

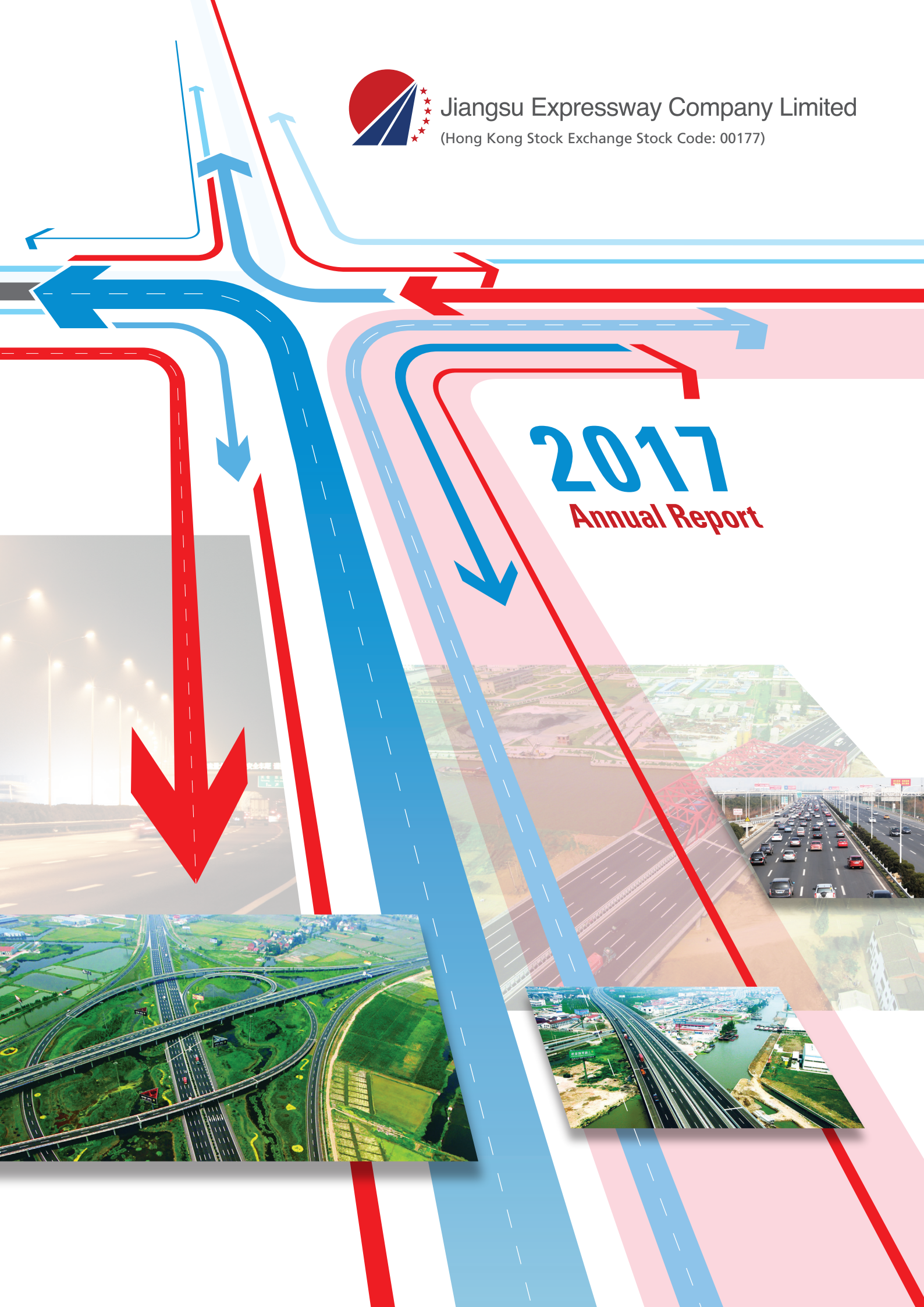


Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

# 2017

*Annual Report*



## IMPORTANT NOTICE

1. **The board of directors, 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 absent director	Name of absent director	Reasons for absence	Name of proxy
Director	Wu Xin Hua	Due to business engagement	Hu Yu
Director	Zhang Zhu Ting	Due to business engagement	Zhang Er Zhen

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

4. **Mr. Chang Qing, the Chairman of the Board, Mr. Gu De Jun, an executive Director and the General Manager, and Ms. Yu Lan Ying, the Deputy General Manager and Financial Controller of the Company, make representations as to the truthfulness, accuracy and completeness of the financial report contained in this 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 Company of approximately RMB3,587,861,857 and earnings per share was approximately RMB0.7122. The Board proposed to distribute cash dividends of RMB0.44 (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 Statements Relating to 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. **There is no misuse of funds of the Company by the Controlling Shareholder and other related/connected parties for non- operational 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 sub-section 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 used in this annual report shall have the following meanings:

## 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)
Tongxingbao Company	Jiangsu Tongxingbao Smart Transport Technology Co., Ltd. (江蘇通行寶智慧交通科技有限公司)
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)
Wufengshan Toll Bridge Company	Jiangsu Wufengshan Toll Bridge Company Limited (江蘇五峰山大橋有限公司)
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)
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)
Maintenance Technology Company	Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. (江蘇高速公路工程養護技術有限公司)
Ninghang Company	Jiangsu Ninghang Expressway Co., Ltd.
Changkun Company	Suzhou Changkun Expressway Co., Ltd. (蘇州常昆高速公路有限公司)
Changyi Company	Jiangsu Changyi Expressway Co., Ltd. (江蘇常宜高速公路有限公司)
Yichang Company	Jiangsu Yichang Expressway Co., Ltd. (江蘇宜長高速公路有限公司)
Husuzhe Company	Jiangsu Husuzhe Expressway Company Limited (江蘇滬蘇浙高速公路有限公司)
Huatong Company	Jiangsu HuaTong Engineering Testing Co., Ltd. (江蘇華通工程檢測有限公司)
Sutong Bridge Company	Jiangsu Sutong Bridge Co., Ltd. (江蘇蘇通大橋有限公司)
Fuanda Funds	Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司)
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)
Financial Leasing Company	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司)
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
Wuxi Huantaihu Expressway	Wuxi Shuofang Hub-Wuxi Nanquan Interchange Expressway
Sujiayong Expressway	Suzhou-Jiaxing-Ningbo Expressway
Wufengshan Toll Bridge	Wufengshan Toll Bridge and North-South Approach Expressways Project

## DEFINITIONS

Changyi Expressway	Changzhou-Yixing Expressway
Yichang Expressway	Jiangsu Section of Yixing-Changxing Expressway
Reporting Period	the period of one year from 1 January 2017 to 31 December 2017
year-on-year	as compared with the same period of 2016
CSRC	China Securities Regulatory Commission
SFC	the Securities and Futures Commission of Hong Kong
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
A Shares	RMB-denominated ordinary shares issued by the Company and listed on the SSE
H Shares	overseas-listed foreign shares issued by the Company and listed on the Stock Exchange
ADR	level-1 depositary receipts of the Company listed and traded in the over-the-counter market of the United States
Listing Rules	Listing Rules of the SSE and/or 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
Corporate Governance Code	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules

# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

## 1. Company Information

Name of the Company in Chinese	江蘇寧滬高速公路股份有限公司
Abbreviated Chinese Name	寧滬高速
Name of the Company in English	Jiangsu Expressway Company Limited
Abbreviated English Name	Jiangsu Expressway
Legal Representative of the Company	Chang Qing

## 2. Contact Persons and Contact Methods

	Secretary to the Board/Company Secretary	Representatives of securities affairs
Name	Yao Yong Jia	Jiang Tao and Lou Qing
Address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Telephone	8625-8436 2700-301836	8625-8436 2700-301835, 301315
Fax	8625-8420 7788	8625-8446 6643
Email	jsnh@jsexpwy.com	

## 3. Basic Corporate Information

Registered address of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of the Company's registered address	210049
Business address of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of the Company's business address	210049
Website of the Company	<a href="http://www.jsexpressway.com">http://www.jsexpressway.com</a>
Email	jsnh@jsexpwy.com

# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

## 4. Information Disclosure and Places for Inspection

Designated Media for Information Disclosure by the Company  
Websites Designated by CSRC for Publication of Annual Reports  
Annual Reports Available at

Shanghai Securities News and China Securities Journal  
[www.sse.com.cn](http://www.sse.com.cn), [www.hkexnews.hk](http://www.hkexnews.hk), [www.jsexpressway.com](http://www.jsexpressway.com)

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

## 5. Information on the Company's Shares

Class of shares	Listing stock exchange	Stock abbreviation	Stock code	Previous stock abbreviation
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. Other Relevant Information

Accounting firm appointed by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Business address	30/F, Bund Center, 222 Yan An Road East, Shanghai, the PRC
	Names of signing accountants	Yu Yang, Bu Jun





# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

## (2) Principal financial indicators

Principal financial indicators	2017	2016	Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year (%)	2015
Basic earnings per share (yuan/share)	<b>0.7122</b>	0.6642	7.23	0.4976
Diluted earnings per share (yuan/share)	<b>N/A</b>	N/A	N/A	N/A
Basic earnings per share net of non-recurring profit or loss (yuan/share)	<b>0.7078</b>	0.6583	7.52	0.5346
Weighted average return on net assets (%)	<b>16.06</b>	16.06	0	12.45
Weighted average return on net assets net of non-recurring profit or loss (%)	<b>15.96</b>	15.92	Increased by 0.04 percentage point	13.38

Please note that the basis of calculation for the indicators stated above may not be identical to indicators of the same title disclosed by other listed companies.

Explanations on the principal accounting data and financial indicators for the past three years of the Company as at the end of the Reporting Period

Applicable  N/A

## 8. Differences in accounting data under domestic and foreign accounting standards

(1) Differences in net profit and net assets attributable to the shareholders of the Company as shown in the financial reports disclosed in accordance with the International Accounting Standards and the PRC Accounting Standards

Applicable  N/A

(2) Differences in net profit and net assets attributable to the shareholders of the Company as shown in the financial reports disclosed in accordance with foreign accounting standards and the PRC Accounting Standards

Applicable  N/A

(3) Explanation on the differences between domestic and foreign accounting standards

Applicable  N/A

## 9. Principal Financial Data for 2017 by Quarters

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	2,295,677,347	2,373,357,718	2,321,286,397	2,465,358,903
Net profit attributable to the shareholders of the Company	878,672,948	1,020,987,237	996,338,534	691,863,138
Net profit attributable to shareholders of the Company net of non-recurring profit or loss	874,192,406	1,017,948,960	991,692,822	681,757,299
Net cash flow from operating activities	1,273,304,540	1,300,042,195	1,373,649,270	1,285,108,973

Explanation on the differences between the quarterly data and the data disclosed in periodic reports

Applicable  N/A

## COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

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

Applicable       N/A

Unit: Yuan    Currency: RMB

Items of non-recurring profit or loss	Amount for 2017	Note (if Applicable)	Amount for 2016	Amount for 2015
Gain or loss from disposal of non-current assets	-5,659,248		-3,570,996	-628,207,181
Tax refund, reduction and exemptions pursuant to an ultra vires approval or not supported by any official document or on contingency	-		-	-
Government grants accounted in profit or loss of the period excluding those that are closely related to the ordinary operations of the Company and grants in compliance with national policies and regulations or subject to fixed amounts under certain standards)	4,494,581	Subsidies received for employment stabilization as well as compensation recognized in the Reporting Period for construction of Ningchang Expressway	16,017,251	1,813,793
Current net profits/losses of subsidiaries from business combinations under common control from the beginning of the Reporting Period to the date of combination	-		-	230,688,998
Profits or losses from changes in fair values of financial assets held for trading and financial liabilities held for trading, and investment gains from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, excluding effective hedging activities related to ordinary business operations of the Company	12,183,544		5,067,706	35,967,519
Reversal of the provisions for impairment of receivables subject to individual impairment test	-		-	161,574
Gain or loss from entrusted loans	31,623,260	Income from shareholder's loans provided by the Group to Hanwei Company, a joint venture, during the Reporting Period	20,176,710	24,846,638
Other non-operating income and expenses other than the aforesaid items	-13,211,084		1,748,474	9,603,213
Effects attributable to minority interests	197,081		79,135	-178,023
Effects of income tax	-7,357,764		-9,859,786	138,953,611
<b>Total</b>	<b>22,270,370</b>		<b>29,658,494</b>	<b>-186,349,858</b>

# COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

## 11. Items Measured at Fair Value

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Change during the Reporting Period	Effect on profit for the Reporting Period
Fund investments	17,349,959	<b>22,454,653</b>	5,104,694	5,104,694
Wealth management products	262,504,747	<b>491,380,000</b>	228,875,253	7,007,798
Gold investments	15,862,758	<b>16,417,158</b>	554,400	71,052
Total	295,717,464	<b>530,251,811</b>	234,534,347	12,183,544

During the Reporting Period, the financial assets measured at fair value held by the Group included fund investments, gold investments and wealth management products, the aggregate fair value of which amounted to approximately RMB530,252,000 as at the end of the Reporting Period. The fair values of fund investment and gold investments were recognized based on the net value of relevant funds and gold available in the open markets at the end of the Reporting Period; the fair value of the wealth management products was recognized as the discounted future cash flows estimated using the expected return rate.

# SUMMARY OF THE COMPANY'S BUSINESS

## I. Principal Business and Business Model of the Company and Industry Overview during the Reporting Period

### (1) 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 Program which became effective from 23 December 2002, trading in the over-the-counter market in the United States of America. As at 31 December 2017, the total share capital of the Company comprised 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 the 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, Jiangyin Bridge and Sujiahang Expressway, etc. As at 31 December 2017, 16 road and bridge projects were directly operated and invested by the Company, with 850 kilometres of highways owned or invested by the Company.

The Company's operating areas are located in the most economically vibrant region in the PRC, the Yangtze River Delta. The road and bridge projects owned or invested by the Company involve the roads and bridges serving as the major transport corridors linking roads stretching east-to-west and south-to-north across the Jiangsu Province. The vibrant economy in the region leads to hectic traffic. The Jiangsu Section of Shanghai-Nanjing Expressway, being the Company's core assets, links six large and medium cities, namely, Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC.

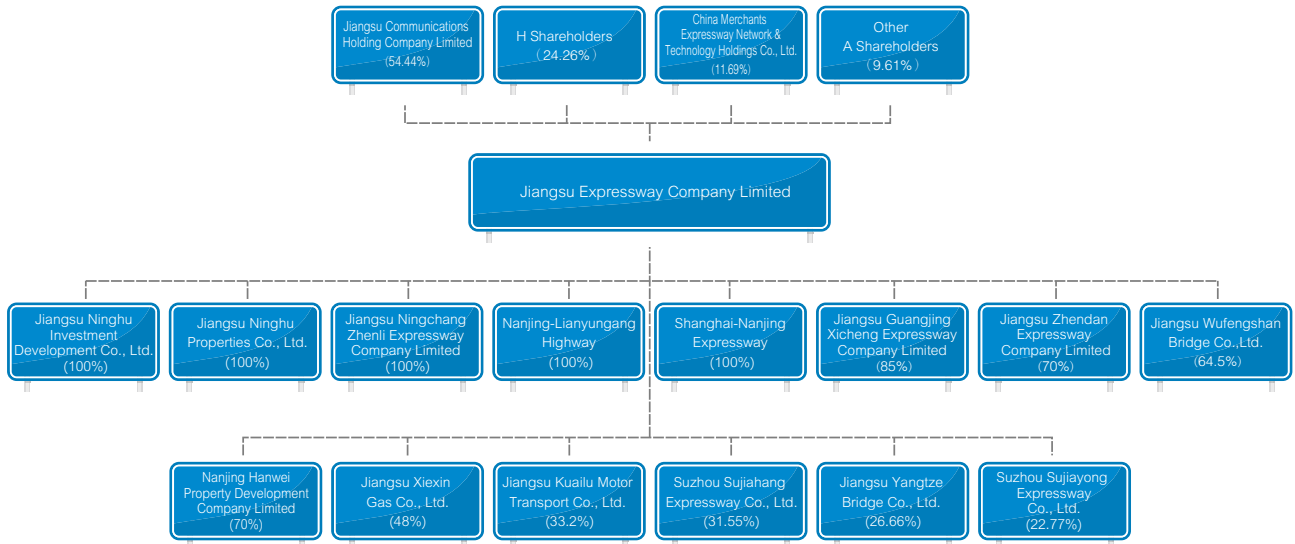
In addition, the Group is actively exploring and venturing into new business fields, and engaged in real estate investment and development, expressway advertising and media activities as well as other financial, quasi-financial and industrial investment, aiming to further enhance profitability and achieve sustainable development of the Group. As at 31 December 2017, the Company owned three wholly-owned subsidiaries, three non wholly-owned subsidiaries and ten non wholly-owned joint ventures, with total assets and net assets amounting to approximately RMB42,532 million and approximately RMB23,520 million, respectively.

During the Reporting Period, the Company, Ninghu Properties, Ninghu Investment, Guangjing Xicheng Company, Ningchang Zhenli Company, Zhendan Company, Wufengshan Toll Bridge Company and other subsidiaries of the Company were collectively referred to as the Group.



# SUMMARY OF THE COMPANY'S BUSINESS

## (2) Major assets structure of the Group



### 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 operating areas are located in the Yangtze River Delta, the most economically vibrant region in the PRC. The road and bridge projects owned or invested by the Company are core road transport corridors linking the two important industrial belts along the Yangtze River, Shanghai and Nanjing in the southern part of Jiangsu, putting us in a leading position in the expressway network industry in southern Jiangsu. The Group's distinct competitive edges in operation and development of the Group include its unique geographical advantage, a network of high-quality assets and the efficient operating system. Meanwhile, the Group has been integrating quality road resources within the region in the Group's business development so as to further enhance its core competitiveness.

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

#### ◇ **Leading operation 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 the Group's brand value brings advantage to the Group for the professional operation and management of longer expressway routes.

#### ◇ **Strong investment management capability**

The Group is relatively experienced in investment research on expressways, and has achieved good returns from invested projects. Integrating the Group's existing quality road and bridge assets for its future development has laid a relatively sound foundation for the Group through adopting the PPP model to commence investment, construction and operation of toll road and bridge projects with returns.

#### ◇ **Excellent financing management capacity**

The Company is one of the first batch of listed companies engaged in expressway operation and management in the PRC, and is also one of the four listed companies engaged in expressway operation and management with A shares and H shares listed on the SSE and the Stock Exchange, respectively. Therefore, it has a favorable financing platform in the capital markets of both the PRC and Hong Kong. Meanwhile, the Company has been maintaining a high-grade credit rating and smooth financing channels with low financing costs.





# REPORT OF THE BOARD



# REPORT OF THE BOARD



## CHANG QING

Chairman of the Board

### I. Management Discussion and Analysis

In 2017, the Group managed to further amplify the function of capital, broaden investment and financing channels and optimize business structure through equity investment, while maintaining steady growth in its principal business by vigorously promoting the investment and construction of its new road and bridge projects. Furthermore, by exploring new means and methods in the transformation of operation mode and enhancement of operating efficiency, the Group made substantive breakthroughs in its service area reform and achieved consistent and sound operation and development. Firstly, investment and construction of new projects proceeded orderly. During the Reporting Period, the Company capitalized on the development opportunity to continue the integration of quality road and bridge projects in the expressway network in southern Jiangsu by promoting the investment and construction of Wufengshan Toll Bridge and North-South Approach Expressway projects, Zhendan Expressway project and Changyi Expressway project in an orderly manner. In addition, Guangjing Xicheng Company, a subsidiary of the Company, invested in the new construction project of Yichang Expressway, further expanding the Group's quality expressway channel resources in the region. Secondly, breakthroughs were made in the transformation of operation mode. In the Reporting Period, the Company actively carried out the reform plan for the operation of service areas by introducing private enterprises to operate state-owned resources through the models of "outsourcing + supervision" and "platform + development", thereby realizing the exchange of resources for benefits and improving the economic efficiency and service quality in the six service areas of the Shanghai-Nanjing Expressway. Thirdly, greater exploration was made in the investment in ancillary businesses. In the Reporting Period, Ninghu Investment, a subsidiary of the Company, invested RMB700 million to further subscribe for the investment units of CDB Kai Yuan Phase II Fund, which broadened its investment horizon, improved its investment capability and expanded the room for future business transformation and development of the Company through exchanging ideas and cooperating with the well-known domestic investment institutions. Fourthly, the benefits of financing gradually revealed. In 2017, in response to the huge funding needs of its new project and a tight

money market, the Company timely adjusted its financing strategy and strived to replace direct financing with lower-cost indirect financing, thereby effectively filling the funding gap, controlling the capital cost and increasing profitability.

During the Reporting Period, the Group achieved a total operating revenue of approximately RMB9,455,680,000, representing an increase of approximately 2.76% year-on-year, of which the realization of toll revenue was approximately RMB7,104,364,000, representing an increase of approximately 6.79% year-on-year; revenue from ancillary services was approximately RMB1,780,145,000, representing an increase of approximately 5.49% year-on-year; revenue from property sales was approximately RMB509,752,000, representing a decrease of approximately 37.13% year-on-year; and revenue from advertising and other businesses was approximately RMB61,419,000, representing an increase of approximately 21.53% year-on-year. According to the PRC Accounting Standards, the Group realized an operating profit of approximately RMB4,724,367,000 during the Reporting Period, representing an increase of approximately 7.38% as compared to the same period in 2016. Net profit attributable to the shareholders of the Company was approximately RMB3,587,862,000 and earnings per share was approximately RMB0.7122, representing an increase of approximately 7.23% as compared to the same period in 2016. The business results of the Group reached a historic high.

## (I) Toll road and bridge operations

### 1. Analysis of business and operational 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 6.9%, representing an increase by 0.2 percentage point as compared to that in 2016 and marking the first accelerated growth since 2011. As such, China's economy was stable and improved, with obvious enhancement in quality and efficiency as well as a better structure. During the Reporting Period, the gross regional product in the Jiangsu Province recorded a year-on-year increase of 7.2%, representing a drop by 0.6 percentage point as compared to that in 2016. In spite of a slight decrease in the growth rate, the province's economy made progress amid stability, and showed greater vitality under the on-going supply-side structural reform. (Data source: 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.



### (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 4.9% year-on-year and cargo transportation volume rose by 9.4% as compared to that in the previous year, turnover of passengers and turnover of goods increased by 4.2% and 24.4% respectively. The port cargo throughput was above designated size at 2,570 million tons, representing an increase of 6.4% compared to that last year, of which 490 million tons were foreign trade cargo throughput, representing an increase of 8.7%; the container throughput were 17.24 million standard containers, representing an increase of 5.9%.

At the end of the Reporting Period, a total of 16,195,000 vehicles for civilian use were owned in the Jiangsu Province, representing a net increase of 1,840,000 vehicles, and representing an increase of 12.9% as compared to that at the end of the previous year; a total of 14,082,000 private cars were owned as at the end of the Reporting Period, representing a net increase of 1,560,000 vehicles, and representing an increase of 12.5% as compared to that at the end of the previous year, of which 9,876,000 private sedans were owned, representing a net increase of 955,000 vehicles, and representing an increase of 10.7% as compared to that at the end of the previous year (data source: governmental statistics information website).

The stable growth 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 modes of transportation. Meanwhile, the huge increase in cargo transportation and turnover of goods in the province also pushed up freight demand.

### (3) *Changes in competition pattern*

At the end of Reporting Period, the total operating expressway mileage in the Jiangsu Province was 4,692 kilometers, with additional mileage of 35 kilometers. The railway operation mileage was 2,770.9 kilometers, with additional mileage of 49 kilometers and main lines of railways extended 4,735.9 kilometers, with additional mileage of 59.2 kilometers (data source: governmental statistics information website). There were fewer newly constructed and opened projects of expressways and railways, which did not have newly-added diversion impact on toll road and bridge projects of the Group, maintaining the stability of the competition pattern.

### (4) *Policy's impact on toll roads*

During the Reporting Period, the Central Government and local governments have not yet released policies affecting 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 version of the Regulation on the Administration of Toll Roads has not been finally promulgated, policy environment for the industry was relatively stable.

The Administrative Rules on Driving of Overloaded Vehicles on Expressways (超限運輸車輛行駛公路管理規定), which were officially promulgated in September 2016, are conducive to improving the road safety of trucks, increasing the driving speed of trucks, reducing the damage to the expressways and increasing the total traffic volume of trucks on the expressways. Meanwhile, the Ministry of Transport, the Ministry of Industry and Information Technology, the Ministry of Public Security, the State Administration for Industry and Commerce and the General Administration of Quality Supervision, Inspection and Quarantine jointly carried out a special regulatory action for unlawfully modified and overloaded trucks. As a result, there was a significant increase in the truck volume on the expressways during the Reporting Period.



## 2. Operation and management measures

In 2017, 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 improved the expressway operation and management level and the road operation capability. Specific measures are as follows:

**Intelligent operation management was adopted to increase traffic efficiency.** Labor intensity of our employees was reduced as replacement of labor with machinery was actively promoted. In 2017, the Company set up six additional ETC lanes, bringing ETC lanes to account for about 24.68% of its toll lanes. The traffic volume of ETC lanes represented 37.22% of its total traffic volume while toll revenue of ETC lanes represented 40.86% of its total toll revenue. The Company was the first to install vehicle weigh stations at the toll stations across its expressway network in Jiangsu and automatic card dispensers at the entrances of Suzhou and Changzhou sections. About 72.58% of the Company's toll lanes were installed with automatic card dispensers at their entrances, effectively boosting the traffic capacity of the toll stations. The Company actively implemented the "Internet + Accessible Transportation" through strategic partnerships with professional big data providers such as GaoDe map, which enabled it to release accurate real-time information on road conditions and further enrich the contents of its traffic information service offered to road users, thus continuously improving the driving experience of road users.

**Professional capability in ensuring smooth traffic improved the traffic capability.** In coping with the increasingly saturated traffic flow, the Company adopted various measures to improve traffic accessibility. The Company upgraded the command and dispatch system with multi-screen display and data correlation technology, thus effectuating the information interaction including events monitoring, information release and on-site operation and improving information delivery efficiency and information accuracy. Furthermore, the Company implemented cross-regional working mechanism at the junctions connecting different cities to effectuate cross-regional interaction and make full use of its hindrance-clearing resources and managed to improve hindrance clearance efficiency through optimization of procedures for handling traffic accidents. It improved arrival rate of hindrance clearance and rescue and accessibility to roads. During the Reporting Period, the Company performed a total of 19,989 hindrance clearance tasks with an average of about 54.8 tasks per day. The overall rate of arrival within 20 minutes for hindrance clearance and rescue on all fronts was about 97.1% and the rate of easing traffic congestion within one hour was about 98.0%, maintaining the efficient accessibility level to roads under huge traffic flow condition and reflecting the Company's capability in response to exceptional situations.

**Standardized maintenance and management improved road quality.** In 2017, the Company continued to adhere to the concept of maintenance throughout the life span and conducted research on road maintenance strategy and planning for Shanghai-Nanjing Expressway. It increased investment in maintenance, speeded up defective road management, and made rational maintenance and construction arrangement. It conducted pavement cracks and defective bridges repair and hollow filling to eliminate latent hazards in roads and bridges. The MQI and PQI, two major indexes of maintenance quality, for Shanghai-Nanjing Expressway were 95.26 and 93.23 respectively, which were slightly higher as compared to those last year. Bridges of Category I and Category II remained to be 100% and the rate of excellent roads and expressways remained to be 100%. In spite of heavy traffic volume and continuous natural deterioration of road condition, the quality of the roads remained stable and improved. In terms of maintenance management, in-house maintenance was replaced by collaboration with professional road maintenance service providers, selecting good maintenance teams and maintenance arrangements were optimized, and the establishment of a standardized maintenance management system was advanced continuously through promotion of socialized, mechanized and organized maintenance.



# REPORT OF THE BOARD

## 3. Business performance and analysis of project operation

During the Reporting Period, the Group recorded toll revenue of approximately RMB7,104,364,000, representing a year-on-year increase of approximately 6.79% and representing approximately 75.13% of the total operating revenue of the Group. The data of the operations of each of the road and bridge projects is set out as below:

### Comparison of the data of average daily traffic volume and toll revenue

Project		2017		2016		Year-on-year %
Shanghai-Nanjing Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>70,848</b>	<b>78.20%</b>	65,270	78.04%	8.55%
	Traffic volume of trucks (vehicle/day)	<b>19,756</b>	<b>21.80%</b>	18,361	21.96%	7.60%
	Total traffic volume (vehicle/day)	<b>90,603</b>	-	83,631	-	8.34%
	Average daily toll revenue (RMB'000/day)	<b>13,162.67</b>	-	12,493.67	-	5.35%
Nanjing-Lianyungang Highway	Traffic volume of passenger vehicles (vehicle/day)	<b>3,637</b>	<b>63.56%</b>	3,572	72.15%	1.83%
	Traffic volume of trucks (vehicle/day)	<b>2,085</b>	<b>36.44%</b>	1,379	27.85%	51.23%
	Total traffic volume (vehicle/day)	<b>5,723</b>	-	4,951	-	15.59%
	Average daily toll revenue (RMB'000/day)	<b>90.97</b>	-	68.20	-	33.39%
Xicheng Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>61,118</b>	<b>79.55%</b>	56,299	78.70%	8.56%
	Traffic volume of trucks (vehicle/day)	<b>15,713</b>	<b>20.45%</b>	15,236	21.30%	3.13%
	Total traffic volume (vehicle/day)	<b>76,831</b>	-	71,535	-	7.40%
	Average daily toll revenue (RMB'000/day)	<b>1,582.53</b>	-	1,493.94	-	5.93%
Guangjing Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>53,628</b>	<b>78.93%</b>	50,826	77.23%	5.51%
	Traffic volume of trucks (vehicle/day)	<b>14,319</b>	<b>21.07%</b>	14,985	22.77%	-4.45%
	Total traffic volume (vehicle/day)	<b>67,946</b>	-	65,811	-	3.24%
	Average daily toll revenue (RMB'000/day)	<b>794.27</b>	-	797.66	-	-0.42%
Ningchang Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>27,516</b>	<b>74.09%</b>	23,533	74.92%	16.82%
	Traffic volume of trucks (vehicle/day)	<b>9,625</b>	<b>25.91%</b>	7,886	25.08%	22.04%
	Total traffic volume (vehicle/day)	<b>37,140</b>	-	31,440	-	18.13%
	Average daily toll revenue (RMB'000/day)	<b>2,234.69</b>	-	1,903.64	-	17.39%
Zhenli Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>7,032</b>	<b>60.08%</b>	6,418	63.43%	9.56%
	Traffic volume of trucks (vehicle/day)	<b>4,672</b>	<b>39.92%</b>	3,700	36.57%	26.28%
	Total traffic volume (vehicle/day)	<b>11,704</b>	-	10,118	-	15.67%
	Average daily toll revenue (RMB'000/day)	<b>681.18</b>	-	582.06	-	17.03%
Xiyi Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>17,224</b>	<b>82.46%</b>	15,952	83.23%	7.97%
	Traffic volume of trucks (vehicle/day)	<b>3,664</b>	<b>17.54%</b>	3,213	16.77%	14.03%
	Total traffic volume (vehicle/day)	<b>20,888</b>	-	19,166	-	8.99%
	Average daily toll revenue (RMB'000/day)	<b>831.54</b>	-	763.31	-	8.94%
Wuxi Huantaihu Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>6,458</b>	<b>83.18%</b>	6,383	85.48%	1.18%
	Traffic volume of trucks (vehicle/day)	<b>1,306</b>	<b>16.82%</b>	1,085	14.52%	20.41%
	Total traffic volume (vehicle/day)	<b>7,764</b>	-	7,468	-	3.97%
	Average daily toll revenue (RMB'000/day)	<b>86.15</b>	-	73.63	-	17.00%

Project		2017		2016		Year-on-year %
Jiangyin Bridge	Traffic volume of passenger vehicles (vehicle/day)	<b>64,310</b>	<b>76.36%</b>	59,918	75.78%	7.33%
	Traffic volume of trucks (vehicle/day)	<b>19,906</b>	<b>23.64%</b>	19,147	24.22%	3.97%
	Total traffic volume (vehicle/day)	<b>84,216</b>	-	79,065	-	6.51%
	Average daily toll revenue (RMB'000/day)	<b>3,051.24</b>	-	2,894	-	5.43%
Sujiahang Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>40,613</b>	<b>66.37%</b>	36,846	62.70%	10.22%
	Traffic volume of trucks (vehicle/day)	<b>20,581</b>	<b>33.63%</b>	21,917	37.30%	-6.10%
	Total traffic volume (vehicle/day)	<b>61,194</b>	-	58,763	-	4.14%
	Average daily toll revenue (RMB'000/day)	<b>3,041.63</b>	-	3,480.14	-	-12.60%
Yanjiang Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>38,249</b>	<b>74.63%</b>	34,433	75.42%	11.08%
	Traffic volume of trucks (vehicle/day)	<b>13,000</b>	<b>25.37%</b>	11,224	24.58%	15.83%
	Total traffic volume (vehicle/day)	<b>51,249</b>	-	45,657	-	12.25%
	Average daily toll revenue (RMB'000/day)	<b>3,958.36</b>	-	3,572.64	-	10.80%
Changjia Expressway	Traffic volume of passenger vehicles (vehicle/day)	<b>8,633</b>	<b>65.49</b>	-	-	-
	Traffic volume of trucks (vehicle/day)	<b>4,549</b>	<b>34.51</b>	-	-	-
	Total traffic volume (vehicle/day)	<b>13,182</b>	-	-	-	-
	Average daily toll revenue (RMB'000/day)	<b>308.65</b>	-	-	-	-

*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) jointly promulgated by the Ministry of Finance and the 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 the payable VAT shall be calculated at the tax rate of 3%. From May 2016, corresponding VAT has been deducted from the average daily revenue of the above road and bridge projects.

During the Reporting Period, Shanghai-Nanjing Expressway recorded an average daily traffic volume of 90,603 vehicles, representing a year-on-year increase of approximately 8.34%, and an average daily toll revenue of approximately RMB13,162,670, representing a year-on-year increase of approximately 5.35%. Considering the movement trend of the traffic volume of passenger vehicles and trucks throughout the year, traffic volume of passenger vehicles maintained at a stable growth at an average rate of approximately 8.55% throughout the year, representing approximately 78.20% of the total traffic volume. Whereas, traffic volume of trucks increased by approximately 7.60%, representing approximately 21.80% of the total traffic volume. Starting from August 2016, 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 unlawfully modified and overloaded trucks. As a result, there was a significant increase in the truck volume for the year 2017.

The performance of Ningchang Expressway in terms of traffic volume continued to be outstanding in the Reporting Period where average daily traffic volume increased by approximately 18.13% year-on-year. Among which, the average daily traffic volume of passenger vehicles increased by approximately 16.82% year-on-year, while the average daily traffic volume of trucks increased by approximately 22.04% year-on-year. The average daily toll revenue increased by approximately 17.39% year-on-year, achieving a higher degree of increase in respect of both traffic volume and toll revenue when comparing with those of other expressways within the expressway network. In 2017, the diversion impact of Ningchang Expressway on the western section of Shanghai-Nanjing Expressway gradually weakened. In Shanghai-Nanjing West Corridor comprising the western section of Shanghai-Nanjing Expressway and Ningchang Expressway, the average daily traffic volume increased by approximately 12.69% year-on-year during the Reporting Period. Among which, the average daily traffic volume of passenger vehicles increased by approximately 12.37%, while the average daily traffic volume of trucks increased by approximately 13.91%. The total traffic volume of both passenger vehicles and trucks on the two major passages between Shanghai and Nanjing showed a positive growth momentum. The expressway asset integration within the region progressively brought along scale benefits to the principal businesses of the Group.

The traffic volume of other road and bridge projects including Xicheng Expressway, Jiangyin Bridge and Yanjiang Expressway continued to maintain a relatively good growth momentum. Except that the toll revenue from the Suzhou downtown section of Sujiahang Expressway decreased due to restrictions on truck traffic and the toll revenue from Guangjing Expressway decreased due to declined truck traffic volume as a result of the expansion of Jianguang Expressway, the remaining road and bridge projects had grown in various degrees in terms of their respective traffic volume and toll revenue. During the Reporting Period, their overall movements in traffic volumes of passenger vehicles and trucks were basically consistent with that of Shanghai-Nanjing Expressway. During the Reporting Period, Nanjing-Lianyungang Highway registered unusual movements in its short-term traffic volume as the adjoining highway underwent major overhaul and restricted the passage of trucks. Changjia Expressway, which was newly opened on 1 January 2017, is still at the initial operation stage and has recorded a satisfactory growth rate in the chain relative ratio of traffic volume.

## 4. Business Development

### (1) *Accelerating the construction of new projects*

In 2017, the Company actively advanced the construction of the new projects namely Wufengshan Toll Bridge and North-South Approach Expressways. At present, the preliminary design and construction drawing design of Wufengshan Toll Bridge and North-South Approach Expressways have been approved, approximately 30% of the relevant housing demolition works have been completed, and the construction of the pile foundations and bearing platform of the main bridge of Wufengshan Toll Bridge has been completed. As at the end of the Reporting Period, Wufengshan Toll Bridge Company had invested RMB4,408 million in the projects, representing approximately 36.53% of the total project investment.

Zhendao Expressway project, 70% of the interests in which were held by the Company, officially commenced construction in October 2015 and has so far incurred capital expenditure of RMB1,276 million. The project is currently under construction and is expected to be completed and open to traffic in 2018.

As for Changyi Expressway Phase I Project, 60% of the interests in which were held by Guangjing Xicheng Company, preliminary works are being done and land acquisition, demolition and relocation have commenced. As at the end of the Reporting Period, the investment completed of the project was RMB1,485 million, representing approximately 39.08% of the total amount of project investment.

During the Reporting Period, as approved by the thirteenth meeting of the eighth session of the board of directors of the Company, in order to further secure prime expressway channel resources in the region, Guangjing Xicheng Company, a subsidiary of the Company, contributed up to RMB1,000 million for construction of the new project of Yichang Expressway in exchange for 60% equity interest in the project. As at the end of the Reporting Period, the investment completed of the project was RMB1,082 million, representing approximately 27.20% of the total amount of project investment.

### (2) *Follow up the 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 the first installments of the compensation in the sums of RMB326,419,854 and RMB200,000,000 respectively. On 6 September 2016, the Company received from Communications Holding the second installment of the compensation in the amount of RMB394,814,890. On 25 July 2017, the Company received from Communications Holding the third installment of the compensation in the amount of RMB394,814,890. As at the end of the Reporting Period, the compensation had been fully settled.

### (3) *Coordinating for the removal of Panjiahuayuan toll station located at Nanjing-Lianyungang Highway*

With the speedy urbanization progress in the areas along the Nanjing-Lianyungang Highway in recent years, the area where Panjiahuayuan toll station located has become part of the sub-central business district of Nanjing downtown. For the purpose of facilitating the development of Jiangbei New District, Nanjing Municipal Government made an application to Jiangsu Provincial Government for removing Panjiahuayuan toll station in May 2017. In November 2017, Jiangsu Provincial Government issued to Nanjing Municipal Government the Approval on Removal of Panjiahuayuan Toll Station Located at Nanjing-Lianyungang Highway (Su Zheng Fu [2017] No. 99) (關於同意撤銷寧連公路潘家花園收費站的批覆蘇政覆[2017]99號), giving approval for the removal of Panjiahuayuan toll station and requesting Nanjing Municipal Government to properly handle debts settlement and personnel placement following the removal to ensure social stability. The document, however, did not specify the time and date for terminating toll collection. Currently, the Company is actively communicating with the relevant highway administration agency in respect of the follow-up issues and will make announcements pursuant to the Listing Rules if there is any further information.



## (II) Operation of ancillary services

Ancillary services mainly include petroleum product sales, food and beverages, retail of goods and other related operations provided at the six service areas along the Shanghai-Nanjing Expressway.

Based on the development strategy of enhancing service quality and economic efficiency at the service areas, the Company comprehensively developed a reform plan for transforming the operation models at the service areas in November 2016, pursuant to which the “outsourcing + supervision” model would be adopted for the three service areas at Meicun, Xianrenshan and Huanglishu, and the “Platform Expansion” program would be adopted for the three service areas at Yangchenghu, Douzuang and Fangmaoshan. This reform plan aims at leveraging on quality private capital to exploit state-owned resources and creating synergies from the combination of the regional advantages of highways and the business model of private enterprises, thereby achieving harmonious and win-win outcomes. In January 2017, the transformation of operation models was first completed at Meicun service areas, and the rent of the lease for a term of 6 years was in a total of RMB280 million. In November 2017, the investor invested approximately RMB100 million in total in upgrading and modification of a total area of 20,000 square meters, creating brand new tourist complexes featuring diversified operations, seamless layout, complete facilities and functions. In July 2017, the transformation work of operation models at both Huanglishu and Xianrenshan service areas were completed at the same time. The total rent of the lease of Huanglishu service areas for a term of 6 years was RMB130 million and the total rent of the lease of Xianrenshan service areas for a term of 6 years was RMB140 million. In January 2018, Xianrenshan service areas, upon completion of upgrading and modification, were put into operation officially.

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 petroleum suppliers, requested increasing its profit-sharing ratio during the contract period and secured greater profit margins after several rounds of negotiation. Thus the Company recorded a marked increase in the level of overall profits derived from the sales of petroleum products in 2017. Meanwhile, the Company planned in advance, and proactively negotiated and bargained with petroleum suppliers in respect of purchase contracts for petroleum products and prices for the coming year, thus securing greater profit margins and laying a solid foundation for the growth of economic benefits of its service areas in 2018.

In order to further meet the diversified market demand for automotive fuels, Jiangsu Xiexin Gas, a joint venture of the Company, continued to advance the construction and operation of LNG gas stations at the service areas during the Reporting Period. 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 was under construction. During the Reporting Period, gas sales volume reached 6,218 tons, representing a year-on-year increase of approximately 2.37%; and a sum of approximately RMB28,253,000 of operating revenue was realized, representing a year-on-year increase of approximately 14.26%.

During the Reporting Period, the Company realized revenue of approximately RMB1,780,145,000 from ancillary services, representing a year-on-year increase of approximately 5.49%. In particular, the realization of sales revenue of petroleum products was approximately RMB1,521,453,000, representing approximately 85.47% of the total revenue from ancillary services, and representing a year-on-year increase of approximately 7.06%. The sales volume of petroleum products decreased by approximately 2.87% year-on-year, in particular, the sales volume of gasoline rose by approximately 4.71% year-on-year, while the sales volume of diesel fell by approximately 17.91% year-on-year, mainly due to the upgrade of diesel grades at gas stations along the Shanghai-Nanjing Expressway. However, the Company managed to secure profit margins through actively carrying out business negotiations with petroleum suppliers, bringing a year-on-year increase of approximately 3.16 percentage points in the gross profit margin of petroleum products business and an increase of over RMB50 million in net profit in 2017. Revenue from other businesses including food and beverages, retail of goods and hindrance clearance services was approximately RMB258,692,000, representing a year-on-year decrease of approximately 2.87%.



## (III) Property development and sales business

In 2017, a number of property policy adjustments were issued in the PRC to further regulate housing prices as well as more stringent measures were issued to impose restrictions on housing purchases, loans, prices and sales, resulting in faster differentiation of the property markets in different regions of the Jiangsu Province. Facing such complicated market environment and policy adjustments, the Company adhered to the marketing guideline of maintaining steady operation throughout the year with a primary focus on improving operating results, 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 year, 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 and Tongcheng Guangmingxinzuo B19, the completed houses of Suzhou Qingyuan, and Nanmen Shijia Huating. During the year, a total of 176 residential units, 9 commercial units and 52 parking spaces were pre-sold, and revenue realized from the pre-sale was RMB404,188,000. As at the end of the Reporting Period, an aggregate of 2,036 units (including 35 commercial units and 52 parking spaces) were pre-sold, with total revenue realized from pre-sale amounting to approximately RMB3,164,791,000. During the year, a total of 329 units (including 10 commercial units and 52 parking spaces) were delivered, with sales revenue carried forward amounting to approximately RMB491,162,000. An aggregate of 1,800 units (including 34 commercial units and 52 parking spaces) were delivered, with sales revenue carried forward amounting to approximately RMB2,323,303,000. During the Reporting Period, the net profit after tax realized by Ninghu Properties was approximately RMB108,785,000, representing a year-on-year increase of approximately 48.91%. As such, the real estate business continued to contribute to the Group's business growth.

### Progress of projects

There are 457 units for the Huaqiao C4 Tongcheng Hongqiao Mansion Projects (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.

There are a total of 368 units (including 24 commercial units) for Huaqiao B4 Tongcheng Guangmingjiezuo Project. Out of the remaining units, 1 commercial unit was sold in the year. As at the end of the Reporting Period, all residential units were sold, and a total of 347 units were delivered.

There are a total of 346 units (including 16 commercial units) for Huaqiao B19 Tongcheng Guangmingxinzuo Project. 5 commercial units were sold and 335 units were delivered during the Reporting Period. As at the end of the Reporting Period, all residential units were sold.

There are a total of 149 units (including 25 commercial units) for Jurong Tongcheng Shijia Phase I Project. During the Reporting Period, 7 units (including 3 commercial units) were sold. As at the end of the Reporting Period, an aggregate of 113 villas and 3 commercial units were sold and 114 units (including 3 commercial units) were delivered.

There are a total of 658 units for Jurong Tongcheng Shijia Phase II Project, including 232 villas and 426 small high-rise units. During the Reporting Period, 11 villas were sold. As at the end of the Reporting Period, a total of 141 villas were sold; and in respect of small high-rise units, 1,142 units were sold during the Reporting Period and a total of 381 units were sold as at the end of the Reporting Period. A total of 135 villas and 357 small high-rise units were delivered as at the end of the Reporting Period.

There are a total of 249 units (including 16 commercial units) for Suzhou Nanmen Shijia Huating Project. 12 residential units were pre-sold during the Reporting Period, bringing the total number of pre-sold units to 199 as at the end of the Reporting Period.

There are a total of 42 units for Suzhou Qingyuan Project, of which 7 units were sold during the year. A total of 14 units have been subscribed for, and an aggregate of 7 units were delivered in the Reporting Period.

As for Huaqiao C7 Tongcheng Pujiang Office Building Project, new lease contracts for 10 units were entered into during the Reporting Period, with total contract value amounting to approximately RMB3,189,000. As at the end of the Reporting Period, a total of 69 units had been leased out, with the total contract value amounting to approximately RMB11,299,900.

As for Plot No. 2 Complex Project located in the central business district of new city in the south of Nanjing, project construction and sales work proceeded as scheduled. The Construction Works Commencement Permit has been obtained and the main bodies of two apartment buildings have been built to 10 storeys above the ground. As at the end of the Reporting Period, pre-sale permit for the project has been obtained and pre-sale has been commenced. As at the end of 2017, the amount of subscription was approximately RMB570 million.

## Reserve of real estate during the Reporting Period

Applicable  Not Applicable

No.	Region(s) where the land is held for development	Area of the land held for development (sq m)	Consolidated area of first-class-land (sq m)	Planned plot ratio floor area (sq m)	Whether a joint development project is involved	Area involved in the joint development project (sq m)	Percentage of equity interests in the joint development project (%)
1	Kunshan Huaqiao Land Parcel	13,818	-	49,293	No	-	-
2	Suzhou Nanmenlu Land Parcel	3,492	-	5,774	No	-	-
3	Jurong Baohua Land Parcel	144,352	-	349,704	No	-	-
4	Land Lot No.2, South Nanjing New City	17,595	-	123,165	No	-	70%

## Development investment of real estate during the Reporting Period

Applicable  Not Applicable

Unit: Yuan Currency: RMB

Serial No.	Region	Project	Usage	Project under construction/ newly developed/ completed projects	Land area used by the project (sq m)	Planned plot ratio floor area of the project (sq m)	Gross floor area (sq m)	Floor area under construction (sq m)	Completed area (sq m)	Total amount of investment	Actual amount of investment during the Reporting Period
1	Kunshan Huaqiao	C5	Hotel	Under construction	20,837	52,049	65,842	65,842	-	979,900,000	287,380,000
2	Kunshan Huaqiao	C3	Commercial and residential	Under construction	21,275	43,049	57,454	57,454	-	422,000,000	117,980,000
3	Suzhou	Nanmen Shijia Huating Phase I	Commercial and residential	Under construction	27,173	56,853	75,336	75,336	-	1,064,000,000	1,064,000,000
4	Land Lot No.2, South Nanjing New City	Dindqianglu Complex Building	Commercial office	Under construction	17,595	123,165	170,264	170,264	-	1,660,000,000	799,025,785

## Sales of real estate during the Reporting Period

Applicable  Not Applicable

No.	Region	Project	Usage	Saleable area (sq m)	Pre-sold area (sq m)
1	Kunshan Huaqiao	Hongqiao Mansion	Commercial and residential	42,237	40,806
2	Kunshan Huaqiao	Guangmingjiezuo	Commercial and residential	38,957	32,534
3	Kunshan Huaqiao	Pujiang Office Building	Office	53,370	-
4	Kunshan Huaqiao	Guangmingxinzuo	Commercial and residential	38,240	34,985
5	Jurong	Tongcheng Shijia Garden Phase I	Commercial and residential	43,710	31,170
6	Jurong	Tongcheng Shijia Garden Phase II,	Commercial and residential	107,948	76,762
7	Suzhou	Qingyuan	Residential	22,662	5,006
8	Suzhou	Nanmen Shijia Huating	Commercial and residential	59,580	32,217
9	Nanjing	Land Lot No.2, South Nanjing New City	Commercial and residential	52,213	17,675

# REPORT OF THE BOARD

## Rental of real estate during the Reporting Period

Applicable       Not Applicable

Unit: Yuan    Currency: RMB

No.	Region	Project	Usage	Building area of the leased property (sq m)	Rental income of the leased office property	Whether the fair value measurement was adopted	Rental income/fair value of the real estate (%)
1	Kunshan Huaqiao	Pujiang Office Building	Office	6,652	2,745,857	No	-
	Kunshan Huaqiao	Pujiang Office Building	Shop	628	161,136	No	-
2	Kunshan Huaqiao	Guangmingjiezuo	Shop	466	324,069	No	-
3	Jurong	Tongcheng Shijia Garden	Shop	1,435	291,905	No	-
4	Kunshan City	Huijiejayuan	Office	8,494	4,404,611	No	-

## (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 realized from advertising and other businesses of the Group was approximately RMB61,419,000, representing a year-on-year increase of approximately 21.53%.

During the Reporting Period, benefiting from a favorable macroeconomic environment in China, Ninghu Investment made the best of its advantages in resources to promote its advertising distribution services. Despite a slight decline in the utilization rate of advertising media resulted from the adjustments to contract renewal time, Ninghu Investment still delivered an admirable performance in the overall utilization 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 89% 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 79%. On this basis, Ninghu Investment continued to carry out external cooperation and communication to expand its advertising business, entered into resources distribution agreements with the companies whose expressways connect with Shanghai-Nanjing Expressway through junctions, and actively sought administrative permits for building new billboards. During the Reporting Period, administrative approvals were obtained for setting up four double-sided upright billboards along Shanghai-Nanjing Expressway, creating conditions for future business growth. During the Reporting Period, the business income obtained from advertising operations was approximately RMB48,521,000, representing a year-on-year increase of approximately 16.70%.

The total revenue realized from other property services and the lease of commercial properties for the year was approximately RMB12,898,000, representing a year-on-year increase of approximately 43.92%, which mainly comprised subsidiaries' rental income from the leased commercial properties and property management income realized from property management and operation.

