,460,114	29,792,552	3,188,456	4,343,327	549,876	742,090	226,041,247
(1) Purchase	164,026	-	151,912	1,188,144	2,522,431	4,343,327	549,876	722,648	9,642,364
(2) Transferred from construction in progress	127,187,867	16,612,939	43,308,202	28,604,408	666,025	-	-	19,442	216,398,883
3. Decrease in the current year	1,053,802	-	3,256,528	6,053,947	22,763,957	4,615,035	2,504,865	362,274	40,610,408
(1) Disposal or retirement	1,053,802	-	3,256,528	5,584,947	22,763,957	4,615,035	2,504,865	362,274	40,141,408
(2) Transferred to intangible assets	-	-	-	469,000	-	-	-	-	469,000
4. Closing carrying amount	894,546,788	421,721,973	315,471,264	252,194,830	334,273,763	39,344,544	46,279,526	7,203,043	2,311,035,731
II. Total accumulated depreciation									
1. Opening carrying amount	276,824,953	316,415,118	156,151,861	132,029,868	248,568,209	22,240,921	24,852,823	3,376,242	1,180,459,995
2. Increase in the current year	33,684,068	14,085,569	19,062,432	19,407,389	14,981,029	5,365,774	4,851,148	967,280	112,404,689
(1) Amount accrued	33,684,068	14,085,569	19,062,432	19,407,389	14,981,029	5,365,774	4,851,148	967,280	112,404,689
3. Decrease in the current year	279,060	-	2,897,876	5,332,597	21,739,220	4,456,016	2,422,657	342,927	37,470,353
(1) Disposal or retirement	279,060	-	2,897,876	5,228,342	21,739,220	4,456,016	2,422,657	342,927	37,366,098
(2) Transferred to intangible assets	-	-	-	104,255	-	-	-	-	104,255
4. Closing balance	310,229,961	330,500,687	172,316,417	146,104,660	241,810,018	23,150,679	27,281,314	4,000,595	1,255,394,331
III. Total provision for impairment losses									
1. Opening carrying amount	-	-	-	-	-	-	-	-	-
2. Increase in the current year	-	-	-	-	-	-	-	-	-
3. Decrease in the current year	-	-	-	-	-	-	-	-	-
4. Closing carrying amount	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. Closing net book value	584,316,827	91,221,286	143,154,847	106,090,170	92,463,745	16,193,865	18,998,212	3,202,448	1,055,641,400
2. Opening net book value	491,423,744	88,693,916	119,115,817	96,426,357	105,281,055	17,375,331	23,381,692	3,446,985	945,144,897

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Fixed assets (Continued)

- (2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	32,036,041	34,716,952

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

Unit: RMB

Item	Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	7,770,739	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Kunshan toll station	6,731,768	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Huaqiao toll station	9,078,352	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Xuejia toll station	9,776,959	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	30,721,212	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,887,180	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	2,736,808	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	958,083	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	42,069,329	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway South Network Centre and project management center houses	18,951,753	Incorporated into communication facilities and cannot obtain certification at present.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Fixed assets (Continued)

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

Item	Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	25,226,677	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Wuxi airport toll station	4,670,409	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Heyang roll station	2,887,153	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Zhenjiang toll station	9,791,579	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	1,330,083	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	7,437,186	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Nanjing toll station	13,909,697	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Tangshan toll station	13,664,430	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	12,952,976	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jurong toll station	676,481	Incorporated into communication facilities and cannot obtain certification at present.
Total	<u>225,228,854</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. 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
Housing projects of Toll stations and service zones	39,566,332	–	39,566,332	119,419,338	–	119,419,338
Three big system construction project	4,637,877	–	4,637,877	4,713,085	–	4,713,085
Information project	2,483,570	–	2,483,570	32,033,569	–	32,033,569
Lighting system construction project	1,961,030	–	1,961,030	1,961,030	–	1,961,030
Suzhou inter-communication Expansion project	–	–	–	103,400,000	–	103,400,000
Others	402,280	–	402,280	15,223,753	–	15,223,753
Total	49,051,089	–	49,051,089	276,750,775	–	276,750,775

(2) Changes in significant construction in progress

Unit: RMB

Item	Budget amount	Opening balance	Increase in current year	Transfer to fixed assets	Other decreases	closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest Capitalization rate for the year (%)	Source of funds
Housing projects of Toll stations and service zones	288,543,520	119,419,338	59,342,034	125,092,520	14,102,520	39,566,332	62	in progress	–	–	–	Own funds
Three big system construction project	53,456,159	4,713,085	43,681,951	43,757,159	–	4,637,877	91	in progress	–	–	–	Own funds
Information project	67,450,242	32,033,569	29,111,329	20,306,241	38,355,087	2,483,570	91	in progress	–	–	–	Own funds
Lighting system construction project	2,500,000	1,961,030	–	–	–	1,961,030	78	in progress	–	–	–	Own funds
Suzhou inter-communication Expansion project	109,150,000	103,400,000	5,750,000	–	109,150,000	–	100	Completed	–	–	–	Own funds
Noise barrier construction project	15,735,101	–	15,735,101	15,735,101	–	–	100	Completed	–	–	–	Own funds
Others	N/A	15,223,753	6,531,392	11,507,862	9,845,003	402,280		in progress	–	–	–	Own funds
Total		276,750,775	160,151,807	216,398,883	171,452,610	49,051,089			–	–	–	