## II. Primary Operating Conditions during the Reporting Period

### (I) Analysis of principal businesses

**Table of analysis of changes in relevant items in income statement and cash flow statement**

Unit: Yuan Currency: RMB

Item	Amount in the Reporting Period	Amount in the corresponding period last year	Changes (%)
Operating revenue	9,455,680,365	9,201,297,066	2.76
Operating costs	4,334,469,882	4,363,720,292	-0.67
Business taxes and surtaxes	87,587,512	193,471,915	-54.73
Selling expenses	11,891,705	26,762,163	-55.57
Administrative expenses	187,898,191	182,065,269	3.20
Financial expenses	480,441,961	502,388,296	-4.37
Impairment losses of assets	217,724,263	100,275	217,027.16
Gain on changes in fair value	5,659,094	-2,674,334	311.61
Investment income	586,872,528	472,966,663	24.08
Gain on disposal of assets	-5,659,248	-3,570,996	-58.48
Non-operating income	14,176,399	44,626,929	-68.23
Non-operating expenses	24,721,090	26,861,204	-7.97
Net cash flow from operating activities	5,232,104,978	5,463,748,504	-4.24
Net cash flow from investing activities	-7,582,966,202	-225,759,481	-3,258.87
Net cash flow from financing activities	2,419,346,946	-5,264,831,123	145.95
R&D expenditure	-	-	-

#### 1. Analysis of revenue and cost

Applicable  Not Applicable

The Group had an aggregate operating revenue of approximately RMB9,455,680,000 during the Reporting Period, representing an increase of approximately 2.76% as compared to the same period in 2016. Total operating costs were approximately RMB4,334,470,000, representing a year-on-year decrease of approximately 0.67% as compared to the same period in 2016. The consolidated gross profit margin of the Group increased by 1.59 percentage points year-on-year.

Components of revenue:

Item of operating revenue	For the Reporting period		For the same period in 2016		Year-on-year increase/decrease
		Percentage		Percentage	
Toll road business	7,104,363,726	75.13	6,652,456,422	72.30	2.83
Ancillary services business	1,780,145,565	18.83	1,687,466,779	18.34	0.49
Property sales business	509,752,364	5.39	810,834,534	8.81	-3.42
Advertising and other businesses	61,418,710	0.65	50,539,331	0.55	0.10
Total	9,455,680,365	100	9,201,297,066	100	-

# REPORT OF THE BOARD

(1) Principal businesses classified by industries, products and regions

Unit: Yuan Currency: RMB

## 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	7,104,363,726	2,301,862,413	67.60	6.79	8.20	Decreased by 0.42 percentage point
Shanghai- Nanjing Expressway	4,804,374,867	1,295,089,018	73.04	5.07	6.01	Decreased by 0.24 percentage point
Nanjing- Lianyungang Highway	33,204,966	28,056,334	15.51	33.03	69.33	Decreased by 18.11 percentage points
Guangjing Expressway and Xicheng Expressway	867,533,895	256,375,340	70.45	3.43	3.34	Increased by 0.03 percentage point
Ningchang Expressway and Zhenli Expressway	1,064,293,775	537,329,066	49.51	16.99	14.60	Increased by 1.05 percentage points
Xiyi Expressway and Wuxi Huantaihu Expressway	334,956,223	185,012,655	44.77	9.35	7.45	Increased by 0.98 percentage point
Ancillary services business	1,780,145,565	1,728,961,843	2.88	5.49	3.27	Increased by 2.09 percentage points
Property sales business	509,752,364	280,007,835	45.07	-37.13	-48.13	Increased by 11.64 percentage points
Advertising and other businesses	61,418,710	23,637,791	61.51	21.53	6.08	Increased by 5.60 percentage points
<b>Total</b>	<b>9,455,680,365</b>	<b>4,334,469,882</b>	<b>54.16</b>	<b>2.76</b>	<b>-0.67</b>	<b>Increased by 1.59 percentage points</b>

## 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	9,455,680,365	4,334,469,882	54.16	2.76	-0.67	Increased by 1.59 percentage points

# REPORT OF THE BOARD

## (2) Analysis of costs

Unit: Yuan

By industries	Components of costs	Amount for the Reporting Period	Percentage in total costs for the Reporting Period (%)	Amount for the same period last year	Percentage in total costs for the same period last year (%)	Changes in percentage of the amount for the Reporting Period compared with the same period last year (%)	Explanation of the situation
Toll road operations		2,301,862,413	53.10	2,127,454,925	48.75	8.20	
	Depreciation and amortization	1,281,795,107	29.57	1,187,205,847	27.21	7.97	Mainly due to a year-on-year increase in amortization of toll road concession rights in the Reporting Period as a result of the increased traffic volume.
	Costs on maintenance	205,626,217	4.74	175,981,205	4.03	16.85	Mainly due to a year-on-year increase in the costs of road maintenance as a result of a comprehensive renovation of the facilities and greening along the expressways during the Reporting Period.
	Costs on system maintenance	42,607,191	0.98	44,915,576	1.03	-5.14	
	Costs on toll collection	134,580,213	3.11	136,199,881	3.12	-1.19	
	Labour costs	637,253,685	14.70	583,152,416	13.36	9.28	Mainly due to the rigid increase in labour costs.
Ancillary service businesses		1,728,961,843	39.89	1,674,183,118	38.37	3.27	
	Raw materials	1,433,125,919	33.06	1,419,872,764	32.54	0.93	
	Depreciation and amortization	48,239,865	1.11	24,663,217	0.57	95.59	Mainly due to the adjustment of consolidation basis.
	Labour costs	185,924,504	4.29	180,082,158	4.13	3.24	Mainly due to the rigid increase in labour costs.
	Other costs	61,671,555	1.43	49,564,979	1.13	24.43	
Property sales businesses		280,007,835	6.46	539,800,281	12.37	-48.13	Costs carried forward from property sales business recorded a year-on-year decrease due to the year-on-year decrease in delivery of property projects completed during the Reporting Period by Ninghu Properties, a subsidiary of the Company.
Advertising and other business		23,637,791	0.55	22,281,968	0.51	6.08	A year-on-year increase in the properties expenses, resulting from the increased property management scale of delivered property projects of the subsidiaries during the Reporting Period.
Total		4,334,469,882	100	4,363,720,292	100	-0.67	

# REPORT OF THE BOARD

(3) *Major Sales Customers and Suppliers*

Applicable       Not Applicable

As the major customers of the Group's toll road business, service area operation and real estate sales business are individual consumers in the society, the top five customers together accounted for less than 30% of the Company's turnover, and there are no bulk purchases related to daily operations, so no information of the Group relating to major customers and suppliers is needed to be further disclosed.

2. Expenses

Applicable       Not Applicable

(1) *Administrative expenses*

During the Reporting Period, administrative expenses incurred by the Group were RMB187,898,000 in aggregate, representing an increase by approximately 3.20% over the same period last year, which was mainly due to the rigid increase in labour costs. The budgetary control of administrative expenses of the Company was in good condition in 2017 through the strengthening of budget management and strict expenses control. The year-on-year increase in administrative expenses during the Reporting Period was mainly due to the rigid increase in labour costs and the increase in amortization fee of software resulting from the enhancement of the level of informatization of management.

(2) *Financial expenses*

Due to the tightening regulation on financial risk prevention, interest rates on capital kept rising in 2017. The consolidated loan interest rate of the Group's interest-bearing debts was approximately 4.41% in 2017, representing a year-on-year increase of approximately 0.35 percentage point. The transfer of Ningchang Zhenli Company's debts to the Company resulted in a higher interest-bearing debt base figure in 2016, and such debts carried forward had been settled gradually in early 2017, thus the Company recorded a year-on-year decrease in its average interest-bearing debts during the Reporting Period. The financial expenses of the Group for the Reporting Period were approximately RMB480,442,000, representing a year-on-year decrease of approximately 4.37%.

(3) *Selling expenses*

During the Reporting Period, the Group's aggregate selling expenses were approximately RMB11,892,000, representing a year-on-year decrease of approximately 55.57%, which was mainly due to a significant year-on-year decrease in the commission fees for property sales agents for the pre-sold projects as a result of the decrease in the presold properties of Ninghu Properties, a subsidiary of the Company during the Reporting Period as compared to that of the same period last year.

(4) *Income tax*

The statutory income tax rate of all companies of the Group was approximately 25%. During the Reporting Period, the income tax expense of the Group was approximately RMB1,029,003,000 in aggregate, representing a year-on-year increase of approximately 4.99%.





## 3. Cash flow

Applicable       Not Applicable

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 amount of net cash flow incurred by the Group's operating activities was approximately RMB5,232,105,000, representing a year-on-year decrease of approximately 4.24%, mainly due to a year-on-year decrease in net cash flow generated from operating activities resulting from the decrease in property presale income in the Reporting Period; the amount of net cash outflow generated from investment activities was approximately RMB7,582,966,000, representing a year-on-year increase of approximately 3,258.87%, which was mainly due to a year-on-year significant increase in net cash outflow for investment activities resulting from the payment for the construction project of Wufengshan Toll Bridge, Changyi Expressway and Yichang Expressway during the Reporting Period; the amount of net cash inflow generated from financing activities was approximately RMB2,419,347,000, representing a significant increase as compared with the net cash outflow of approximately RMB5,264,831,000 over the same period last year, mainly due to a year-on-year decrease in the net cash outflow for the repayment of interest-bearing liabilities during the Reporting Period and a year-on-year increase in the contribution received by subsidiaries.

## 4. Impairment losses of assets

In November 2017, the Jiangsu Provincial Government issued to Nanjing Municipal Government the Approval for Removal of Panjiahuayuan Toll Station on Nanjing-Lianyungang Highway (Su Zheng Fu [2017] No. 99) (關於同意撤銷寧連公路潘家花園收費站的批覆蘇政覆[2017]99號), giving approval for the removal of Panjiahuayuan toll station. Though the document did not specify the exact date and time for terminating toll collection, it is provided in PRC Accounting Standards for Business Enterprises No. 8 – Article 5 Impairment of Losses of Assets: There may be an impairment of assets if one of the following signs exists: (II) the economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise; (V) the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule. Pursuant to the above requirements under the Accounting Standards for Business Enterprises No. 8, the removal of the toll station on Ninglian Expressway indicated potential impairment of assets. Accordingly, the Company has made provision for impairment of intangible assets for the operation rights of Nanjing-Lianyungang Highway, and impairment losses of assets of approximately RMB217,738,000 were incurred.

## 5. Non-operating income and expenses

During the Reporting Period, the Group achieved a non-operating income of approximately RMB14,176,000, representing a year-on-year decrease of approximately 68.23%, which was mainly due to the subsidy of approximately RMB12,930,000 for energy conservation and emission reduction, and compensation of RMB18,820,000 for the land use right of the soil extraction pit received by the Company in the corresponding period last year, resulting in a relatively large base of non-operating income last year.

During the Reporting Period, the Group incurred a non-operating expense of approximately RMB24,721,000, representing a year-on-year decrease of approximately 7.97%, which was mainly due to a year-on-year decrease in repair expenses of road assets.

## REPORT OF THE BOARD

### 6. Investment income

During the Reporting Period, the Group's investment income was approximately RMB586,873,000, representing a year-on-year increase of approximately 24.08%. Benefited from the increase in profits of Yangtze Bridge Company, Sujiahang 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 RMB494,405,000, representing a year-on-year increase of approximately 12.87% as compared with the same period last year. In addition, investment income from available-for-sale financial assets was approximately RMB54,320,000, representing a year-on-year increase of approximately 444.83%, which was due to a significant increase in the dividends from Bank of Jiangsu and Jiangsu Leasing Company as compared with that of 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 interests attributable to the Company %	Net profit attributable to the parent company	Contribution to investment income	Proportion of net profit attributable to the Company %	Year-on-year increase or decrease %
Sujiahang Company	Mainly responsible for the management and operation businesses of Sujiahang Expressway	526,090,677	31.55	586,508,773	185,043,518	5.02	30.15
Yangtze Bridge Company	Mainly responsible for the management and operation of Jiangyin Bridge	631,159,243	26.66	610,043,038	162,637,475	4.41	23.50
Yanjiang Company	Mainly responsible for the management and operation of Yanjiang Expressway	1,466,200,000	25.15	655,936,272	181,038,411	4.91	-2.27

\* The profit of Sujiahang Company for the corresponding period last year decreased as it acquired and merged with Changkun Company, which resulted in a lower base figure over the same period last year. The traffic volume of Sujiahang Expressway was re-forecasted in the Reporting Period, which resulted in the corresponding decrease in amortization of road concession rights. Therefore, Sujiahang Company recorded a significant year-on-year increase in its net profit, and investment income contributed by Sujiahang Company during the Reporting Period increased by approximately 30.15% year-on-year.

\* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume and a 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 increase in net profit as compared with that of the corresponding period last year and its contribution to investment income increased by approximately 23.50% year-on-year.

\* After Yanjiang Company acquired Husuzhe Company at the end of the previous year, the percentage of equity interest in Yanjiang Company held by the Company was diluted. The net profit attributable to the Company contributed by Yanjiang Company increased as compared with that of the same period last year, but the contribution to investment income decreased by approximately 2.27% year-on-year.

### (II) Major changes in profits caused by non-principal businesses

Applicable  Not Applicable

## (III) Analysis of Assets and Liabilities

### 1. Assets and Liabilities

Unit: Yuan

Item	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 period	Percentage in the total assets as at the end of the previous period (%)	Percentage change of the amount as at the end of the Reporting Period compared to that at the end of the previous year (%)	Explanation of the situation
Monetary fund	269,357,751	0.63	265,422,162	0.73	1.48	
Bills receivables	2,880,000	0.01	6,116,460	0.02	-52.91	Mainly due to decrease in the bank acceptance notes held by Ninghu Investment, a subsidiary of the Company, as compared to those at the beginning of the year.
Accounts receivables	306,367,630	0.72	148,153,297	0.41	106.79	Mainly due to the increase in the allocation of road tolls receivable during the Reporting Period.
Prepayments	10,200,712	0.02	16,851,683	0.05	-39.47	Mainly due to the decrease in prepayments for the purchase of petroleum products during the Reporting Period as compared to those at the beginning of the year.
Interest receivables	80,231,500	0.19	45,694,000	0.13	75.58	Mainly due to the increase in loan interest due from Hanwei Company, a joint venture, during the Reporting Period.
Other receivables	21,035,223	0.05	422,083,818	1.16	-95.02	Mainly due to the receipt of the third instalment of compensation received for the early termination of toll road concession rights of G312 Shanghai-Nanjing Section during Reporting Period.
Non-current assets due within one year	300,000,000	0.71	-	-	-	Mainly due to a sum of RMB300 million out of the shareholders' loans granted by the Company to a joint venture Hanwei Company which will become due on 26 March 2018, in respect of which adjustment was made during the Reporting Period from other non-current assets to non-current assets due within one year.
Other current assets	557,742,656	1.31	326,161,615	0.90	71	Mainly due to an increase in the financial products held by the Group at the end of the Reporting Period as compared to those at the beginning of the year
Inventories	3,010,805,685	7.08	3,142,326,304	8.66	-4.19	
Available-for-sale financial assets	2,329,877,191	5.48	2,086,127,987	5.75	11.68	Mainly due to the increase in 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, during the Reporting Period as compared to those at the beginning of the year.

# REPORT OF THE BOARD

Item	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 period	Percentage in the total assets as at the end of the previous period (%)	Percentage change of the amount as at the end of the Reporting Period compared to that at the end of the previous year (%)	Explanation of the situation
Investment properties	20,019,608	0.05	32,113,394	0.09	-37.66	Mainly due to the transfer of investment properties held by Ninghu Investment, a subsidiary, during the Reporting Period.
Long-term equity investment	5,123,326,114	12.05	4,771,195,958	13.15	7.38	
Construction in progress	8,294,639,339	19.50	1,197,809,229	3.30	592.48	Mainly attributed to investments of road and bridge projects under construction, including Wufengshan Toll Bridge, Changyi Expressway Phase I Project, as well as investments of Yichang Expressway Project and Zhenan Expressway Project during the Reporting Period.
Deferred income tax assets	258,020,384	0.61	345,345,094	0.95	-25.29	Mainly due to reversal of deferred income tax assets arising from making up losses in previous years by Ningchang Zhenli Company, a subsidiary of the Company, during the Reporting Period.
Other non-current assets	200,216,678	0.47	376,477,785	1.04	-46.82	Mainly due to a sum of RMB300 million out of the shareholders' loans granted by the Company to Hanwei Company, in respect of which adjustment was made during the Reporting Period from other non-current assets to non-current assets due within one year, and an addition of entrusted loans in a sum of RMB120 million granted by the Company to Hanwei Company during the Reporting Period.
Short-term borrowings	3,599,000,000	8.46	810,000,000	2.23	344.32	Mainly due to increase in short-term borrowings for the satisfaction of needs for capital turnover during the Reporting Period.
Receipts in advance	840,007,370	1.97	940,873,359	2.59	-10.72	Mainly due to the decrease in the pre-sale payments for property projects received by Ninghu Properties, a subsidiary as compared to that at the beginning of the year
Non-current liabilities due within one year	623,841,375	1.47	121,718,718	0.34	412.53	Mainly due to the medium-term notes of RMB500 million which were issued by the Company on 21 June 2013 and will become due on 21 June 2018, in respect of which adjustment was made during the Reporting Period from bonds payable to non-current liabilities due within one year.
Other current liabilities	2,243,200,002	5.27	3,936,452,668	10.85	-43.01	Mainly due to the repayment of ultra-short-term notes upon maturity during the Reporting Period.
Long-term borrowings	3,874,089,201	9.11	1,471,905,901	4.06	163.20	Mainly due to the increase in loans for the construction of toll road and bridge projects under construction during the Reporting Period.
Bonds payable	3,970,157,835	9.33	4,457,801,187	12.29	-10.94	

Item	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 period	Percentage in the total assets as at the end of the previous period (%)	Percentage change of the amount as at the end of the Reporting Period compared to that at the end of the previous year (%)	Explanation of the situation
Expected liabilities	8,010,000	0.02	-	-	-	Mainly due to the maintenance fees of Nanjing-Lianyungang Highway estimated by the Company during the Reporting Period pursuant to the preliminary plan for road management and maintenance in relation to the removal of toll stations on Nanjing-Lianyungang Highway as released by Nanjing Municipal Government and Jiangsu Provincial Government.
Deferred income tax liabilities	28,056,831	0.07	138,362,514	0.38	-79.72	Mainly due to the corresponding adjustment to other comprehensive income according to the fair value of the shares of Bank of Jiangsu held by the Company and the adjustment to the deferred income tax liabilities during the Reporting Period.
Other comprehensive income	380,908,923	0.90	542,389,052	1.49	-29.77	Mainly due to the adjustment to the corresponding other comprehensive income according to the fair value of the shares of Bank of Jiangsu held by the Company during the Reporting Period.
Equity attributable to shareholders of the parent company	23,520,283,963	55.30	22,209,756,185	61.21	5.90	
Minority interests	2,374,646,649	5.58	732,100,804	2.02	224.36	The increase was mainly due to the capital contributions by minority shareholders which were received by newly established subsidiaries such as Wufengshan Toll Bridge Company, Changyi Company and Yichang Company during the Reporting Period.
Total assets	42,532,491,238	100.00	36,282,573,529	100.00	17.23	
Total gearing ratio	39.12%	-	36.77%	-	2.35	
Net gearing ratio	64.25%	-	58.15%	-	6.10	

### Other explanations

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

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

# REPORT OF THE BOARD

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

Unit: RMB

Item	Book value as at the end of the Reporting Period	
	Reporting Period	Reasons for restriction
Bank deposits	3,552,281	Customers' mortgage deposit
Bank deposits	3,046,769	Supervision funds for pre-sale
Intangible assets	2,027,977,754	Pledge of toll road concession rights of expressways
Total	2,034,576,804	

### (1) Explanation for restrictions on bank deposits

At the end of the Reporting Period, other currency funds of the Company included deposit of mortgage loans to customers of RMB3,552,000 and pre-sale proceeds subject to regulation of RMB3,047,000. The pre-sale proceeds subject to regulation was raised by Suzhou Bureau of Housing and Urban-Rural Development to facilitate the smooth development of property projects and strengthen the relevant requirements on the supervision on monetary capital of property development projects. The Company authorized the banks to manage project capital. The project capital must be paid in full before applying for construction permits for the newly commenced projects. Developers shall release project deposits by tranches depending on construction progress. The remaining project deposits shall be released upon the completion of the construction and delivery of the property.

### (2) Explanation for restrictions on intangible assets

A subsidiary of the Company, Guangjing Xicheng Company, has merged with and acquired Xiyi Company and undertaken the original loan of Xiyi Company, of which the original loan in a sum of RMB200,000,000 was obtained from Wuxi branch of Bank of China for the construction of Wuxi Huantaihu Expressway project. The bank loan was guaranteed by the parent company namely Communications Holding and it was 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, RMB182,000,000 has been repaid in aggregate and the balance of the loan was RMB18,000,000.

### 3. Other explanations

#### (1) Capital expenditure

During the Reporting Period, the Group incurred the planned capital expenditure in a sum of approximately RMB7,839,417,000, representing an increase of approximately RMB6,952,855,000 or approximately 784.25% compared with that in 2016. The increase was mainly due to the investment in the new construction of Wufengshan Toll Bridge, Changyi Expressway and Yichang Expressway. During the Reporting Period, the capital expenditure projects carried out by the Group and their amounts are as follows:

Unit: Yuan

Capital expenditures by project	RMB
Investment in the construction of Zhendan Expressway	214,386,511
Investment in the construction of Wufengshan Toll Bridge	4,407,664,302
Investment in the construction of Changyi Expressway	1,484,729,260
Investment in the construction of Yichang Expressway	1,082,308,293
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	352,749,204
Equity investment in Nanjing Luode Dening Real Estate Investment Partnership Corporation (Limited Partnership)	75,000,000
Equity investment in Jiangsu Sundian	13,500,000
Connection and modification of Jingjiang Station of Guangjing Expressway	24,140,649
Alteration and addition of service areas and toll collection points	62,374,029
Construction project of Three Major Systems	19,610,524
Noise barriers construction project	8,067,827
Informatization construction project	4,045,337
Alteration project for overpass of Luqu Interchange-Mashan Expressway	9,624,657
Setting up of billboards	4,129,754
Other construction and facilities in progress	77,086,772
<b>Total</b>	<b>7,839,417,119</b>

#### (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 RMB16,637,561,000. The overall gearing ratio of the Group was approximately 39.12% (Note: the calculation basis of the total gearing ratio: liabilities/total assets), which increased by approximately 2.35 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.

### (3) Financial strategy and financing arrangement

During the Reporting Period, the Company actively expanded its financing channels, adjusted its debt structure and reduced its financing cost. By means of the proactive financing strategy, the Company was able to meet the funding needs for its operation and management and project investment and controlled the financing cost effectively. The Group's borrowing requirements are not subject to seasonality. The amount of direct financing newly added for the Reporting Period was RMB6,200 million, all of which carried fixed interest rates. As at the end of the Reporting Period, the balance of interest-bearing liabilities was approximately RMB14.298 billion, representing an increase of approximately RMB3,494 million as compared with that at the beginning of the year. During the Reporting Period, the consolidated borrowing cost on interest-bearing liabilities were approximately 4.41%, representing an increase of 0.35 percentage points as compared with that of last year and approximately 0.49 percentage points lower than the lending rate of bank loan over the same period. No financial instrument was used for hedging purpose. During the Reporting Period, the Company's major financing activities included the following products and the proceeds therefrom were used as working capital of the Company (for optimizing its financing structure and reducing the financing cost of the Company) and for providing loans to Guangjing Xicheng Company:

Financing categories	Date of issuance	Product term	Financing Amount RMB'000	Interest rate of issuance %	Prevailing bank benchmark interest rate %	Changes in financing costs %
Ultra-short-term financing bills	12 April 2017	270	1,000,000	4.2	4.35	-0.15
Ultra-short-term financing bills	12 April 2017	93	1,000,000	3.82	4.35	-0.53
Ultra-short-term financing bills	19 May 2017	112	800,000	4.15	4.35	-0.2
Ultra-short-term financing bills	6 July 2017	127	600,000	4.15	4.35	-0.2
Ultra-short-term financing bills	12 July 2017	93	600,000	4.15	4.35	-0.2
Ultra-short-term financing bills	19 July 2017	92	1,000,000	4.13	4.35	-0.22
Ultra-short-term financing bills	13 October 2017	182	1,200,000	4.65	4.35	0.3

### (4) Credit policy

In order to reduce credit risk, the Group has controlled credit limits, undertaken credit approvals and implemented 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. Therefore, the management considers that the credit risk borne by the Group was relatively low.

### (5) Contingent matters

According to the common practice in real estate operation, Ninghu Properties, a subsidiary of the Company, provided guarantees with joint and several liabilities for mortgage loans granted to the buyers of commodity housing properties. The guarantee obligation began from the effective date of the guarantee contract until the date when the registration formalities for real estate mortgage in respect of the residence purchased by a purchaser of a commodity housing property was completed and the Building Right Encumbrances Certificate was provided to bank for enforcement. As at 31 December 2017, the amount of outstanding guarantee was approximately RMB893,281,511 (31 December 2016: RMB779,906,911).

### (6) Foreign exchange risks

The Group operates its businesses principally in the PRC. No material foreign exchange risks are involved as the Group's operating revenue and capital expenditure are all settled in Renminbi, except for dividend payments for H Shares, and the Group has no investment in foreign currency. The Group obtained a loan of USD9,800,000 from the Spanish Government in 1998 at the interest rate of 2% per annum and it will become due on 18 July 2027. As at 31 December 2017, the balance of the loan was equivalent to approximately RMB17,808,000, against which no foreign exchange hedging arrangements were made by the Group. Fluctuations in exchange rates will have no material impact on the Group's results.



## (7) Reserves

Unit: Yuan

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total equity interests attributable to the parent company
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 amount of comprehensive income	-	-	420,906,148	-	-	420,906,148
Profit distributed	-	-	-	112,885,381	(112,885,381)	-
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
As at 31 December 2017	5,037,747,500	10,428,388,235	542,389,052	3,153,173,160	3,048,058,238	22,209,756,185
Profit for the year	-	-	-	-	3,587,861,857	3,587,861,857
Reduction of owners' capital	-	-	-	-	-	-
Total comprehensive income	-	-	(161,480,129)	-	-	(161,480,129)
Profit distributed	-	-	-	120,319,139	(120,319,139)	-
Dividends distributed	-	-	-	-	(2,115,853,950)	(2,115,853,950)
As at 31 December 2017	5,037,747,500	10,428,388,235	380,908,923	3,273,492,299	4,399,747,006	23,520,283,963

Note: The ownership of the above capital items belong to those companies which are part of the Group.

The above statutory reserves may not be used for purposes other than their intended purposes and may not be used for distribution as cash dividends. As at 31 December 2017, reserves distributable to the shareholders were RMB4,399,747,006 (as at 31 December 2016, reserves distributable to the shareholders were RMB3,048,058,238).

## (8) Events subsequent to the balance sheet date

On 19 March 2018, the twenty-second meeting of the eighth session of the board of directors resolved that the Company would propose to acquire 30% equity interest in its joint venture Hanwei Company from Jiangsu Luode Equity Investment Fund Management Company Limited at a consideration of RMB184,499,800. Upon such acquisition, Hanwei Company will be a wholly-owned subsidiary of the Company. For details, please refer to the announcement posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on 19 March 2018 and the announcement published respectively on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Company on 20 March 2018.

## (IV) Analysis of operational information of the Industry

Applicable  Not applicable

## (V) Analysis of investment status

### 1. Overall analysis of external investment

During the Reporting Period, the total amount of external equity investment of the Group was approximately RMB441,249,000, representing an increase of approximately 45.81% as compared with 2016. The specific items mainly included equity investment of RMB352,749,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership), equity investment of RMB75,000,000 in Nanjing Luode Dening Real Estate Investment Partnership (Limited Partnership) and additional capital contribution of RMB13,500,000 to Jiangsu Sundian.

#### (1) *Material equity investments*

##### **Investment in the construction of new toll roads and bridges**

The Company convened the thirteenth meeting of the eighth session of the board of directors on 3 March 2017 to consider and approve the capital contribution of not more than RMB1 billion made by Guangjing Xicheng Company, a subsidiary of the Company, for the investment in the new construction project of Yichang Expressway. The investment in Yichang Expressway is of very important strategic significance because it will allow for further ownership of the quality resources of expressways in the region, consolidate the Group's leading position in the expressway networks in southern Jiangsu Province, effectively offset diversion impacts, promote steady growth of principal businesses and expansion of principal businesses and maintain sustainable development. Please refer to the announcements of the Company dated 6 March 2017 published on China Securities, Shanghai Securities News and the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn), and the announcement dated 3 March 2017 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

##### **Subscription for the units of private equity fund**

The Company convened the fifteenth meeting of the eighth session of the board of directors on 28 April 2017 to consider and approve the resolution on the subscription for units of CDB Kai Yuan Phase II Fund by Ninghu Investment, a wholly-owned subsidiary of the Company, with additional capital contribution of up to RMB700 million. The subscription amount was payable by installments according to the status of subsequent investments in projects. The Company has so far subscribed for a total of RMB1,200 million units in CDB Kai Yuan Phase II Fund. Ninghu Investment, which served as the equity investment platform of the Company, participated in the investment in the CDB Kai Yuan Phase II Fund. This allows Ninghu Investment to have the opportunity to exchange or even cooperate with well-known domestic investment institutions, and it will be benefited from obtaining rare investment opportunities, expanding the depth and width of equity investments, broadening the horizon and the level of investment, which are in line with the Company's requirements for strategic development, and will lay a solid foundation for the Company's sustainable development. For details about the subscription of private equity fund (including the investment scope of the fund), please refer to the announcements of the Company published on the websites of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on 27 August 2016, 31 August 2016, 19 November 2016 and 29 April 2017 respectively. As at the end of the Reporting Period, Ninghu Investment made a contribution of RMB508,059,000 for the subscription of the fund project.

In 2017, Luode Fund Company under Ninghu Investment completed the establishment and filing of the parent real estate fund. Currently, the parent real estate fund so far has raised approximately RMB460 million. The Company continued to broaden its horizon of investment and improve its investment capability to make contribution to the growth of the Group's revenue and profit. For further 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 as well as on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on 27 August 2016 and 6 December 2016 respectively.

(2) *Material non-equity investments*

During the Reporting Period, the Company's material non-equity investments was mainly in the active participation and investment in the construction of new road and bridge projects, which was in a total of RMB7,189,088,000, of which RMB4,407,664,000 was invested in the construction of Wufengshan Toll Bridge project, RMB214,387,000 was invested in the construction of Zhendan Expressway, RMB1,484,729,000 was invested in the construction of Changyi Expressway and RMB1,082,308,000 was invested in Yichang Expressway.

(3) *Financial assets determined at fair value*

Applicable       Not Applicable

Item name	Initial investment cost	Source of funds	Purchase/selling status	Investment Income	Change in fair value
Fund investments	9,999,400	Internal resources	–	–	5,104,694
Wealth management products	491,380,000	Internal resources	–	7,007,798	–
Gold investments	15,710,238	Internal resources	–	-483,348	554,400

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Foundation Fund, which was the fund purchased by it in 2011, with a total of approximately 10,000,000 units of the fund at the beginning of the Reporting Period with a net value of approximately RMB17,350,000 and an investment cost of approximately RMB9,999,000. During the Reporting Period, their fair value increased by approximately RMB5,105,000 and the accumulated fair value increased by approximately RMB12,455,000. During the Reporting Period, Ninghu Investment continued to hold the gold investment namely the precious metal purchased by it in 2014, with net value of approximately RMB15,863,000 at the beginning of the Reporting Period and an investment cost of approximately RMB15,710,000. At the end of the Reporting Period, the net value was approximately RMB16,417,000. During the Reporting Period, the fair value increased by approximately RMB554,000 and the fair value increased by approximately RMB707,000 on a cumulative basis.



# REPORT OF THE BOARD

## (VI) Analysis of major controlled companies

### 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 attributable to 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	8,690,443,196	4,476,645,732	633,738,279	17.20	4.38
Ningchang Zhenli Company	Expressway construction, management, maintenance and toll collection	6,729,236,885	100	7,667,019,618	7,598,092,063	394,961,769	10.72	16.46
Ninghu Investment	Investments in various types of infrastructure, industries and assets	571,100,000	100	826,114,361	806,764,988	33,234,206	0.90	87.10
Ninghu Properties	Real estate development, operation and consultancy	500,000,000	100	3,497,565,196	779,386,300	108,785,221	2.95	48.91
Zhendao Company	Expressway construction, management, maintenance and toll collection	423,910,000	70	1,278,366,671	606,478,282	(14,000)	-	-
Wufengshan Toll Bridge Company	Expressway construction, management, maintenance and toll collection	1,773,096,830	64.5	4,411,881,264	2,748,081,257	(932,743)	-	-

- \* During the Reporting Period, Guangjing Xicheng Company had a continuous increase in its toll revenue, and a net profit of approximately RMB633,738,000 was realized during the Reporting Period, representing a year-on-year increase of approximately 4.38%.
- \* During the Reporting Period, Ningchang Zhenli Company had a continuous increase in its toll revenue, and a net profit of approximately RMB394,962,000 was realized during the Reporting Period, representing a year-on-year increase of approximately 16.46%.
- \* Due to the combined effects of the income of approximately RMB18,590,000 derived from transferring the investment real estate, increase in gross profit due to the growth in income from advertising, and increase in the fair value of held-for-trading financial assets of Ninghu Investment during the Reporting Period, the net book profit of Ninghu Investment increased by approximately 87.10% year-on-year.
- \* Please refer to the section headed "Property Development and Sales Business" in this report for the operational performance and changes in the results of Ninghu Properties.

## (VII) Structured entities controlled by the Company

Applicable  Not Applicable

### III. Discussion and Analysis of the Company on Future Development

#### (I) Industry landscape and development trends

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

In respect of macroscopic economic development, the global economy showed a tortuous recovery amid in-depth adjustment, regional cooperation underwent a deep adjustment, and energy sector experienced profound changes with quickening changes noticed in the industrial structure, pattern of consumption and circulation. The entire macro economy will continue to operate in a complicated environment. As the transportation industry is in a critical period for optimizing network layout and improving the quality and efficiency, the trends of economic development will bring corresponding changes in demands for traffic and transportation, which will in turn pose impact on the construction and operation of toll roads. In addition, domestic monetary policy will be adjusted and changed along with the changes in the international financial situation, which may have certain impact on the size and costs of debt financing of the enterprises engaged in the investment and operation of highway infrastructure.

In respect of the development of industry policies, during the 13th Five-Year Plan period, the goal set for the development of the transportation industry is to build a comprehensive modern transportation system featuring safety, convenience, efficiency and environment-friendliness, which brings higher requirements for the supply-side structural reform in the transportation industry. In the course of expanding effective supply and building integrated transportation system, it is necessary to further enhance the quality improvement of transportation, optimize traffic operation, management and control and promote intensive utilization of resources. Furthermore, the policy environment faced by the highway industry will undergo certain changes as the policy constraints that restricted the development of enterprises in the past are likely to be adjusted or will even 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 the "Users Pay" Principle and the 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. In addition, the PRC government actively promotes the direction of integration of transportation and tourism and encourages the construction of transportation infrastructure that is designed to allow users to enjoy "fast traffic and slow travel", which will provide new development opportunities for the Company to improve its expressway network and transform and upgrade its service areas.

In respect of the development of traffic demand, with the gradual improvement of the expressway networks, the continuous growth of car ownership in the society and the upgrading of the residents' consumption pattern, the demand for passenger transportation by roads will steadily be released and the competitiveness of expressway transportation compared to that of other transportation means will also be gradually enhanced. Meanwhile, with the increasing economic vitality of the Yangtze River Delta Economic Zone, there will be increasing calls for the construction of high-quality, comprehensive and three-dimensional transport corridors in the region, and urban agglomeration travel and metropolitan commuting travel will result in more cars and more people on the road and thus further drive up traffic volume.

In respect of business development, along with the gradual improvement of expressway network within the province, and the rising costs of land acquisition, demolition and relocation, labour 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 new investments in principal businesses to sustain future growth. Meanwhile, given consumers demand for increasingly higher service quality in the service industry, the Group will explore more diversified development channels in the course of its development and improve the quality of business operation derived from expressway to facilitate sustainable and healthy development as an enterprise.

## (II) Development strategies of the Company

The Group has 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, it is also obvious that there are still rooms for improvement for areas such as assets integration, enhancement of ancillary businesses and capital operation.

In 2017, the Group focused on the "five-sphere (五化)" construction and actively planned its development direction to adapt to the ever-changing market and industrial environment by making use of favorable opportunities during the 13th Five-Year Plan period. In particular, it promoted the standardization of corporate governance and solidified its capability for sustainable development by standardizing operation, improving the fundamental management, optimizing risk management system and strengthening the supervision and constraints. It promoted centralized planning of industrial layout to enhance corporate economic efficiency. In response to a complicated market environment, the Company explored investment and financing channels through amplifying the function of capital and giving full play to credit advantage. It strove to transform and upgrade its business model to the market-driven one to facilitate the optimization of industrial layout. It fully tapped the profit growth points of road-related industries, speeded up the reform of operation modes at service areas and further enhanced the profit margins of petroleum products, which in turn facilitated the improvement of effectiveness the Group. The Company promoted intelligence-based operation and management 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 the comprehensive operation and management efficiency. In addition, the Company promoted professionalized road maintenance to cope with heavy routine traffic flow to ensure smooth traffic. Targeted efforts were made based on distribution characteristics of different road sections to ensure smooth traffic, and road maintenance was carried out in a scientific way, thereby enhancing road quality through modern and professional means.

In 2018, the Group will continue to implement the development strategy of "five-sphere (五化)" construction by pushing ahead with standardized governance, industrial layout, market-oriented transformation, intelligence-based management and professionalized road maintenance, and proactive response to changes in the market, so as to pursue a high-quality sustainable development from a broader perspective.

## (III) Operational Plan

### 1. The implementation of previous operational goals

In 2017, the board of directors anticipated that the total annual revenue would be over RMB9,300 million and aimed at controlling the operating costs and relevant expenses under RMB5,200 million. From the perspective of actual performance, the Group realized a total operating revenue of approximately RMB9,460 million during the Reporting Period, which was higher than the expected goal because the achieved toll revenue exceeded expectation. Due to proper control of cost and expenses, various costs were approximately RMB5,000 million in aggregate, which was lower than the expected goal. Due to the increase in revenue from toll road operations, the decrease in overall costs of operations, better-than-expected return on investment and effective control of financial expenses, the realized net profit of the Group attributable to the shareholders of the listed Company during the Reporting Period increased by approximately 7.23% over the same period in 2016. The achievement of operating goals was better than the expected ones at the beginning of the year.

### 2. Operational goals for 2018

Based on the anticipated trends of operations and macroeconomic environment in 2018, the Board expects that the Group's total revenue will exceed RMB10,100 million in 2018, and aims to control the target operating costs and relevant expenses to be under RMB5,600 million. Given the uncertain factors faced by the Group in its operations in 2018, the operating plan does not constitute an undertaking of results made by the Company to the investors. Investors are reminded to be sufficiently aware of the risk and they shall understand the difference between operating plans and the undertaking of results.

### 3. Operational plans for 2018

In order to ensure the achievement of profit targets throughout the year and to be well-planned and well-prepared for the strategic development in future, the Group has formulated the following major measures for 2018 based on the overall business trends in 2017:

- (1) Maintain principal businesses and promote the integration of resources. In 2018, the Company will not only push ahead with its new construction projects but also continue to focus on the investment and operation of the infrastructure of transportation, make use of the opportunities to promote the integration of assets in relation to the toll road and bridge projects in the expressway network in southern Jiangsu with a primary focus on the high quality development and enhancement of its principal businesses, thereby further consolidating its leading position. 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 as well as market opportunities, thereby optimizing its investment portfolio and effectively improving the efficiency and effectiveness 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 reform program will be fully implemented at six service areas along Shanghai-Nanjing Expressway to promote the transformation and upgrading of business models. The aim is to improve the efficiency and comprehensively complete the upgrading and modification and to improve the economic efficiency and the service level through self-operation, platform expansion, brand collaboration, innovative business models and other means. Meanwhile, the Group will take advantage of the change in the market conditions of product oil to make greater efforts in competitive negotiation with oil suppliers to secure greater profit margins and explore the profit drivers of the businesses derived from expressway.
- (3) Make full use of the existing platforms to explore the potential of multi-channel financing. For the purposes of market-oriented financing, the Company will fully make use of its investment and financing platforms as a listed company and step up its efforts in broadening financing channels and seizing quality investment projects while taking into full account of the funding needs and the financial risks of the Company. Furthermore, the Company will try to use various types of innovative financing tools for direct financing and further exploit its comprehensive financing capacity in domestic and overseas capital markets so as to reduce the financing costs and adjust the debt structure, thereby providing low-cost financial protection 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 modern information technology including cloud computing, artificial intelligence and big data, the Company will promote the construction of “smart expressways” in a comprehensive manner, further enhance its capacities in data analysis and business support and push ahead with the construction of “expressways + Internet”, 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 step-by-step replacement of human labour with intelligent technology, replacement of transmission with Internet and replacement of local storage with cloud-based storage.
- (5) Optimize the system for ensuring smooth traffic and improve the standardized management of road operation services. The Company will set up a scientific graded road rescue system by adopting section-based graded management and equipping with rescue forces to achieve the best allocation of resources. Furthermore, the Company will devise a sophisticated indicator evaluation system and a comprehensive road emergency and protection system to ensure that effective counter-measures will be adopted to cope with any road emergency. In addition to optimizing the image of service counter to improve users’ travel experience, 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 the realization of management output.

## REPORT OF THE BOARD

4. Funding needs required by the Company for maintaining current businesses and completing the investment projects under construction

The Company expects that the total capital expenditure in 2018 will be approximately RMB7,036 million, which has reduced by RMB803 million from the actual expenditure of RMB7,839 million incurred in 2017 mainly because the expenditure of investment projects will reduce in 2018. Major capital expenditures for the year 2018 mainly include:

Capital expenditure item	Amount (RMB'00 million)
Investment in the construction of Zhendan Expressway	5.5
Investment in the construction of Wufengshan Toll Bridge	31
Investment in the construction of Changyi Expressway Phase I	12
Investment in the construction of Yichang Expressway	8
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	6
Repurchase of the 30% equity interest in Hanwei Company	1.845
Monitoring, toll collecting, communication and lighting facilities and equipment and system construction	1.39
Modification of housing and building structures	3.38
Other fixed assets and equipment	1.24

On the basis of fully leveraging its own capital, the Group timely adjusted its financing strategy based on the financing conditions of the capital market so as to satisfy its own funding needs for operation and investment, while further optimizing its debt structure and reducing capital risks. At present, the Company is actively exploring various types of financing channels such as corporate bonds and overseas bonds. Selecting the right financing products for the Company will not only provide the Company with sufficient and efficient funds for its present stage of development, but also make prior arrangement for its future development strategies. For the year of 2017, the Group signed credit facilities contracts with banks but has not yet utilized the facilities. The credit facilities with a term of over one year were approximately RMB18,135 million. The ultra-short-term financing products which have been registered at National Association of Financial Market Institutional Investors with a term of more than one year but have not been issued were approximately RMB4,000 million. The credit line will be sufficient for the capital expenditure, debt roll-over and business development of the Group. If other capital expenditure is required for special occasions, the Group will adjust its financing plan based on the size of expenditure and the actual cash flow condition.



#### (IV) Possible risks to be faced

In 2017, the Company further strengthened its risk control and management through various initiatives to promote the continuous improvement of its level of management on the basis of establishing a comprehensive risk management system. In respect of management awareness, the management's ability in identifying and preventing risks and enhanced the management's initiative in paying attention to risks and improving risk control measures have been improved through gaining the topical knowledge on risk management, thus ensuring that anti-risk measures can be effectively implemented in the ordinary course of business. In respect of control and supervision, audit supervision was further enhanced and further amendments were made to the audit-related systems in line with the principle of "prior inspection for prevention, ongoing control and subsequent review", thereby ensuring that its projects are implemented in a legal, efficient, healthy and orderly manner. In respect of the construction and management of internal control system, it focused on risk control and strengthened the precautions of the risk management system. The Company has successively developed, revised and improved five systems of rules and regulations relating to risk management, thereby further standardizing its production and operation activities, making its risk control work specific, process-oriented, examinable and assessable, and transforming its risk control and management from macroscopic to microscopic approach with relevant responsibilities shifting from departments to specific job positions and procedures. As a result, the Company's management of risk control was improved and refined. The risk management system of the Group involves the Company's strategy, financial matters, market, operation, policies, legal aspect 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 the 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 business aspects 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 formulate 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 its strategic objectives.

**Counter-measures:** The Company will further refine the critical control function of the strategy management and specify management responsibilities in the formulation and execution of strategy planning; it will make special planning to refine the strategic measures to provide support and protection for the implementation of the overall strategy planning; it will improve the strategy management system to ensure the planning is in place 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 the planned target and assignment.

##### 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 sources of revenue of expressway companies are mainly derived from toll fees. The level of toll fees are subject to the direct and indirect influence of changes in the national macro-control policy and taxation policy. The expressway management business of the Company is also exposed to risks arising from policies in relation to charging standards and toll periods.

**Counter-measures:** the Company will establish a dynamic tracking and assessment mechanism in response to the policy-related risks. It will pay close attention to the relevant governmental policies, enhance the contact and communication with competent government authorities, especially transportation, financial, taxation and pricing departments so as to win their policy support for expressways and make the corresponding business decisions in a timely manner. Meanwhile, the Company will develop new profit growth points and proactively commence various business activities relating to the principal businesses aiming to reduce the risks arising from relatively simple industrial structure.

## REPORT OF THE BOARD

### 3. Policy risks associated with the real estate industry

**Risk analysis:** Due to its long industry chain and cycle, the real estate sector is more susceptible to the changes in market environment and policies. In case of any macro-control policy issued by the government which is 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 trend of the macro-economy and the industry, and enhance the capability to judge the policy trend. The Company will develop its real estate business from different dimensions and different perspectives by virtue of selection of investment areas, selection of construction categories and partners of development. Meanwhile, the Company will reinforce professional development and management of projects and seek for professional and refined management commencing from various perspectives such as selection of market and projects, planning, design, operation and execution.

### 4. Risks associated with associated with the bidding and tendering management

**Risk analysis:** Large quantity of complex matters is involved in bidding, tendering and procurement of the Company. In case of inappropriate management of procurement plan, failure to make accurate and complete tender plan, failure to fully consider or failure to obtain valid examination and approval, the Company may encounter low efficiency at work and increased expenses of the procurement work or deviation from its expected goals, such that the overall procurement progress may be affected.

**Counter-measures:** the Company will consolidate an integrated material management system, which will enable it to formulate procurement plans according to the supply position of the support chain and set up a mechanism in which 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 the investment management

**Risk analysis:** the terms of reference and delineation of authorities of the investment management of the Company and its subsidiaries are not clearly defined, and no explicit investment management system has been established to specify each section of work procedures and coordination mechanism in the process, thus it will be hard to optimize the investment structure and improve investment income, and may even lead to investment losses or trigger compliance risks.

**Counter-measures:** the Company will reinforce internal management, standardize the management system and implement the standardized and professional investment management system so as to ensure external investment is done smoothly. A professional assessment team will be set up to fully understand the 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, thus implementing seamless linkage between financial work and investment risk management.



#### 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 this 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 this report.

#### VI. Directors of the Company during the Reporting Period

For the list of persons who have been the 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 this report.

#### VII. Proposed Dividends

During the Reporting Period, the Group realized a net profit attributable to the shareholders of the Company in a sum of approximately RMB3,587,862,000 and earnings per share was approximately RMB0.7122. The board of directors of the Company proposed to distribute cash dividends of RMB0.44 per share (tax inclusive) in favour of all shareholders based on the total share capital of the Company of 5,037,747,500 shares.

*Chairman of the Board*  
**Chang Qing**

23 March 2018

# 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

During the Reporting Period, the Company strictly implemented the cash dividend distribution policy as stipulated in the Articles of Association, and independent directors also gave their independent advice on the profit distribution plan, thus fully protecting the lawful rights and interests of small and medium shareholders. The profit distribution plan of the Company for the year of 2016, as considered and approved at the 2016 annual general meeting of the Company held on 22 June 2017, was as follows: it was proposed to distribute cash dividends of RMB0.42 (tax inclusive) per share, totaling RMB2,115,853,950 (tax inclusive), based on the total share capital of 5,037,747,500 shares as at the end of 2016. Such profit distribution was completed in July 2017.

### (II) Dividend Distribution Plan or Proposal for Ordinary Shares and Plan or Proposal for Conversion of Capital Reserves of the Company into Share Capital in the Recent Three Years (including the Reporting Period)

Unit: Yuan (RMB)

Year of Dividend Distribution	Number of bonus shares for every 10 shares <i>(share)</i>	Amount of cash dividends for every 10 shares <i>(Yuan)</i> <i>(tax inclusive)</i>	Number of shares issued for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements for the year of distribution	Percentage of net profit attributable to ordinary shareholders of the Company in the consolidated financial statements
						<i>(%)</i>
2017	–	4.4	–	2,216,608,900	3,587,861,857	61.78
2016	–	4.2	–	2,115,853,950	3,346,063,867	63.23
2015	–	4	–	2,015,099,000	2,506,629,408	80.39

## II. Performance of Undertakings

### (I) Undertakings by the de facto controller, Shareholders, related parties/connected persons, acquirers, the Company, and other relevant undertaking parties of the Company during the Reporting Period or continuing during the Reporting Period

Background of undertaking	Type of undertakings	Undertaking party	Contents of undertaking	Time and term of undertaking	Term of performance	Timely and strict performance	Specific reason(s) for non-performance in the case of untimely performance	Further plan in the case of untimely performance
Other undertakings	Others	Communications Holding	In the course of equity acquisition of Ningchang Zhenli Company, the Company and Communications Holding entered into a profit compensation agreement, under which Communications Holding made an undertaking in respect of profits before interest and tax and net of non-recurring profit or loss during the period of compensation to Ningchang Zhenli Company such that they shall not be less than RMB230,434,300, RMB269,083,700 and RMB299,931,100 in 2015, 2016 and 2017, respectively. As at the end of the Reporting Period, such undertaking was not required to be performed as the actual profit exceeded the amount of guarantee.	From the year of 2015 to the year of 2017	Yes	Yes	Not Applicable	Not Applicable
	Others	Communications Holding	In order to duly settle the matter regarding economic compensation for the removal of two toll stations and toll points in the G312 Shanghai-Nanjing Section, according to the spirit of the document of Suzhengfu [2012] No. 115 and relevant minutes of meeting, Communications Holding undertook to represent the government in paying compensation to the Company based on the net asset value of the toll road operation right of the toll stations and toll points to be removed as audited by a qualified third party, and the amount of compensation shall be paid in cash. The total amount of compensation was RMB1,316 million, which was paid to the Company by Communications Holding by instalments on 24 December 2015, 25 December 2015, 6 September 2016 and 25 July 2017, respectively. As at the end of the Reporting Period, such compensation was fully paid.	None	No	Yes	Not Applicable	Not Applicable

## SIGNIFICANT MATTERS

(II) If there are profit forecasts of the assets or projects of the Company, and the Reporting Period is within the profit forecast period, the Company shall explain whether the amounts of the assets and projects have reached those assumed in the original profit forecast and their reasons

In the equity acquisition of Ningchang Zhenli Company by the Company, the Company estimated such company's profitability for the next three years. The forecast of profits before interest and tax and net of non-recurring profit or loss of Ningchang Zhenli Company, a subsidiary of the Company, were: not less than RMB230,434,300, RMB269,083,700 and RMB299,931,100 in 2015, 2016 and 2017, respectively.

As the debt transfer of Ningchang Zhenli Company, a subsidiary of the Company, took place, its financial cost was significantly reduced and its operating performance was remarkably improved. As audited by Deloitte, profits before interest and tax and net of non-recurring profit or loss of such company for the years of 2015 and 2016 were approximately RMB258,760,000 and RMB378,480,000, respectively, which were higher than those assumed in the profit forecast. Profit before interest and tax and net of non-recurring profit or loss of such company during the Reporting Period as audited by Deloitte was approximately RMB465,120,000, which was higher than that assumed in the profit forecast.

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

Unit: RMB Yuan

Balance of the Company's funds appropriated by the Controlling Shareholder and its related/connected parties for non-operating purposes					Recovery of the funds during the Reporting Period	Balance of the Company's funds appropriated by the Controlling Shareholder and its related/connected parties for non-operating purposes			
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
3,899,000	-3,899,000	-	Cash	6 January 2017	3,899,000	3,899,000	Cash	3,899,000	6 January 2017

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 equity 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 for 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

#### IV. Analysis by the Company on the Reasons and Impact on the Changes in Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors

##### (I) Analysis by the Company on the reasons and impact on the changes in accounting policies and accounting estimates

On 28 May 2017 and 12 June 2017, the Group started adopting the “Accounting Standards for Business Enterprises No. 42 – Held-for-sale, Non-current Assets, Disposal Groups and Discontinuing Operations” newly promulgated by the Ministry of Finance (the “MoF”) in 2017 and the “Accounting Standards for Business Enterprises No. 16 – Government Grants” amended by the MoF in 2017, respectively. Besides, the financial statements for the Reporting Period were prepared in accordance with the “Notice of the Amendment and Issue of the Format of the Financial Statements for General Business Enterprises” (Cai Kuai [2017] No. 30, hereinafter referred to as the “Cai Kuai No. 30 Document”) promulgated by the MoF on 25 December 2017.

##### 1. Held-for-sale, non-current assets, disposal groups and discontinuing operations

The “Accounting Standards for Business Enterprises No. 42 – Held-for-sale, Non-current Assets, Disposal Groups and Discontinuing Operations” specifies the classification and measurement of held-for-sale, non-current assets or disposal groups, which provides that profits and losses derived from continuing operations or discontinuing operations shall be separately stated in the income statements with detailed disclosure in the notes of the information of held-for-sale, non-current assets or disposal groups and discontinuing operations. Such standards require that the prospective approach shall be adopted for accounting treatment, which shall have no impact on the financial statements for comparable years.

##### 2. Government grants

Prior to the implementation of the “Accounting Standards for Business Enterprises No. 16 – Government Grants” (amended), the Group’s government grants relating to assets were recognized as deferred income and were not evenly allocated and credited to profit or loss for the period over the useful life of related assets. Government grants relating to income in compensation for related expenses or losses incurred in subsequent periods were recognized as deferred income, and such grants were credited to profit or loss for the period of recognition of related expenses; government grants in compensation for related expenses or losses incurred were directly credited to profit or loss for the period.

After the implementation of the “Accounting Standards for Business Enterprises No. 16 – Government Grants” (amended), the Group’s government grants relating to assets, which set off the carrying amount of related assets or were recognized as deferred income, were credited to profit or loss by instalments over the useful life of related assets according to the average service life method. Government grants relating to income in compensation for related costs, expenses or losses incurred in subsequent periods were recognized as deferred income, and such grants were credited to profit or loss for the period or set off against related costs for the period of recognition of related costs, expenses or losses; government grants in compensation for related costs, expenses or losses incurred were directly credited to profit or loss for the period or set off against related costs. Government grants relating to daily activities shall be credited to other income according to the nature of economic activities. Government grants not related to daily activities were credited to non-operating income or expenses.

The Group adopts the prospective approach to accounting treatment of changes in the above accounting policies. Such changes in accounting policies have no impact on the financial statements for comparable years.

##### 3. Statement of profit or loss on disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, gain or loss on disposal recognized from sales of non-current assets classified as held for sale (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gain or loss on disposal derived from disposal of fixed assets, construction in progress and intangible assets not classified as held for sale were stated in “non-operating income” or “non-operating expenses”.

After the release of the Cai Kuai No. 30 Document, gain or loss on disposal recognized from sales of non-current assets classified as held for sale (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gain or loss on disposal derived from disposal of fixed assets, construction in progress and intangible assets not classified as held for sale were stated in “gain on disposal of assets”.

## SIGNIFICANT MATTERS

The Group adopts the prospective approach to accounting treatment of the requirements of the Cai Kuai No. 13 Document and Cai Kuai No. 15 Document. Both changes in accounting policies have no impact on the financial statements for comparable years. The Company adopts the retrospective approach to accounting treatment of the requirements of the Cai Kuai No. 30 Document, and adjusts the comparable data for last year.

Without prejudice to the interests of the Company and its shareholders, especially small and medium shareholders, the decision-making process of such changes in accounting policies is in accordance with the requirements of relevant laws, regulations and the Articles of Association.

### V. Appointment and Removal of Accounting Firms

Unit: Yuan (RMB)

	Current Engagement	
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 services provided by the domestic accounting firm	14	

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

#### Information on appointment and removal of accounting firms

The reappointment of Deloitte as the domestic auditor of the Company for the year of 2017 was approved at the Company's 2016 Annual General Meeting. The audit fee amounted to RMB2,400,000 for the year. Deloitte, a firm of practising certified public accountants approved by the MoF and the CSRC to act as a reporting accountant and/or an auditor for Hong Kong listed companies incorporated in the Mainland, was engaged to audit the financial statements of the Company for the accounting year ended 31 December 2017 prepared under the PRC Accounting Standards and to discharge the duties as an international auditor in accordance with the Hong Kong Listing Rules. The independence of Deloitte was supervised by the Audit Committee of the Company. The Audit Committee was also responsible for making recommendations to the board of directors on the appointment of an external auditor and approval of conditions for appointment and remuneration thereof.

Deloitte was also appointed as the internal control auditor of the Company for the year of 2017 at the general meeting. The audit fee was RMB800,000.

Deloitte has been providing audit services to the Company for 14 consecutive years since 2003. For the years of 2008, 2010, 2014 and 2015, such firm changed the partner responsible for the audit services provided to the Company.

### VI. Penalty against and Rectification of the Company and Directors, Supervisors, Members of Senior Management, Controlling Shareholder, De Facto Controller and Acquirers

During the Reporting Period, Wang Hong Wei, deputy general manager of the Company, was suspected of committing an economic offence and investigated by the Intermediate People's Court of Nanjing, Jiangsu Province according to laws. The Company was notified by the Intermediate People's Court of Nanjing, Jiangsu Province on January 2018 that Wang Hong Wei was found guilty of having illegally accepted properties from others in exchange of their benefits by presuming upon his position, which constituted a crime upon preliminary trial. The offence committed by Wang Hong Wei was his personal conduct. Neither the Company nor other directors, supervisors or members of senior management were involved in any of such illegal and unlawful conducts. Such event did not have any impact on the daily operation and financial position of the Company.

At the twentieth extraordinary meeting of the 8th session of the board of directors of the Company held on 19 January 2018, a resolution was passed to remove Wang Hong Wei from his position as a deputy general manager of the Company and disclosure of relevant information was made. Upon becoming aware of the punishment against Wang Hong Wei by the judiciary authority for his crime, the Company immediately removed him from his position as the deputy general manager of the Company and terminated his labour contract. The Company immediately and proactively carried out self-inspections and rectifications and enhanced a range of internal control measures concerning project audit and bidding management with a view to further advancing the anti-corruption construction of the Company and resolutely eliminating the occurrence of similar malpractices.



## VII. Major Related Party/Connected Transactions

### (I) Related party/connected transactions relating to daily operation

1. Events disclosed in provisional announcements with no further progress or changes in subsequent implementation

Description of the Event	Enquiry Index
<p>On 30 December 2014, Guangjing Xicheng Company, a subsidiary of the Company, renewed the Yanqiao Service Area Petrol Station Lease Agreement with Expressway Petroleum Company for a lease period of three years from 1 January 2015 to 31 December 2017, under which the petrol stations along both sides of Yanqiao service area of Xicheng Expressway were leased to Expressway Petroleum Company. The calculation of the rental was: at the rate of RMB140/tonne based on the annual volume of petrol filling of the petrol stations, together with guaranteed rental of RMB500,000 per year.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transactions published by the Company on 31 December 2014 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>During the Reporting Period, the Company continued to perform the property lease agreement dated 22 August 2014 with Jiangsu Sundian, pursuant to which, the office located in No. 2 Xianlin Avenue was leased to Jiangsu Sundian at an annual rental of RMB1,690,000 with a contractual term from 1 September 2014 to 31 August 2017.</p>	<p>For details, please refer to the announcements on the 15th meeting of the 7th session of the board of directors published by the Company on 25 August 2014 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 25 August 2017, the Company renewed the property lease agreement in respect of the office located in No. 2 Xianlin Avenue, Nanjing, Jiangsu Province with Jiangsu Sundian Company at an annual rental of RMB1,690,000 for a term from 1 September 2017 to 31 December 2019.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on 28 August 2017 and 25 August 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 24 April 2015, upon the completion of equity transfer of Xiyi Company, Guangjing Xicheng Company, a subsidiary of the Company, continued to perform all daily continuing related party/connected contracts being performed by Xiyi Company, i.e. Xiyi Expressway leased the petrol stations along both sides of Gaocheng service area of Xiyi Expressway to Expressway Petroleum Company in accordance with the Gaocheng Service Area Petrol Station Lease Agreement entered into with Expressway Petroleum Company on 30 December 2014, with a validity period from 1 January 2015 to 31 December 2017. The calculation of the rental was: at RMB140/tonne based on the annual volume of petrol filling of the petrol stations, together with guaranteed rental at RMB500,000 per year.</p>	<p>For details and relevant approval of this transaction, please refer to the announcements on the related party/connected transactions published by the Company on 27 April 2015 and 24 April 2015 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>

## SIGNIFICANT MATTERS

Description of the Event	Enquiry Index
<p>On 28 August 2015, Guangjing Xicheng Company entered into the Guangling Service Area Petrol Station Lease Agreement with Expressway Petroleum Company with a term from 8 September 2015 to 31 December 2017, under which the petrol stations along both sides of Guangling Service Area of Guangjing Expressway were leased to Expressway Petroleum Company for operation. The estimated rentals for 2015, 2016 and 2017 were approximately RMB1,300,000, RMB4,400,000 and RMB4,800,000, respectively.</p>	<p>Please refer to the announcement on the related party/connected transactions published on 31 August 2015 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 25 March 2016, Ningchang Zhenli Company, a subsidiary of the Company, entered into the Service Area Petrol Station Lease Contract with Expressway Petroleum Company with a lease term from 1 April 2016 to 31 March 2019, under which the petrol stations along both sides of the service area owned by Ningchang Zhenli Company were leased to Expressway Petroleum Company for operation. The estimated rentals for the following three years were RMB10,000,000, RMB13,000,000 and RMB17,000,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transactions published by the Company on 28 March 2016 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 30 March 2016, the Company entered into the Financial Services Agreement with Group Finance Company with a term of three years since 1 April 2016. The maximum daily deposit balance and the maximum daily outstanding loan balance did not exceed RMB500,000,000, respectively, and the aggregate maximum of daily deposit did not exceed 5% of total assets, audited revenue and market capitalisation of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever was lower.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on 31 March 2016 and 30 March 2016 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 27 March 2017, Guangjing Xicheng Company entered into Monitoring, Communications and Electromechanical Systems Maintenance Contracts with Information Company for 1 January 2017 to 31 March 2018.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transactions published by the Company on 27 March 2017 and 23 April 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>Ningchang Zhenli Company entered into Monitoring and Communications Systems Maintenance Contract with Information Company for 1 January 2017 to 31 March 2018.</p>	
<p>In 2017, the total amount of the services contract between Guangjing Xicheng Company and Information Company was expected not to exceed RMB12.80 million, while the total amount of the services contract between Ningchang Zhenli Company and Information Company was expected not to exceed RMB3.20 million.</p>	

Description of the Event	Enquiry Index
<p>On 27 March 2017, the Company entered into a loan agreement with Guangjing Xicheng Company to lend up to RMB2 billion with effect for three years commencing from the date of approval by the general meeting. The interest was calculated at the prevailing rate of the ultra-short-term notes to be issued by the Company. Repayment of the principal and the related interest expenses are to be borne by Guangjing Xicheng Company.</p>	<p>For details, please refer to the announcement and the circular on the continuing related party/connected transaction published by the Company on 27 March 2017 and 5 May 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 27 March 2017, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into the Expressway Network Management Services Framework Agreements with Network Operation Company, respectively, for a validity period of three years each. The amount of the services contracts in 2017 did not exceed RMB37 million, RMB10 million and RMB8.5 million, respectively.</p>	<p>For details, please refer to the announcements on the continuing related party/connected transactions published by the Company on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> on 27 March 2017 and on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on 27 March 2017 and 13 April 2017, respectively.</p>
<p>The Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into the Expressway Network Technical Services Framework Agreements with Tongxingbao Company, respectively, for a validity period of three years each. The amounts of the services contracts in 2017 did not exceed RMB7.5 million, RMB2.5 million and RMB2.0 million, respectively.</p>	
<p>The Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into the ETC Customer Service Outlets Management Agreements with Tongxingbao Company, respectively, for a validity period of one year each. The total amount of the services contracts in 2017 did not exceed RMB5.60 million.</p>	



# SIGNIFICANT MATTERS

Description of the Event	Enquiry Index
<p>On 27 March 2017, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into the Expressway Maintenance Services Contracts with Jiangsu Sundian, Company respectively, for a validity period of 1 year each, under which the maintenance services of Nanjing-Shanghai Expressway, Guangjing Expressway, Xicheng Expressway, Ningchang Expressway and Zhenli Expressway were rendered. The total amounts of the maintenance contracts between the Company, Guangjing Xicheng Company and Ningchang Zhenli Company in 2017 did not exceed RMB28 million, RMB25 million and RMB25 million, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transactions published by the Company on 27 March 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 25 August 2017, the Company and Guangjing Xicheng Company entered into the Supplemental Expressway Maintenance Services Contracts with Jiangsu Sundian respectively, and their respective caps were revised to RMB54 million and RMB28 million.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transactions published by the Company on 28 August 2017 and 25 August 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>During the Reporting Period, the Company continued to perform the property lease 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 at an annual rental of approximately RMB3,612,000, with a lease term from 1 May 2014 to 30 April 2017.</p>	<p>For details relating to this transaction, please refer to the announcement on the continuing related party/connected transaction published by the Company on 26 April 2014 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 28 April 2017, the Company renewed the Maqun Monitoring Centre Property Leasing Agreement with Network Operation Company at a rental of RMB2,408,300 for a term from 1 May 2017 to 31 December 2017. The rental did not include management fees, maintenance fees and water and electricity expenses, etc. of the property in use to be borne by the lessee.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on 29 April 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>

*Note:* In respect of the above related/connected parties, more than 30% of the equity interest in 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% of the equity interest in Expressway Petroleum Company was held directly and indirectly by Communications Holding; more than 40% of the equity interest in Jiangsu Sundian was held directly and indirectly by Communications Holding; 80% of the equity interest in Group Finance Company was held directly by Communications Holding; Information Company was an indirectly wholly-owned subsidiary of Communications Holding; and more than 30% of the equity interest in Tongxingbao Company was held directly and indirectly by Communications Holding.

2. The ordinary related/ continuing connected leasing provided to Expressway Petroleum Company during the Reporting Period

It was disclosed in the announcement on the ordinary related/continuing connected transactions of the Company dated 23 March 2018 that the estimated amount of 2017 (previous transaction) of the related/connected leasing provided by Guangjing Xicheng Company to Expressway Petroleum Company was RMB4.8 million. Such amount should be RMB14.5 million. Therefore, the actual amount incurred of 2017 of RMB7.07 million was less than the estimated amount. The reason for the large difference between the estimated amount and the actual amount incurred was that the actual petroleum sales volume were lower than the estimated and the price of the petroleum increased.

## (II) Major related party/connected transactions relating to joint external investment

1. Events disclosed in provisional announcements with no further progress and changes in subsequent implementation

Description of the Event	Enquiry Index
<p>At the fifteenth meeting of the eighth session of the board of directors held on 28 April 2017, a resolution was passed to approve the capital increase in Jiangsu Sundian of RMB4.50 million by the Company, Guangjing Xicheng Company and Ningchang Zhenli Company, respectively, in proportion to their respective shareholdings based on its existing registered capital, and the amount of such capital increase was RMB13.50 million in total. The proportion of shareholdings of the shareholders remained unchanged after the capital increase.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transactions published by the Company on 29 April 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>

## (III) Related/connected creditor rights and debts

1. Events disclosed in provisional announcements with no further progress or changes in subsequent implementation

Description of the Event	Enquiry Index
<p>On 30 March 2016, the Company entered into the Financial Services Agreement with Group Finance Company with a term of three years since 1 April 2016. The maximum daily deposit balance and the maximum daily outstanding loan balance did not exceed RMB500,000,000, respectively, and the aggregate maximum of daily deposit did not exceed 5% of total assets, audited revenue and market capitalisation of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever was lower.</p>	<p>For details, please refer to the announcement on the continuing related party/connected transaction published by the Company on 31 March 2016 and 30 March 2016 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>
<p>On 27 March 2017, the Company entered into a loan agreement with Guangjing Xicheng Company to lend up to RMB2 billion with effect for three years commencing from the date of approval by the general meeting. The interest was calculated at the prevailing rate of the ultra-short-term notes to be issued by the Company. Repayment of the principal and the related interest expenses are to be borne by Guangjing Xicheng Company.</p>	<p>For details, please refer to the announcement and the circular on the continuing related party/connected transaction published by the Company on 27 March 2017 and on 5 May 2017 on the websites of the SSE and the Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>, respectively.</p>

# SIGNIFICANT MATTERS

## 2. Matters not disclosed in provisional announcements

Unit: Yuan Currency: RMB

Related/connected Party	Related/connected relationship	Funding provided to related/connected parties			Funding provided by related/connected parties to the Company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Communications Holding	Parent company	-	-	-	767,116,438	-	767,116,438
Guangjing Xicheng Company	Controlled subsidiary	-	-	-	-	-	-
Group Finance Company	Controlled subsidiary of the parent company	-	-	-	130,168,744	650,841,423	781,010,167
Far East Shipping Company	Controlled subsidiary of the parent company	-	-	-	180,239,250	(20,026,583)	160,212,667
Sutong Bridge Company	Controlled subsidiary of the parent company	-	-	-	-	400,531,667	400,531,667
Runyang Bridge Company	Controlled subsidiary of the parent company	-	-	-	100,197,285	(100,197,285)	-
<b>Total</b>		-	-	-	1,177,721,717	931,149,222	2,108,870,939

Amount provided by the Company to the Controlling Shareholder and its subsidiaries during the Reporting Period	-
Balance of amount provided by the Company to the Controlling Shareholder and its subsidiaries	-
Reasons for related/connected 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/connected party creditor's rights and debts	Not Applicable.
Undertakings related to related/connected 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 would raise the interest rate for deposits from road and bridge companies and keep the interest rate for the short-term loans advanced to such companies below the benchmark bank lending interest rate for the same period. 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.

## (IV) Others

## 1. Independent Advice from Independent Non-executive Directors on Related Party/Connected Transactions

The independent non-executive directors of the Company have reviewed all related party/connected transactions and confirm that:

- (1) such transactions were entered into in the ordinary and usual course of business of the Group;
- (2) such transactions were conducted on normal commercial terms or, if there were insufficient comparable transactions to determine whether the terms of such transactions were normal commercial terms, the terms of such transactions, in relation to the Company, were no less favorable than those offered to or by independent third parties; and
- (3) such transactions were conducted in accordance with the terms of the agreements governing the relevant transactions. Such terms were fair and reasonable and in the interests of the Company's shareholders as a whole.

## 2. Independent Advice from the Accounting Firm on Continuing Connected Transactions

The Company has notified Deloitte of the information relating to the continuing related party/connected transactions to be disclosed in the 2017 annual report of the Company. Deloitte has reviewed the information relating to such related party/connected transactions and has issued a letter to the board of directors to confirm that such related party/connected transactions:

- (1) have been approved by the board of directors of the Company;
- (2) were conducted in all material aspects in accordance with the Group's pricing policy (if such transactions involved the provision of goods or services by the Group);
- (3) were conducted in all material aspects in accordance with the terms of relevant agreements governing such 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 2017

The related party/connected transactions set out in Notes 10 and 14 to the Financial Statements of the Company for 2017 are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules:

1) *Note 10:*

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

### Purchase of goods, receipt of services and interest expense from loans

Related party	Type of related party transactions	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Jiangsu Sundian	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (announcements were published on 25 August 2017, 28 August 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
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 (announcements were published on 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Tongxingbao Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (announcements were published on 13 April 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Information Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Communication system maintenance fee	Yes (an announcement was published on 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Maintenance Technology Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (exempt from the announcement requirement according to Rule 14A.76(1)(a))
Kuailu Company	Service received	No (an associate of the Company)	Leasing fee for transportation service	Not Applicable
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)
Communications Holding	Interest expense of loans	Yes, continuing connected transaction (substantial shareholder of the Company)	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 (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)



## SIGNIFICANT MATTERS

Related party	Type of related party transactions	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
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)
Sutong 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.76(1)(a))
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.76(1)(a))

### Sale of goods, provision of services and interest income from loans

Related party	Type of related party transactions	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Hanwei Company	Financing	No (a joint venture of the Company)	Interest income of shareholder's loan	Not Applicable
Tongxingbao Company	Service provided	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for ETC customer service points	Yes (announcements were published on 13 April 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Group Finance Company	Financing	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Interest income of bank deposit	Yes (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Kuailu Company	Service provided	No (an associate of the Company)	Toll road income	Not Applicable
Kuailu Company	Goods sold	No (an associate of the Company)	Petrol income	Not Applicable

# SIGNIFICANT MATTERS

(2) Leases with related parties

**The Group as the lessor:**

Name of lessor	Name of lessee	Whether or not constituting a related party transaction or 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
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 (announcements were published on 28 March 2016, 31 August 2015, 27 April 2015, 24 April 2015 and 31 December 2014 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
The Company	Network Operation Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Office building lease	Yes (announcements were published on 29 April 2017 and 26 April 2014 on 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 (announcements were published on 28 August 2017, 25 August 2017 and 25 August 2014 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)

(3) Guarantees with related parties

**The Group as the guaranteed party:**

Guarantor	Whether or not constituting a related party transaction or 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	Type of related party transactions	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
<b>Loan borrowed from (repaid to)</b>		
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)
Group Finance Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
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 (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
Sutong Bridge Company	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Yes (exempt from the announcement requirement according to Rule 14A.90)
<b>Loan lent to (recovered from)</b>		
Hanwei Company	No (a joint venture of the Company)	Not Applicable

(5) Compensation for key management personnel

Item	Whether or not constituting a related party transaction or 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 (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)

# SIGNIFICANT MATTERS

## 2) Note 14:

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

### Purchase of goods, receipt of services and interest expense from loans

Related party	Type of related party transactions	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Jiangsu Sundian	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (announcements were published on 25 August 2017, 28 August 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
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 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Tongxingbao Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for toll road system maintenance and operation	Yes (announcements were published on 13 April 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Maintenance Technology Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Road maintenance fee	Yes (exempt from the announcement requirement according to Rule 14A.76(1)(a))
Information Company	Service received	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Communication system maintenance fee	Yes (an announcement was published on 27 March 2017 on 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)
Ningchang Zhenli Company	Financing	No (a wholly-owned subsidiary of the Company)	Interest expenses of entrusted loan	Not Applicable
Group Finance Company	Financing	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Interest expenses of liquidity loans	Yes (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Far East Shipping Company	Financing	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)
Ninghu Investment	Financing	No (a wholly-owned subsidiary of the Company)	Interest expenses of entrusted loan	Not Applicable
Runyang Bridge Company	Financing	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.76(1)(a))

## Sale of goods, provision of services and interest income from loans

Related party	Type of related party transactions	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Details of related party transaction	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
Ninghu Properties	Financing	No (a wholly-owned subsidiary of the Company)	Interest income of entrusted loan	Not Applicable
Hanwei Company	Financing	No (a joint venture of the Company)	Interest income of entrusted loan	Not Applicable
Guangjing Xicheng Company	Financing	Yes, continuing connected transaction (a subsidiary and related party subsidiary in which the Company holds 85% equity interest)	Interest income of loan lent to related party	Yes (announcements and circulars were published on 27 March 2017 and 5 May 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules and approval has been obtained from independent shareholders)
Tongxingbao Company	Service provided	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Management fee for ETC customer service points	Yes (announcements were published on 13 April 2017 and 27 March 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Kuailu Company	Service provided	No (an associate of the Company)	Toll road income	Not Applicable
Group Finance Company	Financing	Yes, continuing connected transaction (associate of the Company's substantial shareholder)	Interest income of bank deposit	Yes (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Kuailu Company	Goods sold	No (an associate of the Company)	Petrol income	Not Applicable
Luode Fund Company	Goods sold	No (an associate of the Company)	Petrol income	Not Applicable

## (2) Leases with related parties

## The Company as the lessor:

Name of lessor	Name of lessee	Whether or not constituting a related party transaction or 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 (announcements were published on 29 April 2017 and 26 April 2014 on 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 (announcements were published on 28 August 2017, 25 August 2017 and 25 August 2014 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)

# SIGNIFICANT MATTERS

(3) Guarantees with related parties

**The Group as the guaranteed party:**

Guarantor	Whether or not constituting a related party transaction or 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)

(4) Borrowings/loans with related parties

Related party	Whether or not constituting a related party transaction or continuing connected transaction (connected relationship)	Whether or not in compliance with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules
<b>Loan borrowed from (repaid to)</b>		
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)
Ningchang Zhenli Company	No (a wholly-owned subsidiary of the Company)	Not Applicable
Ninghu Investment Group Finance Company	No (a wholly-owned subsidiary of the Company)	Not Applicable
Communications Holding	Yes, continuing connected transaction (substantial shareholder of the Company)	Yes (announcements were published on 31 March 2016 and 30 March 2016 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
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)
<b>Loan lent to (recovered from)</b>		
Guangjing Xicheng Company	Yes, continuing connected transaction (a subsidiary and related party subsidiary in which the Company holds 85% equity interest)	Yes (announcements and circulars were published on 27 March 2017 and 5 May 2017 on the Stock Exchange and SSE respectively in accordance with the Listing Rules)
Ninghu Properties	No (a wholly-owned subsidiary of the Company)	Not Applicable
Hanwei Company	No (a joint venture of the Company)	Not Applicable

(5) Compensation for key management personnel

Item	Whether or not constituting a related party transaction or 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 (substantial shareholder of the Company)	Yes (exempt from the announcement requirement according to Rule 14A.95)

## VIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

## (I) Trust, contracting and lease

1 Lease

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Status of leased assets	Amount of lease of assets	Date of commencement of lease	Date of expiry of lease	Lease income	Basis of determination of lease income	Effect of lease income on the Company	Related party/ connected transaction	Related party/ connected relationship
Company	Jiaxing Kaitong Investment Co., Ltd. (嘉興市凱通投資有限公司)	Zone within the renovation and control area of the southern and northern zones of Meicun Service Area (located at (G2) K1110+693, Jinghu Expressway)	19,896,747	10 January 2017	9 January 2023	280,000,000	A tender agency was engaged by the Company for open tendering at a starting price of RMB200 million and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of directors of the Company	During the Reporting Period, the profit derived from such service area increased by RMB9,670,000 year-on-year, achieving a turnaround from loss to profit.	No	Nil
Company	Jiaxing Tonghui Expressway Service Zone Operation and Management Co., Ltd. (嘉興市同輝高速公路服務區經營管理有限公司)	Red-line zone within the renovation and control area of the southern and northern zones of Xianrenshan Service Area (located at K236+330m, Jiangsu Section, Hurong Expressway (G42))	18,452,228	16 June 2017	15 June 2023	143,510,346	A tender agency was engaged by the Company for open tendering at a starting price of RMB100.3 million and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of directors of the Company	During the Reporting Period, the profit derived from such service area increased by RMB8,711,000 year-on-year.	No	Nil
Company	Tongxiang Yintong Expressway Service Zone Operation and Management Co., Ltd. (桐鄉市銀通高速公路服務區經營管理有限公司)	Red-line zone within the renovation and control area of the southern and northern zones of Huanglishu Service Area (located at K271+140m, Jiangsu Section, Hurong Expressway(G42))	47,256,513	1 July 2017	30 June 2023	133,070,000	A tender agency was engaged by the Company for open tendering at a starting price of RMB108.02 million and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of directors of the Company	During the Reporting Period, the profit derived from such service area increased by RMB4,470,000 year-on-year.	No	Nil

*Explanations on lease*

Based on the development strategy of enhancing service quality and economic efficiency at the service areas, the Company developed a reform plan for transforming the operation models at the service areas in November 2016, pursuant to which the “outsourcing + supervision” model would be adopted for the three service areas at Meicun, Xianrenshan and Huanglishu, and the “Platform Expansion” program would be adopted for the three service areas at Yangchenghu, Douzuang and Fangmaoshan. This reform plan aims at pooling private capital and State-owned resources and creating synergies from the combination of the regional advantages of highways and the operation mode of private enterprises, thereby achieving win-win outcomes. In January 2017, the transformation of operation models was first completed at Meicun service areas, and the rental for an outsourcing term of 6 years totaled RMB280 million. In November 2017, approximately RMB100 million in total had been invested in upgrading and renovating a total area of 20,000 square meters, creating brand new tourist complexes featuring diversified operations, seamless layout, complete facilities and functions. In July 2017, the transformation of operation models at both Huanglishu and Xianrenshan service areas was completed. The rentals of each of Huanglishu service areas and Xianrenshan service areas for an outsourcing term of 6 years were RMB130 million and RMB140 million, respectively. In January 2018, Xianrenshan service areas, upon completion of upgrading and renovation, were put into operation.

# SIGNIFICANT MATTERS

## (II) Cash assets management entrusted to others

### 1 Entrusted wealth management

#### (1) Summary of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Source of capital	Amount incurred	Outstanding remaining balance	Amount overdue but yet to be recovered
Bank wealth management	Internal resources	228,875,253	491,380,000.00	-

#### (2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

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	Capital source	Usage of funds	Method for determination of returns	Annualized rate of returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Ping An Bank	Excellence Plan for Rolling Capital Guaranteed Renminbi-denominated Corporate Wealth Management Product of Ping An Bank (平安銀行卓越計劃滾動型保本人民幣公司理財產品)	251,000,000	28 February 2017	7 March 2017	Internal funds	Bonds and money market instruments with higher credit rating and liquidity in inter-bank market.	Capital preservation	3.20%	-	154,038	251,000,000	Yes	Uncertainty	-
Bank of Communications	*Yuntong Wealth Daily Increase (Type S) (穩通財富日增利(5款))	210,000,000	30 June 2017	14 July 2017	Internal funds	Bonds and money market instruments with higher liquidity and investment grades	Capital preservation	2.85%	-	229,562	210,000,000	Yes	Uncertainty	-
China Merchants Bank	Structured deposit	250,000,000	28 June 2017	12 July 2017	Internal funds	Two-level products linked to gold of China Merchants Bank, their related target was the gold price published by The London Bullion Market Association every afternoon	Capital preservation	3.64%	-	349,041	250,000,000	Yes	Uncertainty	-
China CITIC Bank	CITIC Wealth - Win-Win Principal-Guaranteed "Bu Bu Gao Sheng" Type B RMB Wealth Management Product (中信理財之共贏保本步步高升B款人民幣理財產品)	497,000,000	28 April 2017	10 May 2017	Internal funds	30-100% in money market assets and fixed revenue assets, and 0-70% in the non-standard credit assets and other assets	Capital preservation	the maximum of 2.70% (9-14 days)	-	441,173	497,000,000	Yes	Uncertainty	-
Agricultural Bank of China	*Ben Li Feng Bu Bu Gao "Open-end Renminbi wealth management product of Agricultural Bank of China (中國農業銀行「本利豐步步高」開放式人民幣理財產品)	36,500,000	30 September 2017	12 October 2017	Internal funds	20-60% in loan portfolios, 10-50% in cash assets through REPOs and inter-bank borrowings, 10-30% in interbank deposits and 10-20% in assets under wealth management financing	Capital preservation	2.25%	-	27,000	36,500,000	Yes	Uncertainty	-
China Merchants Bank	Structured deposit	200,000,000	27 December 2017	3 January 2018	Internal funds	Two-level products linked to gold of China Merchants Bank, their related target was the gold price published by The London Bullion Market Association every afternoon	Capital preservation	4.00%	161,863	-	-	Yes	Uncertainty	-



# 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	Capital source	Usage of funds	Method for determination of returns	Annualized rate of returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
China CITIC Bank	Class B of Tianbankuiche RMB win-win principal-protected wealth management product of Gongying series CITIC Wealth (中信理財之共贏保本天天快車B款人民幣理財產品)	54,000,000	28 December 2017	4 January 2018	Internal funds	30-100% in money market assets and fixed revenue assets, and 0-70% in the non-standard credit assets and other assets	Capital preservation	2.70%	23,523	-	-	Yes	Uncertainty	-
Shanghai Pudong Development Bank	Cash Management No. 1	100,000,000	28 December 2017	4 January 2018	Internal funds	20%-80% in high-liquidity assets such as cash, government bonds, municipal bonds, central bills, public policy financial bonds; 20%-80% in other assets with non-standard conversion	Capital preservation	4.30%	76,712	-	-	Yes	Uncertainty	-
Bank of Communications	"Yuntong Wealth Daily Increase (Type S)" (建通財富日增利S款)	60,000,000	25 December 2017	4 January 2018	Internal funds	0-50% in fixed revenue assets, 40-100% in money market assets and not more than 30% in other investment types	Capital preservation	2.55% (7-14 days)	34,932	-	-	Yes	Uncertainty	-
China Guangfa Bank	"Guangying'anxin (Type A)" (廣贏安薪A款)	60,000,000	19 December 2016	19 January 2017	Internal funds	Currency bonds	Capital preservation	3.06%	-	155,424	60,000,000	Yes	Uncertainty	-
China Guangfa Bank	Earning a big money (益滿鉢盈)	60,000,000	19 January 2017	22 January 2017	Internal funds	Currency bonds	Capital preservation	2.55%	-	12,576	60,000,000	Yes	Uncertainty	-
China Guangfa Bank	Xinjixin No. 16 (薪加薪16號)	60,000,000	22 January 2017	21 February 2017	Internal funds	Currency bonds	Capital preservation	3.06%	-	150,410	60,000,000	Yes	Uncertainty	-
China Guangfa Bank	"Guangying'anxin (Type B)" (廣贏安薪B款)	109,000,000	28 December 2016	28 March 2017	Internal funds	Currency bonds	Capital preservation	3.30%	-	886,932	109,000,000	Yes	Uncertainty	-
China Guangfa Bank	Xinjixin No. 16 (薪加薪16號)	60,000,000	21 February 2017	23 March 2017	Internal funds	Currency bonds	Capital preservation	3.25%	-	160,274	60,000,000	Yes	Uncertainty	-
Shanghai Pudong Development Bank	17JG0241 tranche of the company	60,000,000	24 March 2017	26 June 2017	Internal funds	Currency bonds	Capital preservation	4.05%	-	621,000	60,000,000	Yes	Uncertainty	-
Shanghai Pudong Development Bank	17JG0501 tranche of the company	30,000,000	4 May 2017	6 June 2017	Internal funds	Currency bonds	Capital preservation	3.62%	-	96,533	30,000,000	Yes	Uncertainty	-
Shanghai Pudong Development Bank	Corporate Inherent Holding Period JG901	7,000,000	26 June 2017	1 August 2017	Internal funds	Currency bonds	Capital preservation	3.90%	-	26,542	7,000,000	Yes	Uncertainty	-
Shanghai Pudong Development Bank	"Liduduo Cash Management No. 1" (利多多現金管理1號)	4,000,000	1 August 2017	6 February 2018	Internal funds	Currency bonds	Capital preservation	2.20%	-	32,549	-	Yes	Uncertainty	-
China Guangfa Bank	XJNSL6959	7,000,000	1 December 2017	2 January 2018	Internal funds	Currency bonds	Capital preservation	3.80%	21,863	-	-	Yes	Uncertainty	-
China Guangfa Bank	Structured deposit	2,000,000	29 December 2017	5 January 2018	Internal funds	Currency bonds	Capital preservation	1.10%	121	-	-	Yes	Uncertainty	-
Shanghai Pudong Development Bank	Structured deposit	1,000,000	29 September 2017	5 January 2018	Internal funds	Currency bonds	Capital preservation	1.10%	1,899	-	-	Yes	Uncertainty	-
Industrial and Commercial Bank of China	182 days fixed rate monetary financial products	31,000,000	28 December 2016	29 June 2017	Internal funds	Currency bonds	Capital preservation	2.75%	-	425,082	31,000,000	Yes	Uncertainty	-
Industrial and Commercial Bank of China	91 days fixed rate monetary financial products	1,200,000	7 August 2017	6 November 2017	Internal funds	Currency bonds	Capital preservation	3.30%	-	1,534	1,200,000	Yes	Uncertainty	-
Industrial and Commercial Bank of China	35 days fixed rate monetary financial products	600,000	1 September 2017	9 October 2017	Internal funds	Currency bonds	Capital preservation	3.20%	-	9,873	500,000	Yes	Uncertainty	-
Industrial and Commercial Bank of China	63 days fixed rate monetary financial products	1,700,000	10 November 2017	11 January 2018	Internal funds	Currency bonds	Capital preservation	3.25%	7,720	-	-	Yes	Uncertainty	-
Bank of China Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmmbi wealth management product (本利豐步步高開放式人民幣理財產品)	13,000,000	28 August 2017	12 December 2017	Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	-	109,485	13,000,000	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmmbi wealth management product (本利豐步步高開放式人民幣理財產品)	10,000,000	29 September 2017	15 December 2017	Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	-	61,973	10,000,000	Yes	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	Capital source	Usage of funds	Method for determination of returns	Annualized rate of returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	6,000,000	30 September 2017		Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	29,918	-	-	Yes	Yes	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	6,000,000	27 October 2017		Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	21,370	-	-	Yes	Yes	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	15,000,000	28 November 2017		Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	27,123	-	-	Yes	Yes	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	10,000,000	27 December 2017		Internal funds	Government bonds, financial bonds, exchange bond and inter-bank funding business with low risks	Capital preservation	2%-3%	2,192	-	-	Yes	Yes	-
Agricultural Bank of China	Secure and Daily Compound Interest Wealth Management Product No. 2 (安心快線天天利滾利第2期)	53,000,000	7 March 2017	25 April 2017	Internal funds	Government bonds, financial bonds, money market funds and bond funds	Non-capital preservation	3%	-	106,726	53,000,000	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	8,000,000	28 December 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	1,644	-	-	Yes	Yes	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	2,500,000	25 August 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	16,027	-	-	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	2,500,000	10 October 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	11,096	-	-	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	1,000,000	10 November 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	2,740	-	-	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	2,000,000	27 November 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	3,726	-	-	Yes	No	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Rmbinbi wealth management product (本利豐步步高開放式人民幣理財產品)	1,000,000	15 December 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	1,315	-	-	Yes	No	-
Agricultural Bank of China	Daily Compound Interest (天天利滾利)	3,700,000	31 December 2016	1 January 2017	Internal funds	Government bonds, financial bonds, central bills, money market instruments, bonds with higher credit rating, money market funds, bond funds and other funds with low risks	Non-capital preservation	3%	304	-	3,700,000	Yes	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	Capital source	Usage of funds	Method for determination of returns	Annualized rate of returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Through a legal procedure or not	Whether there is a future entrusted wealth management plan	Amount of provision for the impairment (if any)
Agricultural Bank of China	Daily Compound Interest (天天利滾利)	1,680,000	31 December 2017	1 January 2018	Internal funds	Government bonds, financial bonds, central bills, money market instruments, bonds with higher credit rating, money market funds, bond funds and other funds with low risks	Non-capital preservation	3%	138	-	-	Yes	Yes	-
Agricultural Bank of China	"Ben Li Feng Bu Bu Gao" Open-end Renminbi wealth management product (本利豐步步高開放式人民幣理財產品)	2,000,000	29 December 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Capital preservation	2%-3%	274	-	-	Yes	Yes	-
Bank of China	Accumulation - Daily Plan (日積月累-日計劃)	8,500,000	13 February 2017	16 February 2017	Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Non-capital preservation	2.2%-3%	-	1,537	8,500,000	Yes	No	-
Bank of China	Accumulation - Daily Plan (日積月累-日計劃)	8,000,000	15 December 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Non-capital preservation	2.2%-3%	9,118	-	-	Yes	Yes	-
Bank of China	Accumulation - Daily Plan (日積月累-日計劃)	6,000,000	29 December 2017		Internal funds	Government bonds, financial bonds, central bills, repurchase, bonds with higher credit rating, bond funds and other funds with low risks	Non-capital preservation	2.2%-3%	855	-	-	Yes	Yes	-
Total	/	2,302,780,000	/	/	/	/	/	/	456,473	4,059,264	1,811,400,000	/	/	/

## 2. Entrusted loan

### (1) Summary of entrusted loan

Unit: Yuan Currency: RMB

Type	Source of capital	Amount incurred	Outstanding remaining balance	Amount overdue but yet to be recovered
Entrusted loan	Internal funds	120,000,000	120,000,000	-

#### Other explanation

The entrusted loan granted to a joint venture as at the end of the Reporting Period was the entrusted loan of RMB120,000,000 provided by the Group to Hanwei Company, a joint venture, at 4.75% per annum for a term of not more than 3 years.

# SIGNIFICANT MATTERS

## (2) Items of entrusted loan

Unit: Yuan Currency: RMB

Name of trustee	Type of entrusted loan	Amount of entrusted loan	Date of grant of entrusted loan	Date of expiry of entrusted loan	Source of investment capital	Investment target	Method of determination of remuneration	Annualized return	Expected income (if any)	Actual gain or loss	Actual recovery	Subject to legal proceedings	Any entrusted loan plan in the future	Amount of provision for impairment (if any)
Nanjing Hanwei Property Development Company Limited (南京漢威房地產開發有限公司)	Entrusted loan	120,000,000	2017/3/16	2020/3/16	Internal	Plot No. 2 in Nanbu New Town	Prevailing benchmark lending interest rate as announced by the People's Bank of China	4.75%	4,607,500	4,607,500	-	Yes	Yes	Nil

## IX. Proactive Performance of Social Responsibility

### (I) Poverty alleviation by the Company

#### 1. Plan for targeted poverty alleviation

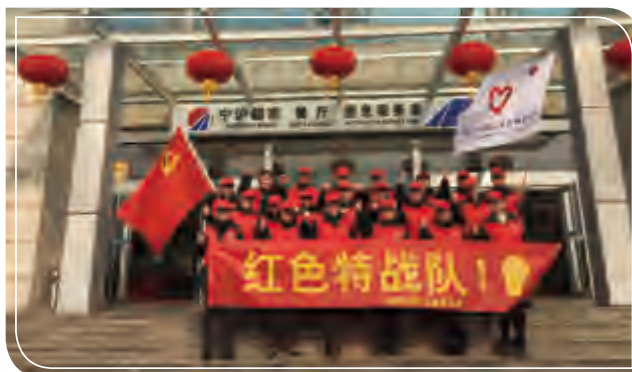
The Company attaches great importance to poverty alleviation works. Actively leveraging on its own characteristics, the Company systematically participates in targeted poverty alleviation programs and provides financial assistance to the impoverished areas for infrastructure construction, development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

#### 2. Summary of targeted poverty alleviation programs for the year

During the Reporting Period, the Company donated a total of RMB1.1 million in this regard, of which RMB800,000 and RMB300,000 were donated to support the "Targeted Poverty Alleviation Program in Guannan County" sponsored by Communications Holding and the Assistance Program in Jingxin Village of Xibei Town, Wuxi City, respectively.

Focusing on raising all villagers' income and assisting low-income families with poverty relief, the Targeted Poverty Alleviation Program in Guannan County included targeted poverty alleviation works for Jiqiao Village and Penyao Village of Bailu Town, Guannan County. The New Plant Construction Project for Small and Medium Industry Parks aimed to increase local tax income and provide certain employment opportunities; the Photovoltaic Industry Poverty Alleviation Program and two agricultural machinery cooperatives were established to support rural economic development; the Company also made practical efforts to improve the appearance of Jiqiao Village and Penyao Village and to bring convenience to the villagers by newly setting up the Jiqiao Village Integrated Services Center and renovating the village office of Penyao Village.

The Assistance Program in Jingxin Village of Xibei Town, Wuxi City was targeted at raising all villagers' income, assisting low-income families with poverty relief and making efforts to support rural economic development.



## 3. Statistics table of targeted poverty alleviation works of the Company in 2017

Unit: Yuan

Index	Amount and development
I. Overview	
Of which: 1. Capital	1,100,000
II. Investment by items	
1. Poverty alleviation through industry development	The New Plant Construction Project for Small and Medium Industry Parks provided certain employment opportunities; the Photovoltaic Industry Poverty Alleviation Program and two agricultural machinery cooperatives were established
Of which: 1.1 Type of poverty alleviation programs through various industries	<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 asset investment <input type="checkbox"/> Poverty alleviation through technology <input checked="" type="checkbox"/> Others
2. Social poverty alleviation	
Of which: 2.1 Amount of donation for collaborative poverty alleviation in East and West China	–
2.2 Amount of donation for poverty alleviation works in targeted areas	1,100,000

**(II) Social responsibility**

The board of directors of the Company has prepared the corporate environmental and social responsibility report for the year of 2017 which reflects the Company's commitment to promoting sustainable economic and social development and environmental protection, and to actively shouldering its social responsibilities for stakeholders, such as shareholders, creditors, employees and clients of the Company, based on the principle of integrity. The Company wishes that this report will serve as a bridge for communication and interaction with all sectors in the society so as to deepen their understanding of the Company. The Company also wishes to be subject to supervision by all parties, to further serve the public, to give back to the community and to achieve harmonious development through this report. Please refer to the corporate environmental and social responsibility report of 2017, the full text of which has been published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://www.jsexpressway.com)).

**(III) Compliance with laws**

The Company was a joint-stock limited company established pursuant to the Company Law of the People's Republic of China. The Group 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.). When carrying out daily operating activities, the Group must comply with the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Road Traffic Safety Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China and other applicable laws and regulations. For the year ended 31 December 2017, there has not been any material violation of or non-compliance with applicable laws and regulations. The Company and its subsidiaries had obtained from relevant regulatory authorities all the licenses, approvals and permits that are material to business operations.

To the knowledge of the board of directors and the management, the Group had also been in compliance with the Hong Kong Listing Rules, Securities and Futures Ordinance and applicable Hong Kong laws and regulations for the year ended 31 December 2017.

# 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 equity structure of the Company during the Reporting Period.

## II. Issue and Listing of Securities

### (I) Issue of Securities as at the End of the Reporting Period

Unit: Share

Class of shares and their derivative securities	Issue date	Issue price (or coupon rate)	Size of issue	Listing date	Number of shares permitted to be listed and traded	Last trading day
<b>Ordinary shares</b>						
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	
<b>Convertible corporate bonds, convertible bonds with detachable warrants and corporate bonds</b>						
Corporate Bonds	28 July 2008	5.4%	1,100,000,000	12 August 2008	1,100,000,000	28 July 2011

Explanations on the issue of securities as at the end of the Reporting Period (please specify the bonds with different interest rates within the term separately):

- 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 from 22 December to 23 December 2000 by means of both issuance through online pricing systems and placing to secondary market investors. Such A Shares were listed on the SSE on 16 January 2001.
- The Company's ADR was effective from 23 December 2002, and was listed and traded in the over-the-counter market in the United States.
- The Company implemented a share reform plan on 16 May 2006 under which the holders of non-circulating A Shares transferred a total of 48,000,000 A Shares to the holders of A Shares in circulation at nil consideration. The number of A Shares in circulation was increased from 150,000,000 shares to 198,000,000 shares. The share reform plan did not change the total number of A Shares.
- Since 16 May 2007, the Company's shares in circulation with sales restrictions have been listed and circulated in tranches upon the satisfaction of sales restriction conditions and completion of relevant formalities. The first tranche of 103,260,554 shares, second tranche of 36,073,799 shares, third tranche of 11,819,527 shares, fourth tranche of 57,644,500 shares, fifth tranche of 14,087,700 shares, sixth tranche of 2,851,900 shares, seventh tranche of 4,827,000 shares, eighth tranche of 4,091,873 shares, ninth tranche of 3,331,637,902 shares, tenth tranche of 1,250,000 shares, eleventh tranche of 3,294,000 shares and twelfth tranche of 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 shares. The total number of shares remained unchanged as a result of the said circulation of shares.

## CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

6. The Company issued corporate bonds of RMB1.1 billion at a coupon rate of 5.40% for a term of three years via on-line and off-line channels from 28 to 30 July 2008, which were listed on the SSE on 12 August 2008 with an abbreviated name of "08 Ninghu Bonds" and a bond code of "122010". The principal and interest thereon were repaid on 28 July 2011.

### III. Information on Shareholders and De Facto Controller

#### (I) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period (Number of holders of H shares: 429 (inclusive))	23,091
Total number of ordinary shareholders as at the end of last month before the date of disclosure of the annual report (Number of holders of H shares: 426 (inclusive))	23,695
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period	–
Total number of preference shareholders with voting rights restored as at the end of last month before the date of disclosure of the annual report	–

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

##### 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	Percentage (%)	Number of shares with sales restrictions held	Shares pledged or frozen		Type of shareholder
					Status of shares	Number	
Jiangsu Communications Holding Company Limited	–	2,742,578,825	54.44	–	Nil	–	State-owned legal person
China Merchants Expressway Network & Technology Holdings Co., Ltd.	–	589,059,077	11.69	–	Nil	–	State-owned legal person
Commonwealth Bank of Australia	60,711,113	135,607,300	2.69	–	Unknown	–	Foreign legal person
BlackRock, Inc.	-2,522,633	121,857,932	2.42	–	Unknown	–	Foreign legal person
JPMorgan Chase & Co.	–	82,901,847	1.65	–	Unknown	–	Foreign legal person
Guotai Junan Securities Company Limited	Unknown	55,982,255	1.11	–	Unknown	–	Others
Jiantou Zhongxin Asset Management Co., Ltd.	Unknown	21,410,000	0.42	–	Unknown	–	Others
China Life Insurance Company Limited (Taiwan) – Self-owned Funds	Unknown	20,680,954	0.41	–	Unknown	–	Foreign legal person
The National Social Security Fund 116 Composition	Unknown	9,773,895	0.19	–	Unknown	–	Others
Cathay Life Insurance Co., Ltd. – Self-owned Funds	Unknown	9,553,937	0.189	–	Unknown	–	Others

# CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

## Shareholdings of top ten shareholders without sales restrictions

Name of shareholder	Number of shares without sales restrictions in circulation	Class and number of shares	
		Class	Number
Jiangsu Communications Holding Company Limited	2,742,578,825	RMB-denominated ordinary shares	2,742,578,825
China Merchants Expressway Network & Technology Holdings Co., Ltd.	589,059,077	RMB-denominated ordinary shares	589,059,077
Commonwealth Bank of Australia	135,607,300	Oversea-listed foreign shares	135,607,300
BlackRock, Inc.	121,857,932	Oversea-listed foreign shares	121,857,932
JPMorgan Chase & Co.	82,901,847	Oversea-listed foreign shares	82,901,847
Guotai Junan Securities Company Limited	55,982,255	RMB-denominated ordinary shares	55,982,255
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	RMB-denominated ordinary shares	21,410,000
China Life Insurance Company Limited (Taiwan) – Self-owned Funds	20,680,954	RMB-denominated ordinary shares	20,680,954
The National Social Security Fund 116 Composition	9,773,895	RMB-denominated ordinary shares	9,773,895
Cathay Life Insurance Co., Ltd. – Self-owned Funds	9,553,937	RMB-denominated ordinary shares	9,553,937

Explanation on related party/connected relationships between the above shareholders or shareholders acting in concert

- (1) The Company was not aware of the existence of related party/connected relationships or acting-in-concert relationships between the above shareholders;
- (2) during the Reporting Period, there were no related parties/connected parties, strategic investors and ordinary legal persons of the Company who were the top ten shareholders of the Company as a result of placing of new shares; and
- (3) the number of shares held by H Shareholders was recorded in the register required to be kept under the Securities and Futures Ordinance of Hong Kong.