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
I. Total original carrying amount				
1. Opening carrying amount	16,939,963,097	1,701,468,873	8,658,801	18,650,090,771
2. Increase in the current year	109,150,000	23,953,720	39,587,422	172,691,142
(1) Purchase	-	6,197	763,335	769,532
(2) Transferred from construction in progress	109,150,000	23,947,523	38,355,087	171,452,610
(3) Transferred from fix assets	-	-	469,000	469,000
3. Decrease in the current year	-	-	-	-
4. Closing carrying amount	17,049,113,097	1,725,422,593	48,246,223	18,822,781,913
II. Total accumulated amortization				
1. Opening carrying amount	5,617,289,709	1,017,224,862	1,686,960	6,636,201,531
2. Increase in the current year	523,370,944	63,492,523	7,710,888	594,574,355
(1) Amortization accrued	523,370,944	63,492,523	7,606,633	594,470,100
(2) Transferred from fix assets	-	-	104,255	104,255
3. Decrease in the current year	-	-	-	-
4. Closing carrying amount	6,140,660,653	1,080,717,385	9,397,848	7,230,775,886
III. Total provision for impairment losses				
1. Opening carrying amount	-	-	-	-
2. Increase in the current year	-	-	-	-
3. Decrease in the current year	-	-	-	-
4. Closing carrying amount	-	-	-	-
IV. Total net book value of intangible assets				
Closing net book value	10,908,452,444	644,705,208	38,848,375	11,592,006,027
Opening net book value	11,322,673,388	684,244,011	6,971,841	12,013,889,240

13. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	16,053,024	4,013,256	15,960,186	3,990,046
Total	16,053,024	4,013,256	15,960,186	3,990,046

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

13. Deferred tax assets/deferred tax liabilities (Continued)

- (1) Deferred tax assets that are not offset (Continued)

Other explanations:

According to the COMPANY'S future profit forecast, the Company believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognized.

- (2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for available-for-sale financial assets	562,000,000	140,500,000	–	–
Total	562,000,000	140,500,000	–	–

- (3) Net amount of deferred tax assets or liabilities after offset

Unit: RMB

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offset
	Deferred tax assets	4,013,256	–	–
Deferred tax liabilities	4,013,256	136,486,744	–	–

14. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loan (Note 1)	1,540,000,000	1,690,000,000
Less: Entrusted loan due within 1 year	–	1,540,000,000
Entrusted loan due after 1 year	1,540,000,000	150,000,000
Loans to joint venture (Note 2)	369,000,000	300,000,000
Loan to a subsidiary (Note 3)	602,382,050	600,794,885
Apartment procurement for talents	7,477,785	–
Total	2,518,859,835	1,050,794,885

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14. Other non-current assets (Continued)

Other explanations:

Note 1: The entrusted loans at year end are for the loans to Ninghu Properties provided by the Company through China Merchants Bank (Nanjing Branch), Shanghai Pudong Development Bank (Nanjing Branch) and China CITIC Bank (Nanjing Branch), the annual interest rate is 4.75%, 4.75% and 5.0% respectively.

Note 2: The loan to joint ventures is the loan to Hanwei Company provided by the Company. The maturity of the loan is not exceeding 3 years and the annual interest rate is 8%.

Note 3: Loan to a subsidiary represents medium term note "15 NinghuGao MTN2" issued by the Company on 3 December 2016 and allocated to Guangjing Xicheng Company at an amount of RMB602,382,050, duration is 5 years, the annual interest rate is 3.69%.

15. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank loans	630,000,000	1,616,000,000
Including: Unsecured loans	450,000,000	1,001,000,000
Entrusted loans (<i>Note 1</i>)	180,000,000	615,000,000
Non-bank financial institutions loans	140,000,000	–
Including: Entrusted loans (<i>Note 2</i>)	140,000,000	–
Total	770,000,000	1,616,000,000

Note 1: Bank entrusted loans represent the loans provided by Far East Shipping Company, the subsidiary of Communications Holding, through China CITIC Bank on 15 August 2016, the principal is RMB180,000,000, annual interest rate is 4.35%, and duration period is 1 year.

Note 2: Entrusted loans from non-bank financial institutions represent loans provided by Ningchang Zhenli Company, the subsidiary of the Company, through Communications Holding Financial Company on 29 November 2016 and 28 December 2016, the principals are RMB120,000,000 and RMB20,000,000 respectively, annual interest rate is 4.00%, and duration period is 1 year.

(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	205,051,892	246,297,959
Toll road fee payable	28,659,493	27,391,425
Purchase of petroleum payable	15,607,084	5,193,921
Deposit payable for rent	13,367,000	–
Others	47,591,288	71,965,852
Total	310,276,757	350,849,157

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Accounts payable (Continued)

(2) The aging analysis of accounts payable according to invoice date (close to posting date):

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	280,647,727	321,071,221
More than 1 year but not exceeding 2 years	12,087,246	6,789,278
More than 2 years but not exceeding 3 years	548,164	1,537,103
More than 3 years	16,993,620	21,451,555
Total	310,276,757	350,849,157

(3) Significant accounts payable aging more than one year in the closing balance:

Unit: RMB

Item	Closing balance	Reasons for outstanding
Construction payable	18,501,959	Long settlement procedure of the project

17. Employee benefits payable

(1) Details of employee benefits payable are as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Short term compensation	636,163	470,291,023	470,163,069	764,117
2. Post-employment benefits				
– Defined contribution plan	–	80,464,537	80,464,537	–
3. Termination benefits	–	944,596	944,596	–
4. Other welfare due within one year	–	–	–	–
Total	636,163	551,700,156	551,572,202	764,117

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

17. Employee benefits payable (Continued)

(2) Details of short-term compensation are as follows:

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	–	352,194,948	352,194,948	–
II. Staff welfare	–	4,393,442	4,393,442	–
III. Social security contributions	–	42,949,221	42,949,221	–
Including: Medical insurance	–	39,812,887	39,812,887	–
Work injury insurance	–	1,806,319	1,806,319	–
Maternity insurance	–	1,330,015	1,330,015	–
IV. Housing funds	–	32,147,095	32,147,095	–
V. Union running costs and employee education costs	636,163	9,498,121	9,370,167	764,117
VI. Non-monetary welfare	–	19,720,326	19,720,326	–
VII. Others	–	9,387,870	9,387,870	–
Total	636,163	470,291,023	470,163,069	764,117

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Basic endowment insurance	–	52,603,110	52,603,110	–
2. Unemployment insurance	–	2,699,176	2,699,176	–
3. Enterprise annuity payment	–	25,162,251	25,162,251	–
Total	–	80,464,537	80,464,537	–

Note:

(1) Defined contribution plan

The Company participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Company makes a monthly contribution equivalent to 19%-20% and 1%-1.5% of the employee's monthly basic wage based on last year's salary. The Company participates annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Company no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occur.