Explanation on preference shareholders with voting rights restored and their shareholdings

Nil

## Interests and short positions

### Number of A shares

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



# CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

## Number of H Shares

Name of shareholder	Capacity	Directly interested	Number of H Shares	Percentage of H Shares (total shares)
Commonwealth Bank of Australia BlackRock, Inc.	Interest of controlled corporation	No	135,607,300 (L)	11.10% (2.69%) (L)
	Interest of controlled corporation(2)	No	121,857,932 (L)	9.97% (2.42%) (L)
JPMorgan Chase & Co.	Beneficial owner/ investment manager/ custodian — corporation/ approved lending agent(3)	No	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)

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

- (1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interest in its subsidiary, China Merchants Expressway Network.
- (2) BlackRock, Inc. was deemed to be interested in the long position of a total of 121,857,932 H Shares of the Company (of which 58,000 H Shares were held through cash settled derivatives (off exchange)) by virtue of its control over a number of corporations, which were indirectly wholly-owned by BlackRock, Inc., except 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 interests in the Company through its indirectly wholly-owned subsidiaries as follows:
    - (i) BlackRock Japan Co., Ltd. held 1,426,883 H Shares (long position) of the Company.
    - (ii) BlackRock Asset Management Canada Limited held 1,490,000 H Shares (long position) of the Company.
    - (iii) BlackRock Investment Management (Australia) Limited held 306,000 H Shares (long position) of the Company.
    - (iv) BlackRock Asset Management North Asia Limited held 829,455 H Shares (long position) of the Company.
    - (v) BlackRock (Singapore) Limited held 38,000 H Shares (long position) of the Company.
  - (b) BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P. (see note 2(a) above). BlackRock Group Limited held interests in the Company through its directly or indirectly wholly-owned subsidiaries as follows:
    - (i) BlackRock (Netherlands) B.V. held 300,000 H Shares (long position) of the Company.
    - (ii) BlackRock Advisors (UK) Limited held 777,010 H Shares (long position) of the Company.
    - (iii) BlackRock International Limited held 470,000 H Shares (long position) of the Company.
    - (iv) BlackRock Asset Management Ireland Limited held 12,205,865 H Shares (long position) of the Company.
    - (v) BLACKROCK (Luxembourg) S.A. held 11,830,000 H Shares (long position) of the Company.
    - (vi) BlackRock Investment Management (UK) Limited held 6,078,084 H Shares (long position) of the Company.

# CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

- (vii) BlackRock Fund Managers Limited held 3,581,578 H Shares (long position) of the Company.
  - (viii) BlackRock Life Limited held 137,999 H Shares (long position) of the Company.
  - (ix) BlackRock Asset Management (Schweiz) AG held 6,000 H Shares (long position) of the Company.
  - (x) BlackRock Investment Management (Taiwan) Limited held 56,000 H Shares (long position) of the Company.
- (3) JPMorgan Chase & Co. was deemed to be interested in the long position of a total of 82,901,847 H Shares 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 the short position of 314,530 H Shares (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 interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	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, there was no other person required to make disclosure under the Securities and Futures Ordinance of Hong Kong as at 31 December 2017.

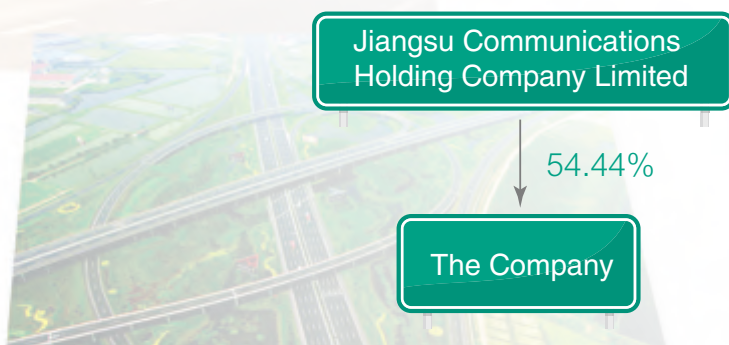
## IV. Information on Controlling Shareholder and De Facto Controller

### (I) Information on the Controlling Shareholder

#### 1. Legal person

Name	Jiangsu Communications Holding Company Limited
Person in charge or legal representative	Cai Renjie (蔡任杰)
Date of establishment	15 September 2000
Principal businesses	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 regulations; and industry investment and domestic trading within the scope of authorization of the provincial government.
Equity interests of other domestic and overseas listed companies controlled or invested during the Reporting Period	There was no change in the equity interests of other domestic and overseas listed companies newly controlled or invested by the Controlling Shareholder during the Reporting Period.

#### 2. Flowchart of the relationship between the Company and the Controlling Shareholder



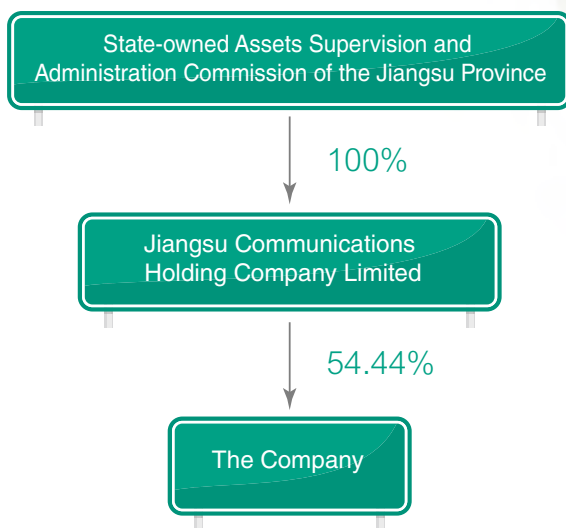
# CHANGES IN ORDINARY SHARE CAPITAL AND SHAREHOLDERS

## (II) De facto controller of the Company

### 1. Legal person

Name	State-owned Assets Supervision and Administration Commission of Jiangsu Province
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### 2. Flowchart of the relationship between the Company and the de facto controller



## V. Other Legal Person Shareholders with 10% or Above Shareholdings

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person in charge 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	6,178,211,497	Investment, development, construction, operation and management of road, bridge, terminal, port and waterway infrastructures; investment management; development and research of new technologies, new products and new materials relating to transport infrastructure as well as sales of products; sales of building materials, electrical and mechanical equipment, automobiles and accessories, hardware and electrical equipment and daily necessities; economic information consultation; and personnel training (the commencement of the projects subject to submission for approval according to law shall be conditional upon the approval of relevant authorities).
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 by the Company or any of its subsidiaries; there was no person who exercised any conversion right or subscription right 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-emptive right

In accordance with the laws of the People's Republic of China and the Company's Articles of Association, no proposal was put forward by the Company to exercise any pre-emptive right to require that the Company shall 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 of directors is of the view that the public float of the Company as at 23 March 2018 (as the latest practicable date before the date of this report) complied with the requirements of the Hong Kong Listing Rules.

### 4. Shareholders' waiver or consent on dividend arrangement

During the Reporting Period, there was no arrangement on waiver of any dividend by any shareholder.



# PREFERENCE SHARES

Applicable

Not Applicable



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. Changes in shareholdings and remuneration

### (I) Changes in shareholdings of directors, supervisors and members of senior management in office or resigned during the Reporting Period and their remuneration

Unit: Share

Name	Position	Gender	Age	Date of appointment	Date of termination	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	Reason(s) for change	Total remuneration before tax received from the Company during the Reporting Period ('000)	Remuneration received from the related parties of the Company
In office											
Chang Qing	Chairman of the Board	M	55	2016.02	2018	0	0	0	Nil	-	Yes
Gu De Jun	Executive director and general manager	M	55	2016.10	2018	0	0	0	Nil	69.11	No
Du Wen Yi	Non-executive director	M	55	2015.06	2018	0	0	0	Nil	-	Yes
Yao Yong Jia	Executive director, deputy general manager, secretary to the Board and company secretary in Hong Kong	M	54	2017.06	2018	0	0	0	Nil	56.26	No
Wu Xin Hua	Non-executive director	M	51	2016.10	2018	0	0	0	Nil	-	No
Hu Yu	Non-executive director	F	43	2015.06	2018	0	0	0	Nil	-	No
Ma Chung Lai, Lawrence	Non-executive director	M	64	2015.06	2018	0	0	0	Nil	33.7	No
Zhang Er Zhen	Independent non-executive director	M	65	2015.06	2018	0	0	0	Nil	10.79	No
Zhang Zhu Ting	Independent non-executive director	M	55	2015.06	2018	0	0	0	Nil	10.79	No
Chen Liang	Independent non-executive director	M	53	2015.06	2018	0	0	0	Nil	10.79	No
Lin Hui	Independent non-executive director	M	46	2016.06	2018	0	0	0	Nil	10.79	No

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Age	Date of appointment	Date of termination	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	Reason(s) for change	Total remuneration before tax received from the Company during the Reporting Period (0'000)	Remuneration received from the related parties of the Company
Chen Xiang Hui	Chairman of the Supervisory Committee	M	55	2016.02	2018	0	0	0	Nil	-	Yes
Chen Zhong Yang	Supervisor	M	51	2017.06	2018	0	0	0	Nil	-	No
Pan Ye	Supervisor	M	30	2016.02	2018	0	0	0	Nil	-	No
Wang Ya Ping	Supervisor	F	55	2015.06	2018	0	0	0	Nil	41.21	No
Shao Li	Supervisor	F	40	2015.06	2018	0	0	0	Nil	44.75	No
Zhou Chong Ming	Deputy secretary of the Communist Party Committee and secretary to the Disciplinary Committee of the Communist Party	M	45	2015.10	2018	0	0	0	Nil	53.27	No
Li Jie	Deputy general manager	M	48	2017.08	2020	0	0	0	Nil	53.32	No
Yu Lan Ying	Deputy general manager and financial controller	F	47	2015.12	2018	0	0	0	Nil	53.4	No
Resigned											
Shang Hong	Deputy general manager	F	55	2013.11	2017	0	0	0	Nil	50.33	No
Ren Zhuo Hua	Supervisor	F	46	2016.02	2017	0	0	0	Nil	38.46	No
Wang Hong Wei	Deputy general manager	M	55	2015.12	2017	0	0	0	Nil	21.28	No
Total	/	/	/	/	/				/	558.25	/

*Notes:*

- During the Reporting Period, none of the directors, supervisors and members of senior management of the Company (including their spouse or children and 30%-controlled companies or trusts) held any shares, shares options or was granted restricted shares of the Company.
- There was no related party/connected relationship between the directors and members of senior management of the Company (including the relationships set out in paragraph 12 of Appendix 16 to the Hong Kong Listing Rules).
- Apart from the remuneration listed above, the Company did not pay any other remuneration 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 members of senior management included salaries, performance bonus, and post-employment benefits and other benefits paid by the Company to them.
- Other benefits included housing provident fund and non-monetary benefits paid by the Company, as well as medical insurance premium, work injury insurance premium and maternity insurance premium charged by the government for coordination.
- Post-employment benefits included annuities paid by the Company, as well as pension insurance premium and unemployment insurance premium charged by the government for coordination.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Brief biography
Chang Qing	<p>Born in 1963, is the chairman of the Board, a non-executive director and the convener of the Strategy Committee. Mr. Chang is a senior engineer with university education and a bachelor degree. He has served as the deputy director of the Transport 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 Transport Bureau of Changzhou City and deputy secretary of the Communist Party Committee cum director of the Port Administration Bureau of Changzhou City. He served as the secretary-general of the Communist Party Committee of Changzhou City, Jiangsu Province. He is now serving as the general manager and deputy secretary of the Communist Party Committee of Communications Holding. Mr. Chang has long been engaged in management activities and has extensive experience in economic and transport management. Mr. Chang has been serving as the Chairman of the Board of the Company since 25 February 2016.</p>
Gu De Jun	<p>Born in 1963, is the executive director, the general manager and a member of the Strategy Committee. Mr. Gu is a professor grade senior engineer with a master degree from the Central Party School of the Communist Party of China and a bachelor degree. Mr. Gu joined the Group in 2016 and is currently serving as the general manager and secretary of the Communist Party Committee of the Company. He has served as the deputy dean of Transport Planning and Design Institute of Huaiyin City, deputy chief engineer of Communications Engineering Company of Jiangsu Province (江蘇省交通工程總公司), deputy director of the first division of the headquarters of expressway construction in Jiangsu Province (江蘇省高速公路建設指揮部工程一處), director of the Administration Department of Ninglian Ningtong expressway of Jiangsu Province (江蘇省寧連寧通公路管理處), and head and secretary of the Communist Party Committee of the Jiangsu Expressway Operation and Management Center (江蘇省高速公路經營管理中心). He received a number of provincial Science and Technology Awards (Grades I, II and III). Mr. Gu has long been engaged in strategic research, project construction and operation management, etc. in the transport industry and has extensive experience in corporate management and operation. Mr. Gu has been serving as an executive director of the Company since 27 October 2016.</p>
Du Wen Yi	<p>Born in 1963, is a non-executive director and a member of the Audit Committee. Mr. Du is a senior economist with university education. Mr. Du has served in the finance and accounting research office of Nanjing Communications School since 1983. He had been the deputy director and director of the Planning and Finance Office of Transport Planning and Design Institute of Jiangsu Province since 1987. He had been the deputy head of the Finance and Auditing Section of Communications Holding since 2000, and was the 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 the deputy general manager of Jinghu Company since 2004, and had been the 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 veteran expert with extensive experience of transportation management and financial management. He has been a director of the Company since 6 June 2008.</p>





## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Brief biography
Yao Yong Jia	Born in 1964, is an executive director, the deputy general manager and secretary to the Board. Mr. Yao is a senior engineer with a master degree. Mr. Yao joined the Company in August 1992. He has been successively section heads of Transport Design and Planning Institute of Jiangsu Province, the headquarters of expressway construction in Jiangsu Province and the Securities Department of the Company, as well as the director of the secretariat to the Board of the Company. Mr. Yao has extensive experience and has been engaged in engineering management, investment analysis, financing affairs and securities affairs, etc. since he started his career. Mr. Yao has been serving as an executive director of the Company since 22 June 2017.
Wu Xin Hua	Born in February 1967, is a non-executive director and members of the Nomination Committee and the Remuneration and Appraisal Committee. Mr. Wu obtained a bachelor degree from Renmin University of China with university education. He is currently serving as the deputy general manager of China Merchants Expressway Network, standing 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), managing director of National Highway Network Information Technology Co., Ltd. (國高網路宇信息技術有限公司) and 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 the 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), general manager of the southern management headquarters of Shangdong Securities Co., Ltd. (山東證券有限責任公司南方管理總部), and 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 joining China Merchants Expressway Network in 2007, he served as the deputy chairman and director, etc. of Sichuan Expressway Co., Ltd., Anhui Expressway Co., Ltd., Yangtze Bridge Co., Ltd. and Guangjing Xicheng Expressway Co., Ltd. Mr. Wu has been serving as a director of the Company since 2016.
Hu Yu	Born in 1975, is a non-executive director and members of the Nomination Committee and the Remuneration and Appraisal Committee. She is a middle-level accountant with a master degree in business administration management. She is currently serving as a supervisor of China Merchants Expressway Network and Huabei Expressway Co., Ltd. She has successively served as an accountant of Beijing City Development Group, the finance manager of the Beijing Branch Office of Shanghai Mitsubishi Elevator Co., Ltd., the manager of the Finance Department of China Merchants Corp., a supervisor of Guangxi Wuzhou Communications Co., Ltd., and a 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	Born in 1954, is a non-executive director and a member of the Strategy Committee. Mr. Ma obtained a bachelor degree in biochemical engineering from the University of London, the United Kingdom. Mr. Ma participated in the Election Committee Subsector Elections of the Chief Executive of the Hong Kong Special Administrative Region, and served as a committee member of the ninth session (specially invited from Hong Kong and Macau) and a standing committee member of the tenth session of the Jiangsu Committee of the Chinese People's Political Consultative Conference. He is now serving as a standing committee member cum convener of the eleventh session of the Jiangsu Committee of the Chinese People's Political Consultative Conference and a director of China Overseas Friendship Association (中華海外聯誼會). He served as a committee member (first session) and an executive member (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, and was reappointed as the chairman of Jiangsu Residents (HK) Association (江蘇旅港同鄉聯合會), honorary chairman of the first session 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) in 2015. He also served as an independent director of Nanjing Panda Electronic Company Limited (Stock Code: 553) for four years, and is currently the general manager of Taching Petroleum Co., Ltd. (大慶石油有限公司) and 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 EMPLOYEES

Name	Brief biography
Zhang Er Zhen	<p>Born in 1953, is an independent non-executive director and members of the Strategy Committee and the Audit Committee. Mr. Zhang is a professor and a tutor for doctoral candidates. He was a lecturer of the Economics Department of Nanjing University from 1985 to 1987, an associate professor of the International Economics and Trade Department of Nanjing University from 1987 to 1993, a professor and the deputy department head of the International Economics and Trade Department of Nanjing University from 1993 to 1995, the department head of the International Economics and Trade Department of Nanjing University from 1995 to 2007, and the secretary to the Communist Party Committee of the Business School of Nanjing University from 2007 to 2011. He is currently the dean of the International Economics Institute of Nanjing University. Professor Zhang is also a part-time professor of 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 on the field of international economics and trade and has devoted himself into research on modernization and innovation of cities and enterprises. He is a veteran professional with extensive experience in economics. Mr. Zhang has been an independent non-executive director of the Company since 19 June 2012.</p>
Zhang Zhu Ting	<p>Born in 1963, is an independent non-executive director and members of the Nomination Committee and the Remuneration and Appraisal Committee. Mr. Zhang is a professor and currently serves as a professor of the Cadre 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 expertise committee of Ministry of Transport, a committee member of the legal expertise committee of the Transport Enterprise Association of China (中國交通企業協會), a committee member of the legal expertise 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 of Tsinghua University and a part-time professor in Beijing Jiaotong University. Mr. Zhang obtained numerous provincial and ministerial scientific and technological improvement awards (Grades II and III) and construction consultancy awards. Mr. Zhang participated in and dealt with a number of national material events, presented many dissertations and publications, and conducted significant national, provincial and ministerial researches. He is also an advanced practitioner in the national transportation system. Mr. Zhang has been an independent non-executive director of the Company since 23 June 2015.</p>
Chen Liang	<p>Born in 1965, is an independent non-executive director, the convener of the Audit Committee and members of the Nomination Committee and the Remuneration and Appraisal Committee. Mr. Chen is a professor and a postgraduate tutor. He is currently serving as a professor of accounting and a postgraduate tutor of Nanjing University of Finance &amp; Economics (南京財經大學), as well as the standing director and deputy secretary-general of the Accounting Society of Jiangsu Province and the deputy chairman of Jiangsu Commercial Accounting Society and Jiangsu Food and Accounting Society. Mr. Chen obtained a bachelor degree in accounting in Nanjing University of Finance &amp; 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 the Financial Management Department of the School of Accounting and the deputy dean of the School of Accounting of Nanjing University of Finance &amp; Economics. He engaged in teaching and research activities of management accounting and other relevant subjects as well as social services. With the accumulation of professional experience and achievements, he becomes a veteran accounting expert with extensive experience in accounting theory and practical management. Mr. Chen has been an independent non-executive director of the Company since 23 June 2015.</p>



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Brief biography
Lin Hui	<p>Born in 1972, is an independent non-executive Director, a member of the Nomination Committee and a convener of the Remuneration and Appraisal Committee, a holder of a doctorate degree in management and a post doctorate degree of the Institute of Economics of The Chinese Academy of Social Sciences. He is currently serving as the Dean, a professor and a doctoral tutor of the Department of Finance and Insurance of the School of Business at Nanjing University. His main research directions: 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 he has published more than 30 academic papers in domestic and international authoritative journals. He also serves as an independent director of Jiangsu Hiteker High-Tech Co., Ltd. Mr. Lin has long been engaging in the research of financial field who is a senior expert with extensive financial experience. Mr. Lin has been serving as an independent executive director of the Company since 2 June 2016.</p>
Chen Xiang Hui	<p>Born in 1963, is the Chairman of the Supervisory Committee, with a bachelor's degree in engineering and a master's degree in business administration, a senior engineer of the researcher grade, 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 immediate effect. Mr. Chen was elected as the Company's Supervisor at an extraordinary general meeting of the Company and as the 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>
Chen Zhong Yang	<p>Born in 1967, is a Supervisor, a holder of a master's degree from Southeast University majoring in roads and bridges and a senior engineer of the researcher grade. He is currently the head of the enterprise management and legal department of Jiangsu Communications Holding Company Limited. He used to serve at the Jiangsu Expressways Command Office as deputy section chief and was the deputy manager of the operation and development department of Jiangsu Jinghu Expressway Company Limited, head of the road assets and road interests section of Jiangsu Communications Industry Group Co., Ltd., deputy head of the operational safety and engineering technology departments as well as head of the expansion office of Jiangsu Communications Holding Company Limited. Mr. Chen has been engaging in project management and construction and has gained extensive professional experience. Mr. Chen has been serving as a Supervisor of the Company since 22 June 2017.</p>
Pan Ye	<p>Born in 1988, is a Supervisor, graduated from Northwestern Polytechnic University in the U.S. with a master's degree in business administration. He is currently 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). Mr. Pan has been serving as a Supervisor of the Company since 2016.</p>

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Brief biography
Wang Ya Ping	Born in 1963, is an employee Supervisor, a university graduate. She served the People's Liberation Army Air Force from September 1979 to October 2000. In late 2000, she was transferred to the Company as a cadre at the regiment level. She has served as the officer, supervisor and deputy manager of the Labour Union Department of the Company, president of the trade union of the Company, 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, solid theoretical knowledge in and practical management experience in 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.
Shao Li	Born in 1978, is a Supervisor, with postgraduate academic qualifications, economist. Ms. Shao has started to work in the Nanjing Branch of Ping An Life Insurance Company of China, Ltd. since 2003. Since 2004, Ms. Shao has been successively section head and assistant to manager of the Human Resources Department of the Company, and is currently a manager of the Human Resources Department of the Company. Ms. Shao has been engaging 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.
Zhou Chong Ming	Born in November 1973, is a deputy secretary of the Communist Party Committee, secretary to the disciplinary committee of the Communist Party, joined the Communist Party in August 2005, master's degree in 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 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 deputy secretary of the Communist Party, executive deputy general manager and secretary to the disciplinary committee of the Communist Party of the Company with extensive experience in operation and management.
Li Jie	Born in 1970, is a deputy general manager, with a bachelor's degree, senior engineer of the researcher grade. Mr. Li joined the Company in August 1992. Mr. Li 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. Since he started his career, Mr. Li has always been engaging in engineering management and operational management. He has gained extensive professional experience.
Yu Lan Ying	Born in 1971, is a deputy general manager and financial controller, with a master's degree in economics, senior accountant and certified public accountant. Ms. Yu joined the Company in May 2008. She was 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. Since 2008, she has been deputy manager and manager of the Finance and Accounting Department of the Company, and deputy financial controller of the Company. Since Ms. Yu has started her career, she has been engaging in the financial management and has gained extensive experience in financial management.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### ii. Positions of holding the office of current and resigned Directors, Supervisors and members of Senior Management of the Company during the reporting period

#### (I) Positions in entities as shareholders

Name of persons holding the office	Name of entities as shareholders concerned	Position held in the entities as shareholders concerned	Date of commencement 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	Director of expert committee	2008	
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 of holding office in entities as shareholders		Not applicable		

#### (II) Positions of holding office in other entities

Name of persons holding the office	Name of other entities	Position held in other entities	Date of commencement of appointment	Date of termination of appointment
Wu Xin Hua Ma Chung Lai, Lawrence	Fujian Expressway Development Co. Ltd.	Vice chairman	May 2016	May 2019
	Hong Kong Taching Petroleum Co., Ltd.	General manager		
	Wing Hing Enterprise Company	Vice president		
Chen Liang	Jiangsu JieJie Microelectronics Co., Ltd.	Independent director	July 2010	
	Changshu Automotive Decoration Co., Ltd. (常熟汽車飾品股份有限公司)	Independent director	August 2014	
	Nantong Haixing Electronic Limited Liability Company	Independent director	November 2014	
Lin Hui	Jiangsu Guoxin Company Limited (江蘇國信股份有限公司)			
	Jiangsu Hiteker High-Tech Co., Ltd.	Independent director	December 2010	
	Jiangsu Sunrain Solar Energy Co., Ltd. (日出東方太陽能股份有限公司)	Independent director	August 2016	August 2019
	China Design Group Co., Ltd. (中設設計集團股份有限公司)	Independent director	December 2016	December 2019
Explanations for positions held in other entities		Not applicable		

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## III. Remuneration of Directors, Supervisors and Senior Management

<p>The decision-making procedures for the remuneration of the Directors, Supervisors and senior management</p>	<p>On behalf of the Board, the Remuneration and Appraisal Committee has drafted a remuneration package for non-executive directors and independent directors, setting benchmarks pursuant to the relevant rules of the domestic and overseas securities regulatory departments taking into account of the average directors' remuneration 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 remuneration of the Directors, Supervisors and members of senior management</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>Remuneration actually paid to the Directors, Supervisors and members of senior management</p>	<ol style="list-style-type: none"> <li>1. In 2017, the remuneration paid to one non-executive director in Hong Kong amounted to RMB337,000 (before tax); the annual remuneration in 2017 paid to each of the four independent directors employed in the PRC was RMB107,900 per person (before tax);</li> <li>2. Four non-executive directors and three supervisors who were nominated by shareholders received remuneration therefrom. The Company no longer determined and paid remuneration to such directors or supervisors separately.</li> <li>3. Two executive directors and two supervisors acting as 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 and paid fees to such Directors or supervisors separately.</li> <li>4. The senior management of the Company includes various deputy general managers, assistants to general managers and the financial controller. The senior management received their management remunerations in line with their respective positions. Their total amount of remuneration consists of three parts namely salary, performance-based bonus, as well as the Company's contribution to their individual pension scheme and other benefits.</li> </ol>
<p>Total remuneration actually received by all Directors, Supervisors and members of senior management at the end of the Reporting Period</p>	<p>RMB5,582,500</p>



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Position held	Change	Reasons for change
Yao Yong Jia	Executive Director	Appointment	change in work arrangement
Chen Zhong Yang	Supervisor	Appointment	change in work arrangement
Shang Hong	Executive Director, deputy general manager	Resignation and removal	change in work
Ren Zhuo Hua	Supervisor	Resignation	change in work arrangement
Wang Hong Wei	Deputy general manager	Removal	Personal reason

## v. Staff situation of the parent Company and its major subsidiaries

### (I) Staff situation

Number of in-service staff in the parent company	3,568
Number of in-service staff in the major subsidiaries	1,893
Total number of in-service staff	5,490
Number of resigned and retired staff for whom the parent company and the major subsidiaries need to bear certain expenses	346

#### Composition of Professional structure

Category of professional structure	Number Headcount of Professional structure
Production staff	4,693
Sales staff	7
Technicians	317
Financial staff	132
Administrative staff	341
Total	5,490

#### Education level

Category of education level	Number (headcount)
University or above	1,447
Tertiary	1,932
Secondary/vocational Technical middle schools or below	2,111
Total	5,490

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## (II) Remuneration Policy

Focusing on the construction and operation of roads and bridges and based on the characteristics of roads-and-bridges enterprises, the Company determines the employees' salaries according to their specific positions and their remuneration based on their performance, and sets up a fair and sound promotion system and provides stable and legitimate remuneration for the employees. In 2017, adhering to the work requirements of "five features and one merit", the Company continuously optimized the employees' remuneration and performance appraisal system, proactively implemented the talents introduction mechanism, and appropriately increased the employees' salaries in order to strengthen their sense of achievement and motivate their enthusiasm and initiatives for work. During the Reporting Period, the total remuneration for the employees amounted to RMB911,329,173.

Focusing on the strategic target and key businesses of the year, the Company strictly carried out the administrative measures on performance appraisal and implementation rules. By specifying the assessment standards of similar types of positions based on different characteristics of the positions and combining the quantitative assessment with qualitative assessment as well as combining targeted assessment with assessment for different stages, the Company regularly conducted appraisals and assessments on the performance of the employees and departments from multiple dimensions. In 2017, the Company encouraged staff to improve themselves based on their positions, fostered skillful business professionals, carried forward the spirit of craftsman and improved all staff members' performance by means of the rating of "star toll collectors", the certification of the qualifications and grades of maintenance and hindrance clearance workers and the appraisal and conferring of professional titles for the management staff, etc. During the year, the Company selected a total of 166 outstanding staff members, exemplary toll collection staff members and exemplary service staff members and 16 exemplary teams. The Company granted rewards in a timely manner to encourage staff members to learn from such exemplars and outdo the role models, thus further motivating their passion for work.

In respect of the remuneration for the directors, the Remuneration and Appraisal Committee of the Company has prepared a remuneration package proposal for non-executive directors and independent directors on behalf of the Board, set benchmarks pursuant to the relevant rules of the domestic and overseas securities regulatory departments taking into account of the average directors' remuneration levels in different markets and the actual circumstances of the Company. The committee proposed the remuneration package to the board of directors 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.

## (III) Training Programs

Staff and talents are the foundation of corporate development. By strengthening staff education and training, the Company cultivates a corporate culture of team cooperation and continuous learning, through which employees are encouraged to enhance their own work capabilities and competitiveness in the realization of the added value on human resources. Total training fees and expenses incurred during the Reporting Period amounted to approximately RMB2,823,000 (RMB2,888,000 in 2016). The programs were participated by 7,522 persons of various levels, ranging from junior front-line staff members to the senior management.





# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Reporting Period, the Company insisted on the principle of conducting training programs in different levels. The second level units of the Company organized and carried out activities based on locations, levels and professions of the middle-level management to enhance their comprehensive abilities; organized Party members and cadres to revisit Jinggang Mountains and reminisce about the Long March so as to inspire their Party spirits and positive energy; set up training camps for cadres at the basic level; provided continuing education to the professionals and technicians, continuing education on safety to the management staff and group and team leaders and pre-job trainings to the reallocated employees; and carried on the Ninghu Lecture (《寧滬講堂》) which enabled more employees to participate in the learning process by leveraging on video platform. The existing relatively mature lecturer teams including the "Puyun Lecture (浦雲學堂)", and the "Team Builder (團隊拓展師)" have approximately 20 members after the Company has strengthened the building of internal part-time lecturer teams, and those teams periodically carry out training on improvement of skills. The business training "Design and Development of Micro-Classes《微課設計與開發》" held this year covered 60 persons and produced more than 10 Micro-Classes, all of which had been uploaded on the Dingding Teaching Platform (釘釘授課平台) and are available to staff for learning at anytime and anywhere.

During the Reporting Period, the Company further strengthened the management of human resources and pushed forward the strategy of developing the enterprise by talents. According to the needs of talents development, the Company proactively participated in the Double Selection Event for Fresh Graduates held by Communications Holding and the Organization Department of Provincial Party Committee. Through selecting and recruiting comprehensive talents in line with the development demands of the Company, the Company further enriched the talents pool of the Company.

## (IV) Outsourcing of labour

Total working hours of outsourced labour	1 year
Total amount of remuneration paid for the outsourced labour	RMB9,959,400

## VI. Others

### 1. The contracts of the Directors and the Supervisors

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 contents of these contracts were the same in all material respects. The term of these contracts commenced from the date of convening the 2015 annual general meeting (or the appointment date) until the date of convening the 2017 annual general meeting. The Company, the directors or the supervisors may terminate the contracts by giving not less than three-month prior notice in writing. Save as the abovementioned, none of the directors or supervisors has entered into or intends to enter into any service contracts with the Company determinable by the employer within one year with the payment of compensation (other than statutory compensation). The Company was not required to pay compensation for the reason that the directors' service contracts remained unexpired and they intended to be re-elected at the next annual general meeting.

### 2. Interests of the directors and supervisors in contracts

There was no transaction, arrangement or contracts of significance to the Group 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; or there was no transaction, arrangement or contract of the Group in which a Director, directly or indirectly, has material interests.

### 3. Declaration and undertaking of the Directors, Supervisors and members of the senior management

During the Reporting Period, the Directors, Supervisors and senior management of the Company have signed the letter of declaration and undertaking in accordance with the requirements of Listing Rules of the SSE.

### 4. Loan or loan guarantee granted to the Directors, Supervisors and members of senior management

During the Reporting Period, the Company did not directly or indirectly grant any loan or quasi-loan to the directors or supervisors of the Company or its controlling shareholder, bodies corporate controlled by such directors or supervisors or entities connected with such directors or supervisors or enter into credit transactions with them or provide guarantee or security to them; and there was no such transaction entered into by any subsidiaries of the Company for their directors or supervisors.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 5. Model Code for Securities Transactions by the Directors

After the Company has made enquiries with all of the directors and supervisors, the directors of the Company have complied with the provisions on securities transactions under the “Model Code for Securities Transactions by Directors of Listed Issuers” under Appendix 10 of the Hong Kong Listing Rules 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. Securities transactions by the 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/connected parties held any interests in the registered capital of the Company and its subsidiaries or associated companies 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 associated corporations did not grant to any of the directors, supervisors, members of senior management or any of their respective related/connected parties (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 associated corporations so as to acquire benefits.

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

To promote the concept of governance of the directors, supervisors and members of senior management, the secretary to the board of directors 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 of directors 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 topical training programmes held by the local securities regulatory bureau, so as to facilitate their continuous professional development.

## 8. Directors and Supervisors’ interests in competitive businesses

None of the directors and supervisors has interests as stipulated in Rule 8.10 of the Hong Kong Listing Rules. Such interests refer to the interests in other businesses apart from the interests in the Company’s businesses, which competes or is likely to compete with the Company’s businesses.

## 9. Permitted indemnity provision granted to the Directors and Supervisors

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.

## I. Details of Corporate Governance of the Company

The corporate governance structure featured by the “separation of powers and efficient operation” acts as the cornerstone for the sustainable development of the Company. During the Reporting Period, the board of directors 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, the Regulation on the Supervision and Administration of Securities Companies, the Securities Governance Rules, 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 system of powers and responsibilities with well-defined boundaries and effective checks and balances among the general meetings, the board of directors, 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 a virtuous cycle of ongoing self-improvement.

### 1. Standard management

During the Reporting Period, the Company strengthened corporate governance, and strictly enforced various governance rules, while cooperating with regulatory authorities and promptly following the regulatory requirements of regulatory authorities so as to ensure that the regulatory requirements are put into practice. Measures were also taken to improve the daily control for key regulatory fields such as insider trading, capital misappropriation and related party/connected transactions. It exercised strict control over all sorts of non-compliance risks, thus further improving the self-governance capacity of the Company. At the same time, by virtue of selected regulations, case analysis and proactive attendance of regulatory training, the Company further kept its pace with the regulatory developments, strengthened the implementation of the latest regulatory requirements, and enhanced the knowledge and understanding of the directors, supervisors and senior management in respect of securities regulations and the latest developments in the securities markets, thereby intensifying daily prevention and control and increasing their governance awareness.

Starting with the work of “three-meeting”, the Company standardized the decision-making process. It mapped out and made scientific decisions over the daily operating activities and major investment 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 of directors, 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 of directors for consideration and determination strictly followed the relevant decision-making procedures and the minutes of the relevant meetings were kept properly for record, so as to ensure the appropriate procedures were in place and the relevant records were available 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, the Company strictly complied with the “authentic, accurate, complete, timely and fair” principles to ensure that all Shareholders shall have the right of equal access to the relevant information of the Company. It continuously enhanced the pertinence, effectiveness and transparency of the information disclosure of the Company, and actively explored voluntary information disclosure. Driven by the demands of the investors, 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 always been strictly implemented. In accordance with the statutory disclosure requirements, announcements were simultaneously published in the PRC and overseas to objectively disclose in detail the important corporate information on operating results, financial information, dividend payment, daily operations, project investments, financing activities, related party/connected transactions, the shareholders' general meetings, operations of the board of directors 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 the relevant requirements for information disclosure under the Listing Rules in Hong Kong and Shanghai. The 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](http://www.sse.com.cn)), the Stock Exchange ([www.hkxnews.hk](http://www.hkxnews.hk)) and the Company ([www.jssexpressway.com](http://www.jssexpressway.com)).

### 3. The management of the inside information

With respect to the management of inside information, the Company has strictly implemented 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 such insiders in dealing in the shares of the Company and prevent them from abusing the right to access to information, revealing the 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 carried out the project investment. The Company strictly complied with the regulatory requirements and the system formulated by the Company under which internal insiders and external insiders of the Company were required to sign a confidentiality agreement and a registration form before the commencement of the project investment. This effectively prevented insider dealings and there was no situation of abnormal share price fluctuations or insider trading as a result of information leakage.

### 4. Misappropriation of capital and related party/connected transactions

During the Reporting Period, the Company continually strengthened the self-investigation of misappropriation of capital and related party/connected transactions and other aspects in order to ensure that necessary statutory approval procedures were performed on all material matters, strictly controlled different types of risks of violation and further enhanced the quality of standardized operation of the Company. In practice, the Company kept a close eye on fund transfers with its related parties/connected parties and strictly prevented the misappropriation of funds by related parties/connected parties. Moreover, in respect of related party/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 falsified business performance by means of improper related party/connected transactions, and ensured that the related party/connected transactions would not cause any negative impact on the Company and they were fair and reasonable and in the interests of the Company and its shareholders as a whole.

### 5. The management of investor relations

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

During the Reporting Period, the Company continued to pay attention to harmonize the relationship between the Company and the investors. It carefully and calmly responded to phone calls from various types of investors, warmly welcomed the visiting institutions and media and periodically published the operational data of the Company. Besides, it also established an online information platform for contacting and communicating with the investors for the purpose of two-way communication with investors in an accurate, detailed and timely manner. Furthermore, it interacted friendly with the investors and the media and kept in close touch with securities companies and analysts of research institutions through daily telephone contacts. While ensuring an accurate 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 the work of investor relations lies in effective communication. The Company continued to enhance proactive communication as always. Through various platforms and channels, the Company strengthened its effective communication with all of the 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 types of promotional activities, including organizing roadshows and press conferences on the Company's performance and participating in various types of investor forums, we could have face-to-face communications with investors. Meanwhile, the Company made relatively substantial adjustments on the contents of the “investment relation” column by way of informationization and upgrade of the 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 the investors to have an easy access to the information and their interaction and communication with the Company.

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

- ◇ Prompt responses were given 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 proactive and regular basis.
- ◇ Investors and analysts on-site visit and research at the Company or specific teleconferences were convened, and played host to domestic and foreign investors on a routine basis.
- ◇ Various promotional activities were conducted, including roadshows and press conferences for results announcement presentations, foreign roadshow activities, various types of investor forums and face-to-face discussions with investors. Eight major presentations were attended or organized by the Company during the Reporting Period, which mainly included:

<b>January</b>	- Participated in the annual "Investment Forum" organized by Deutsche Bank and UBS securities
<b>March</b>	- Held 2016 annual results presentation and conducted investor roadshow activities in Hong Kong
<b>May</b>	- Attended HSBC's annual investors conference
<b>June</b>	- Attended Asia Investment Summit Roadshow held by HSBC in Europe
<b>August</b>	- Held 2017 interim results presentation and conducted investor roadshow activities in Hong Kong
<b>September</b>	- Organized and arranged roadshow activities in Singapore, Malaysia and Australia
<b>November to December</b>	- Attended the conference of annual investment strategies organised by CICC, Northeast Securities, Industrial 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 important mission and business principle, and strives to enable investors to better share 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.



# CORPORATE GOVERNANCE

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 investment and financing activities and value investments. Since its listing, the Company has been distributing cash dividends for 20 consecutive years. As at the end of 2016, the Company had distributed an aggregate of approximately RMB23.457 billion cash dividends, with average dividend payout ratio reaching 75% and accumulated dividend per share amounting to RMB4.6617, thus enabling shareholders to enjoy good returns from the development of the Company.

The Company proposed to declare a cash dividend of RMB0.44 per share for the year, bringing its dividend payout ratio to 61.78%.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Earnings per share (RMB)*	0.308	0.399	0.493	0.482	0.463	0.538	0.511	0.498	0.664	<b>0.712</b>
Dividend per share (tax inclusive) (RMB)	0.27	0.31	0.36	0.36	0.36	0.38	0.38	0.40	0.42	<b>0.44</b>
Dividend payout ratio %	87.66	77.66	73.0	74.64	77.72	70.70	74.35	80.39	63.23	<b>61.78</b>

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

Return for shareholders remains the top priority which the Company has been persisting in. Taking into account of 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 attaches great importance to internal audit and internal control. Under the internal control mechanism featuring the “integrated four-standard”, the focus of internal control was put on the promotion of the Company’s development, governance enhancement, improving efficiency, strengthening internal control and risk prevention. At the same time, as for 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 internal and external changes and trends.

During the Reporting Period, 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 the review by external professional institutions so as to constantly improve the management level and safeguard the sustainable and healthy development of the Company.

## 8. Risk management

During the Reporting Period, the Company determined the basic principles of risk assessment, set up risk assessment standards, and identified materials risks of the Company based on the risks of the industry. Ultimately, the Company prepared the List of Risks, the Diagnosis Report on Management and Control Systems, the Risk Assessment Report and the Risk Map, and established a risk management system. 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 to be followed”. While improving the results and efficiency of the business processes, it also reduced the probability of risks and 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.

The Company successively prepared or amended a series of rules and regulations in relation to risk management including the Purchase Management Measures, the Detailed Rules on Implementation of Competitive Negotiation, the Detailed Rules on Implementation of Purchase from Single Source, the Detailed Rules on Implementation of Public Tender and Bid, the Detailed Rules on Management of Changes in Engineering Projects and further standardized the Company’s production and operation activities so that the risk control work was performed in accordance with detailed rules and established procedures and available for inspection and assessment. In the end, risk control and management was transformed from macro concept into detailed measures and from being formerly undertaken by departments into being assigned to positions and procedures, thus enhancing the refined management level of risk control.

### 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 the 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 the 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 intelligence.

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, 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 2017 Corporate Environmental and Social Responsibility Report, the full text of which has been published on the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://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 of directors, the supervisory committee and the directors, supervisors, members of senior management of the Company has been subject to administrative punishment, reprimanded by announcement or subject to public censure by regulatory authorities.

During the Reporting Period, the Company was respectively granted the Award for Top 100 Companies by Value among Companies Listed on the Main Board in the "Eleventh Selection of Listed Companies in the PRC by Value" by Securities Times; and the Award of the Best Corporate Governance of "Annual Award for Listed Company" by China Financial Market. These awards fully reflected the Company's efforts in corporate governance.

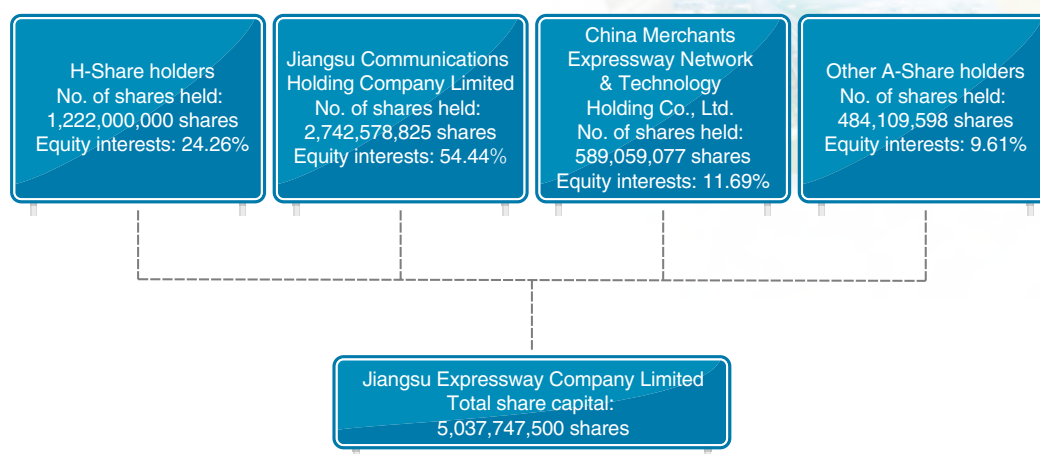




## 2. Shareholders and general meetings

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 the Rules of Procedures for General Meetings and relevant requirements. By convening general meetings and establishment 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 they 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 of the Company 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 procedures of convening and holding every annual general meeting are in compliance with relevant rules, and the proposal and deliberation of resolutions at the meeting are in compliance with the statutory procedures. The annual general meetings and extraordinary general meetings provide a direct communication channel to the board of directors 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 general meetings, all shareholders are entitled to make 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 known to the public, the directors, supervisors and senior management personnel shall give illustrations and explanations on the shareholders' suggestions and queries.

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The Company encourages all shareholders to attend the general meetings. Notice of the meeting is issued at least 45 days before the meeting is convened. The relevant information about the resolutions to be considered will be posted on websites or sent 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 shareholders 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 general meeting. Shareholders who are unable to attend the general meeting in person may rely on such information for his/her decision-making and appoint a proxy to attend the general meeting and vote at the meeting.

The 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 audit firm and shareholders' representatives also act as scrutineers to monitor the counting of votes and to ensure the legality, fairness and transparency of the meeting 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 publishing the resolutions
The 2016 Annual General Meeting	22 June 2017	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> <a href="http://www.jsexpressway.com">www.jsexpressway.com</a>	23 June 2017

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

In accordance with the Articles of Association, the board of directors shall convene an extraordinary general meeting within two months if shareholders who hold 10% (inclusive) or more of the voting shares issued by the Company make a written request to the board of directors for convening such an extraordinary general meeting. Where shareholders request to convene an extraordinary general meeting or a 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 of directors to convene an extraordinary general meeting or a 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 of directors 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 of directors 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 of directors. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the board of directors as similar as practicable. All reasonable expenses incurred by shareholders arising from convening and holding the aforesaid meeting by shareholders due to the failure of the board of directors 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 of directors 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 of directors 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 of directors. Changes made to the original proposal in the notice shall be approved by the relevant shareholders.

- (IV) If the board of directors 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 to the Supervisory Committee 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 more than 90 consecutive days may convene and preside over such meeting by themselves. The procedures for convening such meeting should be the same as those for convening a general meeting of shareholders by the board of directors as much as possible.

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

In accordance with the Articles of Association, when the Company holds a general meeting, the shareholders individually or collectively holding over 5% (inclusive) of the total 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 City, Jiangsu Province, 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 and operational 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 of directors in writing through the Office of the Secretary to the board of directors whose contact details are as follows:

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

The Office of the Secretary to the board of directors of the Company handles queries made by shareholders of the Company via telephone and in writing from time to time. Where appropriate, the queries and opinions of shareholders will be forwarded to the board of directors and/or relevant committees under the board of directors of the Company to answer the queries raised by the shareholders.

Shareholders are entitled to obtain relevant information including the Articles of Association, all and any branch register of members, personal information of directors, supervisors, managers and other senior management members of the Company, share capital of the Company, total par value, quantity, the highest price and the 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.

## 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 of directors due to work reallocation of certain directors. Upon being considered and elected at the 2017 annual general meeting, one executive director was newly appointed to join the board of directors. There are currently eleven members on the eighth session of the board of directors, in which there are two executive directors and nine non-executive directors where four of the non-executive directors are nominated by shareholders. There are five external directors, including one director who is a prominent figure in Hong Kong. The inclusion of four independent non-executive directors ensures adequate independence of the board of directors and one female director ensures the diversity of the members of the board of directors and help the board of directors analyze and discuss issues from different perspectives. As at the date of this report, the Company's executive directors were Gu De Jun and Yao Yong Jia, 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 of directors 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 of directors make more prudent and considerate decisions. The composition, members and operational procedures of the board of directors are set out in detail in the section headed "Corporate Governance Report" in this chapter.

During the Reporting Period, the board of directors held a total of seven meetings, in which five of them were on-site meetings and two of them were conducted by way of telecommunication for voting. Through appropriate means such as holding regular meetings or extraordinary meetings and the signing of board resolutions or authorizations, the board of directors discussed and made decisions on major matters, such as operational and financial performance, financing plans, investment projects, related party/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 directors of the Company, representing more than one-third of the members of the board of directors. 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 under the 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 has professional 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 of directors. 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 is the chairperson of each of these committees. The independent non-executive directors have effectively served the functions of independence and check-and-balance in the board of directors, 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 of directors a statement in respect of his independence. In addition, before convening the relevant board meeting for consideration of the annual results, the Company had received written confirmations from all independent non-executive directors in respect of their independence, in 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.

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 advice and exercise independent judgment in the decision-making for significant matters. During the Reporting Period, through their participation in the board of directors 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 party/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 the "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 general meeting for consideration.

(3) Directors' performance of their duties

*Directors' Attendance at Board Meetings and General Meetings*

Name of director	Attendance at Board meetings							Attendance in general meetings
	Independent Director or not	No. of Board meetings require to attend in the year	Attendance in person	Attendance by telecommunication	Attendance by a proxy delegation	Absence	Failure to attend a board meeting in person for twice consecutively	Attendance in general meetings
Chang Qing	No	7	5	2	0	0	No	1
Gu De Jun	No	7	5	2	0	0	No	1
Du Wen Yi	No	7	5	2	0	0	No	1
Yao Yong Jia	No	4	3	1	0	0	No	1
Wu Xin Hua	No	7	3	2	2	0	No	0
Hu Yu	No	7	3	2	2	0	No	0
Ma Chung Lai, Lawrence	No	7	4	2	1	0	No	1
Zhang Er Zhen	Yes	7	5	2	0	0	No	1
Zhang Zhu Ting	Yes	7	3	2	2	0	No	0
Chen Liang	Yes	7	5	2	0	0	No	1
Lin Hui	Yes	7	4	2	1	0	No	1
Shang Hong	No	3	2	1	0	0	No	1

At the 2016 annual general meeting convened on 22 June 2017, some directors were elected while some directors were changed. To be specific, Ms. Shang Hong resigned as an executive director of the Company due to work delegation whereas Mr. Yao Yong Jia was elected as an executive Director of the eighth session of the board of directors of the Company.

Number of board meetings convened in the year	7
Including in which: number of on-site meetings	5
Number of meetings convened by way of telecommunication	2
Number of on-site meetings convened with telecommunication	0



## 4. Specialized committees of the Board

A total of four specialized committees were established under the board of directors 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 the performance of duties. These committees assist the board of directors 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 of directors. 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 is the chairperson in each of these committees.

### Strategy Committee

The Strategy Committee was established in 2001. Its current members comprise Chang Qing (chairman), Gu De Jun, Yao Yong Jia, 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 Yao Yong Jia 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.

### Major work during the year

#### **Report on the discharge of duties in 2017 by the Strategy 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, the Articles of Association and the Rules of Procedure of the Strategy Committee of Jiangsu Expressway Company Limited, the Committee is responsible for the 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 of directors 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 2017 Evaluation Report on Internal Control of Jiangsu Expressway Company Limited and assisted the board of directors in making an 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 2017, two meetings of the Strategy Committee were held with all of the then incumbent members present.

During the Reporting Period, in accordance with the Company's aim of launching Three & Five Action and building a first-class state-owned enterprise, the Strategy Committee provided proactive support for the Company's strategic investments focusing on finance and quasi-finance equity. Jiangsu Ninghu Investment Development Co., Ltd. (江蘇寧滬投資發展有限公司), a wholly-owned subsidiary of the Company, subscribed for CDB Kai Yuan Phase II Fund with an additional contribution up to RMB700 million. The investment in such project was of important strategic significance for the Group's development of financial investment.

### 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.

During the Reporting Period, the construction of the Company's risk management system was basically completed to establish the basic principles and standards for risk assessment and identify its material risks with reference to the industrial risks. As a result, the Company formulated the List of Risks, the Diagnosis Report on Management and Control System, the Risk Assessment Report and the 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 to be followed". While improving the effect and efficiency of the business processes, it also reduced risk probability and 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 ensure the achievement of the objectives of the operating activities of the Company.

The committee has submitted to the board of directors 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 the 2017 Risk Assessment Report and the 2017 Assessment Report on Internal Control for details.

The committee has had a separate report 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 the risks of fraud were effective.

### **Chang Qing, Gu De Jun, Yao Yong Jia, Ma Chung Lai, Lawrence, and Zhang Er Zhen**

#### 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 major related party/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 the discharge of duties in 2017 by the Audit Committee

Pursuant to the relevant requirements under the SSE Guidance on Operation of Audit Committees of the Board of Directors of Listed Companies (《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 following report of work progress of the year 2017 to the board of directors:

### I. Audit Committee meetings convened during the year

In 2017, the Audit Committee held a total of five meetings, including four regular reporting meetings and one meeting convened with an external auditor attending to discuss the audit work on the annual results for the year 2017.

### II. The contents of the major work of Audit Committee in 2017

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

- ◆ It reviewed the financial statements for the year of 2016 and the unaudited financial statements for the first quarter, first half year and the third quarter of 2017 and made recommendations to the board of directors 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.
- ◆ Before the commencement of the annual audit for the year of 2017, 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 2017 financial statements and issued its opinions in writing. It paid special attention to the treatment of significant financial and accounting matters for the year of 2017 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 15 March 2018. The committee reviewed the 2017 financial statements of the Group again 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 2017 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 2017. The Audit Committee considered that the accounting policies and accounting estimates adopted by the Group for the year of 2017 met the requirements of the 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 the timely response of the management and the board of directors to the questions raised by the auditors, the auditors completed the annual audit as scheduled and submitted the 2017 audit report on 23 March 2018. Based on the aforementioned work and the audit report of the auditors, the Audit Committee considered that the Group's 2017 financial statements truthfully and reasonably reflect its operating results in the year of 2017 and the financial position as at 31 December 2017, and thus suggested the board of directors to approve the same.



### III. Control of related party/connected transactions and corporate governance

According to the requirements of the Implementation Guidelines for Related Party 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 of directors, the committee also undertook the duties relating to the control of related party/connected transactions and the corporate governance of the Company. With knowledge of the procedures for identifying and approving the related party/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 party/connected transactions in 2017 with regulatory requirements and timely disclosure of information.

### IV. Internal audit management

In 2017, 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 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.

### V. Assessing the effectiveness of internal control measures

The Audit Committee had reviewed the Evaluation Report on Internal Control of the Company as well as the Audit Report on Internal Control issued by the auditor. The Audit Committee considered that the Company had established a complete internal control system in accordance with the Basic Standards for Enterprise Internal Control, the Guidelines on Internal Control for the Listed Companies of the Shanghai Stock Exchange and other applicable laws and regulations, and such internal control system was legitimate, reasonable, sound and effective. The Company carried out its internal control, risk appraisal, control activities, information exchange and internal supervision strictly following its various internal control procedures, and thus the potential internal and external risks in all the links had been controlled and limited within a reasonable range. The Company had substantially accomplished its anticipated goal concerning internal control.

### VI. Work evaluation and re-appointment of auditors

In 2017, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) (which is referred to as "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 requirements of the Company, the Audit Committee made a conclusion on the audit work of Deloitte for the year 2017 after discussion and assessment with the management. The Committee held the opinion that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of the disclosure and audit of financial information and the effect of 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 2018 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 formulated a policy on engaging an external auditor to provide non-audit services, and the Audit Committee shall review the external auditor's code of conduct and its service quality in providing non-audit services so as to ensure that the independence of the auditor is not affected. Prior approval is required for any non-audit service to be provided by the external auditor and its expenses. Any necessary action or improvement measure in this regard shall be reported to the board of directors.

The Company has obtained the annual confirmations from independent non-executive directors and the auditor, respectively, in relation to continuing connected transactions, in accordance with Rules 14A.55 and 14A.56 of the Hong Kong 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 directors

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 of directors.

## Major work during the year

### Report on the discharge of duties in 2017 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, the Articles of Association and the Rules of Procedures of the Nomination Committee of Jiangsu Expressway Company Limited, we, as the existing members of the Nomination Committee of the Company, hereby present the following report of the work progress in the year 2017 to the board of directors:

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 of directors. The committee reviews the structure, number of members and the composition of the board of directors (including (but not limited to) skills, 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 of directors in response to the strategies of the Company.

During the Reporting Period, the Nomination Committee convened two meetings with all of the 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 of directors. All candidates for the 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 of directors. Thereafter, the appointment shall be submitted to the general meeting for election.

The Company has formulated the Diversity Policy of the board of directors 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, cultural background, educational background, industrial and professional experience. Currently, the eighth session of the board of directors of the Company comprises 11 members. There are 2 executive directors and 9 non-executive directors, in which 4 non-executive directors were nominated by shareholders and the rest five (including one director is a renowned figure in Hong Kong) were externally engaged by the Company. The inclusion of four independent non-executive directors ensures the sufficient independence of the board of directors; meanwhile, the presence of one female director also guarantees the diversity of the board members and contributes to the board's analysis and discussion of issues in multiple perspectives.

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

### 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 directors

Wu Xin Hua and Hu Yu are non-executive directors

### Duties

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

### Major work during the year

#### **Report on the discharge of duties in 2017 by the Remuneration and Appraisal 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, 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 of work progress in the year 2017 to the board of directors:

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

The Remuneration and Appraisal Committee held one meeting for the year of 2017 where all of the then 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 in the year of 2017. 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 of directors 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 set by the board of directors in early 2017.

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**

## 5. Supervisors and Supervisory Committee

During the Reporting Period, due to work reallocation of some supervisors, one new supervisor was elected to replace a former supervisor at the annual general meeting of the Company held on 22 June 2017. 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), Chen Zhong Yang, Pan Ye, Wang Ya Ping, and Shao Li.

The Supervisory Committee is accountable to the 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 employees. 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 related party/connected transactions, and supervising the discharge of duties of the directors and senior management of the Company to ensure the 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.

During the Reporting Period, the Supervisory Committee held four meetings, and all supervisors were in attendance 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 of directors, exercised an effective supervision over the legality of the decision-making process of the Company, the implementation by the board of directors of the resolutions passed at the general meetings, and the performance of duties by the directors and the management of Company, as well as timely reminded the board of directors and the management of the Company of any potential risks; checked the Company's annual financial report; verified the financial information, 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 party/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 compliance 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 of the shareholders and the Company. Save for that set out in the section headed "Penalty against and Rectification of the Company and Directors, Supervisors, Members of Senior Management, Controlling Shareholder, De Facto Controller and Acquirers", 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 five 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 of directors, and decision making and control over day-to-day business and operation management, financial and human resources management.

The board of directors 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 of directors 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 of directors will assess the management's performance based on the extent of achievement of various objectives.

## 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, clearly defined powers and responsibilities and separation of government functions from enterprise management", the Company and Communications Holding, the Controlling Shareholder, are independent of each other in terms of 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 are to some extent similar to each other, which may objectively give rise to horizontal competition 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 based on its shareholding. At the board of directors, the Controlling Shareholder exercises its voting right based on the actual number of directors and has never overridden any procedures to command the board of directors.

## 8. Disclosure of self-evaluation report on internal control

The board of directors of the Company has prepared the 2017 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' understanding of the risk management and internal control evaluation report, evaluation of the risk management and internal control condition for their investment decisions. Disclosure on the Company's risk management and internal control for this year has been made. Full text of the 2017 Self-Evaluation Report on Internal Control has been published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://www.jsexpressway.com)).

## 9. Information on audit report on internal control

Deloitte has issued an audit report on the internal control of the Company for 2017 and is of the view that the Company has maintained effective internal control in 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 2017. Full text of the 2017 internal control audit report has been published on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsexpressway.com](http://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

## III. Corporate Governance Report

As at the date of publication of this report, the board of directors 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 provisions A2.7, A4.2 and A6.7 stated below, the Company has complied 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 is set out below.

### A. Directors

#### A1. The Board

##### Code principle

- The issuer shall be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in 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 of directors is accountable to 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 of directors also monitors the implementation of the Group's operational management and its financial performance, with the primary mission of achieving operating results that generate the best and most stable returns in the long run.
- The directors take the initiative to understand the Company's operation and business development, attend board of directors meetings and specialized committee meetings in a prudent, responsible, proactive and diligent manner, adequately capitalize on their respective professional experience and expertise and play a positive and facilitative role in safeguarding 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, at approximately quarterly intervals. Active participation of directors, either in person or through electronic means of communications, is expected. A regular board meeting does not include obtaining board consent through circulating written resolutions	Yes <ul style="list-style-type: none"> <li>In 2017, the Company held seven board meetings in total, including five physical meetings where directors attended in person and two extraordinary meetings where votes were cast by way of correspondence.</li> <li>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 was in compliance with the provisions of the Articles of Association. The extraordinary meeting was approved by the board of directors by way of circulation of written resolutions. Details of attendance in 2017 board meetings are set out in this chapter.</li> </ul>
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"> <li>All directors were given the opportunity to include matters in the agenda for regular board meetings but such right was not exercised in this year.</li> </ul>
A1.3	Notice of at least 14 days should be given prior to a regular board meeting	Yes <ul style="list-style-type: none"> <li>Notice, agenda and the relevant information of each regular board meeting were given 14 days prior to such meeting. Notice was also given at any reasonable time for extraordinary board meetings to ensure that all directors were given an opportunity to attend.</li> </ul>
A1.4	Minutes of meetings should be kept by the secretary of the board and should be open for inspection by any director at any reasonable time	Yes <ul style="list-style-type: none"> <li>Secretary to the board of directors is responsible for preparing and maintaining all minutes and the relevant meeting materials of the board of directors and board committees which were available for inspection by any director at any time.</li> </ul>
A1.5	Minutes of board meetings should record in sufficient detail the matters considered and decisions reached by directors at meetings; and draft and final versions of minutes shall be sent to all directors within a reasonable time	Yes <ul style="list-style-type: none"> <li>The minutes of meetings shall reflect objectively the consideration, voting and opinions given by the directors in detail and were signed by the directors present at the meetings as confirmation.</li> </ul>
A1.6	Directors can seek independent professional advice under an agreed procedure at the issuer's expense	Yes <ul style="list-style-type: none"> <li>In respect of matters that require advice to be sought from professional institutions, the Company takes the initiative to 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 Toll Bridge and North South Approach Expressways in the year, the Company appointed independent advisory agencies at its own expense to issue independent opinions and professional recommendations in accordance with the requirements to the directors for their decision.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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 (rather than dealing with it by a written resolution) in a timely manner, and the independent non-executive directors who, and whose close associates, have no material interest in the transactions shall be present at the meeting	Yes <ul style="list-style-type: none"> <li>The Company has made it clear that, if a substantial shareholder or a director has a conflict of 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 party/connected transactions such as the entering into road maintenance contracts and the entering into loan agreement between holding subsidiaries and related/connected parties. The number of other non-related/connected directors and independent non-executive directors who had voted fulfilled the statutory quorum requirements.</li> </ul>
A1.8	An issuer should arrange appropriate insurance cover in respect of legal action against its directors	Yes <ul style="list-style-type: none"> <li>During the Reporting Period, the Company had arranged appropriate 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.</li> </ul>

## A2. Chairman and Chief Executive Officer

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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 Terms of Reference of General Manager, 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 act or "insider control".</li> </ul>



## CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A2.1	Yes	<ul style="list-style-type: none"> <li>Mr. Chang Qing serves as the Chairman of the eighth session of the board of directors and Mr. Gu De Jun serves as an executive director and the general manager.</li> <li>The Chairman of the board of directors concentrated his work on the Group's development strategies and matters of the board of directors, 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 of directors and day-to-day decision-making under the support and assistance of the board of directors and other senior management of the Company. The division 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.</li> <li>There was no relationship between the Chairman and the general manager of the Company in the financial, operational, family or other relevant aspects.</li> </ul>
A2.2	Yes	<ul style="list-style-type: none"> <li>The board of directors has established a reporting system under which the general manager reports to all directors at each regular meeting, held at least four times a year, the latest status of operation of the Company. The Chairman also tables, for decision-making purposes, any material matters of the Group to the board of directors for collective discussion by the directors at the meeting.</li> </ul>
A2.3	Yes	<ul style="list-style-type: none"> <li>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 of directors, be committed to continuously improving the quality and timeliness of the information and is under the obligations to ensure the accuracy and completeness of the information provided.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
A2.4	Yes	<ul style="list-style-type: none"> <li>The agendas of Board meetings were discussed among the Chairman, the executive directors and the secretary to the board of directors, and were determined after having taken into account all motions put forward by non-executive directors. All key and appropriate issues of the Company were determined after prior discussion.</li> </ul>
A2.5	Yes	<ul style="list-style-type: none"> <li>The Chairman played a significant role in promoting the development of the Company's corporate governance. 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 so as to ensure the standardised operation of the Company.</li> </ul>
A2.6	Yes	<ul style="list-style-type: none"> <li>The Chairman encouraged 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</li> </ul>
A2.7	No	<ul style="list-style-type: none"> <li>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 of directors and safeguards the decisions of the board of directors from being prejudiced by the opinions of executive directors.</li> </ul>
A2.8	Yes	<ul style="list-style-type: none"> <li>The Chairman attached great importance to the effective communications between the Company and the shareholders for the purpose of continuous 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 also reports to the board of directors the important views of shareholders collected in the usual course of business.</li> </ul>

Code provision	Compliance	Corporate governance procedures
A 2.9 The chairman should promote a culture of openness and debate and facilitate constructive relations among the directors	Yes	<ul style="list-style-type: none"> <li>The board of directors fully promoted democratic discussions and respected the views of each Director. Specific arrangements have been made to allow the directors to give their respective opinions and have free discussions on matters under consideration each time before official voting took place in respect of resolutions. The board of directors maintained a good atmosphere for discussion. The Chairman also valued the contributions of the directors to the board of directors and strove to ensure that there were good and constructive relations between the executive directors and the non-executive directors.</li> </ul>

## A3. Board composition

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>As considered at the annual general meeting held on 22 June 2017, the Company elected one additional executive director. Currently, the eighth session of the board of directors 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, including four independent non-executive directors, were engaged externally by the Company to ensure adequate independence of the board of directors. At the same time, one director is female and one is a prominent figure in Hong Kong to ensure the diversity of the board of directors and facilitate the analysis and discussion of issues from different perspectives by the board of directors.</li> <li>The directors were elected or replaced at 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 general meetings. 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.</li> </ul>

- The members of the board of directors have different industry background. They are diversified in experience, competence and judgmental skills, which enable the board of directors to make more prudent and considerate decisions. Members of the current session of the board of directors 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. Two of the directors have accounting qualifications and financial management expertise as required by the regulatory authorities and one director is a prominent figure in Hong Kong to facilitate the Board's analysis and discussion of 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"> <li>• The independent non-executive directors are disclosed in all corporate communications including the Company's annual, interim and quarterly reports, and other corporate communications uploaded to the websites of the Company, SSE and the Stock Exchange.</li> </ul>
A3.2 The issuer should maintain on its website and the Stock Exchange's website an updated list of its directors.	Yes	<ul style="list-style-type: none"> <li>• The Company has maintained on the websites of the Company and the Stock Exchange an updated list of board members and their profiles identifying their role, function and independence. The Company will promptly update relevant information should there be any changes in the composition of the board of directors.</li> </ul>

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

Code principle	<ul style="list-style-type: none"> <li>• There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>• The Company has set up a Nomination Committee under the Board. The Nomination Committee makes proposals on the appointment, re-election, removal and discharge procedures of the candidates of directors which are presented to the Board for its consideration and eventually determined by election at general meetings. 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 commit and his/her concern about relevant affairs, and so forth.</li> <li>• For changes in Directors for the year, please refer to the section headed "CHANGES OF THE DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OF THE COMPANY" in this Report.</li> </ul>

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"> <li>Directors are generally appointed for a term of three years. All directors are appointed at a general meeting and can be re-appointed upon expiry of the term. An independent non-executive director shall not be re-elected for more than six consecutive years.</li> </ul>
A4.2 Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after appointment. Every director should be subject to retirement by rotation at least once every three years	No	<ul style="list-style-type: none"> <li>All directors were elected or replaced at 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, each session of the board of directors is for a term of three years, with each director appointed for a term of three years, and all directors should retire upon the expiry of the three-year term, instead of retirement by rotation. Any re-appointment is subject to re-election at a general meeting.</li> </ul>
A4.3 Serving more than nine years shall be relevant to the determination of an independent director's independence.	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

## 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"> <li>The Nomination Committee has been established under the board of directors 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.</li> </ul>
A5.2 The nomination committee should be established with specific written terms of reference	Yes	<ul style="list-style-type: none"> <li>The Company has formulated the Rules of Procedure of the Nomination Committee which deal clearly with its authority and duties. The main responsibilities of the committee are set out in the section headed "Specialized Committees of the Board" in this Chapter.</li> </ul>
A5.3 The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the websites of the issuer and the Stock Exchange	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>

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Code provision	Compliance	Corporate governance procedures
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 the issuer's expense	Yes	<ul style="list-style-type: none"> <li>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 takes the initiative to engage 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, none of the committees had separately requested the Company to seek professional independent advice on any relevant matter.</li> </ul>
A5.5 In the election of an independent non-executive director, the board should set out in the circular to shareholders why he or she should be elected and the reasons why he or she is independent	Yes	<ul style="list-style-type: none"> <li>As far as the election of an independent non-executive director is concerned, the Company included the reasons for appointing such person and the statement on his/her independence in both the notice of the relevant general meeting and the circular to the shareholders.</li> </ul>
A.5.6 The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report	Yes	<ul style="list-style-type: none"> <li>The board of directors of the Company has adopted a policy concerning diversity of board members ("Board Diversity Policy") according to the Corporate Governance Code, which is aimed at setting out the approach taken by the board of directors to achieve diversity of the board of directors. All the appointment of the members of the board of directors shall be based on the principle of meritocracy and objective criteria with due consideration given to the benefit of board diversity. The selection of candidates will be based on a wide range of criteria, including, but not limited to, gender, age, cultural and educational background, race, professional experience, skills, knowledge and term of service, and will be ultimately determined based on the expertise of the candidates and contributions they can bring to the board of directors. 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 fully take into account such quantifiable objectives when proposing candidates to the board of directors for appointment.</li> </ul>

## A6. Responsibilities of Directors

Code principle	<ul style="list-style-type: none"> <li>Every director must always know his or her responsibilities as a director of an issuer and its operation mode, business activities and development. Non-executive directors have the same fiduciary duties and duties of care and skill as executive directors.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

Code provision	Compliance	Corporate governance procedures
A6.1 Every newly appointed director should receive an induction on appointment. He or she should subsequently receive any briefing and professional development necessary to ensure that he or she has a proper understanding of the issuer's operations and business and is fully aware of his or her responsibilities under legal and other regulatory requirements and the business and governance policies of the issuer	Yes	<ul style="list-style-type: none"> <li>A comprehensive information package and relevant training which comprise an introduction to the Group's business, a brief introduction to directors' responsibilities and duties and other statutory requirements will be provided to new members of the board of directors upon their appointment.</li> <li>All non-executive directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management.</li> <li>The Secretary to the Board is responsible for ensuring that all directors obtain the latest information on the Listing Rules and other statutory requirements.</li> </ul>
A6.2 Functions of non-executive directors	Yes	<ul style="list-style-type: none"> <li>Non-executive directors have actively participated in board meetings and served as committee members, scrutinized the Company's performance in achieving business objectives and provided independent opinions on the decision-making of the board of directors.</li> <li>Functions of non-executive directors include:                             <ul style="list-style-type: none"> <li>Participating in board meetings to express an independent opinion on the issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, etc.;</li> <li>taking the lead where potential conflicts of interest arise;</li> <li>serving on the Strategy Committee, Audit Committee, the Remuneration and Appraisal Committee, Nomination Committee, if invited; and</li> <li>scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting of the Company.</li> </ul> </li> </ul>

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Code provision	Compliance	Corporate governance procedures
A6.3 Every director should ensure that they can give sufficient time and attention to the issuer's affairs	Yes	<ul style="list-style-type: none"> <li>All directors of the Company worked faithfully and diligently, and conscientiously performed their duties. Each of them was able to devote sufficient time and attention to the Company's affairs. 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.</li> </ul>
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"> <li>The directors of the Company have been complying 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 guideline on 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 was no transaction involving the dealing in the Company's 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 following specific queries made to all directors and supervisors of the Company.</li> </ul>
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"> <li>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 keep them updated with knowledge and enhance their performance of 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 at suitable times, and organized special seminars on laws, finance, management and capital market for the directors to facilitate their professional development.</li> </ul>





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Code provision	Compliance	Corporate governance procedures
A6.6 Each director should disclose to the issuer at the time of his appointment, (and should make such disclosure regularly thereafter) the number and nature of offices held in public companies or organizations, and other significant commitments	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
A6.7 Independent non-executive Directors and other non-executive Directors should regularly attend Board meetings, meetings of committees and shareholders' general meetings, and develop a fair understanding of the views of the shareholders	No	<ul style="list-style-type: none"> <li>All independent non-executive directors and other non-executive directors have attended board meetings (for details of attendance, please refer to "Directors' Attendance at Board Meetings and General Meetings") and meetings of various committees regularly (please refer to "Board committees" set forth below) and contributed their skills and expertise to the Company's decision-making process. Except Zhang Zhu Ting who was unable to attend due to job-related reasons, all the other independent non-executive directors have attended the general meetings of the Company held during the year.</li> </ul>
A6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments	Yes	<ul style="list-style-type: none"> <li>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 of directors could conduct productive discussions and make decisions in a speedy and prudent manner.</li> </ul>

## A7. Supply of and access to information

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The secretary to the Board is responsible for providing all information to Directors, including documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans of the Company regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of the information on a continued basis.</li> </ul>

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 the board or committee meeting	Yes	<ul style="list-style-type: none"> <li>The Company's meeting materials were served on the directors at least five business days before the date of each board of directors or committee meeting and at least three days before the date of each extraordinary board meeting by hand, post or e-mail.</li> </ul>
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 company's senior management for making further enquiries	Yes	<ul style="list-style-type: none"> <li>The management supplied the board of directors and its committees with adequate information in a timely manner. Directors have separate and independent access to the Company's senior management to obtain the necessary information. The board of directors and the committees also make arrangements for the relevant members of the senior management to attend their meetings and give an update on the relevant business, including the background or explanatory data and information on matters to be submitted to the board of directors for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.</li> </ul>
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"> <li>All board documents and relevant materials have been kept by the Secretary to the Board for inspection by directors at any time. The board of directors and the committees have also made arrangements for relevant members of the senior management to attend their meetings and give an update on the relevant business and respond to queries.</li> </ul>

## B. Remuneration of Directors and senior management and Board evaluation

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

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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 of the Company. Except for one external non-executive director and four independent non-executive directors who received directors' remuneration, none of the directors has 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.</li> </ul>

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- 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 four independent directors amounted to RMB360,000 (net of tax) in aggregation. Save for the above, the independent directors did not receive any other types of compensation from the Company.

Code provision	Compliance	Corporate governance procedures
B1.1 The remuneration committee should consult the chairman or the chief executive officer about their remuneration proposals for other executive directors, and should seek independent and professional advice if necessary	Yes	<ul style="list-style-type: none"> <li>• During the Reporting Period, the Company had three executive directors of 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 proposed by the remuneration committee to the Chairman, and did not receive directors' remuneration.</li> </ul>
B1.2 The remuneration committee's duties	Yes	<ul style="list-style-type: none"> <li>• The Company has established the Rules of Procedure of the Remuneration and Appraisal Committee which deal clearly with the powers and duties of the committee. The committee's scope of duties is not limited to the Code Provisions. The Remuneration and Appraisal Committee of the Company acted as an advisor to the board of directors, while the board of directors retained the ultimate power of approving the remuneration for executive directors and senior management.</li> </ul>
B1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the websites of the Stock Exchange and the company	Yes	<ul style="list-style-type: none"> <li>• The Company has uploaded the Rules of Procedure of the Remuneration and Appraisal Committee and made available the terms of reference of the committee on its website, and published the same on the websites of the Stock Exchange and SSE for enquiry of investors.</li> </ul>
B1.4 The remuneration committee should be provided with sufficient resources to perform its duties	Yes	<ul style="list-style-type: none"> <li>• The Company has provided sufficient resources for the committee to perform its duties.</li> </ul>
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"> <li>• 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 the chapter headed "Directors, Supervisors, Senior Management and Staff" in this annual report.</li> </ul>

Code provision	Compliance	Corporate governance procedures
<b>Recommended best practices</b>		
B1.6	Yes	<ul style="list-style-type: none"> <li>There is no such matter referred to in the provision between the board of directors and the Remuneration and Appraisal Committee in relation to the remuneration arrangements of the directors and senior management during the year.</li> </ul>
B1.7	Yes	<ul style="list-style-type: none"> <li>The total remuneration of each of the executive directors and senior management members 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 generally linked rewards to the Company's and individual performance.</li> </ul>
B1.8	Yes	<ul style="list-style-type: none"> <li>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" of this annual report.</li> </ul>
B1.9	Yes	<ul style="list-style-type: none"> <li>The board of directors 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 operation and management of business. After the consideration and approval by the board of directors at the beginning of the year, the Company assigned specific tasks to various functional departments of operations. The person-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 of directors assessed the management's performance based on the fulfilment of various objectives.</li> </ul>

## C. Accountability and audit

### C1. Financial reporting

Code principle	<ul style="list-style-type: none"> <li>The board should present a balanced, clear, comprehensive assessment of the company's performance, position and prospects.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The board of directors has strived for completeness of 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 continued to improve 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.</li> </ul>

Code provision	Compliance	Corporate governance procedures
C1.1 Management shall provide sufficient explanation and information to the board to enable it to make an informed assessment of the relevant matters	Yes	<ul style="list-style-type: none"> <li>The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the directors at all board meetings to enable all directors to make an informed assessment of the financial and other data and information put before them for approval.</li> </ul>
C1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, financial position and prospects in sufficient detail to enable each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.	Yes	<ul style="list-style-type: none"> <li>Since 2012, the Company has submitted to each director an Operations Bulletin or other information that needs to be reviewed by directors on a monthly basis and the general manager's work report on a quarterly basis, in sufficient detail to enable the directors to acquire details about the Company's operation and management in phases.</li> </ul>

Code provision	Compliance	Corporate governance procedures
<p>C1.3 Directors should acknowledge their responsibility for preparing the accounts; there should 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</p>	Yes	<ul style="list-style-type: none"> <li>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.</li> <li>The Company was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Company's ability to continue as a going concern.</li> </ul>
<p>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</p>	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
<p>C1.5 The board should present a balanced, clear and understandable assessment of the company's performance in periodic reports and other financial disclosures required by the Hong Kong Listing Rules</p>	Yes	<ul style="list-style-type: none"> <li>The board of directors gave an objective, fair and clear presentation of the Group's position and prospects in all announcements and periodic reports issued to shareholders.</li> </ul>
<p><b>Recommended best practices:</b></p> <ul style="list-style-type: none"> <li>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 published 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.</li> </ul>		

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## C2. Risk management and internal control

Code principle	<ul style="list-style-type: none"> <li>The board is responsible for evaluating and determining the nature and extent of the risks that the issuer is willing to take in achieving the strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and the management should provide a confirmation to the board on the effectiveness of these systems.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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, operational and regulatory control procedures from time to time to safeguard the Group's assets and shareholders' interests. During the Reporting Period, the board of directors 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 "2017 Self-Evaluation Report on Internal Control".</li> <li>The Company has established the internal audit department and the Strategy Committee within the organizational framework to conduct regular review, supervision and assessment on the financial position, operation, risk management and internal control activities of the Company in respect of different businesses and procedures. 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.</li> </ul>

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, operational and compliance control and risk management functions)	Yes	<ul style="list-style-type: none"> <li>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 "2017 Self-evaluation Report on Internal Control of the Company" in this annual report.</li> </ul>



Code provision	Compliance	Corporate governance procedures
C2.2 The board's review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	Yes	<ul style="list-style-type: none"> <li>The board of directors (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 adequate.</li> <li>As for risk management and internal control, the board of directors has established the Strategy Committee with members including Chang Qing, Gu De Jun, Yao Yong Jia, Ma Chung Lai, Lawrence, Zhang Er Zhen, most of whom are non-executive directors. In particular, Chang Qing serves as the chairman of the Strategy Committee.</li> <li>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 detail in the "Rules of Procedures of the Strategy Committee".</li> <li>During the Reporting Period, the Strategy Committee held two meetings in total, with all members present and performing their respective duties. Meanwhile, the management and the financial controller reported to the Strategy Committee on the financial position of the Company.</li> <li>The Company has taken into consideration the resources, staff qualifications and experience of corporate accounting and internal auditing functions when reviewing the risk management and internal control.</li> <li>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 targeted professional training in this area each year.</li> </ul>
C2.3 Matters that the board should review each year	Yes	<ul style="list-style-type: none"> <li>There has been no significant risk in connection with the Company, and the Company has a relatively strong ability in responding to the changes in its business and the external environment;</li> </ul>

# CORPORATE GOVERNANCE



Code provision	Compliance	Corporate governance procedures
		<ul style="list-style-type: none"><li>• Management of the Company comprehensively monitor the effective operation of the risk management and internal control systems on an ongoing basis;</li><li>• The Company's internal audit department and external independent auditor reported the supervisory results at the meeting of the annual report of the Strategy Committee to the board of directors and the Audit Committee, which helped the board of directors evaluate the supervisory conditions and the effectiveness of risk management of the Company;</li><li>• There was no significant control failing or weakness identified during the period; and</li><li>• The Company's procedures for financial reporting and Listing Rules compliance are effective.</li><li>• The launch of the setup 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 "in accordance with rules". 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.</li></ul>



Code provision	Compliance	Corporate governance procedures
<p>C.2.4 The issuer should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period</p>	<p>Yes</p>	<ul style="list-style-type: none"> <li>• With respect to the management of inside information, the Company has strictly implemented the Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules, 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 such insider in dealing in the shares of the Company and prevent them from abusing the right to access to information, revealing the inside information or conducting insider trading to safeguard the interests of the Company and the principle of fairness on information disclosure.</li> <li>• The Company identified, evaluated and managed significant risks through the annual full-coverage audit by the internal audit department and external independent auditor;</li> <li>• The Company established a specialized audit department to audit the risk management and internal control systems of the Company;</li> <li>• The board of directors of the Company shall be responsible for the risk management and internal control systems and reviewing their effectiveness annually. The risk management and internal control of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;</li> <li>• The Company conducted an annual and comprehensive review on the effectiveness of risk management and internal control systems and resolved material internal control defects through the internal audit department and external independent auditor; and</li> <li>• The Company comprehensively handled and disseminated inside information and internal control measures at times throughout the year through the Office of Secretary to the Board.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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"> <li>The Company has established the internal audit function.</li> </ul>
<p><b>Recommended best practices:</b></p> <ul style="list-style-type: none"> <li>The board of directors has received a 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.</li> <li>During the Reporting Period, the Company had conducted an inspection and a self-evaluation of the soundness, integrity, 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 Code. For the findings of the review, please refer to the section headed "2017 Self-evaluation Report on Internal Control".</li> <li>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.</li> </ul>		

## C3. Audit Committee

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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.</li> <li>The Audit Committee is principally responsible for auditing the financial information of the Company and its subsidiaries and the disclosure thereof; reviewing financial control of the Company and its subsidiaries; auditing material related party/connected 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 detail in the Rules of Procedures of the Audit Committee.</li> </ul>

- 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 2017 annual results of the Group, approved daily related party/connected transactions and continuing related party/connected transaction of the Company and its subsidiaries. At such meetings, all members were present and performed respective duties, and the management and the financial controller reported to the Committee 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.

Code provision	Compliance	Corporate governance procedures
C3.1 Full minutes of the audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, respectively, within a reasonable time after the meeting.	Yes	<ul style="list-style-type: none"> <li>• The Secretary to the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the committee. The minutes reflected the consideration and voting results of the meetings in an objective and detailed manner and were signed by all directors attending the meetings for confirmation.</li> </ul>
C3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the audit committee for a certain period of time	Yes	<ul style="list-style-type: none"> <li>• None of the Audit Committee members is a former partner of the external auditors.</li> </ul>
C3.3 Terms of reference of the audit committee	Yes	<ul style="list-style-type: none"> <li>• The Company has formulated the Rules for Procedure of the Audit Committee which specify in detail the terms of reference and work procedures of the Audit Committee and the authority delegated by the board of directors, in compliance with the requirements under the code provisions.</li> </ul>
C3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the websites of the Stock Exchange and the issuer	Yes	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
C3.5	Yes	<ul style="list-style-type: none"> <li>The Audit Committee makes recommendations on the selection, appointment or removal of external auditors to the board of directors, subject to approval at the general meeting after consideration by the board of directors. The board of directors and the Audit Committee do not hold different opinions on selection, appointment, resignation or removal of external auditors.</li> </ul>
C3.6	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
C3.7	Yes	<ul style="list-style-type: none"> <li>The Audit Committee and the Strategy Committee had a separate report 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 the risks of fraud were effective.</li> </ul>
<p><b>Recommended best practices:</b></p> <ul style="list-style-type: none"> <li>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 whistleblower hotline 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.</li> </ul>		

## D. Delegation by the Board

### D1. Management functions

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The main functions and duties of the board of directors include convening the 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.</li> <li>Both the Articles of Association and the Rules of Procedures for the board of directors set out the matters reserved for consideration and approval by the board of directors. 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 resolutions. The relevant committees or panels must act within the scope of authorization granted by the board of directors and shall report to the board of directors on any matter that goes beyond the scope of authorization.</li> </ul>

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"> <li>The management is accountable to the board of directors. 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 of directors, and implementation of the resolutions passed by the board of directors. When exercising its power, the management cannot surpass its terms of reference and resolutions of board meetings. The board has issued clear guidelines on the rights and responsibilities of the management.</li> </ul>
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"> <li>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 of General Manager" and reviewed the same regularly.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
D1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management	Yes	<ul style="list-style-type: none"> <li>The Company has specified the separate functions and duties between the board of directors and the management in its articles of association, the Rules of Procedures for the Board of Director and the Terms of Reference of General Manager which have been made available on the Company's website. The Company also reviews the performance of the board of directors and the management in its annual report every year.</li> </ul>
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"> <li>Each newly appointed director has received a formal letter of appointment setting out the key terms and conditions of the appointment. Meanwhile, the board of directors has followed the relevant authorization procedures when delegating the relevant powers.</li> </ul>

## D2. Board committees

Code principle	<ul style="list-style-type: none"> <li>Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The board of directors has established four specialized committees, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The board of directors selects and appoints members of each committee after fully 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.</li> <li>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.</li> <li>The committees hold meetings regularly and report their work progress and discussion results to the board of directors. 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.</li> </ul>



- During the Reporting Period, 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	2/2	-	-	-
Du Wen Yi	Non-executive Director	-	5/5	-	-
Yao Yong Jia	Executive Director	1/2	-	-	-
Wu Xin Hua	Non-executive Director	-	-	2/2	1/1
Hu Yu	Non-executive Director	-	-	2/2	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	-	-	2/2	1/1
Chen Liang	Independent non-executive Director	-	5/5	2/2	1/1
Lin Hui	Independent non-executive Director	-	-	2/2	1/1
Resigned Director					
Shang Hong	Former executive Director	1/2	-	-	-

At the 2016 annual general meeting held on 22 June 2017, Mr. Yao Yong Jia was elected as an executive director of the Company. There were also some changes in the members of the committees. Details of the 2017 work report are set out elsewhere in this chapter.

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
D2.2	The terms of reference of board committees should require them to report back to the Board on their decisions or recommendations	Yes

- The four committees under the board of directors 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".

- The committees have reported their decisions and recommendations to the board of directors after each meeting, and submitted to the board of directors the matters subject to the decision of the board of directors for consideration.

# CORPORATE GOVERNANCE

## 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"> <li>The board of directors 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.</li> <li>During the Reporting Period, so far as formulation of corporate governance policies of the Company is concerned, the board of directors embarked upon 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 of directors has reviewed the Corporate Governance Report herein and noticed that, save as the Code provisions A2.7, A4.2 and A6.7, 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 of directors has promptly updated relevant policies and practices of the Company upon obtaining regularly updated requirements of laws and regulatory regulations.</li> </ul>
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"> <li>The Company's corporate governance duties are undertaken by the board of directors directly, and the Company has neither set up a specialized committee to undertake such responsibilities nor assigned such duties to other committees.</li> </ul>

## E. Communication with Shareholders

### E1. Effective Communication

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>The board of directors 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.</li> </ul>

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"> <li>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.</li> </ul>
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"> <li>When the 2016 annual general meeting was held, the Chairman of the board of directors 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.</li> </ul>
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"> <li>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.</li> </ul>

# CORPORATE GOVERNANCE

Code provision	Compliance	Corporate governance procedures
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"> <li>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.</li> </ul>

## E2. Voting by Poll

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

Code provision	Compliance	Corporate governance procedures
E2.1 The chairman of a meeting should explain the procedures 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"> <li>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.</li> </ul>

## F. Company Secretary

Code principle	<ul style="list-style-type: none"> <li>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.</li> </ul>
The best corporate governance status	<ul style="list-style-type: none"> <li>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 of directors 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.</li> <li>The Secretary to the Board received more than 15 hours of professional training in 2017.</li> </ul>

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"> <li>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 company secretary in Hong Kong.</li> </ul>
F1.2 The board should approve the selection, appointment or dismissal of the company secretary	Yes	<ul style="list-style-type: none"> <li>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.</li> </ul>
F1.3 The company secretary should report to the board chairman or the chief executive	Yes	<ul style="list-style-type: none"> <li>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 of directors, specialized committees and the Supervisory Committee; regularly providing the 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.</li> </ul>

# CORPORATE GOVERNANCE



Code provision	Compliance	Corporate governance procedures
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"><li>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 operation of the board of directors 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.</li></ul>



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 2017, and the company's and consolidated income statements, the company's and consolidated statements of cash flow, 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 2017, 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:

### Amortization of road operation right

#### 1. Description

As of 31 December 2017, the net amount of the operation rights of the Company was RMB19,337,612,333 and the amortization amount of highway operation right in 2017 was RMB1,120,570,597. 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 to 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.

## 3. KEY AUDIT MATTERS (Continued)

### Amortization of road operation right (Continued)

#### 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 entity, 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 entity is consistent 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.
- 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.
- Re-measure the amortization of the toll road operation right to verify the accuracy of its amount in the financial statements

### Intangible assets impairment of Ninglian road operation right

#### 1. Description

As of 31 December 2017, the carrying amount of the intangible assets of Ninglian road operation right was RMB267,737,524, provision for impairment in 2017 was RMB217,737,524 and the net carrying amount was RMB50,000,000. The Company should make estimates of its recoverable amount when considering the intangible assets impairment of Ninglian road's operation right and determine its recoverable amount by calculating the amount of intangible assets fair value of Ninglian road operation right deducting disposal expenses. Determination of recoverable amount involves uncertainty of significant accounting estimates and judgements, and thus we consider the intangible assets impairment of Ninglian road operation right as a key audit matter.

#### 2. Audit response

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

- Discuss with the Company management and understand the Company's disposal scheme about Ninglian road operation right;
- Review the approval from Nanjing Municipal Government and Jiangsu Provincial Government of compensation for Ninglian road operation right, personnel placement and preliminary scheme to road maintenance about removal of road toll station;
- Conduct interviews with related parties involved in the disposal scheme of Ninglian road toll station to learn about the scheme proposed for implementation about Ninglian road operation right compensation, personnel placement and road maintenance;
- Review the third-party professional institution's calculation process of compensation amount for disposal of Ninglian road toll station;
- Review the adequacy and completeness of relevant disclosures in the notes to 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 2017, 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.

# AUDITOR'S REPORT

## 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.

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  
Shanghai, China

Chinese Certified Public Accountant  
Yu Yang  
Bu Jun

23 March 2018

*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 2017

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	(VI)1	269,357,751	265,422,162	Short-term borrowings	(VI)21	3,599,000,000	810,000,000
Financial assets at fair value through profit or loss	(VI)2	38,871,811	33,212,717	Accounts payable	(VI)22	921,349,151	987,946,428
Notes receivable	(VI)3	2,880,000	6,116,460	Receipts in advance	(VI)23	840,007,370	940,873,359
Accounts receivable	(VI)4	306,367,630	148,153,297	Employee benefits payable	(VI)24	3,636,736	4,816,324
Prepayments	(VI)5	10,200,712	16,851,683	Taxes payable	(VI)25	275,210,217	231,702,787
Interest receivable	(VI)6	80,231,500	45,694,000	Interest payable	(VI)26	99,326,055	92,220,187
Dividends receivable	(VI)7	4,989,960	4,989,960	Dividends payable	(VI)27	81,117,999	73,614,218
Other receivables	(VI)8	21,035,223	422,083,818	Other payables	(VI)28	36,919,707	39,984,545
Inventories	(VI)9	3,010,805,685	3,142,326,304	Non-current liabilities due within one year	(VI)29	623,841,375	121,718,718
Non-current assets due within one year	(VI)10	300,000,000	–	Other current liabilities	(VI)30	2,243,200,002	3,936,452,668
Other current assets	(VI)11	557,742,656	326,161,615	<b>Total Current Liabilities</b>		<b>8,723,608,612</b>	<b>7,239,329,234</b>
<b>Total Current Assets</b>		<b>4,602,482,928</b>	<b>4,411,012,016</b>	<b>Non-current Liabilities:</b>			
<b>Non-current Assets:</b>				Long-term borrowings	(VI)31	3,874,089,201	1,471,905,901
Available-for-sale financial assets	(VI)12	2,329,877,191	2,086,127,987	Bonds payable	(VI)32	3,970,157,835	4,457,801,187
Long-term equity investment	(VI)13	5,123,326,114	4,771,195,958	Deferred income	(VI)33	33,638,147	33,317,704
Investment properties	(VI)14	20,019,608	32,113,394	Provisions	(VI)34	8,010,000	–
Fixed assets	(VI)15	1,740,197,103	1,734,084,711	Deferred tax liabilities	(VI)19	28,056,831	138,362,514
Construction in progress	(VI)16	8,294,639,339	1,197,809,229	<b>Total Non-current Liabilities</b>		<b>7,913,952,014</b>	<b>6,101,387,306</b>
Intangible assets	(VI)17	19,962,642,227	21,324,779,176	<b>TOTAL LIABILITIES</b>		<b>16,637,560,626</b>	<b>13,340,716,540</b>
Long-term prepaid expenses	(VI)18	1,069,666	3,628,179	<b>Shareholders' Equity:</b>			
Deferred tax assets	(VI)19	258,020,384	345,345,094	Share capital	(VI)35	5,037,747,500	5,037,747,500
Other non-current assets	(VI)20	200,216,678	376,477,785	Capital reserve	(VI)36	10,428,388,235	10,428,388,235
<b>Total Non-current Assets</b>		<b>37,930,008,310</b>	<b>31,871,561,513</b>	Other comprehensive income	(VI)37	380,908,923	542,389,052
<b>TOTAL ASSETS</b>		<b>42,532,491,238</b>	<b>36,282,573,529</b>	Surplus reserve	(VI)38	3,273,492,299	3,153,173,160
				Retained profits	(VI)39	4,399,747,006	3,048,058,238
				<b>Total shareholders' equity attributable to equity holders of the Company</b>		<b>23,520,283,963</b>	<b>22,209,756,185</b>
				Minority interests		2,374,646,649	732,100,804
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>25,894,930,612</b>	<b>22,941,856,989</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>42,532,491,238</b>	<b>36,282,573,529</b>

The accompanying notes form part of the financial statements

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



Chang Qing



Gu De Jun



Yu Lan Ying

# BALANCE SHEET OF THE COMPANY

For the year ended 31 December 2017

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	(XIV)1	135,125,679	98,649,203	Short-term borrowings	(XIV)15	2,863,000,000	770,000,000
Accounts receivable	(XIV)2	213,001,356	102,488,935	Accounts payable	(XIV)16	341,840,658	310,276,757
Prepayments	(XIV)3	2,379,548	9,116,045	Receipts in advance		15,441,862	8,035,625
Interest receivable		82,325,319	47,940,597	Employee benefits payable	(XIV)17	978,932	764,117
Dividends receivable		4,989,960	4,989,960	Taxes payable	(XIV)18	185,938,684	151,738,572
Other receivables	(XIV)4	8,700,887	403,316,212	Interest payable		76,160,278	74,066,670
Inventories	(XIV)5	22,502,218	22,388,679	Dividends payable		81,117,999	73,614,218
Non-current assets due within one year	(XIV)6	350,000,000	-	Other payables	(XIV)19	16,716,264	21,431,361
Other current assets	(XIV)7	404,000,000	303,141,833	Non-current liabilities due within one year	(XIV)20	500,841,376	1,718,718
<b>Total Current Assets</b>		<b>1,223,024,967</b>	<b>992,031,464</b>	Other current liabilities		<b>2,243,200,002</b>	<b>3,936,452,668</b>
<b>Non-current Assets:</b>				<b>Total Current Liabilities</b>			
Available-for-sale financial assets	(XIV)8	1,383,230,000	1,567,230,000			<b>6,325,236,055</b>	<b>5,348,098,706</b>
Long-term equity investment	(XIV)9	15,027,677,472	12,850,682,084	<b>Non-current Liabilities:</b>			
Fixed assets	(XIV)10	1,016,202,346	1,055,641,400	Long-term borrowings	(XIV)21	16,189,201	118,905,901
Construction in progress	(XIV)11	13,073,662	49,051,089	Bonds payable		3,970,157,835	4,457,801,187
Intangible assets	(XIV)12	10,736,032,358	11,592,006,027	Deferred tax liabilities	(XIV)13	24,766,288	136,486,744
Deferred tax assets	(XIV)13	-	-	Provisions		8,010,000	-
Other non-current assets	(XIV)14	2,190,581,936	2,518,859,835	<b>Total Non-current Liabilities</b>		<b>4,019,123,324</b>	<b>4,713,193,832</b>
<b>Total Non-current Assets</b>		<b>30,366,797,774</b>	<b>29,633,470,435</b>	<b>TOTAL LIABILITIES</b>		<b>10,344,359,379</b>	<b>10,061,292,538</b>
<b>TOTAL ASSETS</b>		<b>31,589,822,741</b>	<b>30,625,501,899</b>	<b>Shareholders' Equity:</b>			
				Share capital		5,037,747,500	5,037,747,500
				Capital reserve	(XIV)22	7,327,650,327	7,327,650,327
				Other comprehensive income	(XIV)23	362,483,691	523,963,820
				Surplus reserve	(XIV)24	2,518,873,750	2,518,873,750
				Retained profits	(XIV)25	5,998,708,094	5,155,973,964
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>21,245,463,362</b>	<b>20,564,209,361</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>31,589,822,741</b>	<b>30,625,501,899</b>

The accompanying notes form part of the financial statements

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



Chang Qing



Gu De Jun



Yu Lan Ying

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Total operating income</b>	(VI)40	<b>9,455,680,365</b>	9,201,297,066
Including: Operating income		<b>9,455,680,365</b>	9,201,297,066
Less: Total operating costs		<b>5,320,013,514</b>	5,268,508,210
Including: Operating costs	(VI)40	<b>4,334,469,882</b>	4,363,720,292
Taxes and levies	(VI)41	<b>87,587,512</b>	193,471,915
Selling expenses	(VI)42	<b>11,891,705</b>	26,762,163
Administrative expenses	(VI)43	<b>187,898,191</b>	182,065,269
Financial expenses	(VI)44	<b>480,441,961</b>	502,388,296
Impairment losses of assets	(VI)45	<b>217,724,263</b>	100,275
Add: Gains (losses) from changes in fair values	(VI)46	<b>5,659,094</b>	(2,674,334)
Investment income	(VI)47	<b>586,872,528</b>	472,966,663
Including: Income from investments in associates and joint ventures		<b>494,404,818</b>	438,033,337
Gains (losses) from disposal of assets	(VI)48	<b>(5,659,248)</b>	(3,570,996)
Other income	(VI)49	<b>1,828,188</b>	-
<b>II. Operating profit</b>		<b>4,724,367,413</b>	4,399,510,189
Add: Non-operating income	(VI)50	<b>14,176,399</b>	44,626,929
Less: Non-operating expenses	(VI)51	<b>24,721,090</b>	26,861,204
<b>III. Total profit</b>		<b>4,713,822,722</b>	4,417,275,914
Less: Income tax expenses	(VI)52	<b>1,029,003,204</b>	980,138,120
<b>IV. Net profit</b>		<b>3,684,819,518</b>	3,437,137,794
(I) Categorized by the nature of continuing operation			
1. Net profit(loss) from continuing operations		<b>3,684,819,518</b>	3,437,137,794
2. Net profit (loss) from discontinued operations		-	-
(II) Categorized by ownership:			
1. Profit or loss attributable to minority interests		<b>96,957,661</b>	91,073,927
2. Net profit(loss) attributable to owners of the Company		<b>3,587,861,857</b>	3,346,063,867
<b>V. Other comprehensive income, net of tax</b>	(VI)53	<b>(161,480,129)</b>	420,906,148
Other comprehensive income attributable to owners of the Company, net of tax		<b>(161,480,129)</b>	420,906,148
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-	-
(II) Other comprehensive income that will be reclassified to profit or loss		<b>(161,480,129)</b>	420,906,148
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		<b>(161,480,129)</b>	420,906,148
Other comprehensive income attributable to minority interests, net of tax		-	-
<b>VI. Total comprehensive income:</b>		<b>3,523,339,389</b>	3,858,043,942
Total comprehensive income attributable to owners of the Company		<b>3,426,381,728</b>	3,766,970,015
Total comprehensive income attributable to minority interests		<b>96,957,661</b>	91,073,927
<b>VII. Earnings per share:</b>		-	-
(I) Basic earnings per share		<b>0.7122</b>	0.6642
(II) Diluted earnings per share		-	-