During the year, the Company contributes RMB52,603,110, RMB25,162,251 and RMB2,699,176 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2015: RMB45,565,468, RMB23,323,404 and RMB3,438,909). All the contribution had paid over to the schemes as at 31 December 2016.

(2) Non-monetary welfare

Non-monetary benefits are RMB19,720,326 (2015: RMB34,421,939), which represent purchased non-monetary welfare goods and 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 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

18. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	125,102,842	–
Business tax	–	11,888,967
VAT	18,314,877	1,757,502
Property tax	1,154,822	263,516
Individual income tax	3,640,470	1,909,114
City construction and maintenance tax	1,278,640	1,036,191
Others	2,246,921	1,847,724
Total	151,738,572	18,703,014

19. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Payable of daily procurement in service area	10,475,533	9,383,567
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	7,381,137	2,681,220
Others	3,574,691	5,415,117
Total	21,431,361	17,479,904

(2) Significant other payables aged more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
N/A		

20. 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	1,718,718	101,608,861
Total	1,718,718	101,608,861

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

21. Long-term borrowings

- (1) Categories of long-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank Loans	20,624,619	120,915,193
Including: Secured loans	–	100,000,000
Guaranteed loan (Note 1)	20,624,619	20,915,193
Non-bank financial institutions loans	100,000,000	150,000,000
Including: Entrusted loans (Note 2)	100,000,000	150,000,000
Subtotal	120,624,619	270,915,193
Less: long-term borrowings due within one year	1,718,718	101,608,861
Long-term borrowings due after one year	118,905,901	169,306,332

- (2) Description of categories of long-term borrowings

Note 1: 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 Communications Holding. 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 in 40 times with annum interest rate of 2%. The outstanding closing balance at the end of this year is USD2,973,132.

Note 2: Non-bank financial institutions entrusted loans indicate the loan of RMB900,000,000 with loan duration 6 years provided by Communications Holding' subsidiary Runyang Bridge Company through Group Finance Company on 26 February 2013. The loan has been paid up for RMB800,000,000 by the end of the year, annual interest rate is 6.46%.

- (3) Analysis of maturity for long-term borrowings over one year is as follows:

Item	Current year	Prior year
1–2 years	1,718,718	1,608,861
2–5 years	105,156,155	154,826,583
Over 5 years	12,031,028	12,870,888
Total	118,905,901	169,306,332

- (4) Other explanations:

Interest rates of the loans stated above are between 2%–6.46% as at 31 December 2016. (31 December 2015: 2%–6.46%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

22. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2016				
Capital premium	4,657,648,647	–	–	4,657,648,647
Including: Capital contributed by investors	4,801,561,763	–	–	4,801,561,763
Differences arising from business combination involving enterprises under common control	(143,913,116)	–	–	(143,913,116)
Other capital reserve	2,681,390,888	–	11,389,208	2,670,001,680
Including: Share of capital reserve of the investee under the equity method (Note)	(1,586,347)	–	11,389,208	(12,975,555)
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	2,682,977,235
Total	7,339,039,535	–	11,389,208	7,327,650,327
2015				
Capital premium	4,801,561,763	–	143,913,116	4,657,648,647
Including: Capital contributed by investors	4,801,561,763	–	–	4,801,561,763
Differences arising from business combination involving enterprises under common control	–	–	143,913,116	(143,913,116)
Other capital reserve	2,681,390,888	–	–	2,681,390,888
Including: Share of capital reserve of the investee under the equity method	(1,586,347)	–	–	(1,586,347)
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	2,682,977,235
Total	7,482,952,651	–	143,913,116	7,339,039,535

Note: Other capital reserve decrease in the current year represents changes in owners' equity attributed to the Group due to capital increase by other shareholders of the Group's associate Sujiahang Company, hence the Group has adjusted the capital reserve based on the proportion of holding equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

23. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Amount incurred in the current year			Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense				
2016								
I Other comprehensive income that will not be reclassified subsequently to profit or loss								-
II Other comprehensive income that will be reclassified subsequently to profit or loss	103,057,672	561,406,148	-	140,500,000	420,906,148	-	-	523,963,820
Including: Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss (Note 1)	103,057,672	(593,852)	-	-	(593,852)	-	-	102,463,820
Gains (losses) arising from available-for-sale financial assets (Note 2)	-	562,000,000	-	140,500,000	421,500,000	-	-	421,500,000
Total other comprehensive income	103,057,672	561,406,148	-	140,500,000	420,906,148	-	-	523,963,820
2015								
I Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
II Other comprehensive income that will be reclassified subsequently to profit or loss	170,463,816	(67,406,144)	-	-	(67,406,144)	-	-	103,057,672
Including: Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	170,463,816	(67,406,144)	-	-	(67,406,144)	-	-	103,057,672
Gains (losses) arising from available-for-sale financial assets	-	-	-	-	-	-	-	-
Total other comprehensive income	170,463,816	(67,406,144)	-	-	(67,406,144)	-	-	103,057,672

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

23. Other comprehensive income (Continued)

(4) Other explanations: (Continued)

Note 1: Share decrease of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss represents fair value adjustments of the available for sale financial assets held by the COMPANY'S associate Yangtze Bridge Company. The Company has adjusted the capital reserve based on the proportion of holding equity.