The accompanying notes form part of the financial statements


The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:



Chang Qing

Person in Charge of the Accounting Body:



Gu De Jun

Chief Accountant:



Yu Lan Ying

# INCOME STATEMENT OF THE COMPANY

For the year ended 31 December 2017

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
I. Total operating income	(XIV)26	<b>6,551,657,907</b>	6,221,698,851
Less: Operating costs	(XIV)26	<b>2,924,428,999</b>	2,804,984,320
Taxes and levies	(XIV)27	<b>41,317,310</b>	84,755,059
Administrative expenses	(XIV)28	<b>133,750,018</b>	132,866,517
Financial expenses	(XIV)29	<b>366,184,937</b>	415,618,046
Impairment loss of assets	(XIV)30	<b>217,727,054</b>	92,839
Add: Investment income	(XIV)31	<b>859,889,804</b>	751,554,639
Including: Income from investments in associates and joint ventures		<b>308,612,467</b>	250,431,492
Gains (losses) from disposal of assets	(XIV)32	<b>(2,656,442)</b>	(2,660,098)
<b>II. Operating profit</b>		<b>3,725,482,951</b>	3,532,276,611
Add: Non-operating income	(XIV)33	<b>8,697,310</b>	37,391,295
Less: Non-operating expenses	(XIV)34	<b>16,490,025</b>	18,076,676
<b>III. Total profit</b>		<b>3,717,690,236</b>	3,551,591,230
Less: Income tax expenses	(XIV)35	<b>759,102,156</b>	747,208,512
<b>IV. Net profit</b>		<b>2,958,588,080</b>	2,804,382,718
(I) Net profit of continuing operation (net loss)		<b>2,958,588,080</b>	2,804,382,718
(II) Net profit of discontinuing operation (net loss)		-	-
<b>V. Net other comprehensive income after tax</b>	(XIV)36	<b>(161,480,129)</b>	420,906,148
(I) Other comprehensive income that cannot be reclassified into profit or loss in the subsequent period		-	-
(II) Other comprehensive income that will be reclassified into profit or loss in the subsequent period		<b>(161,480,129)</b>	420,906,148
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		<b>(161,480,129)</b>	420,906,148
<b>VI. Total comprehensive income</b>		<b>2,797,107,951</b>	3,225,288,866

The accompanying notes form part of the financial statements

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:



Chang Qing

Person in Charge of the Accounting Body:



Gu De Jun

Chief Accountant:



Yu Lan Ying

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		9,705,074,616	9,971,229,781
Other cash receipts relating to operating activities	(VI)55(1)	85,241,484	54,626,277
Sub-total of cash inflows from operating activities		9,790,316,100	10,025,856,058
Cash payments for goods purchased and services received		2,250,687,820	2,437,465,202
Cash payments to and on behalf of employees		912,508,761	838,760,202
Payments of various types of taxes		1,319,643,498	1,110,091,302
Other cash payments relating to operating activities	(VI)55(2)	75,371,043	175,790,848
Sub-total of cash outflows from operating activities		4,558,211,122	4,562,107,554
Net Cash Flow from Operating Activities		5,232,104,978	5,463,748,504
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		3,609,953,747	3,114,265,253
Cash receipts from investment income		188,557,751	180,049,103
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		415,072,493	395,368,117
Other cash receipts relating to investing activities	(VI)55(3)	-	-
Sub-total of cash inflows from investing activities		4,213,583,991	3,689,682,473
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		7,398,167,915	583,935,224
Cash payments to acquire investments		4,278,382,278	3,262,506,730
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	(VI)55(4)	120,000,000	69,000,000
Sub-total of cash outflows from investing activities		11,796,550,193	3,915,441,954
Net Cash Flow from Investing Activities		(7,582,966,202)	(225,759,481)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		1,618,445,170	-
Including: cash receipts from capital contributions from minority owners of subsidiaries		1,618,445,170	-
Cash receipts from borrowings		9,016,900,000	4,936,522,350
Cash receipts from issue of bonds		6,200,000,000	9,400,000,000
Other cash receipts relating to financing activities	(VI)55(5)	-	-
Sub-total of cash inflows from financing activities		16,835,345,170	14,336,522,350
Cash repayments of borrowings		11,721,704,918	16,978,147,054
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,679,912,913	2,589,370,064
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		72,856,986	67,770,972
Other cash payments relating to financing activities	(VI)55(6)	14,380,393	33,836,355
Sub-total of cash outflows from financing activities		14,415,998,224	19,601,353,473
Net Cash Flow generated from Financing Activities		2,419,346,946	(5,264,831,123)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		-	-
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>	(VI)56	68,485,722	(26,842,100)
Add: Opening balance of Cash and Cash Equivalents	(VI)56	194,272,978	221,115,078
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(VI)56	262,758,700	194,272,978

The accompanying notes form part of the financial statements

The financial statements on pages 153 to 298 were signed by the following:


Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



Chang Qing



Gu De Jun



Yu Lan Ying

# CASH FLOW STATEMENT OF THE COMPANY

For the year ended 31 December 2017

Unit: RMB

Item	Notes	Amount for the current year	Amount for the prior year
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		6,870,363,947	6,547,872,827
Other cash receipts relating to operating activities	(XIV)38(1)	10,263,498	39,342,524
Sub-total of cash inflows from operating activities		6,880,627,445	6,587,215,351
Cash payments for goods purchased and services received		1,867,869,412	1,900,188,908
Cash payments to and on behalf of employees		590,677,496	551,572,202
Payments of various types of taxes		1,011,421,247	770,317,519
Other cash payments relating to operating activities	(XIV)38(2)	44,471,792	39,696,677
Sub-total of cash outflows from operating activities		3,514,439,947	3,261,775,306
Net Cash Flow from Operating Activities		3,366,187,498	3,325,440,045
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		2,145,400,000	2,032,850,000
Cash receipts from investment income		632,626,394	579,376,033
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		395,461,810	394,930,101
Other cash receipts relating to investing activities	(XIV)38(3)	400,000,000	1,885,000,000
Sub-total of cash inflows from investing activities		3,573,488,204	4,892,156,134
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		60,723,257	206,287,554
Cash payments to acquire investments		2,783,900,000	1,117,317,102
Net cash payments for acquisitions of subsidiaries and other business units		1,773,096,830	-
Other cash payments relating to investing activities	(XIV)38(4)	120,000,000	1,759,000,000
Sub-total of cash outflows from investing activities		4,737,720,087	3,082,604,656
Net Cash Flow from (used in) used in Investing Activities		(1,164,231,883)	1,809,551,478
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		5,239,000,000	5,310,000,000
Cash receipts from issue of bonds		6,200,000,000	9,400,000,000
Sub-total of cash inflows from financing activities		11,439,000,000	14,710,000,000
Cash repayments of borrowings		11,147,704,918	17,407,647,053
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,442,393,829	2,426,344,802
Other cash payments relating to financing activities	(XIV)38(5)	14,380,392	33,836,355
Sub-total of cash outflows from financing activities		13,604,479,139	19,867,828,210
Net Cash Flow from Financing Activities		(2,165,479,139)	(5,157,828,210)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		-	-
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash Equivalents	(XIV)39	36,476,476	(22,836,687)
	(XIV)39	98,649,203	121,485,890
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(XIV)39	135,125,679	98,649,203

The accompanying notes form part of the financial statements

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



Chang Qing



Gu De Jun



Yu Lan Ying



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

Unit: RMB

Item	Amount for the current year												
	Attributable to owners of the Company												Total shareholders' equity
	Other equity instruments				Other					General Risk Provision	Retained profits	Minority interests	
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	comprehensive income	Special reserve	Surplus reserve				
<b>I. Closing balance as at 31 December 2016 (before the restatement)</b>	5,037,747,500	-	-	-	10,428,388,235	-	542,389,052	-	3,153,173,160	-	3,048,058,238	732,100,804	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of last period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Opening balance as at 1 January 2017 (after the restatement)</b>	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
<b>III. Changes for the year</b>	-	-	-	-	-	-	(161,480,129)	-	120,319,139	-	1,351,688,768	1,642,545,845	2,953,073,623
(I) Total comprehensive income	-	-	-	-	-	-	(161,480,129)	-	-	-	3,587,861,857	96,957,661	3,523,339,389
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	1,618,445,170	1,618,445,170
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	1,618,445,170	1,618,445,170
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	120,319,139	-	(2,236,173,089)	(72,856,986)	(2,188,710,936)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	120,319,139	-	(120,319,139)	-	-
2. Transfer to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(72,856,986)	(2,188,710,936)
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. Transfer to special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilized in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Closing balance as at 31 December 2017</b>	5,037,747,500	-	-	-	10,428,388,235	-	380,908,923	-	3,273,492,299	-	4,399,747,006	2,374,646,649	25,894,930,612

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:



Chang Qing

Person in Charge of the Accounting Body:



Gu De Jun

Chief Accountant:



Yu Lan Ying

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

Unit: RMB

Item	Amount for the prior year											Total shareholders' equity	
	Attributable to owners of the Company										Minority interests		
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision			Retained profits
Share capital	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	1,755,684,861
(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. Share of capital reserve of the investee accounted for using the equity method	-	-	-	-	(18,274,106)	-	-	-	-	-	-	(1,214,983)	(19,489,089)
5. 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	22,941,656,989

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:



Chang Qing

Person in Charge of the Accounting Body:



Gu De Jun

Chief Accountant:



Yu Lan Ying

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2017

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 owners' equity
		Preferred shares	Perpetual debts	Others								
I. 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
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 2017	5,037,747,500	-	-	-	7,327,650,327	-	523,963,820	-	2,518,873,750	-	5,155,973,964	20,564,209,361
III. Changes for the year	-	-	-	-	-	-	(161,480,129)	-	-	-	842,734,130	681,254,001
(I) Total comprehensive income	-	-	-	-	-	-	(161,480,129)	-	-	-	2,958,588,080	2,797,107,951
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer to general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalisation of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalisation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2017	5,037,747,500	-	-	-	7,327,650,327	-	362,483,691	-	2,518,873,750	-	5,998,708,094	21,245,463,362

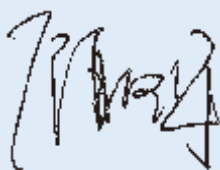
The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:



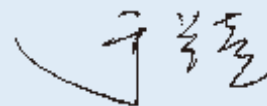
Chang Qing

Person in Charge of the Accounting Body:



Gu De Jun

Chief Accountant:



Yu Lan Ying

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the year ended 31 December 2017

Unit: RMB

Items	Amount for the prior year											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total owner's equity
Preferred shares	Perpetual debts	Others										
I. 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 year	-	-	-	-	(11,389,208)	-	420,906,148	-	-	-	789,283,718	1,198,600,658
(I) Total comprehensive income	-	-	-	-	-	-	420,906,148	-	-	-	789,283,718	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. Share of capital reserve of the investee accounted for using the equity method	-	-	-	-	(11,389,208)	-	-	-	-	-	-	(11,389,208)
5. 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 utilized in the period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance as at 31 December 2016	5,037,747,500	-	-	-	7,327,650,327	-	623,963,820	-	2,518,873,750	-	5,155,973,964	20,564,209,361

The financial statements on pages 153 to 298 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:



Chang Qing



Gu De Jun



Yu Lan Ying

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 23 March 2018.

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 2017

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

### Going concern

As at 31 December 2017, the Group had total current liabilities in excess of total current assets of RMB4,121,125,684. As at 31 December 2017, the Group has available unutilized bank loan facilities with a time limit over one year of approximately RMB18,134,960,000 and authorized but not issued super short-term bonds and medium term notes with a time limit over one year of approximately RMB4,000,000,000. 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 22 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 2017, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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

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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 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.

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.



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

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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")*

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 9. Financial instruments (Continued)

#### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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*

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

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

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

### 9. Financial instruments (Continued)

#### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 9. Financial instruments (Continued)

#### 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 10. Receivables

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

Basis or monetary criteria for determining an individually significant receivable

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.

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.

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.

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 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.



## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

#### 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.

##### 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.

## 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 2017

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 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.

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.

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

### 20. Employee benefits (Continued)

#### 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.

### 21. Accrued liabilities

Accrued liabilities are recognized when obligations relevant to product quality assurance contingency are present obligations that the Group shall undertake, fulfilling the obligation is likely to result in the outflow of economic benefits and the amount of the obligations can be reliably measured.

As at the balance sheet date, considering factors that are relevant to contingency such as risks, uncertainties and time value of money, accrued liabilities are measured in accordance with best estimate needed to be paid to fulfill relevant present obligations. If the impact of time value of money is significant, best estimate is then determined by the discounted amount of estimated future cash flow.

### 22. Revenue

#### 22.1 Toll revenue

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

#### 22.2 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.

#### 22.3 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.

#### 22.4 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.

#### 22.5 Interest income

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 23. Government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

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

Compensation for the construction of Ningchang Expressway from the Group's government grant is relevant to the construction of Ningchang Expressway. This grant is classified as assets-related government grant.

A government grant related to an asset is recognized as deferred income, and recorded in profit or loss over the useful life of the related asset with the traffic volume method in installment.

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

Subsidies for working steadily from the Groups' government grant are used as a compensation for incurred relevant costs. This grant is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related costs 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 or losses are recognized. If the grant is a compensation for related costs or losses already incurred, it is recognized immediately in profit or loss for the period. Government grants that are difficult to tell the nature are wholly classified as income-related government grant.

A government grant related to the Group's daily activities is recorded in other income according to the nature of economic business. A government grant not related to the Group's daily activities is recorded in non-operating income and expenses.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 24. Deferred tax assets/deferred tax liabilities

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

#### 24.1 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.

#### 24.2 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 2017

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

### 24. Deferred tax assets/deferred tax liabilities (Continued)

#### 24.3 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.

### 25. 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.

#### 25.1 Accounting treatment on operating leases

##### *25.1.1 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.

##### *25.1.2 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.

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

### 26. Changes in significant accounting policies and accounting estimates

#### 26.1 Changes in accounting policies

##### Changes in accounting policies and reasons

The Group started adopting the Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations issued by Ministry of Finance ("MoF") in 2017, and the Accounting Standards for Business Enterprises No.16 – Government Grants revised by MoF in 2017 since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared under the Notice of the Revised Format of Financial Statements for General Business Enterprise (Cai Kuai (2017) No. 30, hereinafter referred to as the "Cai Kuai No.30 Document") released by the MoF on 25 December 2017.

Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations

Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal group, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal group and discontinued operations. This standard requires retrospective approach for accounting treatment, which has no impact on the financial statements for the comparable years.

Government grants

Prior to the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset of the Group is recognized as deferred income and evenly amortized to profit or loss for the current period over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset is recognized as deferred income or charged against the carrying amount of related assets, and included in profit or loss over the useful life of the related asset with the straight-line method in installment. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss or charged against the related cost over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss or charged against related cost for the period. A government grant related to the Group's daily activities is recognized in other income/charged against related cost and expense based on the substance of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

The Group has accounted for the above changes in accounting policies prospectively. Such changes in accounting policies have no impact on the financial statements for the comparable years.

##### Approval procedure

These changes in accounting policy is approved by the Company's meeting of board of directors on 19 March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 26. Changes in significant accounting policies and accounting estimates (Continued)

#### 26.1 Changes in accounting policies (Continued)

<b>Changes in accounting policies and reasons</b>	<b>Approval procedure</b>
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Presenting profit or loss from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal group, and gains or losses arising from disposal of fixed assets. Construction in progress and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No. 30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not classified as held-for-sale are presented under the item of "income from disposal of assets".

The Group has accounted for the above change in presenting accounts retrospectively.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (Continued)

### – Key assumptions and uncertainties in accounting estimates (Continued)

Estimated impairment of toll road operation rights

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

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

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, 19.

## V. TAXES

### Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate <i>(percentage charges)</i>	
Value Added Tax ("VAT")	General taxation method	Other taxable business income	17%
		other than those determined by using simple taxation method	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%	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V. TAXES (Continued)

### 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 May 1, 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.

## 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			408,466			565,151
Bank balances:						
RMB			261,404,636			189,729,796
HKD	838,893	0.8359	701,238	838,809	0.8945	750,322
Other currency funds:						
RMB			6,843,411			74,376,893
Total			269,357,751			265,422,162

Other explanations:

Other currency funds stated above includes security deposits for certain mortgage loans to customers RMB3,552,281, supervised advance from customers RMB3,046,769 (opening balance: security deposits for certain mortgage loans to customers RMB7,698,386, supervised advance from customers RMB63,450,798). 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 2017

## 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	<b>22,454,653</b>	17,349,959
Gold investment	<b>16,417,158</b>	15,862,758
Total	<b>38,871,811</b>	33,212,717

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 RMB22,454,653 and RMB16,417,158. 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	<b>2,880,000</b>	6,116,460

(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 2017

## 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		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	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	298,431,238	96	-	-	298,431,238	139,364,565	93	-	-	139,364,565
Accounts receivable for which bad debt provision has been assessed by portfolios Portfolio 2	8,098,359	3	161,967	9	7,936,392	8,968,094	6	179,362	10	8,788,732
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,699,980	1	1,699,980	91	-	1,699,980	1	1,699,980	90	-
<b>Total</b>	<b>308,229,577</b>	<b>100</b>	<b>1,861,947</b>	<b>100</b>	<b>306,367,630</b>	<b>150,032,639</b>	<b>100</b>	<b>1,879,342</b>	<b>100</b>	<b>148,153,297</b>

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

Unit: RMB

Name of portfolio	Accounts receivable	Closing balance Bad debt provision	Provision proportion (%)
Portfolio 2	8,098,359	161,967	2
<b>Total</b>	<b>8,098,359</b>	<b>161,967</b>	

Basis for determining the above portfolio: See Note (III) 10.2.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	306,263,184	99	156,639	306,106,545	148,332,659	99	179,362	148,153,297
More than 1 year but not exceed 2 years	266,413	-	5,328	261,085	-	-	-	-
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	308,229,577	100	1,861,947	306,367,630	150,032,639	100	1,879,342	148,153,297

- (3) Bad debt provision recorded, reversal and written off in the current year

The reversal amount of bad debts recorded in the current year is RMB17,395.

- (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")	204,979,956	-	66
Sinopec Sales Co., Ltd. Jiangsu Branch	25,114,649	-	8
Jiaxing City Kaitong Investment Co., Ltd.	17,339,421	-	6
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	9,200,900	-	3
Jiangsu Ninghang Expressway Co., Ltd. ("Ninghang Company")	8,662,941	-	3
Total	265,297,867	-	86

- (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 2017

## 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	9,793,248	96	15,482,950	92
More than 1 year but not exceeding 2 years	305,464	3	560,000	3
More than 2 years but not exceeding 3 years	10,000	–	806,733	5
More than 3 years	92,000	1	2,000	–
Total	10,200,712	100	16,851,683	100

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

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Suzhou Water Supply Co., Ltd.	2,439,600	24
Jiangsu Provincial Public Security Bureau Traffic Police Corps	1,553,270	15
Jiangsu Longdu Construction Engineering Co., Ltd.	920,800	9
Jiangsu Electric Power Wuxi Power Supply Company	843,962	8
Suzhou Steamship Transportation Co., Ltd.	750,000	7
Total	6,507,632	63

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 6. Interest Receivable

Unit: RMB

Item	Closing balance	Opening balance
Loans to joint ventures (Note VI(20))	80,231,500	45,694,000

### 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	43	15,812,140	99	-	15,812,140	4	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio1	15,430,197	42	-	-	15,430,197	416,651,952	95	-	-	416,651,952
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio2	5,719,414	15	114,388	1	5,605,026	5,542,721	1	110,855	1	5,431,866
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	36,961,751	100	15,926,528	100	21,035,223	438,006,813	100	15,922,995	100	422,083,818

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 8. Other receivables (Continued)

- (1) Disclosure of other receivables by categories: (Continued)

Closing balances of 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		Proportion (%)	Reason
	Other receivables	Bad debt provision		
Jinasu Yixing Highway Administration Department	15,812,140	15,812,140	100	Age over 3 years, 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	Closing balance		Proportion (%)
	Other receivables	Bad debt provision	
Portfolio 2	5,719,414	114,388	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 RMB8,944.

Bad debt provision written off in the current year is RMB600.

Bad debt provision reversal in the current year is RMB4,811.

- (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
Amounts of investment clearance	15,812,140	15,812,140
Petty cash	5,157,559	5,227,781
Landlord maintenance funds	4,811,123	5,772,380
Mortgage deposits for housing fund loan	4,252,500	3,941,000
Amount from transfer of 7.5% equity interest in Jiangsu Modern Road & Bridge Co., Ltd. ("Modern R&B Company")	–	3,899,000
Other insignificant amounts	6,928,429	8,539,622
<b>Total</b>	<b>36,961,751</b>	<b>438,006,813</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Jinasu Yixing Highway Administration Department	Amount of investment clearance	15,812,140	Over 3 years	43	15,812,140
Suzhou Housing Guarantee Co., Ltd.	Mortgage deposits for housing fund loan	4,252,500	Within 1 year	12	–
Jiangsu Kunshan Electric Co., Ltd.	Deposits for electrify charges	359,954	Within 1 year	1	–
Jiangsu Jurong Electric Co., Ltd.	Deposits for electrify charges	200,000	Over 3 years	1	–
Jurong Real Estate Industry Development Service Center	Deposit	130,000	Within 1 year	1	–
Total		20,754,594		58	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 “(Suguoazifu[2015] No. 195) by the State-owned Asset Management Commission of Jiangsu Provincial Government”. As at 31 December 2017, the Company has received all of the compensation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 9. 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
Properties under development	1,677,529,645	-	1,677,529,645	1,521,754,589	-	1,521,754,589
Properties for sale	1,309,242,056	-	1,309,242,056	1,596,542,258	-	1,596,542,258
Spare parts for repair and maintenance	15,527,242	-	15,527,242	16,589,107	-	16,589,107
Petrol	8,506,742	-	8,506,742	7,440,350	-	7,440,350
<b>Total</b>	<b>3,010,805,685</b>	<b>-</b>	<b>3,010,805,685</b>	<b>3,142,326,304</b>	<b>-</b>	<b>3,142,326,304</b>

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment	Opening balance	Closing balance
Baohua Hongyan Community A Project	September 2018	September 2024	2,455,800,000	307,753,758	311,932,670
Huaqiao Urban Core Project	December 2012	June 2023	3,089,100,000	463,798,730	523,619,590
Suzhou Nanmen Road G25 Project	July 2015	January 2018	1,146,000,000	750,202,101	841,977,385
<b>Total</b>			<b>6,690,900,000</b>	<b>1,521,754,589</b>	<b>1,677,529,645</b>

Details of properties for sale are as follows:

Unit: RMB

Project Name	Completion date	Opening balance	Increase	Decrease	Closing balance
Suzhou Qingyuan	December 2013	597,855,998	-	29,482,180	568,373,818
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	126,665,505	-	12,505,737	114,159,768
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	470,890,237	-	176,135,448	294,754,789
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion Project	August 2012	12,076,252	-	502,911	11,573,341
Huaqiao Urban Core C7 Pujiang Building Project	June 2014	252,179,129	-	-	252,179,129
Huaqiao Urban Core B4 Guangmingjiezuo Project	June 2015	47,352,068	-	2,016,309	45,335,759
Huaqiao Urban Core B19 Guangmingxinzu Project	December 2016	89,523,069	-	66,657,617	22,865,452
<b>Total</b>		<b>1,596,542,258</b>	<b>-</b>	<b>287,300,202</b>	<b>1,309,242,056</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 9. Inventories (Continued)

(5) Other explanations (Continued)

Detailed information of properties under development are as follows:

Project Name	Address	Purpose	Attributable equity interest of the Group	Stage of completion	Projected completion date
Baohua Hongyan Community A1 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Not start	October 2022
Baohua Hongyan Community A2 Tongchengshijia Project	Jurong Baohua Hongyan Community Xianlin East Road No. 8	House	100	Not start	September 2024
Huaqiao Urban Core C5 Yufuhao Project	Kunshan Huaqiao business core area	Hotel	100	Under decoration	December 2019
Huaqiao Urban Core C3	Kunshan Huaqiao business core area	House	100	Main body under construction	January 2020
Huaqiao Urban Core B18	Kunshan Huaqiao business core area	House	100	Not start	June 2023
Huaqiao Urban Core C7 Pujiang Building Project Building #1	Kunshan Huaqiao business core area	Service apartment	100	Preparing for construction	October 2018
Suzhou Nanmen Road G25 Project	Suzhou Nanmen Road	House	100	Completion of Phase I Project	January 2018

Detailed 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. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Loans to joint ventures due within one year (Note (VI)20)	300,000,000	–
Total	300,000,000	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 11. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available for sale financial assets- Financial management products	491,380,000	262,504,747
Pre-paid taxes and levies related to pre-sale of real estate	62,533,217	63,648,689
Prepaid VAT	3,829,439	-
Others	-	8,179
<b>Total</b>	<b>557,742,656</b>	<b>326,161,615</b>

### 12. 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	1,378,000,000	-	1,378,000,000	1,562,000,000	-	1,562,000,000
Measured at cost	951,877,191	-	951,877,191	524,127,987	-	524,127,987
<b>Total</b>	<b>2,329,877,191</b>	<b>-</b>	<b>2,329,877,191</b>	<b>2,086,127,987</b>	<b>-</b>	<b>2,086,127,987</b>

#### (2) Available-for-sale financial assets measured at fair value at the end of the 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	1,378,000,000
Changes in fair value accumulatively recognized in other comprehensive income	378,000,000
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 2017

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

### 12. 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	18,720,000
Jiangsu Expressway Network Operation and Management Co., Ltd. (*Network Operation Company)	20,920,000	-	-	20,920,000	-	-	-	-	14.49	-
Equity interest investment in partnerships (Note 2)										
Suzhou Industrial Park Guochuang Kaiyuan Term II Investment Center LLP	155,309,530	352,749,204	-	508,058,734	-	-	-	-	8.82	-
Nanjing Luode Dening Real Estate Investment LLP	75,000,000	75,000,000	-	150,000,000	-	-	-	-	33.00	-
<b>Total</b>	<b>524,127,987</b>	<b>427,749,204</b>	<b>-</b>	<b>951,877,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>18,720,000</b>

**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 year, hence they are measured at cost subsequently. The Group intends to continue to hold the equity interests of such investees next year. Jiangsu Leasing Company will be listed in Shang Securities Exchange on 1 March 2018.

**Note 2:** It refers to the equity interest investment by the Group in limited partnerships. 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 year, hence they are measured at cost subsequently.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 13. Long-term equity investments

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

Unit: RMB

Investee (Note 1)	Opening balance	Increase	Decrease	Changes in the current year				Closing balance	Closing balance of impairment loss
				Investment profit or loss under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits		
Joint ventures									
Nanjing HanWei Real Estate Development Co., Ltd. ("Hanwei Company") (Note 2)	28,422,033	-	-	(28,422,033)	-	-	-	-	-
Associates									
Kuailu Co., Ltd.	58,116,971	-	-	248,323	-	-	-	-	58,365,294
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	1,176,315,114	-	-	162,637,475	(23,480,129)	-	(68,380,279)	-	1,247,092,181
Suzhang Company	1,022,453,780	-	-	185,043,518	-	-	(47,353,500)	-	1,160,143,798
Suzhou Sujayong Expressway Co., Ltd. ("Sujayong Company")	429,570,812	-	-	(11,112,033)	-	-	-	-	418,458,779
Jiangsu Xiexin Ninghu Gas Co., Ltd. ("Xiexin Ninghu Company")	11,714,728	-	-	(410,600)	-	-	-	-	11,304,128
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	170,257,111	-	-	956,729	-	-	-	-	171,213,840
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	1,845,872,949	-	-	181,038,411	-	-	(16,560,754)	-	2,010,350,606
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode Equity Company")	11,334,343	-	-	2,541,578	-	-	-	-	13,875,921
Modern R&B Company (Note 3)	17,138,117	13,500,000	-	1,883,450	-	-	-	-	32,521,567
Total	4,771,195,958	13,500,000	-	494,404,818	(23,480,129)	-	(132,294,533)	-	5,123,326,114

(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 contributed additional capital of RMB13,500,000 to Modern R&B Company during the year. As at 31 December 2017, the Group held 22.5% equity interest of Modern R&B Company. As the Group can appoint directors for Modern R&B Company and have significant influences on manufactures and operations of Modern R&B Company, investments by the Group in Modern R&B Company shall be accounted for under equity method.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 14. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. Opening carrying amount	39,863,561
2. Increase in the current year	2,010,484
(1) Transferred from fixed assets	2,010,484
3. Decrease in the current year	16,794,605
4. Closing carrying amount	25,079,440
II. Total accumulated depreciation and amortization	
1. Opening carrying amount	7,750,167
2. Increase in the current year	1,410,492
(1) Amount accrued or amortized	1,079,218
(2) Transferred from fixed assets	331,274
3. Decrease in the current year	4,100,827
4. Closing carrying amount	5,059,832
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	20,019,608
2. Opening net book value	32,113,394

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

Name	Address	Purpose	Term of lease
Kunshan Huijie office building AB floor stores and 5 offices	Kunshan People's south road No. 888	Commercial	Medium-term

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 15. 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	1,789,703,256	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
2. Increase in the current year	119,052,085	8,873,659	23,066,202	49,525,936	25,316,504	7,633,754	2,303,882	3,973,197	239,745,219
(1) Purchase	539,222	369,935	8,707,081	11,174,684	17,814,181	6,861,458	2,303,882	3,827,718	51,598,161
(2) Transferred from construction in progress	101,187,764	3,496,817	9,122,110	33,763,694	7,315,876	772,296	-	145,479	155,804,036
(3) Transferred from intangible assets	17,325,099	5,006,907	5,237,011	4,587,558	186,447	-	-	-	32,343,022
3. Decrease in the current year	7,315,017	1,468,228	8,585,933	9,002,176	13,180,087	6,945,465	737,068	2,137,546	49,371,520
(1) Disposal or retirement	5,304,533	1,468,228	8,585,933	9,002,176	13,180,087	6,945,465	737,068	2,137,546	47,361,036
(2) Transferred to investment properties	2,010,484	-	-	-	-	-	-	-	2,010,484
4. Closing balance	1,901,440,324	861,342,585	514,403,955	421,482,967	521,403,805	63,065,824	76,859,006	40,186,927	4,400,185,393
II. Total accumulated depreciation									
1. Opening 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
2. Increase in the current year	81,080,001	32,584,637	35,847,816	33,204,815	25,768,959	6,803,536	6,610,208	2,713,080	224,613,052
(1) Provision	78,481,800	31,833,764	35,062,435	32,516,831	25,740,998	6,803,536	6,610,208	2,713,080	219,762,652
(2) Transferred from intangible assets	2,598,201	750,873	785,381	687,984	27,961	-	-	-	4,850,400
3. Decrease in the current year	3,548,191	796,074	8,171,540	7,055,710	11,699,650	6,449,937	629,680	2,000,963	40,351,745
(1) Disposal or retirement	3,216,917	796,074	8,171,540	7,055,710	11,699,650	6,449,937	629,680	2,000,963	40,020,471
(2) Transferred to investment properties	331,274	-	-	-	-	-	-	-	331,274
4. Closing balance	800,633,134	752,364,104	334,453,504	265,437,928	381,873,162	42,025,824	52,841,172	30,359,462	2,659,988,290
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	1,100,807,190	108,978,481	179,950,451	156,045,039	139,530,643	21,040,000	24,017,834	9,827,465	1,740,197,103
2. Opening 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) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	140,170,360	70,552,445

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 15. Fixed assets (Continued)

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

Unit: RMB

Project	Carrying Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	6,510,085	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Kunshan toll station	6,297,762	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Huaqiao toll station	7,661,461	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Xuejia toll station	10,542,032	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	28,101,491	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	4,960,773	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	3,773,365	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	1,181,721	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	43,034,261	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway South Network Centre and project management center houses	18,021,796	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	23,610,940	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Wuxi airport toll station	4,369,092	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Heyang roll station	2,700,885	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Zhenjiang toll station	9,182,082	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	1,244,271	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	7,200,305	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Nanjing toll station	10,507,383	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Tangshan toll station	5,387,682	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	12,166,665	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jurong toll station	617,657	Incorporated into communication facilities and cannot obtain certification at present
Guangjing Expressway, Xicheng Expressway service zone houses	42,573,574	Incorporated into communication facilities and cannot obtain certification at present
Xiyi Expressway roll administration and service zone houses	28,332,038	Incorporated into communication facilities and cannot obtain certification at present
Ningchang Expressway and Zhenli Expressway roll administration and service zone houses	151,725,224	Incorporated into communication facilities and cannot obtain certification at present
Total	429,702,545	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 16. Construction in progress

(1) Details of construction in progress

Unit: RMB

Project	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net book value	Carrying amount	Provision for impairment losses	Net book value
Connection Project for Southern and Northern Roads besides Wufengshan Bridges	2,499,101,552	-	2,499,101,552	-	-	-
Highway Project of Wufengshan Road & Railway Bridge	1,908,562,750	-	1,908,562,750	-	-	-
Construction Project of Changyi Expressway	1,484,729,260	-	1,484,729,260	-	-	-
Construction Project of Zhendan Expressway	1,276,478,570	-	1,276,478,570	1,062,092,059	-	1,062,092,059
Construction Project of Yichang Expressway	1,082,308,293	-	1,082,308,293	-	-	-
Maoshan service zone and roll station expansion project	18,461,717	-	18,461,717	240,000	-	240,000
Construction Project of acoustic barrier	4,571,010	-	4,571,010	-	-	-
Advertising board	3,991,965	-	3,991,965	4,340,397	-	4,340,397
Information project	3,872,707	-	3,872,707	2,483,570	-	2,483,570
Housing projects of Toll stations and service zones	2,037,663	-	2,037,663	39,566,332	-	39,566,332
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Three big system construction project	-	-	-	4,637,877	-	4,637,877
Jingjiang inter-communication expansion project	-	-	-	61,526,340	-	61,526,340
Yanqiao service zone renovation project	-	-	-	7,767,835	-	7,767,835
Distributing substation renovation project in zones	-	-	-	7,000,000	-	7,000,000
Luma Highway Bridge Renovation Project	-	-	-	3,000,000	-	3,000,000
Others	8,562,822	-	8,562,822	3,193,789	-	3,193,789
<b>Total</b>	<b>8,294,639,339</b>	<b>-</b>	<b>8,294,639,339</b>	<b>1,197,809,229</b>	<b>-</b>	<b>1,197,809,229</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 16. Construction in progress (Continued)

(2) Changes in significant construction in progress

Unit: RMB

Project	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
Connection Project for Southern and Northern Roads besides Wufengshan Bridges	9,357,863,100	-	2,499,101,562	-	-	-	2,499,101,562	27	In progress	13,182,361	13,182,361	4.90	Own funds & Loans from financial institutions
Highway Project of Wufengshan Road & Railway Bridge	2,708,000,000	-	1,908,562,750	-	-	-	1,908,562,750	70	In progress	8,562,750	8,562,750	4.66	Own funds & Loans from financial institutions
Construction Project of Changyi Expressway	3,799,600,000	-	1,484,729,260	-	-	-	1,484,729,260	39	In progress	5,436,986	5,436,986	4.90	Own funds & Loans from financial institutions
Construction Project of Zhenan Expressway	1,730,260,500	1,062,092,059	214,386,511	-	-	-	1,276,478,570	74	In progress	27,456,333	20,844,056	4.90	Own funds & Loans from financial institutions
Construction Project of Yichang Expressway	3,979,000,000	-	1,082,308,293	-	-	-	1,082,308,293	27	In progress	3,688,569	3,688,569	4.90	Own funds & Loans from financial institutions
Maoshan service zone and roll station expansion project	24,000,000	240,000	18,221,717	-	-	-	18,461,717	77	In progress	-	-	-	Own funds
Construction Project of acoustic barrier	17,500,000	-	8,067,827	3,496,817	-	-	4,571,010	46	In progress	-	-	-	Own funds
Advertising board	11,102,582	4,340,397	4,129,754	4,478,186	-	-	3,991,965	76	In progress	-	-	-	Own funds
Information project	10,151,965	2,483,570	4,045,337	1,215,365	1,440,835	-	3,872,707	64	In progress	-	-	-	Own funds
Housing projects of Toll stations and service zones	53,080,427	39,566,332	4,806,721	42,335,390	-	-	2,037,663	84	In progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	In progress	-	-	-	Own funds
Jingjiang inter-communication expansion project	100,000,000	61,526,340	24,140,649	20,666,989	65,000,000	-	-	100	Completed	-	-	-	Own funds
Yangqiao service zone renovation project	47,113,426	7,767,835	39,345,591	47,113,426	-	-	-	100	Completed	-	-	-	Own funds
Distributing substation renovation project in zones	7,500,000	7,000,000	315,876	7,315,876	-	-	-	100	Completed	-	-	-	Own funds
Three big system construction project	24,248,401	4,637,877	19,610,524	24,248,401	-	-	-	100	Completed	-	-	-	Own funds
Luma Highway Bridge Renovation Project	18,000,000	3,000,000	9,624,657	-	12,624,657	-	-	100	Completed	-	-	-	Own funds
Others	N/A	3,193,789	10,832,619	4,933,586	530,000	-	8,562,822	60	In progress	-	-	-	Own funds
<b>Total</b>		<b>1,197,809,229</b>	<b>7,332,229,638</b>	<b>155,804,036</b>	<b>79,595,492</b>	<b>-</b>	<b>8,294,639,339</b>			<b>58,226,999</b>	<b>51,614,722</b>		

(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 2017

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

### 17. 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	30,004,046,991	1,744,161,676	56,991,807	31,805,200,474
2. Increase in the current year	77,624,657	–	2,497,635	80,122,292
(1) Purchase	–	–	526,800	526,800
(2) Transferred from construction in progress	77,624,657	–	1,970,835	79,595,492
3. Decrease in the current year	32,343,022	–	–	32,343,022
(1) Transferred to fix assets	32,343,022	–	–	32,343,022
4. Closing balance	30,049,328,626	1,744,161,676	59,489,442	31,852,979,744
II. Total accumulated amortization				
1. Opening carrying amount	9,378,258,572	1,089,185,755	12,976,971	10,480,421,298
2. Increase in the current year	1,120,570,597	64,658,223	11,800,275	1,197,029,095
(1) Amortization accrued	1,120,570,597	64,658,223	11,800,275	1,197,029,095
3. Decrease in the current year	4,850,400	–	–	4,850,400
(1) Transferred to fix assets	4,850,400	–	–	4,850,400
4. Closing balance	10,493,978,769	1,153,843,978	24,777,246	11,672,599,993
III. Total provision for impairment losses				
1. Opening carrying amount	–	–	–	–
2. Increase in the current year	217,737,524	–	–	217,737,524
3. Decrease in the current year	–	–	–	–
4. Closing carrying amount	217,737,524	–	–	217,737,524
IV. Total net book value of intangible assets				
Closing net book value	19,337,612,333	590,317,698	34,712,196	19,962,642,227
Opening net book value	20,625,788,419	654,975,921	44,014,836	21,324,779,176

### 18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the year	Amortization for the year	Other Decrease	Closing balance
Decorations for buildings	3,628,179	278,102	2,836,615	–	1,069,666



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 19. 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	235,525,999	58,881,500	17,802,337	4,450,584
Unrealized profits through internal transactions	321,867,063	80,466,766	283,818,527	70,954,632
Deductible losses	624,354,212	156,088,553	999,909,417	249,977,354
Prepayment of business tax and land appreciation tax for real estate pre-sale and so on	84,114,341	21,028,585	95,903,121	23,975,780
Provisions	8,010,000	2,002,500	-	-
Difference between service zone lease income recognized under tax policies and that under accounting policies	37,144,767	9,286,192	-	-
<b>Total</b>	<b>1,311,016,382</b>	<b>327,754,096</b>	1,397,433,402	349,358,350

#### 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.

(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	13,162,173	3,290,543	7,503,079	1,875,770
Changes in fair values for available-for-sale financial assets	378,000,000	94,500,000	562,000,000	140,500,000
<b>Total</b>	<b>391,162,173</b>	<b>97,790,543</b>	569,503,079	142,375,770

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 19. Deferred tax assets/deferred tax liabilities (Continued)

(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	69,733,712	258,020,384	4,013,256	345,345,094
Deferred tax liabilities	69,733,712	28,056,831	4,013,256	138,362,514

(4) Detailed information of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	-	140,078,974
Total	-	140,078,974

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

Unit: RMB

Item	Closing balance	Opening balance
2017	-	41,611,369
2018	-	98,467,606
2019	-	-
Total	-	140,078,975

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 20. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Loans to joint ventures	489,000,000	369,000,000
Less: loans to joint ventures due within one year(Note(VI)10)	300,000,000	–
Loans to joint ventures due after one year	189,000,000	369,000,000
Apartment procurement for talents	11,216,678	7,477,785
<b>Total</b>	<b>200,216,678</b>	<b>376,477,785</b>

Other explanations

Loans to joint ventures at the year-end refer to the loan to Hanwei Company provided by the Group with the maturity not exceeding 3 years, of which the amount of RMB369,000,000 bears 8% annual interest rate and the amount of RMB120,000,000 bears 4.75% annual interest rate.

### 21. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank loans	2,419,000,000	680,000,000
Including: Unsecured loans	2,259,000,000	500,000,000
Entrusted loans (Note 1)	160,000,000	180,000,000
Non-bank financial institutions loans	1,180,000,000	130,000,000
Including: Unsecured loans	780,000,000	130,000,000
Entrusted loans (Note 2)	400,000,000	–
<b>Total</b>	<b>3,599,000,000</b>	<b>810,000,000</b>

(2) Explanation for short-term borrowings:

*Note1:* Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company") through China CITIC Bank on 14 August 2017, for which the principal amount is RMB160,000,000, annual interest rate 4.35%, and duration period 1 year.

*Note2:* Entrusted loans from financial institutions other than banks are provided by Jiangsu Sutong Bridge Co., Ltd., the related party under Communications Holding through Group Finance Company as at 17 July 2017, for which the principal amount is RMB400,000,000, annual interest rate 4.35%, and duration period 1 year.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 22. Accounts payable

(1) Details of accounts payable are as follows

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	353,411,380	394,052,655
Construction payable for real estate project	394,077,716	454,260,681
Purchase of petroleum payable	40,425,661	15,607,084
Toll road fee payable	49,968,715	42,190,132
Deposit payable for rent	36,358,086	21,032,400
Others	47,107,593	60,803,476
<b>Total</b>	<b>921,349,151</b>	<b>987,946,428</b>

(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	636,901,076	788,023,690
More than 1 year but not exceed 2 years	232,454,423	156,504,595
More than 2 years but not exceeding 3 years	30,112,412	24,287,145
More than 3 years	21,881,240	19,130,998
<b>Total</b>	<b>921,349,151</b>	<b>987,946,428</b>

(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 for real estate project	190,748,844	Long settlement procedure of the real estate project
Construction payable	18,436,959	Long settlement procedure of the project
Bonds underwriting expenses payable	14,250,000	MTN underwriting expenses
Margin payable	13,367,000	Service zone lease margin
<b>Total</b>	<b>236,802,803</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 23. Receipts in advance

(1) Receipts in advance are shown as follows:

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	16,787,613	10,059,561
Advertising service fee received in advance	13,422,192	16,297,861
Income from properties for sales received in advance	808,174,464	913,251,497
Others	1,623,101	1,264,440
<b>Total</b>	<b>840,007,370</b>	<b>940,873,359</b>

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Unit: RMB	%	Unit: RMB	%
Within 1 year	149,557,099	18	778,187,688	83
More than 1 year but not exceed 2 years	531,702,143	63	161,911,217	17
More than 2 years but not exceeding 3 years	158,668,128	19	694,454	-
More than 3 years	80,000	-	80,000	-
<b>Total</b>	<b>840,007,370</b>	<b>100</b>	<b>940,873,359</b>	<b>100</b>

Details of receipts in properties for sales received in advance are as follows

Unit: RMB

Project	Opening balance	Closing balance	Completion date	Proportion of advance sale (%)
Baohua Hongyan Community B1 Tongchengshijia Project	1,460,000	7,329,900	April 2014	71
Baohua Hongyan Community B2 Tongchengshijia Project	104,452,695	32,658,188	November 2016	71
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	694,454	-	August 2012	97
Huaqiao Urban Core B4 Guangmingjiezuo Project	5,123,089	2,303,100	June 2015	84
Huaqiao Urban Core B19 Guangmingxinzuo Project	105,857,688	-	December 2016	91
Suzhou Qingyuan	5,300,000	16,580,000	December 2013	22
Suzhou Nanmen Road Nanmenshijia Phase 1 Project	690,363,571	749,303,276	January 2018	81
<b>Total</b>	<b>913,251,497</b>	<b>808,174,464</b>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 24. 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	4,816,324	775,027,202	776,206,790	<b>3,636,736</b>
2. Post-employment benefits – Defined contribution plan	–	134,911,887	134,911,887	–
3. Termination benefits	–	1,390,084	1,390,084	–
4. Other welfare due within one year	–	–	–	–
<b>Total</b>	<b>4,816,324</b>	<b>911,329,173</b>	<b>912,508,761</b>	<b>3,636,736</b>

(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	500	588,854,301	588,854,801	–
II. Staff welfare	–	5,822,797	5,822,797	–
III. Social security contributions	–	69,976,493	69,976,493	–
Including: Medical insurance	–	63,180,896	63,180,896	–
Work injury insurance	–	3,863,189	3,863,189	–
Maternity insurance	–	2,932,408	2,932,408	–
IV. Housing funds	–	54,198,181	54,168,820	<b>29,361</b>
V. Union running costs and employee education costs	4,815,824	15,375,951	16,584,400	<b>3,607,375</b>
VI. Non-monetary welfare	–	27,798,720	27,798,720	–
VII. Others	–	13,000,759	13,000,759	–
<b>Total</b>	<b>4,816,324</b>	<b>775,027,202</b>	<b>776,206,790</b>	<b>3,636,736</b>

(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	–	88,882,360	88,882,360	–
2. Unemployment insurance	–	2,608,822	2,608,822	–
3. Enterprise annuity payment	–	43,420,705	43,420,705	–
<b>Total</b>	<b>–</b>	<b>134,911,887</b>	<b>134,911,887</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 24. 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% and 0.5% – 1% 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 undertakes 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 RMB88,882,360, RMB43,420,705 and RMB2,608,822 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2016: RMB80,790,729, RMB36,960,042 and RMB4,215,685). All the contribution had paid over to the schemes as at 31 December 2017.

##### (2) Non-monetary welfare

Non-monetary benefits are RMB27,798,720 (2016: RMB28,896,605), which represent purchased non-monetary welfare goods and holiday gifts that distributed to employees etc., calculated on a certified basis of purchase costs.

### 25. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	196,161,510	174,181,365
Land appreciation tax	17,657,714	12,593,142
VAT	43,918,188	31,742,256
Property tax	2,516,832	2,058,496
Individual income tax	6,132,247	4,930,695
City construction and maintenance tax	2,768,489	2,009,895
Others	6,055,237	4,186,938
<b>Total</b>	<b>275,210,217</b>	<b>231,702,787</b>

### 26. 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	21,972,653	18,271,156
Interest payable of enterprise bonds	72,917,260	72,917,260
Interest payable of short-term borrowings	4,436,142	1,031,771
<b>Total</b>	<b>99,326,055</b>	<b>92,220,187</b>

There are no interest payable overdue but not yet repaid.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 27. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary shares dividends	81,117,999	73,614,218
Total	81,117,999	73,614,218

Note: The amount of dividends payable with ageing more than 1 year is RMB68,934,928, which was the uncollected dividends by investors.

### 28. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Payable of daily procurement in service area	8,932,215	10,475,533
Amount of ETC prepaid cards collected on behalf of the internet network settlement center	2,189,250	8,627,397
Construction quality warrantee fee payable	3,113,346	1,930,309
Earnest money of acquisition of properties	4,708,004	3,402,883
Others	17,976,892	15,548,423
Total	36,919,707	39,984,545

(2) Significant other payables with aging more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carrying forward
N/A	-	

### 29. 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 (Note(VI)31)	124,618,920	121,718,718
Bonds payable due within one year (Note(VI)32)	499,222,455	-
Total	623,841,375	121,718,718



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Super short term bonds payable	<b>2,243,200,002</b>	3,936,452,668
Total	<b>2,243,200,002</b>	3,936,452,668

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										
16Ninghu Gao SCP004	500,000,000	16 June 2016	267	500,000,000	508,195,002	-	2,704,450	-	510,899,452	-
16 Ninghu Gao SCP006	1,200,000,000	10 August 2016	247	1,200,000,000	1,212,345,666	-	8,686,553	-	1,221,032,219	-
16 Ninghu Gao SCP007	1,600,000,000	7 September 2016	247	1,600,000,000	1,613,800,000	-	15,433,973	-	1,629,233,973	-
16 Ninghu Gao SCP008	600,000,000	9 November 2016	156	600,000,000	602,112,000	-	5,273,425	-	607,385,425	-
17 Ninghu Gao SCP001	1,000,000,000	12 April 2017	270	1,000,000,000	-	1,000,000,000	30,800,002	-	-	<b>1,030,800,002</b>
17 Ninghu Gao SCP002	1,000,000,000	12 April 2017	93	1,000,000,000	-	1,000,000,000	9,773,540	-	1,009,773,540	-
17 Ninghu Gao SCP003	800,000,000	19 May 2017	112	800,000,000	-	800,000,000	10,187,397	-	810,187,397	-
17 Ninghu Gao SCP004	600,000,000	6 July 2017	127	600,000,000	-	600,000,000	8,663,836	-	608,663,836	-
17 Ninghu Gao SCP005	600,000,000	12 July 2017	93	600,000,000	-	600,000,000	6,344,384	-	606,344,384	-
17 Ninghu Gao SCP006	1,000,000,000	19 July 2017	92	1,000,000,000	-	1,000,000,000	10,409,863	-	1,010,409,863	-
17 Ninghu Gao SCP007	1,200,000,000	13 October 2017	182	1,200,000,000	-	1,200,000,000	12,400,000	-	-	<b>1,212,400,000</b>
Total	10,100,000,000			10,100,000,000	3,936,452,668	6,200,000,000	120,677,423	-	8,013,930,089	<b>2,243,200,002</b>

Other explanations:

As at 31 December 2017, details of the Group's short-term bonds include: (1) "17 Ninghu Gao SCP001" super short term bonds issued by the Company on 12 April 2017, with the par value of RMB1,000,000,000, duration period of 270 days, and annual interest rate of 4.2%; and (2) "17 Ninghu Gao SCP007" super short term bonds issued by the Company on 13 October 2017, with the par value of RMB1,200,000,000, duration period of 182 days, and annual interest rate of 4.65%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 31. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Bank Loans	<b>3,248,708,121</b>	743,624,619
Including: Unsecured loans	<b>3,152,900,000</b>	575,000,000
Guaranteed loan (Note 1)	<b>77,808,121</b>	130,624,619
Secured and guaranteed loans (Note 2)	<b>18,000,000</b>	38,000,000
Non-bank financial institutions loans	-	100,000,000
Including: Entrusted loans	-	100,000,000
Loans from a related party	<b>750,000,000</b>	750,000,000
Including: Medium Term Notes (Note 3)	<b>750,000,000</b>	750,000,000
<b>Subtotal</b>	<b>3,998,708,121</b>	1,593,624,619
Less : long-term borrowings due within one year	<b>124,618,920</b>	121,718,718
Long-term borrowings due after one year	<b>3,874,089,201</b>	1,471,905,901

(2) Long-term borrowings

*Note1:* 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 USD2,725,371. (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 RMB135,000,000 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.

*Note2:* Pledged and guaranteed loans indicate loans of RMB200,000,000 with loan duration 14 years obtained from Bank of China, Wuxi branch on 15 April 2004. 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 RMB182,000,000 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.

*Note3* 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 2017

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

### 31. Long-term borrowings (Continued)

(3) Analysis of maturity for long-term borrowings over one year is as follows:

Item	2017	2016
1-2 years	<b>381,618,920</b>	124,718,718
2-5 years	<b>304,856,760</b>	535,156,155
Over 5 years	<b>3,187,613,521</b>	812,031,028
Total	<b>3,874,089,201</b>	1,471,905,901

(4) Other explanations

Interest rate of the loans above between 2%-5.8%.

### 32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Notes	<b>4,469,380,290</b>	4,457,801,187
Less: Bonds payable due within one year	<b>499,222,455</b>	-
Total	<b>3,970,157,835</b>	4,457,801,187

(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	497,602,127	-	13,166,301	1,620,328	13,166,301	<b>499,222,455</b>
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,979,186,950	-	30,394,521	5,562,910	30,394,521	<b>1,984,749,860</b>
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	989,031,373	-	2,830,685	2,638,681	2,830,685	<b>991,670,054</b>
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	991,980,737	-	26,356,164	1,757,184	26,356,164	<b>993,737,921</b>
Total				4,500,000,000	4,457,801,187	-	72,747,671	11,579,103	72,747,671	<b>4,469,380,290</b>

(3) Other explanations

On 31 December 2017, 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 GaoMTN1" 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 33. Deferred Income

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Reasons
Government grants	33,317,704	-	1,828,188	<b>31,489,516</b>	Construction grants of Ningchang expressway
Others	-	2,148,631	-	<b>2,148,631</b>	Retained profits to Hanwei Company
<b>Total</b>	<b>33,317,704</b>	<b>2,148,631</b>	<b>1,828,188</b>	<b>33,638,147</b>	

Government grants

Unit: RMB

Liability 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	33,317,704	-	1,828,188	-	<b>31,489,516</b>	Related to asset

Other explanations:

The deferred income related to government grants 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.

### 34. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Provisions for repair and maintenance of Ninglian Highway	<b>8,010,000</b>	-	Responsibility for repair and maintenance of Ninglian Highway
<b>Total</b>	<b>8,010,000</b>	-	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 35. Share capital

Unit: RMB

	Opening balance	New issue of shares	Bonus issue	Changes for the year Capitalization of surplus reserves	Others	Subtotal	Closing balance
2017: Total shares	5,037,747,500	-	-	-	-	-	<b>5,037,747,500</b>
2016: Total shares	5,037,747,500	-	-	-	-	-	<b>5,037,747,500</b>

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the 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 2017

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

### 36. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2017				
Capital premium	7,765,271,453	–	–	<b>7,765,271,453</b>
Including: Capital contributed by investors	4,800,576,953	–	–	<b>4,800,576,953</b>
Differences arising from business combination involving enterprises under common control	2,964,694,500	–	–	<b>2,964,694,500</b>
Other capital reserve	2,663,116,782	–	–	<b>2,663,116,782</b>
Including: Share of capital reserve of the investee under the equity method	(19,860,453)	–	–	<b>(19,860,453)</b>
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	<b>2,682,977,235</b>
Total	10,428,388,235	–	–	<b>10,428,388,235</b>
2016				
Capital premium	7,765,271,453	–	–	<b>7,765,271,453</b>
Including: Capital contributed by investors	4,800,576,953	–	–	<b>4,800,576,953</b>
Differences arising from business combination involving enterprises under common control	2,964,694,500	–	–	<b>2,964,694,500</b>
Other capital reserve	2,681,390,888	–	18,274,106	<b>2,663,116,782</b>
Including: Share of capital reserve of the investee under the equity method	(1,586,347)	–	18,274,106	<b>(19,860,453)</b>
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	<b>2,682,977,235</b>
Total	10,446,662,341	–	18,274,106	<b>10,428,388,235</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 37. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Change for the year				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	Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	
2017							
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	542,389,052	(207,480,129)	-	(46,000,000)	(161,480,129)	-	<b>380,908,923</b>
Including :							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss (Note 1)	120,889,052	(23,480,129)	-	-	(23,480,129)	-	<b>97,408,923</b>
Profit or loss from change in fair value of available-for-sale financial assets (Note 2)	421,500,000	(184,000,000)	-	(46,000,000)	(138,000,000)	-	<b>283,500,000</b>
Total other comprehensive income	542,389,052	(207,480,129)	-	(46,000,000)	(161,480,129)	-	<b>380,908,923</b>
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	-	<b>542,389,052</b>
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)	-	<b>120,889,052</b>
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	-	<b>421,500,000</b>
Total other comprehensive income	121,482,904	561,406,148	-	140,500,000	420,906,148	-	<b>542,389,052</b>

*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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 38. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2017				
Statutory surplus reserve	3,036,261,499	66,868,737	–	<b>3,103,130,236</b>
Discretionary surplus reserve	116,911,661	53,450,402	–	<b>170,362,063</b>
Total	3,153,173,160	120,319,139	–	<b>3,273,492,299</b>
2016				
Statutory surplus reserve	2,974,837,417	61,424,082	–	<b>3,036,261,499</b>
Discretionary surplus reserve	65,450,362	51,461,299	–	<b>116,911,661</b>
Total	3,040,287,779	112,885,381	–	<b>3,153,173,160</b>

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 RMB66,868,737 in 2017 (2016: RMB61,424,082). Jiangsu Guangjing Xicheng Co., Ltd. ("Guangjing Xicheng Company"), the subsidiary of the Company appropriated the discretionary surplus reserve at the amount of RMB53,450,402 (2016: RMB51,461,299) when the balance of the statutory surplus reserve has reached 50% of the registered capital.

### 39. Retained profits

Unit: RMB

Item	2017	2016
Opening retained profits (before adjustment)	<b>3,048,058,238</b>	1,829,978,752
Adjustment on opening balance of total retained profits	–	–
Opening retained profits (adjusted)	<b>3,048,058,238</b>	1,829,978,752
Add: Net profit attributable to owners of the Company for the year	<b>3,587,861,857</b>	3,346,063,867
Less: Appropriation to statutory surplus reserve	<b>66,868,737</b>	61,424,082
Appropriation to discretionary surplus reserve	<b>53,450,402</b>	51,461,299
Declaration of dividends on ordinary shares	<b>2,115,853,950</b>	2,015,099,000
Closing retained profits	<b>4,399,747,006</b>	3,048,058,238

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 2017, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.42 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 23 March 2018, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2017, cash dividends of RMB0.44 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 2017

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

### 40. 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
Principal operating income	<b>8,884,509,291</b>	<b>4,030,824,256</b>	8,339,923,201	3,801,638,043
Including: Shanghai-Nanjing Expressway	<b>4,804,374,867</b>	<b>1,295,089,018</b>	4,572,683,126	1,221,713,458
Nanjing-Lianyungang Expressway and Nanjing-Nantong Expressway	<b>33,204,966</b>	<b>28,056,334</b>	24,961,001	16,569,477
Guangjing Expressway and Xicheng Expressway	<b>867,533,895</b>	<b>256,375,340</b>	838,727,408	248,097,364
Ningchang Expressway and Zhenli Expressway	<b>1,064,293,775</b>	<b>537,329,066</b>	909,765,569	468,889,810
Xiyi Expressway	<b>334,956,223</b>	<b>185,012,655</b>	306,319,318	172,184,816
Ancillary services	<b>1,780,145,565</b>	<b>1,728,961,843</b>	1,687,466,779	1,674,183,118
Real estate development	<b>509,752,364</b>	<b>280,007,835</b>	810,834,534	539,800,281
Advertising and others	<b>61,418,710</b>	<b>23,637,791</b>	50,539,331	22,281,968
Total	<b>9,455,680,365</b>	<b>4,334,469,882</b>	9,201,297,066	4,363,720,292

### 41. Taxes and levies

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Business tax	<b>6,456,103</b>	94,558,618
City construction and maintenance tax	<b>18,716,025</b>	18,336,072
Education surcharge	<b>13,726,750</b>	13,687,939
Land appreciation tax	<b>15,700,908</b>	40,152,630
Property tax	<b>16,786,833</b>	13,132,346
Land use tax	<b>9,995,555</b>	9,190,839
Others	<b>6,205,338</b>	4,413,471
Total	<b>87,587,512</b>	193,471,915

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 42. Selling expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Depreciation	433,043	272,423
Commission fee for agent of real estate sales	6,835,628	17,118,430
Advertisement and promotion fee	3,690,718	7,362,579
Production and planning fee	53,468	1,103,456
Others	878,848	905,275
<b>Total</b>	<b>11,891,705</b>	<b>26,762,163</b>

### 43. Administrative expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salaries and additional remuneration	77,590,785	71,562,640
Depreciation and amortization	80,643,654	78,732,431
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	10,308,326	12,553,865
Entertainment fee	1,293,091	1,544,895
Maintenance and repair costs	2,943,399	3,395,826
Office expenses	856,351	643,130
Travelling expenses	981,444	715,673
Vehicle related expenses	1,893,668	2,265,545
Others	8,187,473	7,451,264
<b>Total</b>	<b>187,898,191</b>	<b>182,065,269</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 44. Financial expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	471,952,511	478,668,707
Less: Interest income	5,038,043	3,983,653
Exchange differences	(1,289,868)	3,123,995
Bond issue fee and other loan charges	12,643,618	22,409,943
Others	2,173,743	2,169,304
<b>Total</b>	<b>480,441,961</b>	<b>502,388,296</b>

### 45. Impairment losses on assets

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt provision (reversal)	(13,261)	100,275
Impairment losses on intangible assets	217,737,524	–
<b>Total</b>	<b>217,724,263</b>	<b>100,275</b>

### 46. Gains from changes in fair value

Unit: RMB

Sources of gains from changes in fair values	Amount recognized in the current year	Amount recognized in the prior year
Financial assets at fair value through profit or loss ("FVTPL")	5,659,094	(2,674,334)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 47. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments under equity method	494,404,818	438,033,337
Investment income from disposal of long-term equity investment	–	(2,955,424)
Income (losses) from disposal of FVTPL	(483,348)	(110,098)
Investment income from available-for-sale financial assets in the holding period	54,320,000	9,970,000
Investment income from disposal of available-for-sale financial assets	7,007,798	7,852,138
Interest income from loans	31,623,260	20,176,710
Total	586,872,528	472,966,663

### 48. Gains (losses) from disposal of assets

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Gains from disposal of assets	111,134	211,608
Losses from disposal of assets	(5,770,382)	(3,782,604)
Total	(5,659,248)	(3,570,996)

### 49. Other income

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Government grants	1,828,188	–
Total	1,828,188	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 50. Non-operating income

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

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Income from highway property compensation	8,827,700	9,053,328
Government grants	2,666,393	16,017,251
Others	2,682,306	19,556,350
Total	14,176,399	44,626,929

(2) Government grants recognized in profit or loss for the current period:

Unit: RMB

Government grants	Related to assets/income	Presented item	Amount recognized in the current year	Amount recognized in the prior year
Subsidies for working steadily Ningchang Expressway Construction Compensation	Related to income	Non-operating income	2,666,393	1,170,920
	Related to assets	Other income	1,828,188	–
Subsidies for energy conservation and emission reduction Ningchang Expressway Construction Compensation	Related to income	Non-operating income	–	12,930,000
Environment protection subsidies	Related to assets	Non-operating income	–	1,568,431
	Related to income	Non-operating income	–	347,900
Total			4,494,581	16,017,251

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 51. Non-operating expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Expenditure for repair of damaged highway property	18,302,899	21,585,961
Public welfare donations	1,210,000	1,030,000
Various funds	2,492,611	1,594,131
Others	2,715,580	2,651,112
<b>Total</b>	<b>24,721,090</b>	<b>26,861,204</b>

### 52. Income tax expenses

#### (1) Income tax expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current tax expenses	1,005,520,239	918,527,266
Deferred tax expenses	23,019,028	48,911,850
Provision of prior years' tax	463,937	12,699,004
<b>Total</b>	<b>1,029,003,204</b>	<b>980,138,120</b>

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

#### (2) Reconciliation of income tax expenses to the accounting profit is as follows

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Accounting profit	4,713,822,722	4,417,275,914
Income tax expenses calculated at 25% (prior year: 25%)	1,178,455,681	1,104,318,979
Effect of cost, expenses and loss that are not deductible for tax purposes	21,947,609	16,998,549
Effect of tax-free income	(136,644,047)	(111,261,978)
Effect of using previously deductible losses that have not recognized deferred tax assets	(35,219,976)	(42,616,434)
Adjustment to provision of prior years' tax	463,937	12,699,004
<b>Total</b>	<b>1,029,003,204</b>	<b>980,138,120</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 53. Other comprehensive income

See Note (VI) 37 for details.

### 54. Supplementary information of income statement

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Employee benefits	902,045,855	830,249,049
Depreciation and amortization	1,419,725,855	1,299,774,687
Toll related expenses	134,580,213	145,707,433
Road maintenance expenses	205,626,217	179,799,835
System maintenance expenses	42,607,191	41,177,893
Real estate development land and construction cost	267,300,202	539,800,281
Petroleum in the service zone	1,378,114,462	1,331,447,565
Retail goods in the service zone	21,662,910	33,892,848
Catering cost in the service zone	31,321,713	53,835,396
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	10,308,326	12,553,865
Commission fee for agent of real estate sales	6,835,628	17,118,430
Advertisement fee	5,208,466	8,175,365
Others	105,722,740	75,815,077
<b>Total</b>	<b>4,534,259,778</b>	<b>4,572,547,724</b>

### 55. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities:

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Changes in restricted cash and bank balances	64,550,134	–
Receipts from compensation of damaged road and non-operating income items, etc.	15,653,307	50,642,624
Receipts from interest income of bank deposit	5,038,043	3,983,653
<b>Total</b>	<b>85,241,484</b>	<b>54,626,277</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 55. Notes to items in the cash flow statement (Continued)

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Payment of non-salary and other expenditure	75,371,043	96,565,219
Changes of restricted monetary funds	-	36,788,815
Payment of funds for construction of rural roads for others	-	42,436,814
Total	75,371,043	175,790,848

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

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

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Loans to related parties	120,000,000	69,000,000

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

- (6) Other cash payments relating to financing activities:

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Bond issue fee and other charges of loans	14,380,393	33,836,355



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 56. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

Unit: RMB

Supplementary information	2017	2016
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	<b>3,684,819,518</b>	3,437,137,794
Add: Provision for impairment losses of assets	<b>217,724,263</b>	100,275
Depreciation of fixed assets	<b>219,762,652</b>	210,217,553
Amortization of intangible assets	<b>1,197,029,095</b>	1,086,435,696
Amortization of long-term prepaid expenses	<b>2,836,615</b>	3,345,082
Amortization of Deferred income	<b>(1,828,188)</b>	(1,568,431)
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by “-”)	<b>5,659,248</b>	3,570,996
Losses on changes in fair values (gains are indicated by “-”)	<b>(5,659,093)</b>	2,674,334
Financial expenses (income is indicated by “-”)	<b>483,306,261</b>	504,249,494
Losses arising from investments (gains are indicated by “-”)	<b>(586,872,528)</b>	(472,966,663)
Decrease in deferred tax assets (increase is indicated by “-”)	<b>87,324,710</b>	53,593,689
Increase in deferred tax liabilities (decrease is indicated by “-”)	<b>(64,305,682)</b>	(4,681,839)
Decrease in inventories (increase is indicated by “-”)	<b>131,520,619</b>	114,128,263
Decrease in receivables from operating activities (increase is indicated by “-”)	<b>(150,886,399)</b>	(19,874,736)
Increase in payables from operating activities (decrease is indicated by “-”)	<b>(53,955,465)</b>	582,890,865
Others- depreciation of investment properties	<b>1,079,218</b>	1,284,947
Others-decrease in restricted monetary funds (increase is indicated by “-”)	<b>64,550,134</b>	(36,788,815)
Net cash flow from operating activities	<b>5,232,104,978</b>	5,463,748,504
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	<b>262,758,700</b>	194,272,978
Less: Opening balance of cash	<b>194,272,978</b>	221,115,078
Net increase (decrease) in cash and cash equivalents	<b>68,485,722</b>	(26,842,100)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

### 56. Supplementary information of the cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	2017	2016
I. Cash	<b>262,758,700</b>	194,272,978
Including: Cash on hand	<b>408,466</b>	565,151
Bank deposits	<b>262,105,874</b>	190,480,118
Other monetary funds	<b>244,360</b>	3,227,709
II. Cash equivalents	-	-
Including: Investment in debt securities due within three months	-	-
III. Closing balance of cash and cash equivalents	<b>262,758,700</b>	194,272,978

### 57. Assets with restricted ownership or use rights

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	<b>3,552,281</b>	Customer mortgage deposit
Bank deposits	<b>3,046,769</b>	Regulations of pre-sale properties
Intangible assets	<b>2,027,977,754</b>	Pledge of toll road right
Total	<b>2,034,576,804</b>	

### 58. Monetary item dominated in foreign currency

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translated to RMB
<b>Cash and bank balances</b>			
Including : HKD	838,893	0.8359	701,238
<b>Borrowings</b>			
Including : USD	2,725,371	6.5342	17,808,121

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Group composition

Name of subsidiary <i>(Note)</i>	Type of subsidiaries	Registered Capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		
						Direct	Indirect	Acquired method
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 Feng 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 Zhendan Expressway Co., Ltd. ("Zhendan 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 · Zhenjiang	Nanjing	Construction and operation of expressway	100	-	Business combination under the common control
Jiangsu Wufengshan Bridge Co., Ltd. ("Wufengshan Bridge")	Limited liability company	4,826,350,000	Zhenjiang, Yangzhou	Zhenjiang	Construction and operation of expressway	65	-	Set-up
Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company")	Limited liability company	1,167,200,000	Changzhou, Yixing	Wuxi	Construction and operation of expressway	-	51	Set-up
Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company")	Limited liability company	1,591,480,880	Yixing, Changxing	Yixing	Construction and operation of expressway	-	51	Set-up

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

#### (2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Closing balance/Amount recognized in the current year			Opening balance/Amount recognized 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	94,666,815	72,856,987	571,959,948	91,071,234	67,770,972	550,150,121
Zhendan Expressway	30	(4,200)	-	181,946,484	2,693	-	181,950,683
Wufengshan Bridge	35	(331,133)	-	975,586,037	-	-	-
Changyi Company	49	1,251,020	-	361,379,021	-	-	-
Yichang Company	49	1,375,159	-	283,775,159	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

(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	130,945,078	8,559,498,118	8,690,443,196	2,000,873,995	2,212,923,469	4,213,797,464	71,958,784	5,969,741,329	6,041,700,093	709,188,569	1,646,418,823	2,355,607,392
Zhendan Expressway	1,888,101	1,276,478,570	1,278,366,671	91,888,389	580,000,000	671,888,389	1,824,742	1,108,092,059	1,109,916,801	203,424,520	300,000,000	503,424,520
Wufengshan Bridge	4,216,962	4,407,664,302	4,411,881,264	3,800,007	1,660,000,000	1,663,800,007	-	-	-	-	-	-
Changyi Company	2,187,990	1,484,729,259	1,486,917,249	569,698	382,900,000	383,469,698	-	-	-	-	-	-
Yichang Company	2,609,915	1,082,308,293	1,084,918,208	480,311	305,000,000	305,480,311	-	-	-	-	-	-

Unit: RMB

Name of subsidiaries	Amount recognized in the current year				Amount recognized in the prior year			
	Operating income	Net profit attributable to the parent company		Cash flow from operating activities	Operating income	Net profit attributable to the parent company		Cash flow from operating activities
to the parent		Total comprehensive income	to the parent			Total comprehensive income		
Guangjing Xicheng	1,239,352,054	631,112,100	631,112,100	794,702,435	1,180,275,277	607,141,559	607,141,559	775,293,369
Zhendan Expressway	-	(14,000)	(14,000)	(16,992)	-	8,977	8,977	(597,430)
Wufengshan Bridge	-	(932,743)	(932,743)	(87,052)	-	-	-	-
Changyi Company	-	3,127,552	3,127,552	2,416,237	-	-	-	-
Yichang Company	-	3,437,897	3,437,897	2,181,278	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	-	Equity method
Sujiahang Company (Note 1)	Suzhou	Suzhou	Construction and operation of expressway	31.55	-	Equity method
Suijiayong Company	Suzhou	Suzhou	Construction and operation of expressway	22.77	-	Equity method
Yanjiang Company (Note 2)	Suzhou	Suzhou	Construction and operation of expressway	-	25.15	Equity method

*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 Sunzhou Changkun Expressway Co., Ltd. ("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 Expressway of the Group decreased from 32.26% to 29.81%. According to the Yanjiang Expressway 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 Expressway 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 Expressway through capital increment and share increase by Yanjiang Expressway 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 Expressway held by the Group decreased from 28.96% to 25.15%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 recognized in the current year				Opening balance/Amount recognized in the prior year			
	Yangtze Bridge Company	Sujiahang Company	Sujiyang Company	Yanjiang Company	Yangtze Bridge Company	Sujiahang Company	Sujiyang Company	Yanjiang Company
Current asset	664,112,801	949,515,981	175,767,863	1,340,194,334	653,330,292	845,995,605	119,940,231	885,836,506
Non-current asset	15,667,073,101	3,421,266,979	4,083,144,588	10,828,432,666	11,930,381,820	3,569,594,673	4,114,150,418	11,368,814,682
<b>Total asset</b>	<b>16,331,185,902</b>	<b>4,370,782,960</b>	<b>4,258,912,451</b>	<b>12,168,627,000</b>	<b>12,583,712,112</b>	<b>4,415,590,178</b>	<b>4,234,090,649</b>	<b>12,254,651,188</b>
Current liability	2,217,981,626	188,807,046	1,103,347,361	1,726,303,786	2,304,433,776	409,635,484	1,125,446,558	1,785,479,112
Non-current liability	8,234,750,753	583,538,508	1,316,660,000	2,732,300,001	5,327,406,945	848,951,987	1,222,000,000	3,284,300,000
<b>Total liability</b>	<b>10,452,732,379</b>	<b>772,345,554</b>	<b>2,420,007,361</b>	<b>4,458,603,787</b>	<b>7,631,840,721</b>	<b>1,258,587,471</b>	<b>2,347,446,558</b>	<b>5,069,779,112</b>
Minority Interests	1,400,085,513	11,949,979	-	473,872,760	739,006,614	6,933,720	-	544,655,162
Shareholders' equity attributable to shareholders of the parent company	4,478,368,010	3,586,487,427	1,838,905,090	7,236,150,453	4,212,864,777	3,150,068,987	1,886,644,091	6,640,216,914
Net assets share calculated according to proportion of shareholding	1,193,917,747	1,131,536,783	418,458,781	1,997,177,525	1,123,140,680	993,846,766	429,570,812	1,832,699,868
Adjustments	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	1,247,092,181	1,160,143,797	418,458,781	2,010,350,606	1,176,315,114	1,022,453,780	429,570,812	1,845,872,949
Operating income	1,315,694,905	1,525,800,292	119,516,640	1,961,405,557	1,243,156,443	1,592,014,006	-	1,448,224,687
Net income/Net loss attributable to the parent company	610,043,038	586,508,773	(48,801,198)	655,936,272	493,975,568	466,355,215	(8,227,745)	574,206,872
Other comprehensive income attributable to the parent company	(88,072,500)	-	-	-	(2,227,500)	-	-	-
<b>Total comprehensive income attributable to the parent company</b>	<b>521,970,538</b>	<b>586,508,773</b>	<b>(48,801,198)</b>	<b>655,936,272</b>	<b>491,748,068</b>	<b>466,355,215</b>	<b>(8,227,745)</b>	<b>574,206,872</b>
Dividends received from associates in the current year	68,380,279	47,353,500	-	16,560,754	56,983,566	47,353,500	-	64,673,855

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 2. Equity in associates and joint ventures (Continued)

#### (3) Financial information of non-significant associates and joint ventures

Unit: RMB

	Closing balance/ Amount recognized in the current year	Opening balance/ Amount recognized in the prior year
Joint ventures		
Total net book value of the investment	-	28,422,033
Total amount of the following items calculated according to the proportion of shareholding		
Net profit(loss)	<b>(28,422,033)</b>	(19,416,257)
Other comprehensive income	-	
Total comprehensive income(loss)	<b>(28,422,033)</b>	(19,416,257)
Associates		
Total net book value of the investment	<b>287,280,749</b>	268,561,270
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	<b>5,219,480</b>	218,018
Other comprehensive income	-	-
Total comprehensive income(loss)	<b>5,219,480</b>	218,018

#### (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 2017

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

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 2017, 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	701,238	750,322
Non-current liabilities due within one year	1,618,920	1,718,718
Long-term borrowings	16,189,201	18,905,901



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (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	2017		2016	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	5% increase against RMB	(667,804)	(667,804)	(773,423)	(773,423)
USD	5% decrease against RMB	667,804	667,804	773,423	773,423
HKD	5% increase against RMB	26,296	26,296	28,137	28,137
HKD	5% decrease against RMB	(26,296)	(26,296)	(28,137)	(28,137)

##### 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 of RMB303,000,000 as at 31 December 2017(31 December 2016: 523,000,000). 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 RMB1,136,250 (2016: decrease/increase by RMB1,961,250). 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 2017

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (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 2017, 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 2017 and shareholders' equity would have been increased/decreased by approximately RMB526,826,929 (31 December 2016: RMB598,204,769).

#### 1.2. Credit risk

As at 31 December 2017, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 1. Risk management objectives and policies (Continued)

#### 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 2017, the Group has available unutilized bank loan facilities of approximately RMB23,625,960,000 (31 December 2016: RMB9,262,860,000). 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 2017, the Group has authorized but not issued bonds including private placement note, super short-term bonds and medium term notes etc. of approximately RMB5,800,000,000 (31 December 2016: RMB6,100,000,000).

As at 31 December 2017, the Group had net current liabilities of RMB4,121,125,684 (31 December 2016: RMB2,828,317,218), the Group has taken the following measures to reduce liquidity risk.

- The Group has available unutilized bank loan facilities of approximately RMB18,134,960,000 with a credit time limit over one year.
- The Group has NAFMII-registered but not issued super short-term bonds of approximately RMB4,000,000,000 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

	With out duration	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Accounts payable	-	-	-	921,349,151	-	-
Other payables	-	-	-	36,919,707	-	-
Interest payable	-	10,883	9,482,008	89,833,164	-	-
Short-term borrowings	-	-	323,501,294	3,366,288,449	-	-
Other current liabilities	-	1,031,733,333	-	1,228,520,000	-	-
Long-term borrowings (including long-term borrowings due within 1 year)	-	824,300	49,927,807	272,882,778	1,373,354,383	4,716,924,074
Bond payable (including bonds payable due within 1 year)	-	-	-	623,806,173	4,380,674,700	-
<b>Total</b>	-	1,032,568,516	382,911,109	6,539,599,422	5,754,029,083	4,716,924,074

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	38,871,811	–	–	38,871,811
(II) Other current assets				
1. Financial management product	–	–	491,380,000	491,380,000
(III) Available-for sale assets				
1. Equity instrument investment	–	1,378,000,000	–	1,378,000,000
Total assets at fair value measured on a recurring basis	38,871,811	1,378,000,000	491,380,000	1,908,251,811

### 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 as at 31 December 2017	Valuation techniques	Significant unobservable inputs
Available-for sale equity instrument	1,378,000,000.00	Option pricing model	Non-risk return rate: 3.79% Share price fluctuation rate: 16.84% Anticipate dividend rate: 1.12% Option period: 1.59 years Option execution price: RMB7.35 per 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 2017

## 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	Fair value as at 31 December 2017	Valuation Techniques	Significant Unobservable inputs	Range
Other current assets-financial management product	491,380,000	Discounted cash flow	Anticipate return rate	1.1%–4.3%

*Unit: RMB*

Item	Fair value as at 31 December 2016	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%

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.

5. There were no transfers between Level 1, 2 and 3 in the current and prior years.
6. 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.
7. 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 2017

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent of the Company

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
Nanlin Hotel	Associate
Luode Equity Company	Associate
Modern R&B Company	Associate
Hanwei Company	Joint venture

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Tongxingbao Smart Transportation Science & Technology Co., Ltd. ("Tongxingbao Company")	Same ultimate shareholder
Jiangsu Petroleum Company	Same ultimate shareholder
Far East Shipping Company	Same ultimate shareholder
Group Finance Company	Same ultimate shareholder
Runyang Bridge Company	Same ultimate shareholder
Sutong Bridge Company	Same ultimate shareholder
Jiangsu Taizhou Bridge Co., Ltd. ("Taizhou Bridge Company")	Same ultimate shareholder
Jiangsu Expressway Information Engineering Co., Ltd ("Information Company")	Same ultimate shareholder
Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. ("Maintenance Technology Company")	Same ultimate shareholder
Jiangsu Suhuaiyan Expressway Management Co., Ltd. ("Suhuaiyan 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 recognized in the current year	Amount recognized in the prior year
Modern R&B Company*	Road maintenance fee	64,255,347	75,986,704
Network Operation Company*	Maintenance and operating administration fees for toll collection system	26,358,227	30,415,982
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	10,535,302	–
Information Company* Maintenance Technology Company*	Communication system maintenance fee	6,777,298	4,042,477
Kuailu Company	Road maintenance fee	6,039,163	–
Nanlin Hotel*	Lease fee of transportation service	3,282,308	–
Communications Holding*	Food and beverage	88,087	107,664
Group Finance Company*	Interest expenses of loans from a related party	41,500,000	41,832,110
Far East Shipping Company*	Interest expenses of working capital loan	40,000,433	14,565,875
Sutong Bridge Company*	Interest expenses of entrusted loan	7,600,417	8,581,215
Runyang Bridge Company*	Interest expenses of entrusted loan	8,120,000	–
		1,363,060	9,657,998

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 recognized in the current year	Amount recognized in the prior year
Hanwei Company	Interest income from shareholder loan	34,537,500	26,960,667
Tongxingbao Company*	ETC customer-service network management income	2,745,396	-
Group Finance Company*	Interest income from deposits	2,452,339	824,019
Kuailu Co., Ltd.	Toll road income	2,182,478	2,400,000
Kuailu Co., Ltd.	Petrol income	554,006	2,921,750
Network Operation Company*	ETC customer-service network management income	-	1,590,078

- (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 2017	Lease income recognized in 2016
Jiangsu Petroleum Company*	Fixed assets	15,045,714	12,783,571
Network Operation Company*	Fixed assets	3,555,094	3,612,400
Modern R&B Company*	Fixed assets	1,689,967	1,690,000

- (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*	17,808,121	15 October 1998	18 July 2027	Not completed
Communications Holding*	60,000,000	16 March 2004	5 March 2019	Not completed
Communications Holding*	18,000,000	16 April 2004	20 October 2018	Not completed



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 (Note)	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to) Far East Shipping Company*	(180,000,000)	15 August 2016	15 August 2017	-	Entrusted loan with annual interest rate of 4.35%
Far East Shipping Company*	160,000,000	14 August 2017	14 August 2018	<b>160,000,000</b>	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	100,000,000	30 March 2017	29 March 2018	<b>100,000,000</b>	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	200,000,000	11 May 2017	10 May 2018	<b>200,000,000</b>	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	50,000,000	9 June 2017	8 September 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(50,000,000)	9 June 2017	8 September 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Runyang Bridge Company*	(100,000,000)	26 February 2013	25 February 2019	-	Entrusted loan with annual interest rate of 6.4566%
Communications Holding*	-	5 December 2012	5 December 2022	<b>250,000,000</b>	Borrowings from a related party with annual interest rate of 5.80%
Communications Holding*	-	17 May 2013	17 May 2023	<b>250,000,000</b>	Borrowings from a related party with annual interest rate of 5.60%
Communications Holding*	-	20 May 2014	20 May 2019	<b>250,000,000</b>	Borrowings from a related party with annual interest rate of 6.10%
Group Finance Company*	(80,000,000)	18 January 2016	17 January 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(50,000,000)	8 June 2016	7 June 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	200,000,000	17 January 2017	16 January 2018	-	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	(200,000,000)	17 January 2017	16 January 2018	-	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	130,000,000	18 January 2017	17 July 2017	-	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	(130,000,000)	18 January 2017	17 July 2017	-	Borrowings from a related party with annual interest rate of 3.92%
Group Finance Company*	220,000,000	26 June 2017	25 June 2018	<b>220,000,000</b>	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	60,000,000	10 July 2017	9 July 2018	<b>60,000,000</b>	Borrowings from a related party with annual interest rate of 4.35%
Group Finance Company*	200,000,000	25 December 2017	24 December 2018	<b>200,000,000</b>	Borrowings from a related party with annual interest rate of 4.35%
Sutong Bridge Company*	400,000,000	17 July 2017	16 July 2018	<b>400,000,000</b>	Entrusted loan with annual interest rate of 4.35%
Lend to (collect from): Hanwei Company	-	26 March 2015	26 March 2018	<b>300,000,000</b>	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	-	18 July 2016	18 July 2019	<b>69,000,000</b>	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	120,000,000	16 March 2017	16 March 2020	<b>120,000,000</b>	Loan from a related party with annual interest rate of 4.75%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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*	(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	<b>180,000,000</b>	Entrusted loan with annual interest rate of 4.35%
Runyang Bridge Company*	(50,000,000)	26 February 2013	25 February 2019	<b>100,000,000</b>	Entrusted loan with annual interest rate of 6.4566%
Communications Holding*	-	5 December 2012	5 December 2022	<b>250,000,000</b>	Borrowings from a related party with annual interest rate of 5.80%
Communications Holding*	-	17 May 2013	17 May 2023	<b>250,000,000</b>	Borrowings from a related party with annual interest rate of 5.60%
Communications Holding*	-	20 May 2014	20 May 2019	<b>250,000,000</b>	Borrowings 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%
Suhaiyan 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	-	Borrowings 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	<b>80,000,000</b>	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(120,000,000)	18 January 2016	17 January 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	30,000,000	8 March 2016	7 December 2016	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(30,000,000)	8 March 2016	7 December 2016	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	100,000,000	8 June 2016	7 June 2017	<b>50,000,000</b>	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(50,000,000)	8 June 2016	7 June 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	35,000,000	17 June 2016	16 June 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Group Finance Company*	(35,000,000)	17 June 2016	16 June 2017	-	Borrowings from a related party with annual interest rate of 4.13%
Lend to (collect from): Hanwei Company	-	26 March 2015	26 March 2018	<b>300,000,000</b>	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	69,000,000	18 July 2016	18 July 2019	<b>69,000,000</b>	Loan from a related party with annual interest rate of 8.00%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (4) Borrowings from and loans to related parties (Continued)

*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 recognized in the current year	Amount recognized in the prior year
Information Company*	Purchase of fixed assets	-	4,383,495

#### (6) Compensation for key management personnel

*Unit: RMB*

Item	Amount recognized in the current year	Amount recognized in the prior year
Compensation for key management personnel	3,433,977	3,923,426

#### (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 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 6 Amounts due from/to related parties

(1) Amounts due from related parties

Unit: RMB

Account	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits ( <i>Note1</i> )	Group Finance Company	<b>130,733,001</b>	-	41,271,766	-
Accountants receivable ( <i>Note2</i> )	Jiangsu Petroleum Company	<b>9,200,900</b>	-	7,683,155	-
	Sujiahang Company	<b>7,861,402</b>	-	8,903,208	-
	Riverine Expressway	<b>1,665,876</b>	-	2,362,583	-
	Yangtze Bridge Company	<b>1,196,086</b>	-	1,373,567	-
	Kuailu Co., Ltd.	<b>55,221</b>	-	-	-
	Luode Equity Company	<b>1,197</b>	-	-	-
Sub-total		<b>19,980,682</b>	-	20,322,513	-
Other receivables	Taizhou Bridge Company			3,899,000	
Other non-current assets	Hanwei Company	<b>189,000,000</b>	-	369,000,000	-
Other non-current assets due within one year	Hanwei Company	<b>300,000,000</b>	-	-	-
Interest receivable	Hanwei Company	<b>80,231,500</b>	-	45,694,000	-
Dividends receivable	Kuailu Co., Ltd.	<b>4,989,960</b>	-	4,989,960	-

*Note1:*

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 2017, the Group has deposited RMB130,733,001 (31 December 2016: 41,154,068) in Group Finance Company in accordance with the financial service agreement.

*Note2:*

As at 31 December 2017, 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 RMB235,489,513 (31 December 2016: 89,054,342). 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 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 6 Amounts due from/to related parties (Continued)

(2) Amounts due to related parties

Unit: RMB

Account	Related party	Closing balance	Opening balance
Accounts payable (Note)	Modern R&B Company	10,659,467	16,010,078
	Yangtze Bridge Company	4,925,242	6,245,132
	Riverine Expressway	3,649,840	4,020,454
	High-Speed Information Company	2,914,959	5,229,460
	Sujiahang Company	2,051,595	3,190,692
	Network Operation Company	534,836	1,271,990
	Tongxingbao Company	352,067	–
Sub-total		25,088,006	35,967,806
Receipts in advance	Kuailu Co., Ltd.	846,609	358,173
	Modern R&B Company	80,000	80,000
	Network Operation Company	–	1,146,794
Sub-total		926,609	1,584,967
Other payables	Communications Holding	3,750,000	3,750,000
	Tongxingbao Company	2,130,510	–
	Network Operation Company	58,740	8,627,397
Sub-total		5,939,250	12,377,397
Short-term borrowings	Group Finance Company	780,000,000	130,000,000
	Sutong Bridge Company	400,000,000	–
	Far East Shipping Company	160,000,000	180,000,000
Sub-total		1,340,000,000	310,000,000
Interest payable	Communications Holding	17,116,438	17,116,438
	Group Finance Company	1,010,167	168,744
	Sutong Bridge	531,667	–
	Far East Shipping Company	212,667	239,250
	Runyang Bridge Company	–	197,285
Sub-total		18,870,939	17,721,717
Long-term borrowings (including long-term borrowings due within 1 year)	Communications Holding	750,000,000	750,000,000
	Runyang Bridge Company	–	100,000,000
Sub-total		750,000,000	850,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 6 Amounts due from/to related parties (Continued)

(2) Amounts due to related parties (Continued)

*Note:* At 31 December 2017, besides the accounts payable to related party stated above, there are split toll road fee payables to other Toll Road Network Companies which amounted to RMB28,552,219 (31 December 2016: RMB28,733,854). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which these Toll Road Network Companies has no other control, joint control or significant influence relationship with them.

### 7. Directors' emoluments

2017

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
<b>Executive directors</b>					
Gu De Jun	-	298,985	303,300	88,912	691,197
Shang Hong (Retired on 29 April 2017)	-	259,185	244,200	76,720	580,105
Yao Yong Jia (Appointed on April 29 2017)	-	256,085	230,400	76,192	562,677
<b>Non-executive directors</b>					
Chang Qing	-	-	-	-	-
Du Wen Yi (Note 3)	-	-	-	-	-
Wu Xin Hua	-	-	-	-	-
Hu Yu (Note 3)	-	-	-	-	-
Ma Zhong Li	337,015	-	-	-	337,015
<b>Independent non-executive directors</b>					
Zhang Er Zhen	107,895	-	-	-	107,895
Lin Hui	107,895	-	-	-	107,895
Zhang Zhu Ting	107,895	-	-	-	107,895
Chen Liang	107,895	-	-	-	107,895
<b>Supervisor</b>					
Chen Xiang Hui	-	-	-	-	-
Pan Ye	-	-	-	-	-
Chen Zhong Yang (Appointed on 29 April 2017)	-	-	-	-	-
Wang Ya Ping	-	192,605	151,596	67,972	412,173
Shao Li	-	192,605	184,975	70,000	447,580
Ren Zhuo Hua (Retired on 29 April 2017)	-	187,718	132,335	64,564	384,617
<b>Total</b>	<b>768,595</b>	<b>1,387,183</b>	<b>1,246,806</b>	<b>444,360</b>	<b>3,846,944</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 7. Directors' emoluments (Continued)

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
<b>Executive directors</b>					
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
<b>Non-executive directors</b>					
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)	-	-	-	-	-
<b>Independent non-executive directors</b>					
Zhang Er Zhen	107,895	-	-	-	107,895.00
Lin Hui (Appointed on 2 June 2016)	53,947	-	-	-	53,947.00
Zhang Zhu Ting	107,895	-	-	-	107,895.00
Chen Liang	107,895	-	-	-	107,895.00
Ge Yang (Retired on June 2016)	53,947	-	-	-	53,947.00
<b>Supervisor</b>					
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
<b>Total</b>	<b>774,608</b>	<b>1,052,463</b>	<b>900,241</b>	<b>315,064</b>	<b>3,042,376</b>

Note 1: Other benefits include housing funds, non-monetary welfare, as well as medical insurance, work injury insurance and maternity insurance provided by the Company according to government's requirement.

Note 2: Post-employment benefits include annuity payment, pension insurance and unemployment insurance provided by the Company.

Note 3: Some directors and supervisors were also the employees of the shareholders and their remunerations 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 2017

## X RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

### 8 Five individuals with the highest emoluments

Three (2016: one) of the five individuals with the highest emoluments in the Group are directors of the Company whose emoluments are included in note of directors' emoluments. The emoluments of the remaining two (2016: four) individuals are listed as follows:

	Accumulative amount for the current year	Accumulative amount for the prior year
Salaries and other benefits	918,371	1,747,214
Postemployment benefit	148,916	274,165
<b>Total</b>	<b>1,067,287</b>	<b>2,021,379</b>

Their emoluments were within the following bands:

	2017	2016
Less than HKD1,000,000	2	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	13,454,717,512	838,314,210

- (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	2,215,030	2,038,900
2nd year subsequent to the balance sheet date	2,212,500	2,112,500
3rd year subsequent to the balance sheet date	2,012,500	2,212,500
Subsequent periods	–	2,012,500
<b>Total</b>	<b>6,440,030</b>	<b>8,376,400</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 Company provides guarantees to banks for bank borrowings granted to buyers of properties. 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 2017, the outstanding guarantees amounted to approximately RMB893,281,511 (31 December 2016: RMB779, 906,911).

## XII. EVENTS AFTER THE BALANCE SHEET DATE

### 1 Profit appropriation

Unit: RMB

	Amount
Proposed distributions of profits or dividends	2,216,608,900
Distributions of profits or dividends authorized and declared	–

### 2 Acquisition of Hanwei Company's Equity

In accordance with the Company's decision of the 22nd conference of the 8th board of directors on 19 March 2018, the Company plans to acquire 30% equity of the Company's joint venture, Hanwei Company from Nanjing Luode Deshi Equity Investment LLP with RMB184.4998 million. After the acquisition, Hanwei Company will become the Company's wholly-owned subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIII. OTHER SIGNIFICANT EVENTS

### 1. Annuity scheme

See Note (VI) 24.

### 2. Retirement benefits scheme

See Note (VI) 24.

### 3. Operating leases

Property rental income recorded in profit or loss during the year:

Unit: RMB

	2017	2016
Buildings	2,010,929	2,547,986

### 4. Net Profit for the year has been arrived at after charging:

Unit: RMB

Item	Closing balance	Opening balance
Staff costs (Include: directors' emoluments)	767,642,960	713,956,405
Basic endowment insurance and annuity payment	134,402,895	116,292,644
Total staff costs	902,045,855	830,249,049
Audit fee	3,200,000	3,200,000
Depreciation and amortization (Included in operating costs and administrative expenses)	1,355,067,632	1,235,485,004
Losses on disposal of non-current assets	5,659,248	3,570,996
Amortization of land use rights (Included in operating costs and administrative expenses)	64,658,223	64,289,683
Cost of inventories recognised as an expense	1,681,452,589	1,940,454,870

### 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 12 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 12 reporting segments (2016:9) 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, Wufengshan Expressway, Changyi Expressway and Yichang 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 2017

## XIII. OTHER SIGNIFICANT EVENTS (Continued)

### 5. Segment reporting (Continued)

(2) Financial information of reporting segment

Unit: RMB

	Shanghai-Nanjing Expressway		Nanjing-Lianyungang Highway		Guangjing Expressway and Xicheng Expressway		Xiyi Expressway and Wuxi Huautaihu Expressway		Changyi Expressway		Yichang Expressway		Ningchang Expressway and Zheng Expressway	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Operating income	4,804,374,867	4,572,683,126	33,204,966	24,961,001	867,533,895	838,727,408	334,956,223	306,319,318	-	-	-	-	1,064,293,775	909,765,569
Operating costs	1,295,089,018	1,221,713,458	28,056,334	16,569,477	256,375,340	248,097,364	185,012,655	172,184,816	-	-	-	-	537,329,066	488,889,810
Including: Amortization of toll roads operation rights	551,656,227	511,130,346	14,232,145	12,240,598	110,116,568	99,907,589	93,462,398	85,712,974	-	-	-	-	351,101,260	303,792,754
Costs of petrol and other goods sold in service zones	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment operating profit (loss)	3,509,285,849	3,350,969,668	5,148,632	8,391,524	611,158,555	590,630,044	149,943,568	134,134,502	-	-	-	-	526,964,709	440,875,759
Reconciling items:														
Less: Taxes and levies	17,295,750	61,504,864	119,538	335,700	3,123,122	11,069,183	1,205,842	4,009,016	-	-	-	-	3,831,458	11,993,882
Selling expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses	72,874,440	70,184,988	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	217,737,524	-	-	-	-	-	-	-	-	-	-	-
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Invest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	1,828,188	-
Gains (losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	3,419,115,659	3,219,279,816	(212,708,430)	8,055,824	608,035,433	579,560,861	148,737,726	130,125,486	-	-	-	-	524,961,439	428,881,877
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total profit	3,419,115,659	3,219,279,816	(212,708,430)	8,055,824	608,035,433	579,560,861	148,737,726	130,125,486	-	-	-	-	524,961,439	428,881,877
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	3,419,115,659	3,219,279,816	(212,708,430)	8,055,824	608,035,433	579,560,861	148,737,726	130,125,486	-	-	-	-	524,961,439	428,881,877
Total segment assets	11,378,551,634	12,043,899,261	50,000,000	281,969,669	1,232,573,828	1,266,085,567	2,053,662,277	2,136,426,304	1,486,917,249	-	1,084,918,208	-	6,054,352,199	6,442,854,998
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplementary information:														
Depreciation and amortization	648,395,685	667,345,889	14,232,145	12,240,598	127,915,472	122,963,495	100,454,886	95,323,060	-	-	-	-	390,796,919	353,297,853
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets other than long-term equity investments	11,378,551,634	12,043,899,261	50,000,000	281,969,669	1,232,573,828	1,266,085,567	2,053,662,277	2,136,426,304	1,486,917,249	-	1,084,918,208	-	6,054,352,199	6,442,854,998
Capital expenditure	59,473,461	178,985,873	-	-	62,910,956	14,830,176	13,004,577	11,875,034	1,484,729,260	-	1,082,308,293	-	44,936,796	21,485,862
Including: Expenditure arising from construction in progress	44,627,391	173,205,553	-	-	40,460,791	12,329,859	9,736,156	3,000,000	1,484,729,260	-	1,082,308,293	-	34,150,049	11,122,243
Expenditure arising from purchase of fixed assets	14,846,090	5,780,320	-	-	21,923,365	2,500,317	3,268,421	8,875,034	-	-	-	-	10,786,747	10,363,619
Expenditure arising from purchase of intangible asset	-	-	-	-	526,800	-	-	-	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIII. OTHER SIGNIFICANT EVENTS (Continued)

### 5. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Unit: RMB

	Zhendan Expressway		Wufengshan Bridge		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	Current year	Prior year
Operating income	-	-	-	-	1,780,145,565	1,687,466,779	509,752,364	810,834,534	61,418,710	50,539,331	-	-	9,455,680,365	9,201,297,066
Operating costs	-	-	-	-	1,728,961,843	1,674,183,118	280,007,835	539,800,281	23,637,791	22,281,968	-	-	4,334,469,882	4,363,720,292
Including: Amortization of toll roads operation rights	-	-	-	-	-	-	-	-	-	-	-	-	1,120,570,598	1,012,784,261
Costs of petrol and other goods sold in service zones	-	-	-	-	1,399,777,373	1,365,340,413	-	-	-	-	-	-	1,399,777,373	1,365,340,413
Segment operating profit (loss)	-	-	-	-	51,183,722	13,283,661	229,744,529	271,034,253	37,780,919	28,257,363	-	-	5,121,210,483	4,837,576,774
Reconciling items:														
Less: Taxes and levies	-	-	-	-	31,108,212	7,453,734	26,809,120	72,021,966	2,619,151	2,958,011	1,475,319	22,125,559	87,587,512	193,471,915
Selling expenses	-	-	-	-	-	-	11,389,920	26,449,808	501,785	312,355	-	-	11,891,705	26,762,163
Administrative expenses	-	-	-	-	-	-	-	-	-	-	115,023,751	111,800,281	187,898,191	182,065,269
Financial expenses	-	-	-	-	-	-	-	-	-	-	480,441,961	502,388,296	480,441,961	502,388,296
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	(13,261)	100,275	217,724,263	100,275
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	5,659,094	(2,674,334)	5,659,094	(2,674,334)
Invest income	-	-	-	-	-	-	-	-	-	-	586,872,528	472,966,663	586,872,528	472,966,663
Other income	-	-	-	-	-	-	-	-	-	-	-	-	1,828,188	-
Gains(losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	(5,659,248)	(3,570,996)	(5,659,248)	(3,570,996)
Operating profit	-	-	-	-	20,075,510	5,829,927	191,545,489	172,562,479	34,659,983	24,986,997	(10,055,396)	(169,773,077)	4,724,367,413	4,399,510,190
Non-operating income	-	-	-	-	-	-	-	-	-	-	14,176,399	44,626,929	14,176,399	44,626,929
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	24,721,090	26,861,205	24,721,090	26,861,205
Total profit	-	-	-	-	20,075,510	5,829,927	191,545,489	172,562,479	34,659,983	24,986,997	(20,600,087)	(152,007,353)	4,713,822,722	4,417,275,914
Income tax expenses	-	-	-	-	-	-	-	-	-	-	1,029,003,204	980,138,120	1,029,003,204	980,138,120
Net profit	-	-	-	-	20,075,510	5,829,927	191,545,489	172,562,479	34,659,983	24,986,997	(1,049,603,291)	(1,132,145,473)	3,684,819,518	3,437,137,794
Total segment assets	1,278,366,670	1,063,916,802	4,411,881,264	-	309,016,940	344,056,910	3,497,565,196	3,656,467,782	836,187,089	573,606,846	8,846,498,684	8,473,289,390	42,520,491,238	36,282,573,529
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	16,634,560,826	13,340,716,540	16,634,560,826	13,340,716,540
Supplementary information:														
Depreciation and amortization	-	-	-	-	46,412,909	26,876,360	281,149	190,323	6,781,089	6,938,429	84,455,601	14,608,680	1,419,725,855	1,299,774,687
Interest income	-	-	-	-	-	-	-	-	-	-	5,038,043	3,983,653	5,038,043	3,983,653
Interest expense	-	-	-	-	-	-	-	-	-	-	471,952,511	478,688,707	471,952,511	478,688,707
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	-	-	494,404,818	438,033,337	494,404,818	438,033,337
Non-current assets other than long-term equity investments	1,278,366,670	1,063,916,802	4,411,881,264	-	309,016,940	344,056,910	24,077,189	27,415,535	704,870,756	292,018,802	2,726,414,782	3,201,721,707	32,795,602,996	27,100,365,555
Capital expenditure	259,551,500	323,782,305	4,386,106,814	-	1,249,776	26,532,149	401,584	1,646,729	3,494,878	4,027,563	-	769,533	7,398,167,915	583,935,224
Including: Expenditure arising from construction in progress	259,551,500	323,782,305	4,386,106,814	-	704,240	22,670,107	202,257	1,259,644	3,466,203	3,442,757	-	-	7,346,042,954	550,812,468
Expenditure arising from purchase of fixed assets	-	-	-	-	545,536	3,862,042	199,327	387,085	28675	584,806	-	-	51,598,161	32,353,223
Expenditure arising from purchase of intangible asset	-	-	-	-	-	-	-	-	-	-	-	769,533	526,800	769,533

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 2017

## 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) 21, 29, 30, 31 and 32. Rights enjoyed by the shareholders of the company includes capital reserve, other comprehensive income, surplus reserves and retained profits in Note (VI) 36, 37, 38 and 39 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			220,009			277,637
Bank balances :						
RMB			134,204,432			97,621,244
USD						
HKD	838,893	0.8359	701,238	838,809	0.8945	750,322
Total			135,125,679			98,649,203

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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				Net book value	Opening balance				Net book value
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios- Portfolio 1	206,228,431	97	-	-	206,228,431	94,917,459	92	-	-	94,917,459
Accounts receivable for which bad debt provision has been assessed by portfolios Portfolio 2	6,911,148	3	138,223	100	6,772,925	7,725,997	8	154,521	100	7,571,476
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>213,139,579</b>	<b>100</b>	<b>138,223</b>	<b>100</b>	<b>213,001,356</b>	<b>102,643,456</b>	<b>100</b>	<b>154,521</b>	<b>100</b>	<b>102,488,935</b>

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

Name of portfolio	Accounts receivable	Closing balance Bad debt provision	Proportion (%)
Portfolio 2	6,911,148	138,223	2
<b>Total</b>	<b>6,911,148</b>	<b>138,223</b>	<b>2</b>

Basis for determining the above portfolio: See Note (III) 10.2.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	213,139,579	100	138,223	213,001,356	102,643,456	100	154,521	102,488,935
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceeding 3 years	-	-	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-	-	-
<b>Total</b>	<b>213,139,579</b>	<b>100</b>	<b>138,223</b>	<b>213,001,356</b>	<b>102,643,456</b>	<b>100</b>	<b>154,521</b>	<b>102,488,935</b>

(3) Bad debt provision recorded, reversal and written off in the current year

The reversal amount of the bad debt provision for the year is RMB16,298.