Note 2: Profit or loss from change in fair value of available-for-sale financial assets represents adjustments of equity fair value of restricted outstanding shares held by the Group in an A share listed Company, Bank of Jiangsu Co., Ltd.

24. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2016				
Statutory surplus reserve	2,518,873,750	—	—	2,518,873,750
2015				
Statutory surplus reserve	2,518,873,750	—	—	2,518,873,750

Note: According to "Company law of the People's Republic of China" and the Articles of Association, the Company are 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. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval. Since the balance of the statutory surplus reserve has reached 50% of its registered capital by 31 December 2016, the Company didn't transfer any more.

25. Retained profits

Unit: RMB

Item	Current year	Prior year
Opening retained profits	4,366,690,246	4,116,824,256
Add: Net profit attributable to owners of the Company for the year	2,804,382,718	2,164,210,040
Less: Appropriation to statutory surplus reserve	—	—
Declaration of dividends on ordinary shares	2,015,099,000	1,914,344,050
Closing retained profits	5,155,973,964	4,366,690,246

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 2016, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.4 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 24 March 2017, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2016, cash dividends of RMB0.42 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 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

26. Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current year		Amount incurred in the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	6,221,698,851	2,804,984,320	6,372,125,753	3,210,659,200
Including: Shanghai-Nanjing Expressway	4,572,683,126	1,221,713,458	4,490,662,560	1,161,120,216
312 National Highway	–	–	32,325,290	252,453,865
Nanjing-Lianyungang Highway	24,961,001	16,569,477	26,531,422	15,913,020
Ancillary services	1,624,054,724	1,566,701,385	1,822,606,481	1,781,172,099
Total	<u>6,221,698,851</u>	<u>2,804,984,320</u>	<u>6,372,125,753</u>	<u>3,210,659,200</u>

27. Taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (restated) (Note)
Business tax	48,239,459	144,340,906
City construction and maintenance tax	11,574,500	11,300,319
Education surcharge	8,267,500	8,118,392
Property tax	9,304,247	8,814,705
Land use tax	6,069,401	6,016,059
Others	1,299,952	1,106,282
Total	<u>84,755,059</u>	<u>179,696,663</u>

Note: Please refer to Note (VI) 39(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

28. Administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year (restated) (Note)
Salaries	33,095,231	32,490,445
Depreciation and amortization	76,000,467	69,363,020
Audit fee	3,200,000	4,125,000
Consulting and intermediary service fee	10,169,504	13,825,327
Entertainment fee	363,824	343,461
Maintenance and repair costs	3,172,802	3,804,560
Office expenses	254,367	329,982
Travelling expenses	333,890	302,948
Vehicle related expenses	849,493	663,404
Others	5,426,939	7,810,479
Total	132,866,517	133,058,626

Note: Please refer to Note (VI) 39(2).

29. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	393,744,805	407,717,271
Less: Interest income	1,713,986	2,387,570
Exchange differences	3,123,995	8,208,577
Bond issue fee and other loan charges	18,615,744	26,423,180
Others	1,847,488	1,525,503
Total	415,618,046	441,486,961

30. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision (reversal)	92,839	(137,924)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

31. 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 equity method	250,431,492	200,071,491
Income from long-term equity investments under cost method	384,035,506	529,085,571
Investment income from available-for-sale financial assets in the holding period	–	16,000,000
Investment income from disposal of available-for-sale financial assets	1,325,893	–
Investment income from loans	115,761,748	129,540,422
Total	751,554,639	874,697,484

32. Non-operating income

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

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total gains on disposal of non-current assets	67,072	1,463,066
Including: Gains on disposal of fixed assets	67,072	1,463,066
Compensation income from damaged road	4,777,172	5,859,215
Government grants	13,385,208	500,000
Others	19,228,915	29,510,845
Total	37,458,367	37,333,126

Government grant recorded in profit or loss in the current year:

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Asset related/ Income related
Special funds for production safety	–	500,000	Income related
Subsidies for energy conservation and emission reduction	12,930,000	–	Income related
Subsidies for working steadily	455,208	–	Income related
Total	13,385,208	500,000	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

33. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total losses on disposal of non-current assets	2,727,170	628,775,846
Including: Losses on disposal of fixed assets	2,727,170	21,895,000
Losses on disposal of intangible asset	–	606,880,846
Repair expenditure of damaged road	14,979,852	19,008,651
Donation	600,000	871,556
Funds	709,022	2,778,953
Others	1,787,802	138,911
Total	20,803,846	651,573,917

34. Income tax expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Current tax expenses	744,040,562	503,574,399
Deferred tax expenses	(23,210)	34,481
Provision of prior years' tax	3,191,160	–
Total	747,208,512	503,608,880

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

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

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Accounting profit	3,551,591,230	2,667,818,920
Income tax expenses calculated at 25% (prior year: 25%)	887,897,808	666,954,730
Effect of cost, expenses and loss that are not deductible for tax purposes	14,736,294	22,943,415
Effect of tax-free income	(158,616,750)	(186,289,265)
Effect of adjusting income tax in the previous periods	3,191,160	–
Total	747,208,512	503,608,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

35. Other comprehensive income

See Note (XIV) 23 for detail.

36. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Employee benefits	551,700,156	528,165,963
Depreciation and amortization	706,874,789	808,419,077
Toll related expenses	96,467,944	97,312,530
Road maintenance expenses	96,272,621	193,821,900
System maintenance expenses	30,870,022	31,041,230
Petroleum in the service zone	1,331,447,565	1,543,123,419
Retail goods in the service zone	33,892,847	32,499,255
Catering cost in the service zone	44,703,384	49,162,645
Audit fee	3,200,000	4,125,000
Consulting and intermediary service fee	10,169,504	13,825,327
Advertisement fee	639,182	1,128,150
Others	31,612,823	41,093,330
Total	2,937,850,837	3,343,717,826

37. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Receipts from compensation of damaged road and non-operating income items, etc.	37,628,538	38,649,484
Receipts from interest income of bank deposit	1,713,986	2,387,570
Total	39,342,524	41,037,054

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Payment of non-salary and other expenditure	39,696,677	75,749,236

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

37. Notes to items in the cash flow statement (Continued)

- (3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Withdrawing loans from related parties	1,885,000,000	475,000,000

- (4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Borrowings from/loans to related parties	1,759,000,000	1,160,000,000

- (5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bond issue fee and other charges of loans	33,836,355	26,423,180

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

38. 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	2,804,382,718	2,164,210,040
Add: Provision for impairment losses of assets	92,839	(137,924)
Depreciation of fixed assets	112,404,689	136,767,400
Amortization of intangible assets	594,470,100	671,651,677
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”)	2,660,098	627,312,780
Financial expenses (income is indicated by “-”)	415,531,393	442,415,492
Losses arising from investments (gains are indicated by “-”)	(751,554,639)	(874,697,484)
Decrease in deferred tax assets (increase is indicated by “-”)	3,990,046	34,481
Increase in deferred tax liabilities (decrease is indicated by “-”)	(4,013,256)	-
Decrease in inventories (increase is indicated by “-”)	(2,944,003)	1,550,737
Decrease in receivables from operating activities (increase is indicated by “-”)	22,290,200	(43,604,588)
Increase in payables from operating activities (decrease is indicated by “-”)	128,129,860	(59,278,824)
Net cash flow from operating activities	3,325,440,045	3,066,223,787
2. Significant investing and financing activities that do not involve cash receipts and payments:	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	98,649,203	121,485,890
Less: Opening balance of cash	121,485,890	238,658,010
Net increase (decrease) in cash and cash equivalents	(22,836,687)	(117,172,120)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions

- (1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties

Purchase of goods, receipt of services and interest expense of loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Networking service fee	21,029,272	25,195,397
Sundian Company*	Road maintenance fee	31,667,718	42,245,348
Nanlin Hotel*	Food, beverage and accommodation	107,664	112,910
Network Operation Company*	Interest expenses of entrusted loan	–	1,530,681
TongSha Port Company*	Interest expenses of entrusted loan	–	200,000
Taicang container Company*	Interest expenses of entrusted loan	–	400,000
Communications Holding*	Interest expenses of entrusted loan	–	3,333,333
Yanjiang Company*	Interest expenses of entrusted loan	–	288,667
Far East Shipping Company*	Interest expenses of entrusted loan	8,581,215	10,514,306
Communications Holding*	Interest expenses of loans from a related party	–	552,917
Group Finance Company*	Interest expenses of working capital loan	–	638,585
Jinghu Company*	Interest expenses of entrusted loan	–	210,667
Runyang Bridge Company*	Interest expenses of entrusted loan	9,657,998	12,996,845
Ningchang Zhenli Company*	Interest expenses of entrusted loan	29,353,333	3,417,084
Zhendan Company*	Interest expenses of entrusted loan	26,833	1,575,500

Sales of goods, provision of service and interest income of loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol income	2,921,750	5,435,180
Kuailu Co., Ltd.	Toll road income	2,400,000	3,000,000
Ninghu Properties	Interest income from entrusted loans	94,157,778	104,607,917
Network Operation Company*	ETC customer-service network management income	1,468,467	2,351,754
Guangjing Xicheng Company*	Interest income from loans to related party	28,668,998	2,594,885
Group Finance Company	Interest income from deposits	5,793	–
Hanwei Company	Interest income from entrusted loans	26,960,667	31,508,933
Jiangsu Luode Equity Investment Fund Management Co., Ltd.	Refueling charge	12,282	14,836
Xiexin Ninghu Company	Administration and lease expense	432,427	39,182

Pricing and decision-making procedures of related party transactions: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(2) Leases with related parties

Leases where a company is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	3,612,400	3,612,400
Sundian Company*	Fixed assets	1,690,000	1,690,000

Leases where a company is the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease expense recognized in the current year	Lease expense recognized in the prior year
Ninghu Investment	Fixed assets	–	770,000

(3) Guarantees with related parties

The Company as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	20,624,619	15 October 1998	18 July 2027	Not completed