(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 (%)
Network Operation Company	136,612,216	-	64
Sinopec Sales Co., Ltd. Jiangsu Branch	25,114,649	-	12
Jiaying Kaitong Investment Co.,Ltd.	17,339,421	-	8
Sujiahang Company	6,403,149	-	3
Suzhou Circular Company	3,304,934	-	2
<b>Total</b>	<b>188,774,369</b>	<b>-</b>	<b>89</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	2,072,083	87	9,114,045	100
More than 1 year but not exceed 2 years	305,465	13	-	-
More than 2 years but not exceeding 3 years	-	-	-	-
More than 3 years	2,000	-	2,000	-
Total	2,379,548	100	9,116,045	100

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

Unit: RMB

Name of entity	Amount	Proportion of total prepayments (%)
Jiangsu Province Public Security Department Traffic Patrolling Police Force	1,553,270	65
Jiangsu Wuxi Electric Co., Ltd.	304,116	13
Jiangsu Suzhou Electric Co., Ltd.	297,462	13
Jiangsu Changzhou Wujin Electric Co., Ltd.	82,765	3
Jiangsu Construction Engineering Group Co.,Ltd.	82,628	3
Total	2,320,241	97



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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				Net book value	Opening balance				Net book value
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)		Carrying amount Amount	Proportion	Bad debt provision Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	64	15,812,140	99	-	15,812,140	4	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio1	4,183,465	17	-	-	4,183,465	399,084,360	95	-	-	399,084,360
Other receivables for which bad debt provision has been assessed by portfolios-Portfolio2	4,609,614	19	92,192	1	4,517,422	4,318,216	1	86,364	1	4,231,852
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24,605,219</b>	<b>100</b>	<b>15,904,332</b>	<b>100</b>	<b>8,700,887</b>	<b>419,214,716</b>	<b>100</b>	<b>15,898,504</b>	<b>100</b>	<b>403,316,212</b>

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 Bad debt provision	Proportion (%)	Reasons
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 2017

## 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	4,609,614	92,192	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 RMB5,828.

- (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
Investment liquidation accounts	15,812,140	15,812,140
Petty cash	4,164,750	4,241,682
Other insignificant amounts	4,628,329	4,346,004
Total	24,605,219	419,214,716

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Closing balance	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jinasu Yixing Highway Administration Department	Investment liquidation accounts	15,812,140	Over 3 years	65	15,812,140
Jiangsu Suzhou Electric Co., Ltd	Deposits for electrify charges	104,561	Within 1 year	-	-
Jiangsu Jurong Electric Co., Ltd.	Deposits for electrify charges	55,000	Within 1 year	-	-
Expressway traffic police brigade	Payments for others	54,955	Within 1 year	-	-
Traffic Engineering Supervision & Advisory Co.,Ltd.	Payments for others	53,011	Within 1 year	-	-
Total		16,079,667		65	15,812,140

### 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	13,995,476	-	13,995,476	14,948,329	-	14,948,329
Petrol	8,506,742	-	8,506,742	7,440,350	-	7,440,350
Total	22,502,218	-	22,502,218	22,388,679	-	22,388,679

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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(Note(XIV)14)	50,000,000	–
Loans to joint ventures due within one year(Note(XIV)14)	300,000,000	–
<b>Total</b>	<b>350,000,000</b>	–

### 7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available for sale financial assets – Financial management products	404,000,000	–
Loans to related parties	–	303,141,833
<b>Total</b>	<b>404,000,000</b>	303,141,833

### 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	1,378,000,000	–	1,378,000,000	1,562,000,000	–	1,562,000,000
Measured at cost	5,230,000	–	5,230,000	5,230,000	–	5,230,000
<b>Total</b>	<b>1,383,230,000</b>	<b>–</b>	<b>1,383,230,000</b>	<b>1,567,230,000</b>	<b>–</b>	<b>1,567,230,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	1,378,000,000
Changes in fair value accumulatively recognized in other comprehensive income	378,000,000
Recognized provision for impairment	-

(3) Available-for-sale financial assets measured at cost at the end of the 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	Increase in the current year	Decrease in the current year		Opening balance	Increase in the current year	Decrease in the current year			
Unlisted company (Note 1) Network Operation Company	5,230,000	-	-	5,230,000	-	-	-	-	3.62	-
Total	5,230,000	-	-	5,230,000	-	-	-	-	3.62	-

*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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 9 Long-term equity investments

Unit: RMB

Item	Closing balance			Gross carrying amount	Opening balance Provision for impairment	Net carrying amount
	Gross carrying amount	Provision for impairment	Net carrying amount			
Investments on subsidiaries	12,122,343,715	-	12,122,343,715	10,119,246,885	-	10,119,246,885
Investments on associates	2,905,333,757	-	2,905,333,757	2,703,013,166	-	2,703,013,166
Investments on Joint ventures	-	-	-	28,422,033	-	28,422,033
<b>Total</b>	<b>15,027,677,472</b>	<b>-</b>	<b>15,027,677,472</b>	<b>12,850,682,084</b>	<b>-</b>	<b>12,850,682,084</b>

#### (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	-	412,856,260
Ningchang Zhenli Company	6,729,236,885	-	6,729,236,885	-	-
Ninghu Properties	500,000,000	-	500,000,000	-	-
Ninghu Investment	341,100,000	230,000,000	571,100,000	-	-
Zhendan Expressway	423,910,000	-	423,910,000	-	-
Wufengshan Bridge	-	1,773,096,830	1,773,096,830	-	-
<b>Total</b>	<b>10,119,246,885</b>	<b>2,003,096,830</b>	<b>12,122,343,715</b>	<b>-</b>	<b>412,856,260</b>

#### (2) Investments on joint ventures or associates

Unit: RMB

Investee	Opening balance	Changes in the current year							Closing balance	Closing balance of impairment loss
		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		
Joint ventures										
Hanwei Company	28,422,033	-	-	(28,422,033)	-	-	-	-	-	-
Associates										
Kuailu Co., Ltd.	58,116,971	-	-	248,323	-	-	-	-	-	58,365,294
Yangtze Bridge Company	1,176,315,114	-	-	162,637,475	(23,480,129)	-	(68,380,279)	-	-	1,247,092,181
Sujiahang Company	1,022,453,780	-	-	185,043,518	-	-	(47,353,500)	-	-	1,160,143,798
Suijiayong Company	429,570,812	-	-	(11,112,033)	-	-	-	-	-	418,458,779
Xiexin Ninghu Company	11,714,728	-	-	(410,600)	-	-	-	-	-	11,304,128
Modern R&B Company	4,841,761	4,500,000	-	627,816	-	-	-	-	-	9,969,577
<b>Total</b>	<b>2,731,435,199</b>	<b>4,500,000</b>	<b>-</b>	<b>308,612,466</b>	<b>(23,480,129)</b>	<b>-</b>	<b>(115,733,779)</b>	<b>-</b>	<b>-</b>	<b>2,905,333,757</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	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
2. Increase in the current year	35,167,476	-	4,802,733	29,241,302	8,653,057	2,758,082	149,492	654,983	81,427,125
(1) Purchase	-	-	-	4,093,788	8,653,057	1,985,786	149,492	509,503	15,391,626
(2) Transferred from construction in progress	35,167,476	-	4,802,733	25,147,514	-	772,296	-	145,480	66,035,499
3. Decrease in the current year	1,546,304	87,637	538,563	3,173,284	7,245,925	3,624,118	270,642	346,500	16,832,973
(1) Disposal or retirement	1,546,304	87,637	538,563	3,173,284	7,245,925	3,624,118	270,642	346,500	16,832,973
4. Closing balance	928,167,960	421,634,336	319,735,434	278,262,848	335,680,895	38,478,508	46,158,376	7,511,526	2,375,629,883
II. Total accumulated depreciation									
1. Opening carrying amount	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
2. Increase in the current year	35,876,423	11,337,919	23,364,387	21,480,358	14,559,414	5,440,177	4,481,018	1,023,122	117,562,818
(1) Amount accrued	35,876,423	11,337,919	23,364,387	21,480,358	14,559,414	5,440,177	4,481,018	1,023,122	117,562,818
3. Decrease in the current year	561,987	9,945	451,322	2,470,094	6,169,452	3,319,164	245,806	301,842	13,529,612
(1) Disposal or retirement	561,987	9,945	451,322	2,470,094	6,169,452	3,319,164	245,806	301,842	13,529,612
4. Closing balance	345,544,397	341,828,661	195,229,482	165,114,924	250,199,980	25,271,692	31,516,526	4,721,875	1,359,427,537
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	582,623,563	79,805,675	124,505,952	113,147,924	85,480,915	13,206,816	14,641,850	2,789,651	1,016,202,346
2. Opening 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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	83,086,348	32,036,041

(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	6,510,085	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Kunshan toll station	6,297,762	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Huaqiao toll station	7,661,461	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Xuejia toll station	10,542,032	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	28,101,491	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	4,960,773	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	3,773,365	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	1,181,721	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	43,034,261	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway South Network Centre and project management center houses	18,021,796	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	23,610,940	Incorporated into communication facilities and cannot obtain certification at present.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 Wuxi airport toll station	4,369,092	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Heyang roll station	2,700,885	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Zhenjiang toll station	9,182,082	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	1,244,271	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	7,200,305	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Nanjing toll station	10,507,383	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Tangshan toll station	5,387,682	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Danyang toll station	12,166,665	Incorporated into communication facilities and cannot obtain certification at present.
Shanghai-Nanjing Expressway Jurong toll station	617,657	Incorporated into communication facilities and cannot obtain certification at present.
Total	207,071,709	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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

Project	Closing balance			Carrying amount	Provision for impairment losses	Opening balance
	Carrying amount	Provision for impairment losses	Net carrying amount			
Construction Project of acoustic barrier	4,571,010	-	4,571,010	-	-	-
Information project	3,872,707	-	3,872,707	2,483,570	-	2,483,570
Housing projects of Toll stations and service zones	2,037,663	-	2,037,663	39,566,332	-	39,566,332
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Three big system construction project	-	-	-	4,637,877	-	4,637,877
Others	631,252	-	631,252	402,280	-	402,280
<b>Total</b>	<b>13,073,662</b>	<b>-</b>	<b>13,073,662</b>	<b>49,051,089</b>	<b>-</b>	<b>49,051,089</b>

(2) Changes in significant construction in progress

Unit: RMB

Project	Budget amount	Opening balance	Increase in current year	Transfer to fixed assets	Transfer to intangible assets	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Source of funds
Information project	10,151,965	2,483,570	4,045,338	1,215,365	1,440,835	3,872,708	64	In progress	Own funds
Housing projects of Toll stations and service zones	50,460,427	39,566,332	2,517,158	40,045,827	-	2,037,663	83	In progress	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	1,961,030	78	In progress	Own funds
Three big system construction project	24,248,401	4,637,877	19,610,524	24,248,401	-	-	100	Completed	Own funds
Others	N/A	402,280	754,877	525,906	-	631,251		In progress	Own funds
<b>Total</b>		<b>49,051,089</b>	<b>31,498,907</b>	<b>66,035,499</b>	<b>1,440,835</b>	<b>13,073,662</b>			

(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 2017

## 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	17,049,113,097	1,725,422,593	48,246,223	18,822,781,913
2. Increase in the current year	-	-	1,440,835	1,440,835
(1) Purchase	-	-	-	-
(2) Transferred from construction in progress	-	-	1,440,835	1,440,835
3. Decrease in the current year	-	-	-	-
4. Closing balance	17,049,113,097	1,725,422,593	49,687,058	18,824,222,748
II. Total accumulated amortization				
1. Opening carrying amount	6,140,660,653	1,080,717,385	9,397,848	7,230,775,886
2. Increase in the current year	565,888,372	63,861,063	9,927,545	639,676,980
(1) Amortization accrued	565,888,372	63,861,063	9,927,545	639,676,980
3. Decrease in the current year	-	-	-	-
4. Closing carrying amount	6,706,549,025	1,144,578,448	19,325,393	7,870,452,866
III. Total provision for impairment losses				
1. Opening carrying amount	-	-	-	-
2. Increase in the current year	217,737,524	-	-	217,737,524
3. Decrease in the current year	-	-	-	-
4. Closing carrying amount	217,737,524	-	-	217,737,524
IV. Total net book value of intangible assets				
Closing net book value	10,124,826,548	580,844,145	30,361,665	10,736,032,358
Opening net book value	10,908,452,444	644,705,208	38,848,375	11,592,006,027

### 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	<b>233,780,079</b>	<b>58,445,020</b>	16,053,024	4,013,256
Provisions	<b>8,010,000</b>	<b>2,002,500</b>	-	-
Difference between service zone lease income recognized under tax policies and that under accounting policies	<b>37,144,767</b>	<b>9,286,192</b>	-	-
Total	<b>278,934,846</b>	<b>69,733,712</b>	16,053,024	4,013,256

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 13. 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 available-for-sale financial assets	378,000,000	94,500,000	562,000,000	140,500,000
Total	378,000,000	94,500,000	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	69,733,712	-	4,013,256
Deferred tax liabilities	69,733,712	24,766,288	4,013,256	136,486,744

### 14. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Entrusted loan (Note 1)	1,440,000,000	1,540,000,000
Less: Entrusted loan due within 1 year	50,000,000	-
Entrusted loan due after 1 year	1,390,000,000	1,540,000,000
Loans to joint venture (Note 2)	489,000,000	369,000,000
Less: loans to joint ventures due within one year	300,000,000	-
Loans to joint ventures due after one year	189,000,000	369,000,000
Loans to related parties (Note 3)	600,365,258	602,382,050
Apartment procurement for talents	11,216,678	7,477,785
Total	2,190,581,936	2,518,859,835

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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:* Loans to joint ventures at the year-end refer to the loan to Hanwei Company provided by the Group with the maturity not exceeding 3 years, of which the amount of RMB369,000,000 bears 8% annual interest rate and the amount of RMB120,000,000 bears 4.75% annual interest rate.

*Note 3:* Loan to a subsidiary represents medium term note "15 NinghuGao MTN2" issued by the Company on 3 December 2015 and allocated to Guangjing Xicheng Company at an amount of RMB600,000,000, 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	<b>1,593,000,000</b>	630,000,000
Including: Unsecured loans	<b>1,389,000,000</b>	450,000,000
Entrusted loans ( <i>Note 1</i> )	<b>204,000,000</b>	180,000,000
Non-bank financial institutions loans	<b>1,270,000,000</b>	140,000,000
Including: Unsecured loans	<b>300,000,000</b>	–
Entrusted loans ( <i>Note 2</i> )	<b>970,000,000</b>	140,000,000
Total	<b>2,863,000,000</b>	770,000,000

*Note 1:* Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company") through China CITIC Bank on 15 August 2017, for which the principal amount is RMB160,000,000, annual interest rate 4.35%, and duration period 1 year; and provided by Ninghu Investment through SPDB on 26 June 2017 and 1 August 2017 respectively, for which the principal amounts are RMB18,000,000 and 26,000,000, annual interest rate 4.35%, and duration period 1 year.

*Note 2:* Entrusted loans from financial institutions other than banks are provided by Ningchang Zhenli Company, the subsidiary of the Group through Group Finance Company as at 23 January 2017, 23 February 2017, 28 March 2017, 27 April 2017, 31 May 2017, 29 June 2017, 27 July 2017, 30 August 2017, 27 September 2017, 26 October 2017, 28 January 2017, 25 December 2017 respectively, for which the principal amounts are RMB60,000,000, RMB70,000,000, RMB80,000,000, RMB80,000,000, RMB70,000,000, RMB70,000,000, RMB70,000,000, RMB70,000,000, RMB70,000,000, RMB70,000,000, RMB70,000,000, RMB190,000,000, and RMB70,000,000, annual interest rate 3.5%, and duration period 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	<b>194,958,061</b>	205,051,892
Toll road fee payable	<b>39,497,555</b>	28,659,493
Purchase of petroleum payable	<b>40,425,661</b>	15,607,084
Deposit payable for rent	<b>26,567,000</b>	13,367,000
Others	<b>40,392,381</b>	47,591,288
Total	<b>341,840,658</b>	310,276,757

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	<b>266,947,163</b>	280,647,727
More than 1 year but not exceeding 2 years	<b>48,844,136</b>	12,087,246
More than 2 years but not exceeding 3 years	<b>9,120,542</b>	548,164
More than 3 years	<b>16,928,817</b>	16,993,620
Total	<b>341,840,658</b>	310,276,757

(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	<b>18,436,959</b>	Long settlement procedure of the project
Bonds underwriting expenses payable	<b>14,250,000</b>	MTN underwriting expenses
Margin payable	<b>13,367,000</b>	Service zone lease margin
Total	<b>46,053,959</b>	

### 17. 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	764,117	502,207,590	501,992,775	<b>978,932</b>
2. Post-employment benefits – Defined contribution plan	–	87,970,931	87,970,931	–
3. Termination benefits	–	713,789	713,789	–
4. Other welfare due within one year	–	–	–	–
Total	764,117	590,892,310	590,677,495	<b>978,932</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 17. 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	–	376,779,876	376,779,876	–
II. Staff welfare	–	1,666,509	1,666,509	–
III. Social security contributions	–	47,878,016	47,878,016	–
Including: Medical insurance	–	43,901,233	43,901,233	–
Work injury insurance	–	2,101,590	2,101,590	–
Maternity insurance	–	1,875,193	1,875,193	–
IV. Housing funds	–	36,330,361	36,330,361	–
V. Union running costs and employee education costs	764,117	10,006,982	9,792,167	<b>978,932</b>
VI. Non-monetary welfare	–	18,893,372	18,893,372	–
VII. Others	–	10,652,474	10,652,474	–
<b>Total</b>	<b>764,117</b>	<b>502,207,590</b>	<b>501,992,775</b>	<b>978,932</b>

#### (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	–	57,012,745	57,012,745	–
2. Unemployment insurance	–	1,607,704	1,607,704	–
3. Enterprise annuity payment	–	29,350,482	29,350,482	–
<b>Total</b>	<b>–</b>	<b>87,970,931</b>	<b>87,970,931</b>	<b>–</b>

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% and 0.5% – 1% of the employee's monthly basic wage based on last year's salary. The Company 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 Company no longer undertakes 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 RMB57,012,745, RMB29,350,482 and RMB1,607,704 to basic pension insurance, annuity scheme, unemployment insurance plan respectively (2016: RMB52,603,110, RMB25,162,251 and RMB2,699,176). All the contribution had paid over to the schemes as at 31 December 2017.

#### (2) Non-monetary welfare

Non-monetary benefits are RMB18,893,372 (2016: RMB19,720,326), which represent purchased non-monetary welfare goods and holiday gifts that distributed to employees etc., calculated on a certified basis of purchase costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 18. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	155,107,042	125,102,842
VAT	21,340,519	18,314,877
Property tax	1,340,070	1,154,822
Individual income tax	4,394,399	3,640,470
City construction and maintenance tax	1,446,673	1,278,640
Others	2,309,981	2,246,921
<b>Total</b>	<b>185,938,684</b>	<b>151,738,572</b>

## 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	8,932,215	10,475,533
Amount of ETC prepaid cards collected on behalf of the internet network settlement center	58,740	7,381,137
Others	7,725,309	3,574,691
<b>Total</b>	<b>16,716,264</b>	<b>21,431,361</b>

(2) Significant other payables with aging more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carrying forward
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	1,618,920	1,718,718
Bonds payable due within one year	499,222,456	-
<b>Total</b>	<b>500,841,376</b>	<b>1,718,718</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	<b>17,808,121</b>	20,624,619
Including: Guaranteed loan (Note 1)	<b>17,808,121</b>	20,624,619
Non-bank financial institutions loans	-	100,000,000
Including: Entrusted loans	-	100,000,000
Subtotal	<b>17,808,121</b>	120,624,619
Less : long-term borrowings due within one year	<b>1,618,920</b>	1,718,718
Long-term borrowings due after one year	<b>16,189,201</b>	118,905,901

Explanation 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 USD2,725,371.

- (3) Analysis of maturity for long-term borrowings over one year is as follows

Item	2017	2016
1-2 years	<b>1,618,920</b>	1,718,718
2-5 years	<b>4,856,760</b>	105,156,155
Over 5 years	<b>9,713,521</b>	12,031,028
Total	<b>16,189,201</b>	118,905,901

- (4) Other explanations

As at 31 December 2017, interest rate of the loans above is 2 %.(31 December 2016: 2%-6.46%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
<b>2017:</b>				
Capital premium	4,657,648,647	–	–	<b>4,657,648,647</b>
Including: Capital contributed by investors	4,801,561,763	–	–	<b>4,801,561,763</b>
Differences arising from business combination involving enterprises under common control	(143,913,116)	–	–	<b>(143,913,116)</b>
Other capital reserve	2,670,001,680	–	–	<b>2,670,001,680</b>
Including: Share of capital reserve of the investee under the equity method(Note)	(12,975,555)	–	–	<b>(12,975,555)</b>
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	<b>2,682,977,235</b>
Total	7,327,650,327	–	–	<b>7,327,650,327</b>
<b>2016:</b>				
Capital premium	4,657,648,647	–	–	<b>4,657,648,647</b>
Including: Capital contributed by investors	4,801,561,763	–	–	<b>4,801,561,763</b>
Differences arising from business combination involving enterprises under common control	(143,913,116)	–	–	<b>(143,913,116)</b>
Other capital reserve	2,681,390,888	–	11,389,208	<b>2,670,001,680</b>
Including: Share of capital reserve of the investee under the equity method	(1,586,347)	–	11,389,208	<b>(12,975,555)</b>
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	<b>2,682,977,235</b>
Total	7,339,039,535	–	11,389,208	<b>7,327,650,327</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 recognized 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				
<b>2017</b>								
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								
Including: Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss (Note 1)	523,963,820	(207,480,129)	-	(46,000,000)	(161,480,129)	-		<b>362,483,691</b>
Profit or loss from change in fair value of available-for-sale financial assets (Note 2)	102,463,820	(23,480,129)	-	-	(23,480,129)	-		<b>78,983,691</b>
	421,500,000	(184,000,000)	-	(46,000,000)	(138,000,000)	-		<b>283,500,000</b>
Total other comprehensive income	523,963,820	(207,480,129)	-	(46,000,000)	(161,480,129)	-		<b>362,483,691</b>
<b>2016</b>								
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								
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	561,406,148	-	140,500,000	420,906,148	-		<b>523,963,820</b>
Profit or loss from change in fair value of available-for-sale financial assets (Note 2)	103,057,672	(593,852)	-	-	(593,852)	-		<b>102,463,820</b>
	-	562,000,000	-	140,500,000	421,500,000	-		<b>421,500,000</b>
Total other comprehensive income	103,057,672	561,406,148	-	140,500,000	420,906,148	-		<b>523,963,820</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
<b>2017:</b>				
Statutory surplus reserve	2,518,873,750	–	–	<b>2,518,873,750</b>
<b>2016:</b>				
Statutory surplus reserve	2,518,873,750	–	–	<b>2,518,873,750</b>

*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 2017, the Company didn't transfer any more.

### 25. Retained profits

Unit: RMB

Item	2017	2016
Opening retained profits	<b>5,155,973,964</b>	4,366,690,246
Add: Net profit attributable to owners of the Company for the year	<b>2,958,588,080</b>	2,804,382,718
Less: Appropriation to statutory surplus reserve	–	–
Declaration of dividends on ordinary shares	<b>2,115,853,950</b>	2,015,099,000
Closing retained profits	<b>5,998,708,094</b>	5,155,973,964

*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 2017, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.42 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 23 March 2018, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2017, cash dividends of RMB0.44 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 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 26. Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Operating income	Operating cost	Operating income	Operating cost
Principal operating income	<b>6,551,657,907</b>	<b>2,924,428,999</b>	6,221,698,851	2,804,984,320
Including: Shanghai-Nanjing Expressway	<b>4,804,374,867</b>	<b>1,295,089,018</b>	4,572,683,126	1,221,713,458
Nanjing-Lianyungang Expressway and Nanjing-Nantong Expressway	<b>33,204,966</b>	<b>28,056,334</b>	24,961,001	16,569,477
Ancillary services	<b>1,714,078,074</b>	<b>1,601,283,647</b>	1,624,054,724	1,566,701,385
Total	<b>6,551,657,907</b>	<b>2,924,428,999</b>	6,221,698,851	2,804,984,320

### 27. Taxes and levies

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Business tax	–	48,239,459
City construction and maintenance tax	<b>12,226,480</b>	11,574,500
Education surcharge	<b>8,741,571</b>	8,267,500
Property tax	<b>12,298,415</b>	9,304,247
Land use tax	<b>6,693,634</b>	6,069,401
Others	<b>1,357,210</b>	1,299,952
Total	<b>41,317,310</b>	84,755,059

### 28. Administrative expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salaries and additional remuneration	<b>34,479,070</b>	33,095,231
Depreciation and amortization	<b>78,041,835</b>	76,000,467
Audit fee	<b>3,200,000</b>	3,200,000
Consulting and intermediary service fee	<b>7,708,085</b>	10,169,504
Entertainment fee	<b>319,334</b>	363,824
Maintenance and repair costs	<b>2,743,512</b>	3,172,802
Office expenses	<b>334,103</b>	254,367
Travelling expenses	<b>379,649</b>	333,890
Vehicle related expenses	<b>546,516</b>	849,493
Others	<b>5,997,914</b>	5,426,939
Total	<b>133,750,018</b>	132,866,517

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 29. Financial expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Interest expenses	358,315,211	393,744,805
Less: Interest income	1,771,582	1,713,986
Exchange differences	(1,289,868)	3,123,995
Bond issue fee and other loan charges	8,893,618	18,615,744
Others	2,037,558	1,847,488
<b>Total</b>	<b>366,184,937</b>	<b>415,618,046</b>

### 30. Impairment losses on assets

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt provision (reversal)	(10,470)	92,839
Impairment losses on intangible assets	217,737,524	–
<b>Total</b>	<b>217,727,054</b>	<b>92,839</b>

### 31. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments under equity method	308,612,467	250,431,492
Income from long-term equity investments under cost method	412,856,260	384,035,506
Investment income from available-for-sale financial assets in the holding period	35,600,000	–
Investment income from disposal of available-for-sale financial assets	1,894,234	1,325,893
Other investment income	100,926,843	115,761,748
<b>Total</b>	<b>859,889,804</b>	<b>751,554,639</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 32. Gains(losses) from disposal of assets

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Gains from disposal of assets	104,295	67,072
Losses from disposal of assets	(2,760,737)	(2,727,170)
Total	(2,656,442)	(2,660,098)

### 33. Non-operating income

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

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Income from highway property compensation	5,127,000	4,777,172
Government grants	1,913,990	13,385,208
Others	1,656,320	19,228,915
Total	8,697,310	37,391,295

Government grants recognized in profit or loss for the current period:

Unit: RMB

Government grants	Amount recognized in the current year	Amount recognized in the prior year	Related to assets Related to income
Subsidies for energy conservation and emission reduction	-	12,930,000	Related to income
Subsidies for working steadily	1,913,990	455,208	Related to income
Total	1,913,990	13,385,208	

### 34. Non-operating expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Expenditure for repair of damaged highway property	13,322,764	14,979,852
Public welfare donations	420,000	600,000
Various funds	1,397,125	709,022
Others	1,350,136	1,787,802
Total	16,490,025	18,076,676

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 35. Income tax expenses

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current tax expenses	824,822,611	744,040,562
Deferred tax expenses	(65,720,455)	(23,210)
Provision of prior years' tax	-	3,191,160
<b>Total</b>	<b>759,102,156</b>	<b>747,208,512</b>

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 recognized in the current year	Amount recognized in the prior year
Accounting profit	3,717,690,236	3,551,591,230
Income tax expenses calculated at 25% (prior year: 25%)	929,422,559	887,897,808
Effect of cost, expenses and loss that are not deductible for tax purposes	18,946,779	14,736,294
Effect of tax-free income	(189,267,182)	(158,616,750)
Adjustment to provision of prior years' tax	-	3,191,160
<b>Total</b>	<b>759,102,156</b>	<b>747,208,512</b>

### 36. Other comprehensive income

See Note (XIV) 23 for details.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 37. Supplementary information of income statement

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Employee benefits	590,892,310	551,700,156
Depreciation and amortization	757,239,798	706,874,789
Toll related expenses	81,431,550	96,467,944
Road maintenance expenses	111,413,479	96,272,621
System maintenance expenses	31,933,834	30,870,022
Petroleum in the service zone	1,378,114,462	1,331,447,565
Retail goods in the service zone	21,662,910	33,892,847
Catering cost in the service zone	24,621,945	44,703,384
Audit fee	3,200,000	3,200,000
Consulting and intermediary service fee	7,708,085	10,169,504
Advertisement fee	1,314,040	639,182
Others	48,646,604	31,612,823
<b>Total</b>	<b>3,058,179,017</b>	<b>2,937,850,837</b>

### 38. Notes to items in the cash flow statement

- (1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Receipts from compensation of damaged road and non-operating income items, etc.	8,491,916	37,628,538
Receipts from interest income of bank deposit	1,771,582	1,713,986
<b>Total</b>	<b>10,263,498</b>	<b>39,342,524</b>

- (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Payment of non-salary and other expenditure	44,471,792	39,696,677

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 38 Notes to items in the cash flow statement (Continued)

(3) Other cash receipts relating to investing activities

*Unit: RMB*

Item	Amount recognized in the current year	Amount recognized in the prior year
Withdrawing loans from related parties	<b>400,000,000</b>	1,885,000,000

(4) Other cash payments relating to investing activities

*Unit: RMB*

Item	Amount recognized in the current year	Amount recognized in the prior year
Loans to related parties	<b>120,000,000</b>	1,759,000,000

(5) Other cash receipts relating to financing activities

*Unit: RMB*

Item	Amount recognized in the current year	Amount recognized in the prior year
Bond issue fee and other charges of loans	<b>14,380,392</b>	33,836,355

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 39. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2017	2016
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	<b>2,958,588,080</b>	2,804,382,718
Add: Provision for impairment losses of assets	<b>217,727,054</b>	92,839
Depreciation of fixed assets	<b>117,562,818</b>	112,404,689
Amortization of intangible assets	<b>639,676,980</b>	594,470,100
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "—")	<b>2,656,442</b>	2,660,098
Financial expenses (income is indicated by "—")	<b>365,918,961</b>	415,531,393
Losses arising from investments (gains are indicated by "—")	<b>(859,889,804)</b>	(751,554,639)
Decrease in deferred tax assets (increase is indicated by "—")	<b>—</b>	3,990,046
Increase in deferred tax liabilities (decrease is indicated by "—")	<b>(65,720,455)</b>	(4,013,256)
Decrease in inventories (increase is indicated by "—")	<b>(113,539)</b>	(2,944,003)
Decrease in receivables from operating activities (increase is indicated by "—")	<b>(103,965,019)</b>	22,290,200
Increase in payables from operating activities (decrease is indicated by "—")	<b>93,745,980</b>	128,129,860
Net cash flow from operating activities	<b>3,366,187,498</b>	3,325,440,045
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>	<b>—</b>	<b>—</b>
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>135,125,679</b>	98,649,203
Less: Opening balance of cash	<b>98,649,203</b>	121,485,890
Net increase (decrease) in cash and cash equivalents	<b>36,476,476</b>	(22,836,687)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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 recognized in the current year	Amount recognized in the prior year
Modern R&B Company*	Road maintenance fee	21,261,261	31,667,718
Network Operation Company*	Maintenance and operating administration fees for toll collection system	17,850,896	21,029,272
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	7,074,621	-
Maintenance Technology Company*	Road maintenance fee	3,677,315	-
High-Speed Information Company	Communication system maintenance fee	1,979,820	-
Nanlin Hotel*	Food and beverage	88,087	107,664
Ningchang Zhenli Company	Interest expenses of entrusted loan	19,846,110	29,353,333
Group Finance Company*	Interest expenses of working capital loan	22,844,214	-
Far East Shipping Company*	Interest expenses of entrusted loan	7,600,417	8,581,215
Ninghu Investment	Interest expenses of entrusted loan	2,166,500	-
Runyang Bridge Company*	Interest expenses of entrusted loan	1,363,060	9,657,998
Zhendan Expressway*	Interest expenses of entrusted loan	-	26,833

Sales of goods, provision of service and interest income of loans with related parties

Unit: RMB

Related party	Type of related party transactions	Amount recognized in the current year	Amount recognized in the prior year
Ninghu Properties	Interest income from entrusted loans	70,893,403	94,157,778
Hanwei Company	Interest income from entrusted loans	34,537,500	26,960,667
Guangjing Xicheng Company*	Interest income from loans to related parties	25,321,047	28,668,998
Tongxingbao Company*	ETC customer-service network management income	2,199,378	-
Network Operation Company*	ETC customer-service network management income	-	1,468,467
Kuailu Co., Ltd.	Toll road income	1,846,078	2,400,000
Group Finance Company*	Interest income from deposits	24,935	5,793
Kuailu Co., Ltd.	Petrol income	554,006	2,921,750
Luode Equity Company	Petrol income	4,232	12,282

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 abstained from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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	3,555,094	3,612,400
Modern R&B Company*	Fixed assets	1,689,967	1,690,000

- (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*	17,808,121	15 October 1998	18 July 2027	Not completed

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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*	(180,000,000.00)	15 August 2016	15 August 2017		– Entrusted loan with annual interest rate of 4.35%
Ningchang Zhenli Company	(120,000,000.00)	29 November 2016	28 November 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	(20,000,000.00)	28 December 2016	27 December 2017		– Entrusted loan with annual interest rate of 4.00%
Ningchang Zhenli Company	60,000,000.00	23 January 2017	22 January 2017	60,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	23 February 2017	22 February 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	80,000,000.00	28 March 2017	27 March 2018	80,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	80,000,000.00	27 April 2017	26 April 2018	80,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	31 May 2017	30 May 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	29 June 2017	28 June 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	27 July 2017	26 July 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	30 August 2017	29 August 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	27 September 2017	28 September 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	26 October 2017	25 October 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	190,000,000.00	28 November 2017	27 November 2018	190,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ningchang Zhenli Company	70,000,000.00	26 December 2017	25 December 2018	70,000,000.00	Entrusted loan with annual interest rate of 3.50%
Ninghu Investment	170,000,000.00	26 June 2017	26 June 2018		– Entrusted loan with annual interest rate of 3.50%
Ninghu Investment	(152,000,000.00)	26 June 2017	26 June 2018	18,000,000.00	Entrusted loan with annual interest rate of 3.50%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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
Ninghu Investment	40,000,000.00	1 August 2017	1 August 2018	-	Entrusted loan with annual interest rate of 3.50%
Ninghu Investment	(14,000,000.00)	1 August 2017	1 August 2018	26,000,000.00	Entrusted loan with annual interest rate of 3.50%
Group Finance Company	100,000,000.00	30 March 2017	29 March 2018	100,000,000.00	Entrusted loan with annual interest rate of 3.92%
Group Finance Company	200,000,000.00	11 May 2017	10 May 2018	200,000,000.00	Entrusted loan with annual interest rate of 4.13%
Communications Holding	50,000,000.00	9 June 2017	8 September 2017	-	Entrusted loan with annual interest rate of 4.13%
Communications Holding	(50,000,000.00)	9 June 2017	8 September 2017	-	Entrusted loan with annual interest rate of 4.13%
Runyang Bridge Company	(100,000,000.00)	26 February 2013	25 February 2019	-	Entrusted loan with annual interest rate of 6.4566%
Lend to (collect from): Guangjing Xicheng	-	3 December 2015	4 December 2020	593,418,823	Borrowings from a related party with annual interest rate of 3.69%
Guangjing Xicheng	(300,000,000.00)	16 June 2016	10 March 2017	-	Borrowings from a related party with annual interest rate of 2.98%
Ninghu Properties	-	2 September 2016	1 September 2021	300,000,000.00	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	-	9 November 2016	1 September 2021	200,000,000.00	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	-	9 November 2016	8 November 2021	190,000,000.00	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	-	2 September 2016	2 September 2021	200,000,000.00	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	-	20 October 2016	20 October 2021	500,000,000.00	Entrusted loan with annual interest rate of 4.75%
Ninghu Properties	(100,000,000.00)	21 September 2015	21 September 2018	50,000,000.00	Entrusted loan with annual interest rate of 5.00%
Hanwei Company	-	26 March 2015	26 March 2018	300,000,000.00	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	-	18 July 2016	18 July 2019	69,000,000.00	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	120,000,000.00	16 March 2017	16 March 2020	120,000,000.00	Loan from a related party with annual interest rate of 4.75%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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*	(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%
Ningchang Zhenli Company	50,000,000	24 May 2016	23 May 2017		– Entrusted loan with annual interest rate of 4.00%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. 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
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%
Zhendān Expressway Runyang Bridge Company*	(30,000,000)	24 September 2015	23 September 2016		- Entrusted loan with annual interest rate of 4.60%
Zhendān Expressway 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 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (4) Borrowings from and loans to related parties (Continued)

Related party	Amount of Borrowing / loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Lend to(collect from): Guangjing Xicheng*	-	3 December 2015	4 December 2020	593,418,823	Borrowings from a related party with annual interest rate of 3.69%
Guangjing Xicheng*	300,000,000	16 June 2016	10 March 2017	300,000,000	Borrowings 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	-	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 from 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 from 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 recognized in the current year	Amount recognized in the prior year
Compensation for key management personnel	<b>3,433,977</b>	3,923,426

#### (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 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) Amounts due from/to related parties

*Amounts due from related parties*

Unit: RMB

Account	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits	Group finance Company	50,817,295	-	117,698	-
Accounts receivable (Note)	Sujiahang Company	6,403,149	-	7,629,252	-
	Guangjing Xicheng Company	3,290,603	-	3,621,559	-
	Ningchang Zhenli Company	443,428	-	483,571	-
	Yangtze Bridge Company	418,771	-	487,433	-
	Kuailu Co., Ltd.	4,795	-	-	-
	Ninghu Investment	20,177	-	-	-
	Luode Company	1,197	-	-	-
	Riverine Expressway	-	-	158,405	-
Sub-total		10,582,120	-	12,380,220	-
Other receivables	Ninghu Investment	18,715	-	27,787	-
Other current assets	Guangjing Xicheng Company	-	-	303,141,833	-
Other non-current assets(including loans due within 1 year)	Ninghu Properties	1,440,000,000	-	1,540,000,000	-
	Guangjing Xicheng Company	600,365,258	-	602,382,050	-
	Hanwei Company	489,000,000	-	369,000,000	-
Sub-total		2,529,365,258	-	2,511,382,050	-
Interest receivables	Hanwei Company	80,231,500	-	45,694,000	-
	Ninghu Properties	2,093,819	-	2,246,597	-
Sub-total		82,325,319	-	47,940,597	-
Dividends receivables	Kuailu Co., Ltd.	4,989,960	-	4,989,960	-

Note: At 31 December 2017, 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 RMB153,943,969 (31 December 2016: RMB55,807,163). 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 2017

## XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### 40. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(7) Amounts due from/to related parties (Continued)

*Amounts due to related parties*

Unit: RMB

Account	Related party	Closing balance	Opening balance
Accounts payable (Note)	Modern R&B Company	6,100,000	9,200,000
	High-Speed Information Company	1,944,350	–
	Sujiahang Company	1,540,304	2,593,155
	Guangjing Xicheng Company	1,497,967	1,901,924
	Riverine Expressway	1,439,725	1,646,782
	Ningchang Zhenli Company	1,207,980	1,600,864
	Yangtze Bridge Company	1,171,639	1,618,234
	Network Operation Company	–	839,912
Sub-total		14,901,965	19,400,871
Receipts in advance	Kuailu Co., Ltd.	846,609	358,173
	Modern R&B Company	80,000	80,000
	Network Operation Company	–	1,146,794
Sub-total		926,609	1,584,967
Other payables	Network Operation Company	58,740	7,381,137
Short-term borrowings	Ningchang Zhenli Company	970,000,000	140,000,000
	Far East Shipping Company	160,000,000	180,000,000
	Group Finance Company	300,000,000	–
	Ninghu Investment	44,000,000	–
Sub-total		1,474,000,000	320,000,000
Interest payable	Ningchang Zhenli Company	1,037,361	155,556
	Group Finance Company	372,167	–
	Far East Shipping Company	212,667	239,250
	Ninghu Investment	47,056	–
	Runyang Bridge Company	–	197,285
Sub-total		1,669,251	592,091
Long-term borrowings (including long-term borrowings due within 1 year)	Runyang Bridge Company	–	100,000,000

Note: At 31 December 2017, besides the accounts payable to related party stated above, there are split toll road fee payables to other Toll Road Network Companies which amounted to RMB21,801,878 (31 December 2016: RMB19,298,534). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which these Toll Road Network Companies 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

For the year ended 31 December 2017

## 1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	5,659,248
Government grants recognized in profit or loss for the current period	(4,494,581)
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	(12,183,544)
Net profit or loss of subsidiaries from business combination involving enterprises under common control for the period from the beginning of the period to the combination date.	–
Reversal of provisions for impairment of accounts receivable that are tested for impairment individually	–
Interest income from entrusted loans	(31,623,260)
Other non-operating income or expenses other than the above	13,211,084
Tax effects	7,357,764
Effects attributable to minority interests	(197,081)
<b>Total</b>	<b>(22,270,370)</b>

## 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%	0.7122	N/A
Net profit after deduction of non-recurring profits or losses	15.96%	0.7078	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 recognized in the current year	Amount recognized in the prior year
Net profit for the current year attributable to ordinary shareholders	<b>3,587,861,857</b>	3,346,063,867
Including: Net profit from continuing operations	<b>3,587,861,857</b>	3,346,063,867
Net profit from discontinued operations	–	–

## SUPPLEMENTARY INFORMATION

For the year ended 31 December 2017

### 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 recognized in the current year	Amount recognized 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 recognized in the current year	Amount recognized in the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.7122	0.6642
Diluted earnings per share (Note)	N/A	N/A
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.7122	0.6642
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 2017, there were no dilutive potential ordinary shares issued by the Group.

## SUPPLEMENTARY INFORMATION

For the year ended 31 December 2017

### 4. THE GROUP'S SUMMARY OF PERFORMANCE, ASSETS AND LIABILITIES IN THE PAST FIVE ACCOUNTING YEARS

Unit: RMB

Item	2017	2016	2015	2014	2013
<b>I. Total operating income</b>	<b>9,455,680,365</b>	9,201,297,066	8,761,321,186	8,830,860,795	8,333,109,668
Including: Operating income	<b>9,455,680,365</b>	9,201,297,066	8,761,321,186	8,830,860,795	8,333,109,668
Less: Total operating costs	<b>5,320,013,514</b>	5,268,508,210	5,700,480,153	6,070,494,998	5,572,748,261
Including: Operating costs	<b>4,334,469,882</b>	4,363,720,292	4,414,950,181	4,674,829,859	4,247,826,667
Taxes and levies	<b>87,587,512</b>	193,471,915	304,540,194	273,402,548	226,700,279
Selling expenses	<b>11,891,705</b>	26,762,163	15,804,477	13,806,381	9,832,355
Administrative expenses	<b>187,898,191</b>	182,065,269	185,570,228	212,989,851	208,314,812
Financial expenses	<b>480,441,961</b>	502,388,296	778,935,597	895,551,358	879,801,731
Impairment losses of assets	<b>217,724,263</b>	100,275	679,476	(84,999)	272,417
Add: Gains from changes in fair values	<b>5,659,094</b>	(2,674,334)	6,935,829	3,066,189	2,109,937
Investment income	<b>586,872,528</b>	472,966,663	444,068,189	352,287,304	315,399,461
Including: Income from investments in associates and joint ventures	<b>494,404,818</b>	438,033,337	340,332,126	310,937,218	265,462,186
Gains(losses) from disposal of assets	<b>(5,659,248)</b>	(3,570,996)	(628,207,181)	(2,606,420)	82,838,010
Other income	<b>1,828,188</b>	-	-	-	-
<b>II. Operating profit</b>	<b>4,724,367,413</b>	4,399,510,189	2,883,637,870	3,113,112,870	3,160,708,815
Add: Non-operating income	<b>14,176,399</b>	44,626,929	40,914,950	20,333,754	16,546,622
Less: Non-operating expenses	<b>24,721,090</b>	26,861,204	29,497,944	29,396,408	27,755,346
<b>III. Total profit</b>	<b>4,713,822,722</b>	4,417,275,914	2,895,054,876	3,104,050,216	3,149,500,091
Less: Income tax expenses	<b>1,029,003,204</b>	980,138,120	305,144,944	807,730,901	851,871,378

## SUPPLEMENTARY INFORMATION

For the year ended 31 December 2017

### 4. THE GROUP'S SUMMARY OF PERFORMANCE, ASSETS AND LIABILITIES IN THE PAST FIVE ACCOUNTING YEARS (Continued)

Unit: RMB

Item	2017	2016	2015	2014	2013
<b>IV. Net profit</b>	<b>3,684,819,518</b>	3,437,137,794	2,589,909,932	2,296,319,315	2,297,628,713
(I) Categorized by the nature of continuing operation					
1. Net profit(loss) from continuing operations	<b>3,684,819,518</b>	3,437,137,794	2,589,909,932	2,296,319,315	2,297,628,713
2. Net profit (loss) from discontinued operations	-	-	-	-	-
(II) Categorized by ownership:					
1. Profit or loss attributable to minority interests	<b>96,957,661</b>	91,073,927	83,280,524	68,411,484	63,683,322
2. Net profit(loss) attributable to owners of the Company	<b>3,587,861,857</b>	3,346,063,867	2,506,629,408	2,227,907,831	2,233,945,391
<b>V. Other comprehensive income, net of tax</b>	<b>(161,480,129)</b>	420,906,148	(67,406,144)	93,030,727	14,452,952
Other comprehensive income attributable to owners of the Company, net of tax	<b>(161,480,129)</b>	420,906,148	(67,406,144)	93,030,727	14,452,952
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-	-	-	-
(II) Other comprehensive income that will be reclassified to profit or loss	<b>(161,480,129)</b>	420,906,148	(67,406,144)	93,030,727	14,452,952
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method	<b>(161,480,129)</b>	420,906,148	(67,406,144)	93,030,727	14,452,952
Other comprehensive income attributable to minority interests, net of tax	-	-	-	-	-
<b>VI. Total comprehensive income:</b>	<b>3,523,339,389</b>	3,858,043,942	2,522,503,788	2,389,350,042	2,312,081,665
Total comprehensive income attributable to owners of the Company	<b>3,426,381,728</b>	3,766,970,015	2,439,223,264	2,320,938,558	2,248,398,343
Total comprehensive income attributable to minority interests	<b>96,957,661</b>	91,073,927	83,280,524	68,411,484	63,683,322
<b>VII. Earnings per share:</b>					
(I) Basic earnings per share	<b>0.7122</b>	0.6642	0.4976	0.4422	0.4434
(II) Diluted earnings per share	<b>N/A</b>	N/A	N/A	N/A	N/A



## SUPPLEMENTARY INFORMATION

For the year ended 31 December 2017

### 4. THE GROUP'S SUMMARY OF PERFORMANCE, ASSETS AND LIABILITIES IN THE PAST FIVE ACCOUNTING YEARS (Continued)

*Unit: RMB*

Item	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Total assets	<b>42,532,491,238</b>	36,282,573,529	36,476,039,663	37,481,216,616	37,229,589,856
Total liabilities	<b>16,637,560,626</b>	13,340,716,540	15,289,867,555	15,781,633,851	16,017,457,407
Minority interest	<b>2,374,646,649</b>	732,100,804	710,012,832	683,602,703	601,160,548
Total equity attributable to shareholders of the parent company	<b>23,520,283,963</b>	22,209,756,185	20,476,159,276	21,015,980,062	20,610,971,901

# CONFIRMATION OPINION TO 2017 ANNUAL REPORT BY DIRECTORS AND SENIOR MANAGEMENT

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

## Directors



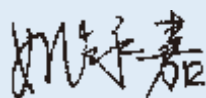
Chang Qing



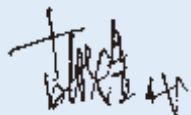
Gu De Jun



Du Wen Yi



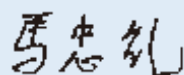
Yao Yong Jia



Wu Xin Hua



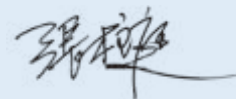
Hu Yu



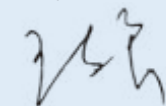
Ma Chong Lai, Lawrence



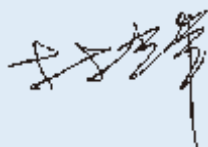
Zhang Er Zhen



Zhang Zhu Ting

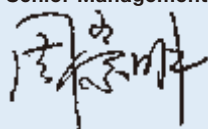


Chen Liang



Lin Hui

## Senior Management Members



Zhou Chong Ming



Li Jie



Yu Lan Ying

Jiangsu Expressway Company Limited  
27 March 2018



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)