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties

In the current year

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to):					
Far East Shipping Company*	(185,000,000)	13 August 2015	13 August 2016		– Entrusted loan with annual interest rate of 4.85%
Far East Shipping Company*	180,000,000	15 August 2016	15 August 2017	180,000,000	Entrusted loan with annual interest rate of 4.35%
Ningchang Zhenli Company	(150,000,000)	18 September 2015	18 September 2016		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(100,000,000)	25 September 2015	25 September 2016		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	27 October 2015	26 October 2016		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	27 November 2015	27 November 2016		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	29 December 2015	29 December 2016		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	26 January 2016	25 January 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	26 January 2016	25 January 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	26 February 2016	26 February 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	26 February 2016	26 February 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	25 March 2016	25 March 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	25 March 2016	25 March 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	30 March 2016	29 March 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	30 March 2016	29 March 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	26 April 2016	25 April 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	26 April 2016	25 April 2017		– Entrusted loan with annual interest rate of 4.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the current year (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Ningchang Zhenli Company	50,000,000	24 May 2016	23 May 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	24 May 2016	23 May 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	90,000,000	29 June 2016	28 June 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(90,000,000)	29 June 2016	28 June 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	60,000,000	28 July 2016	27 July 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(60,000,000)	28 July 2016	27 July 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	25 August 2016	24 August 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(50,000,000)	25 August 2016	24 August 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	250,000,000	13 September 2016	12 September 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(250,000,000)	13 September 2016	12 September 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	90,000,000	30 September 2016	29 September 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(90,000,000)	30 September 2016	29 September 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	110,000,000	28 October 2016	27 October 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(110,000,000)	28 October 2016	27 October 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	120,000,000	29 November 2016	28 November 2017	120,000,000	Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	20,000,000	28 December 2016	27 December 2017	20,000,000	Entrusted loan with annual interest rate of 4.00%
Zhendan Company	(30,000,000)	24 September 2015	23 September 2016		– Entrusted loan with annual interest rate of 4.60%
Runyang Bridge Company*	(50,000,000)	26 February 2013	25 February 2019	100,000,000	Entrusted loan with annual interest rate of 6.4566%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the current year (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Lend to (collect from):					
Guangjing Xicheng Company*	–	3 December 2015	4 December 2020	593,418,823	Loan from a related party with annual interest rate of 3.69%
Guangjing Xicheng Company*	300,000,000	16 June 2016	10 March 2017	300,000,000	Loan from a related party with annual interest rate of 2.98%
Ninghu Properties	(200,000,000)	24 October 2013	23 October 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	(140,000,000)	15 November 2013	14 November 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	(500,000,000)	4 September 2013	3 September 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	300,000,000	2 September 2016	1 September 2021	300,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	200,000,000	9 November 2016	1 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	190,000,000	9 November 2016	8 November 2021	190,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	(250,000,000)	11 November 2013	11 November 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	(300,000,000)	24 October 2013	24 October 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	(150,000,000)	17 October 2013	17 October 2016	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	200,000,000	2 September 2016	2 September 2021	200,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	500,000,000	20 October 2016	20 October 2021	500,000,000	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	–	21 September 2015	21 September 2018	150,000,000	Entrusted loan with annual interest rate of 5.00%
Hanwei Company	–	26 March 2015	26 March 2018	300,000,000	Loan to a related party with annual interest rate of 8.00%
Hanwei Company	69,000,000	18 July 2016	18 July 2019	69,000,000	Loan to a related party with annual interest rate of 8.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year:

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to):					
Far East Shipping Company*	(190,000,000)	13 August 2014	13 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Far East Shipping Company*	185,000,000	13 August 2015	13 August 2016	185,000,000	Entrusted loan with annual interest rate of 4.85%
Ningchang Zhenli Company	100,000,000	25 September 2015	25 September 2016	100,000,000	Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	27 October 2015	26 October 2016	50,000,000	Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	27 November 2015	27 November 2016	50,000,000	Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	150,000,000	18 September 2015	18 September 2016	150,000,000	Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	50,000,000	29 December 2015	29 December 2016	50,000,000	Entrusted loan with annual interest rate of 4.00%
Zhendan Company	150,000,000	24 September 2015	23 September 2016	30,000,000	Entrusted loan with annual interest rate of 4.60%
Zhendan Company	(120,000,000)	24 September 2015	23 September 2016	–	Entrusted loan with annual interest rate of 4.60%
Runyang Bridge Company*	(150,000,000)	26 February 2013	25 February 2019	150,000,000	Entrusted loan with annual interest rate of 6.40%
Runyang Bridge Company*	(600,000,000)	18 February 2014	31 December 2023	–	Entrusted loan with annual interest rate of 6.560%
Communications Holding*	(250,000,000)	5 December 2012	5 December 2022	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	(400,000,000)	17 May 2013	17 May 2023	–	Loan from a related party with annual interest rate of 5.90%
Communications Holding*	(200,000,000)	17 May 2014	17 May 2019	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	(350,000,000)	22 August 2014	22 August 2017	–	Loan from a related party with annual interest rate of 6.10%
Communications Holding*	(200,000,000)	12 February 2015	9 November 2015	–	Loan from a related party with annual interest rate of 4.83%
Communications Holding*	(400,000,000)	17 April 2015	16 July 2015	–	Loan from a related party with annual interest rate of 4.64%
Network Operation Company*	(30,000,000)	8 August 2014	7 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(30,000,000)	12 August 2014	11 August 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(20,000,000)	13 October 2014	12 October 2015	–	Entrusted loan with annual interest rate of 6.00%
Network Operation Company*	(40,000,000)	11 November 2014	10 November 2015	–	Entrusted loan with annual interest rate of 6.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year: (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Network Operation Company*	(20,000,000)	8 December 2014	7 December 2015		– Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(30,000,000)	19 January 2015	18 January 2016		– Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(40,000,000)	12 February 2015	11 February 2016		– Entrusted loan with annual interest rate of 5.60%
Network Operation Company*	(50,000,000)	10 March 2015	9 March 2016		– Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	(20,000,000)	21 April 2015	20 October 2015		– Entrusted loan with annual interest rate of 5.35%
Network Operation Company*	(20,000,000)	21 May 2015	20 November 2015		– Entrusted loan with annual interest rate of 5.10%
Network Operation Company*	(30,000,000)	28 May 2015	27 November 2015		– Entrusted loan with annual interest rate of 5.10%
TongSha Port Company*	(50,000,000)	12 August 2014	11 August 2015		– Entrusted loan with annual interest rate of 6.00%
Taicang container Company*	(100,000,000)	5 August 2014	4 August 2015		– Entrusted loan with annual interest rate of 6.00%
Communications Holding*	(800,000,000)	17 November 2014	16 November 2015		– Entrusted loan with annual interest rate of 6.00%
Yanjiang Company*	(50,000,000)	13 January 2015	12 July 2015		– Entrusted loan with annual interest rate of 5.60%
Yanjiang Company*	(30,000,000)	19 May 2015	18 November 2015		– Entrusted loan with annual interest rate of 5.10%
Jinghu Company*	(40,000,000)	18 March 2015	17 March 2016		– Entrusted loan with annual interest rate of 5.35%
Jinghu Company*	(20,000,000)	21 May 2015	20 November 2015		– Entrusted loan with annual interest rate of 5.10%
Group Finance Company*	(55,000,000)	7 July 2014	6 July 2015		– Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(80,000,000)	13 October 2014	12 October 2015		– Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(55,000,000)	19 November 2014	18 November 2015		– Working capital loan with annual interest rate of 5.70%
Group Finance Company*	(50,000,000)	13 March 2015	12 September 2015		– Working capital loan with annual interest rate of 5.08%
Group Finance Company*	(60,000,000)	19 March 2015	18 September 2015		– Working capital loan with annual interest rate of 5.08%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the prior year: (Continued)

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Lend to(collect from): Ninghu Properties	–	24 October 2013	23 October 2016	200,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	–	15 November 2013	14 November 2016	140,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	–	4 September 2013	3 September 2016	500,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	–	11 November 2013	11 November 2016	250,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	–	24 October 2013	24 October 2016	300,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	–	17 October 2013	17 October 2016	150,000,000	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	(150,000,000)	17 October 2013	17 October 2015	–	Entrusted loan with annual interest rate of 6.15%
Ninghu Properties	150,000,000	21 September 2015	21 September 2018	150,000,000	Entrusted loan with annual interest rate of 5.00%
Guangjing Xicheng Company*	600,000,000	3 December 2015	4 December 2020	600,000,000	Loan to a related party with annual interest rate of 3.69%
Hanwei Company	300,000,000	26 March 2015	26 March 2018	300,000,000	Loan to a related party with annual interest rate of 8.00%

Note: When the Company is the borrower, the positive amount represents borrowing from a related party while the negative amount represents repayment to a related party; When the Company is the lender, positive amount represents lending to a related party while the negative amount represents collecting the money from a related party.

(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	3,923,426	3,872,024

(6) Other explanations:

* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. 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
Bank deposits	Finance Company	117,698	–	–	–
Accounts receivable (Note)	Sujiahang Company	7,629,252	–	7,896,196	–
	Yangtze Bridge Company	487,433	–	430,010	–
	Yanjiang Company	158,405	–	202,972	–
	Kuailu Co., Ltd.	–	–	761,025	–
	Guangjing Xicheng Company	3,621,559	–	3,359,164	–
	Ningchang Zhenli Company	483,571	–	446,405	–
Sub-total		12,380,220	–	13,095,772	–
Other receivables	Ninghu Investment	27,787	–	12,644	–
	Ninghu Properties	–	–	345,000,000	–
Sub-total		27,787	–	345,012,644	–
Other current assets	Guangjing Xicheng Company	303,141,833	–	–	–
		303,141,833	–	–	–
Other non-current assets (including loans due within 1 year)				–	–
	Hanwei Company	369,000,000	–	300,000,000	–
	Guangjing Xicheng Company	602,382,050	–	600,794,885	–
	Ninghu Properties	1,540,000,000	–	1,690,000,000	–
Sub-total		2,511,382,050	–	2,590,794,885	–
Interest receivables	Hanwei Company	45,694,000	–	18,733,333	–
	Ninghu Properties	2,246,597	–	3,123,083	–
Sub-total		47,940,597	–	21,856,416	–
Dividends receivables	Kuailu Co., Ltd.	4,989,960	–	4,989,960	–

Note: At 31 December 2016, 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 RMB55,807,163 (31 December 2015: RMB39,894,163). 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 2016

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

39. Related party relationships and transactions (Continued)

(7) Amounts due from/to related parties (Continued)

Amounts due from related parties (Continued)

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable (Note)	Sujiahang Company	2,593,155	2,726,995
	Yanjiang Company	1,646,782	1,602,927
	Yangtze Bridge Company	1,618,234	1,535,824
	Sundian Company	9,200,000	27,690,000
	Network Operation Company	839,912	1,858,088
	Guangjing Xicheng Company	1,901,924	1,817,368
	Ningchang Zhenli Company	1,600,864	1,683,835
Sub-total		19,400,871	38,915,037
Receipts in advance	Sundian Company	80,000	80,000
	Network Operation Company	1,146,794	1,204,100
	Kuailu Co., Ltd.	358,173	568,863
Sub-total		1,584,967	1,852,963
Other payables	Network Operation Company	7,381,137	2,681,220
Short-term borrowings	Far East Shipping Company	180,000,000	185,000,000
	Ningchang Zhenli Company	140,000,000	400,000,000
	Zhendan Company	—	30,000,000
Sub-total		320,000,000	615,000,000
Interest payable	Far East Shipping Company	239,250	274,160
	Ningchang Zhenli Company	155,556	488,889
	Zhendan Company	—	42,167
	Runyang Bridge Company	197,285	295,928
Sub-total		592,091	1,101,144
Long-term borrowings (including long-term borrowings due within 1 year)	Runyang Bridge Company	100,000,000	150,000,000

Note: At 31 December 2016, 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 RMB19,298,534 (31 December 2015: RMB18,024,476). 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.

XV. COMPARATIVE FIGURES

Parts of comparative figures in the Financial Statements have been reclassified based on the method of presentation as required by the Financial Statements for the year.

SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	3,570,996
Government grants recognized in profit or loss for the current period	(16,017,251)
Gains from changes in fair values of held-for-trading financial investments, Profit on disposal of held-for-trading and available-for-sale financial investments	(5,067,706)
Interest income from entrusted loans	(20,176,710)
Other non-operating income or expenses other than the above	(1,748,474)
Tax effects	9,859,786
Effects attributable to minority interests	(79,135)
Total	(29,658,494)

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	16.06%	0.6642	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	15.92%	0.6583	N/A

3. 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 incurred in the current year	Amount incurred in the prior year
Net profit for the current year attributable to ordinary shareholders	3,346,063,867	2,506,629,408
Including: Net profit from continuing operations	3,346,063,867	2,506,629,408
Net profit from discontinued operations	–	–

SUPPLEMENTARY INFORMATION

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

(Continued)

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 incurred in the current year	Amount incurred in 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	–	–
Less: Weighted average number of ordinary shares repurchased during the year	–	–
Number of ordinary shares outstanding at the end of year	5,037,747,500	5,037,747,500

Earnings per share

Unit: RMB

	Amount incurred in the current year	Amount incurred in the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.6642	0.4976
Diluted earnings per share (Note)	N/A	N/A
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.6642	0.4976
Diluted earnings per share (Note)	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 (Note)	N/A	N/A

Note: At 31 December 2016, there were no dilutive potential ordinary shares issued by the Group.

SUPPLEMENTARY INFORMATION

4. The Group's Summary of performance, assets and liabilities in the past five accounting years

Unit: RMB

Item	2016	2015	2014	2013	2012
I. Total operating income	9,201,297,066	8,761,321,186	8,830,860,795	8,333,109,668	8,470,985,919
Including: Operating income	9,201,297,066	8,761,321,186	8,830,860,795	8,333,109,668	8,470,985,919
Less: Total operating costs	5,268,508,210	5,700,480,153	6,070,494,998	5,572,748,261	5,942,790,648
Including: Operating costs	4,363,720,292	4,414,950,181	4,674,829,859	4,247,826,667	4,541,921,794
Taxes and levies	193,471,915	304,540,194	273,402,548	226,700,279	232,524,736
Selling expenses	26,762,163	15,804,477	13,806,381	9,832,355	8,525,073
Administrative expenses	182,065,269	185,570,228	212,989,851	208,314,812	213,304,477
Financial expenses	502,388,296	778,935,597	895,551,358	879,801,731	946,875,069
Impairment losses of assets	100,275	679,476	(84,999)	272,417	(360,501)
Add: Gains from changes in fair values	(2,674,334)	6,935,829	3,066,189	2,109,937	(1,011,970)
Investment income	472,966,663	444,068,189	352,287,304	315,399,461	161,448,206
Including: Income from investments in associates and joint ventures	438,033,337	340,332,126	310,937,218	265,462,186	133,212,868
II. Operating profit	4,403,081,185	3,511,845,051	3,115,719,290	3,077,870,805	2,688,631,507
Add: Non-operating income	44,838,537	42,430,974	25,411,960	108,440,943	13,398,833
Including: Gains from disposal of non-current assets	211,608	1,516,024	5,078,206	91,894,321	1,057,746
Less: Non-operating expenses	30,643,808	659,221,149	37,081,034	36,811,657	44,189,652
Including: Losses from disposal of non-current assets	3,782,604	629,723,205	7,684,626	9,056,311	18,405,389
III. Total profit	4,417,275,914	2,895,054,876	3,104,050,216	3,149,500,091	2,657,840,688
Less: Income tax expenses	980,138,120	305,144,944	807,730,901	851,871,378	764,467,269
IV. Net profit	3,437,137,794	2,589,909,932	2,296,319,315	2,297,628,713	1,893,373,419
Including: Net profit attributable to owners of the Company	3,346,063,867	2,506,629,408	2,227,907,831	2,233,945,391	1,848,666,623
Profit or loss attributable to minority interests	91,073,927	83,280,524	68,411,484	63,683,322	44,706,796

SUPPLEMENTARY INFORMATION

4. The Group's Summary of performance, assets and liabilities in the past five accounting years (Continued)

Unit: RMB

Item	2016	2015	2014	2013	2012
V. Other comprehensive income (net of tax)					
Other comprehensive income (net of tax) attributable to owners of the parent company	420,906,148	(67,406,144)	93,030,727	14,452,952	24,416,693
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss	–	–	–	–	–
(II) Other comprehensive income that will be reclassified subsequently to profit or loss	420,906,148	(67,406,144)	93,030,727	14,452,952	24,416,693
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss	420,906,148	(67,406,144)	93,030,727	14,452,952	24,416,693
Other comprehensive income (net of tax) attributable to minority interests	–	–	–	–	–
VI. Total comprehensive income					
Total comprehensive income attributable to owners of the Company	3,858,043,942	2,522,503,788	2,389,350,042	2,312,081,665	1,917,790,112
Total comprehensive income attributable to minority interests	91,073,927	83,280,524	68,411,484	63,683,322	44,706,796
VII. Earnings per share:					
(I) Basic earnings per share	0.6642	0.4976	0.4422	0.4434	0.3670
(II) Diluted earnings per share	N/A	N/A	N/A	N/A	N/A
Total Assets	36,282,573,529	36,476,039,663	37,481,216,616	37,229,589,856	36,616,247,586
Total Liabilities	13,340,716,540	15,289,867,555	15,781,633,851	16,017,457,407	15,868,868,963
Minority interests	732,100,804	710,012,832	683,602,703	601,160,548	570,231,153
Total shareholders' equity attributable to equity holders of the Company	<u>22,209,756,185</u>	<u>20,476,159,276</u>	<u>21,015,980,062</u>	<u>20,610,971,901</u>	<u>20,177,147,470</u>



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)